

NORTH LINCOLNSHIRE COUNCIL

AUDIT COMMITTEE

INTERIM INTERNAL AUDIT REPORT 2020/21

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 The interim internal audit report provides an update on Internal Audit activity up to 20 December 2020, including the impact of COVID 19 on the delivery and content of the audit plan.
- 1.2 As a result of the impact of COVID 19 the audit plan has been subject to amendment and re-prioritisation. Although it is forecasted that sufficient work will be carried out by 31 May 2020 to provide a reliable annual audit opinion on the Council's control environment, there remains risk to its delivery that need to continue to be managed.

2. BACKGROUND INFORMATION

- 2.1 It is a requirement of the PSIAS for the Audit Committee to receive regular updates on the activities of Internal Audit, in particular:
 - providing assurance that sufficient work will be carried to provide a reliable risk based annual opinion on the effectiveness of the control environment and any amendments to the audit plan;
 - bringing to the Committee's attention any issues identified during the course of the 2020/21 audit which could impact on the annual opinion; and
 - providing assurance of Internal Audit's compliance with Public Sector Internal Audit Standards (PSIAS).
- 2.2 On 20 May 2020, the Audit and Governance Committee formally approved a plan consisting of 1145 days. As communicated to the Committee due to the impact of the pandemic there was likely to be a greater degree of ongoing amendment and re-prioritisation to the plan than in previous years. The attached report on Appendix 1 prepared by the Head of Audit and Assurance provides an update on the delivery of the audit plan up to 20 December 2020.

Although it forecasts that sufficient work should be carried out by May 2021 to provide a reliable opinion on the Council's control environment during the year the plan has been subject to significant change, whilst the ongoing impact of the pandemic means that that risk to the delivery of the plan remains a risk that needs to be managed.

2.3 A list of final reports issued up to 20 December 2020 is shown within the report. There is currently one limited assurance report, but this should not impact on the overall annual audit opinion. It is anticipated that the annual audit report and opinion will have significant focus on the Council's response to COVID-19.

2.4 When preparing this report, the Head of Audit and Assurance also considers whether this a need to amend the Audit Charter, which defines internal audit purpose, authority, responsibility, and position within an organisation. There is no requirement to amend it this year as there have been no changes to Internal Audit's scope or the standards.

3. OPTIONS FOR CONSIDERATION

3.1 In its role as the body charged with governance the Audit Committee is asked to consider the progress against the delivery of the audit plan.

4. ANALYSIS OF OPTIONS

4.1 It is a requirement of the PSIAS for the Audit Committee to receive updates on progress against the delivery of the audit plan.

5. FINANCIAL AND OTHER RESOURCE IMPLICATIONS (e.g. LEGAL, HR, PROPERTY, IT, COMMUNICATIONS etc.)

5.1 There are no specific resource implications relating to this report.

6. OTHER RELEVANT IMPLICATIONS (e.g. CRIME AND DISORDER, EQUALITIES, COUNCIL PLAN, ENVIRONMENTAL, RISK etc.)

6.1 The delivery of the audit plan contributes to the Council's approach to risk management by identifying and testing the design and operation of controls to mitigate risk. In addition, most audit assignments provide an opinion on the prevailing residual risk.

7. OUTCOMES OF INTEGRATED IMPACT ASSESSMENT (IF APPLICABLE)

7.1 An Integrated Impact Assessment is not required.

8. **OUTCOMES OF CONSULTATION AND CONFLICTS OF INTERESTS DECLARED**

8.1 Not applicable.

9. **RECOMMENDATIONS**

9.1 That the Audit Committee is asked to receive the Interim Internal Audit Report 2020/21

DIRECTOR OF GOVERNANCE AND PARTNERSHIPS

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Date: 12 January 2021

Background Papers used in the preparation of this report

Internal Audit Plan 2019/20 (May 2020)

APPENDIX 1



North Lincolnshire Council

Interim Audit Report 2020/21

Month 9

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Introduction

The purpose of the briefing paper is to keep the Audit Committee Members informed in relation to the delivery of the audit plan, in particular:

- providing assurance that sufficient work will be carried to provide a reliable risk based annual opinion on the effectiveness of the control environment;
- bringing to the Committee's attention any issues identified during the course of the 2020/21 audit which could impact on the annual opinion; and
- providing assurance of Internal Audit's compliance with Public Sector Internal Audit Standards (PSIAS)

Delivery of the audit plan

On 20 May 2020, the Audit and Governance Committee formally approved a plan consisting of 1145 days. According to PSIAS 2010 "the chief audit executive must review and adjust the plan, as necessary, in response to changes in the organisation's business, risks, operations, programmes, systems, and controls". As communicated to the Committee due to the impact of the pandemic there was likely to be a greater degree of ongoing amendment and re-prioritisation to the plan than in previous years. Consequently, the plan has been amended to reflect following:

- the audit team has provided considerable advisory support during the pandemic including Covid-19 related grants (particularly business grants), support for implementation of changes to adult social care payments, advice on stock control for PPE and the deliveries of support to clinically extremely vulnerable people, and advice on applying changes to national procurement guidance resulting from the pandemic;
- in those areas facing significant challenges leading the Council's response to the pandemic it has been agreed to defer some of the less urgent audit work to 2021/22;
- additional work has been built into the audit plan for 2020/21 to provide assurance on the Council's response to COVID-19 and its recovery programme: this will cover three strands: as part of carrying out audit assignments assessing how services have managed the response to the pandemic, providing assurance on the use of additional resources received by the Council, and providing assurance on the governance of the recovery plan; and
- due to the challenges faced by schools during the pandemic, the number of schools' audits to be carried out in 2020/21 has been reduced.

A summary of the changes to the plan, together with the days charged at 20 December 2020 are shown in the table below. Explanations for the reasons for the amendments to the plan are shown in Appendix 1.

Days charged against the revised audit plan at 20 December 2020

Area	Original Planned Days	Revised Planned Days	Days at 20/12/21
Strategic and operational risk/ governance	457	368	169
Financial systems	140	140	84
ICT	55	55	39
Procurement and contract management	35	35	13
Schools	100	80	37
Grant Certification	25	37	20
Advisory	50	160	144
Follow up	40	40	35
Probity and Counter Fraud	75	116	112
Management time	75	75	56
Contingency	93	39	
Total	1145	1145	709

By 20 December 2020 709 days had been charged against the audit plan. This compares to the anticipated 668 days at this point in the audit cycle. We anticipate that sufficient work will be carried out to provide a reliable audit opinion on the Council's control environment by 31 May 2021, although risks to the delivery of the plan remain including:

- the continued impact of Covid-19 on Council priorities, the ability to carry out audit work in some areas, and the prioritisation of audit work (such as potentially continued support for business grants); and
- During summer 2020 two members of the audit team (one from NELC and one from NLC) left. A recruitment process has been instigated to replace them but even if successful the loss of staff is likely to impact on the resource available.

Advisory and other support work is an important part of audit's work. A summary of such work carried out is shown on Appendix 2.

Audit reports

A summary of audit reports issued since June 2020/21 is shown in Appendix 3. They include a small number of audits which were largely carried out as part of the 2019/20 audit plan but were reported in 2020/21 and therefore will be considered as part of the 2020/21 opinion. One audit has been provided with limited assurance.

Quality

As reported in previous year Internal Audit has a Quality and Assurance Improvement Programme (QAIP), which is reviewed annually. No significant amendments to the QAIP have been identified.

An important element of the standards is that every five years audit teams are subject to an external inspection in order to assess compliance with the Public Sector Internal Audit Standards. As previously the outcome of the external inspection held in March 2018 was that “the internal audit function for North Lincolnshire Council generally conforms to the Public Sector Internal Audit Standards”, where ‘Generally conforms’ is the top rating available.

During 2020/21 quality review measures have continued to have been carried out to ensure compliance with the standards including the following:

- continuing to ensure that all audit work is subject to supervision and review with any emerging issues discussed at team meetings;
- updating of the Audit Manual which provides guidance to staff on how to carry out their work and using virtual team meetings to talk about the various sections of the manual;
- further developing processes to remind service managers of their agreed audit actions resulting from audit reports, and enhanced escalation processes to improve their engagement with audit;
- testing of agreed actions implemented - at 20 December 2019 75% of agreed actions tested had been implemented by the due date which represents a significant improvement on the 2019/20 outturn;
- monitoring the % of respondents to post audit questionnaires who thought that an audit was carried out well- at 20 December 2020 this was 95%;
- monitoring the % of respondents to post audit questionnaires who thought that an audit added value- at 20 December 2020 this was 90%.
- monitoring the timeliness of audits- as at 20 December 73% of audits had been issued in draft by the date agreed in the terms of reference compared to a target of 90%, whilst 65% were issued in final within 20 working days of the issue of the draft- although still below target (and based on a relatively small number) this represents an improvement on the 2019/20 outturn of 51% and 49% respectively

Appendix 1: Changes to the audit plan

Area	Original Planned Days	Revised Planned Days	Days at 20 Dec	Reason for change in budget
Strategic and operational risk/ governance	457	368	169	See below for explanations for major changes to the plan
Financial systems	140	140	84	
ICT	55	55	39	
Procurement and contract management	35	35	13	
Schools	100	80	37	Schools audits impacted by schools' closures and subsequent restrictions on visiting schools. Some of the time used for two council wide audits. Currently determining the options for planned school visits in the spring term given the further lockdown announced on 4 January
Grant Certification	25	37	20	Additional time required time required due to covid-19 related grants
Advisory	50	160	144	Additional time required for advisory support in relation to the Council's response to Covid-19, particularly considerable time business grants
Follow up	40	40	35	
Probity and Counter Fraud	75	116	112	Additional time identified to take account of the biennial NFI and additional investigations
Management time	75	75	56	
Contingency	93	39		
Total	1145	1145	709	

New audits or scope expanded

Audit	Comments
Council Run Nurseries	Review of compliance with relevant guidance in respect of opening council run nursery settings following the COVID-19 pandemic.
COVID-19 Recovery Plan	Review of governance arrangements for the delivery of the COVID-19 recovery plan
Financial compliance	Larger sample taken than initially planned due to some issues identified with compliance
HR Recruitment Portal	Brought forward from the 2019/20 audit plan
Residential Care	Scope amended to focus on the application of infection control funding

Audits postponed or scope reduced

Audit	Comments
Care Leavers	Scope reduced to focus on the arrangements for bringing the previous out sourced arrangements back in house
Community grants	Audit postponed
Kingfisher Lodge - care standards S22	Audit postponed
Children 5-19 public health programme	Audit postponed
Community/ Customer engagement	Reduced resource required as only over review carried out to allow updated arrangements time need time to be embedded
Endemics and Pandemics	Planned work absorbed into the recovery plan audit
Governance arrangements - Partnerships	Reduced resource required as only overview carried out to allow updated arrangements time need time to be embedded

Growing the economy	Audit postponed until 2021/22 as the economic plan be re-considered to take account of the impacts of Covid-19. Economic development team currently focused on business grants and the recovery plan which are covered elsewhere in the audit plan.
Role of the Local Authority Designated Officer	Less time required than originally forecast to complete the audit
Role of the Monitoring Officer	Less time required than originally forecast to complete the audit
Role of the Principal Social Worker	Audit postponed until early 2021/22
Shared services (Joint with NELC)	Audit no longer a priority given the change to the scope of shared services and the governance arrangements during 2020/21

Appendix 2: Summary of advisory work provided by Internal Audit in 2020/21

- Certification of grant claims relating to COVID, troubled families, highways and transportation, and bus subsidies.
- Provided considerable support to the Council's response to COVID, including:
 - advice and support for the design of systems for the distribution of COVID related grants, particularly business grants;
 - advice and support on stock control for PPE and supplies to support clinically extremely vulnerable people;
 - advice and support relating to temporary changes for social care payments;
 - advice on the application of procurement rules during the pandemic; and
 - advice to Human Resources on the design of the self-isolation process.
- Continuing to provide advice to the Adult Social Care Financing Transformation Board
- Co-ordinating the production of the Audit Committee Annual Report 2019/20
- Providing support and advice on the investigation of potential data breaches
- Attending meetings of the Local Growth Monitoring team
- Facilitating a procurement fraud risk workshop with the procurement team
- Via membership of CIPFA's Better Governance Forum, inform relevant managers of national developments and emerging issues relating to internal control and governance which may impact upon their duties
- As part of audit's probity and fraud work, co-ordinating the submission of data for the 2020/22 National Fraud Initiative
- As part of audit's probity and fraud work supporting investigations into allegations of fraud or financial misconduct
- Advice on disabled facility grants retention schedules.
- Advice to schools relating to internal control queries
- Advice on waste management income collection systems

Appendix 3: 2020/21 Final Reports

Audits issued as Final as at 20 December 2020

See attachment

Key to control effectiveness:

Effectiveness	Action Level
Substantial Assurance	Strong controls support achievement of the business objectives.
Satisfactory Assurance	Controls support the business objectives, but some improvements should be made.
Limited Assurance	Controls provide some support for business objectives, but improvements are essential.
No Assurance	Controls do not support the achievement of business objectives.

Key for residual risk rating

Priority Level	Action Level
High	Significant possibility for substantial financial, service, reputational or personal safety issue (including the non-achievement of strategic outcomes). Action must be taken to mitigate the risk.
Medium	Potential for financial, service, reputational or personal safety issue (including the non-achievement of strategic outcomes). Depending on risk appetite, action should be taken to either mitigate the risk or accept that an event could occur and manage its impact.
Low	Risk is being suitably managed based on current knowledge. Should be regularly reviewed and monitored.

Audit work contributing to the 20/21 audit opinion as at 20 December 2020

Audit Assignment	Director	Assurance	Residual Risk	Comments
Governance, Strategic Risks and operational risks				
Adult Social Care Outcomes Framework	Director of Adults and Wellbeing	Substantial	Low	
Adults Data Quality	Director Resources and Governance/Director of Adults and Wellbeing			Although some areas for improvement were identified, there were no significant concerns identified regarding the reliability of Adult Social Care Data
Council Run Nurseries	Director of Children and Community Resilience	Substantial	Medium	Although a strong control environment is in place, the residual risk as medium. We have made this judgement because there is a risk to service delivery due to the amount of external factors in place in relation to the spread of COVID-19.
Flood Prevention	Director of Operations	Satisfactory	Medium	
Healthy Lifestyles	Director of Learning Skills and Culture	Limited	Medium	Audit testing has highlighted some areas where controls could be improved, these include ensuring a responsible officer is place for budget monitoring, confirming that staff have completed safeguarding training and producing process and procedures for the work of the team. There is also a need to review the team's current computer system to ensure it provides the most efficient way of working.
High Needs Assessment	Director of Learning, Skills and Culture	Substantial	Low	
HR - Self isolation process	Director: Business Development	Substantial	Medium	There are robust processes in place in relation to the self-isolation process and monitoring is taking place to ensure that guidelines are in line with the relevant guidance and regulations that have been subject to regular change. The medium risk assessment reflects the inherent risk due to the extent of the changing regulations
Role of Local Authority Designated Officer	Director of Children and Community Resilience	Substantial	Low	
Role of the Monitoring Officer	Director Resources and Governance	Substantial	Low	
SEND- pre inspection	Director of Learning, Skills and Culture	Substantial	Low	
Town Centre Management	Director: Business Development	Satisfactory	Medium	

Audit Assignment	Director	Assurance	Residual Risk	Comments
Financial systems				
Payroll	Director Resources and Governance	Substantial	Low	
Feeder Systems	Director of Resources and governance			To support our audit of the key financial systems we carry out audits of feeder systems on a cyclical basis. We have carried out audits on the early year system, pest control income and the fleet system and no issues of concern were identified
ICT				
Finance System Resilience	Director Resources and Governance	Substantial	Low	
Procurement				
Procurement - business travel	Director Resources and Governance			no areas of concern identified
Follow up				
Freedom of Information	Director of Governance and Partnerships	Satisfactory	Medium	
Attendance Management	Director of Business Development	Satisfactory	Medium	
Schools				
Winterton Junior and Winterton Infant Federation		Satisfactory	Low	
Probity audits				
Agency workers		Satisfactory	Low	
Data Matching	Director Resources and Governance			Exercises were carried out matching payroll/ creditors, debtors/ creditors and duplicate payments. No evidence of fraud or significant number of duplicate payments was identified, although some potential systems improvements were identified
Normandy Hall Golf Income	Director of Operations	Satisfactory	Low	