



Internal Audit STRATEGY and WORK PROGRAMME 2020/21

September 2020

INTERNAL AUDIT STRATEGY 2020/21

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1 Introduction

Background

- 1.1 The work of Uttlesford District Council's Internal Audit is governed by the UK Public Sector Internal Audit Standards 2017 (PSIAS) which comprise of the definition of internal auditing, a Code of Ethics for internal auditors working in the public sector and the Standards themselves. The PSIAS are mandatory for all internal auditors working in the UK public sector.
- 1.2 Internal Audit is defined in the PSIAS as follows:
- “Internal auditing is an independent, objective, assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.”
- 1.3 The PSIAS require that there must be a risk-based internal audit plan that takes into account the requirement to produce an annual internal audit opinion on the Council's framework of governance, risk management and control. It must incorporate in or be linked to a strategic or high-level statement of how the internal audit service will be delivered and developed in accordance with the internal audit charter and how it links to the organisational objectives and priorities.
- 1.4 The annual Internal Audit Strategy provides details on the production of the Internal Audit Strategic and Work Programmes for the current financial year.

2. Internal Audit Resources 2020/21 & Impact of Covid-19 Emergency

- 2.1 Internal Audit is currently provided by the Council's in-house team, a resource of 2.7 FTE comprising of:

Internal Audit Manager	FT
Internal Auditor	FT
Internal Auditor	0.7 FTE

- 2.2 The Covid-19 Emergency has had a major impact on the Internal Audit resource and its ability to deliver normal internal audit work for the first five months of 2020/21. From 01 April to 31 August 2020 the Internal Audit Service has provided 105 days of redeployed working to the Revenues Service assisting in checking Business Grant applications and the Benefits Service assisting in Benefit Subsidy claims checking.
- 2.3 In the Draft Internal Audit Programme 2020/21 included in the Information Pack sent to members of this committee on 25 March 2020 it was anticipated that 300 days would

be available for audit work during 2020/21. This has been reviewed and updated to 185 days available for audit work:

	REVISED August 2020	INITIAL March 2020
TOTAL WORKING DAYS 01 April 2020 To 31 March 2021	697	697
Less non-productive work (e.g. bank holidays, leave admin, CPD, Training etc.)	-289	-234
TOTAL AVAILABLE PRODUCTIVE TIME	408	463
Less Productive Non-Specific Audit Work (e.g. Redeployment, Annual Governance Statement; consultancy & general advice; Committee & Member related work; Contribution to Corporate Management; fraud related work; irregularity provision; follow-up work; residual 2019/20 work etc.)	-223	-163
TOTAL DAYS AVAILABLE FOR PLANNED AUDIT WORK	185	300

- 2.4 The scope of audit work planned for 2020/21 has been reviewed and updated to take into consideration new and emerging risks, including Covid-19 Emergency risks, and to allow for its completion in the seven months from 01 September 2020 to 31 March 2021.
- 2.5 To be able to provide an acceptable level of assurance on the Council's management of its operational risks, controls and governance we will be using revised methodology in our audit work, concentrating on reviewing and assessing new and existing risks and controls in place in the areas of Council most directly affected by the Covid-19 Emergency.
- 2.6 Special investigations and unplanned work can have high impact on Internal Audit resources. Any special investigation and unplanned work requests will be individually assessed and potentially outsourced if it is considered there is inadequate audit resource available to undertake the work.
- 2.7 Giving one-off advice to departments on a range of control issues and allowing further time on audits where further testing is required also adds to the pressure on resources. If extended unplanned work is deemed to be necessary, then resource levels and the impact on the Audit Work Programme and the Strategic Programme will be taken into consideration.

3. Internal Audit Strategic Programme 2020/21

3.1 The Internal Audit Strategic Programme details all potential audit areas at both corporate and service area levels of the Council and forms the starting point for the annual audit planning process.

3.2 In August 2020, the Internal Audit Strategic Programme was reviewed to ensure that it remains up to date and continues to take account of emerging risks and service developments to ensure the focus of Internal Audit work remains relevant to the Council's vision and current priorities.

Risk Assessment

3.3 The 2020/21 Internal Audit Work Programme is risk based as far as is possible. Each potential audit area identified in the Internal Audit Strategic Programme is subject to an audit needs risk assessment taking into consideration:

- New and emerging risks relating to the Covid-19 Emergency;
- The Council's Corporate Plan Actions and the Corporate Plan Delivery Plan and Service Plans;
- The Corporate and Strategic Risk Registers – including specific Covid-19 related risks identified;
- Key Performance Indicators and Performance Indicators – including Covid-19 Performance Indicators;
- Covid-19 Control Risks Self-Assessments completed by Service Managers
- Key Financial audits (2020/21 is year 1 of a 3 year cyclical review basis);
- Interest to Internal Audit – e.g. the level of past audit opinions; recommendations made; recommendations implemented; fraud risks; volume, value and complexities of transactions etc.;
- Specifically requested Directorate & Service high risk areas or services following consultation with Corporate and Senior managers;
- Completion of the six audits from the 2019/20 Internal Audit Programme for which Interim Internal Audit Reports were issued;
- Audit resource availability.

3.4 Risk levels are determined according to the Council's corporate method of risk scoring, assessing the potential risks to the Council if audit is not carried out:

- Risk Level **HIGH** - Matters that are considered **fundamental**
- Risk Level **MEDIUM** - Matters that are considered **significant**
- Risk Level **LOW** - Matters that are considered **important**

3.5 A copy of the Internal Audit Strategic Programme and Risk Assessment 2020/21 will be made available to Members on request.

4. Internal Audit Work Programme 2020/21

Planning

4.1 The Internal Audit Work Programme for 2020/21 is a rolling programme of planned audit work expected to be undertaken from 01 September 2020 to 31 March 2021. It is subject to regular review and updating throughout the year taking into account:

- The available Internal Audit resource required to ensure delivery of the Internal Audit Work Programme 2020/21;
- Any emerging risks and service developments;
- It ensures the focus of Internal Audit work remains relevant to the Council's vision and current priorities;
- It ensures it is robust enough to be able to provide an opinion on the Council's control environment in the Internal Audit Annual Report and Opinion 2020/21.

4.2 In order to preserve the independence of Internal Audit, the final risk assessment and selection of areas for inclusion in the Internal Audit Work Programme rests with the Internal Audit Manager.

4.3 The risk assessment from Internal Audit Strategic Programme 2020/21 has identified the 45 areas to be included in the Internal Audit Programme 2020/21 for audit work; 18 assessed as High Risk and 27 assessed Medium Risk.

High Risk Audits Assignments

4.4 High Risk Audits are generally those where:

- Potentially fundamental Covid-19 related risks have been identified;
and /or
- Interim Reports were issued for 2019/20 Audits;
and /or

- Follow-up Audits for 2019/20 Audits with opinions of Little or Limited assurance.

HIGH RISK AUDIT areas	Risk Assessment/ Comment August 2020
COVID-19 PROJECT	COVID-19 Specific risks - overall review of Project Team work
Business Continuity & Emergency Planning	COVID-19 Specific risks; Follow-up to 2019/20 audit (LITTLE)
Equality & Diversity	follow-up to 2019/20 audit (LITTLE)
EU Exit	depends on risk of no deal EU Exit
Health & Safety	COVID-19 Specific risks
Information Governance	COVID-19 Specific risks; Interim Report 2019/20 audit, specific work on CCTV & Electronic Recording devices
HR	COVID-19 Specific risks; Follow-up to 2019/20 audit (LIMITED)
Museum	Interim Report 2019/20
Domestic Waste & Recycling	Interim Report 2019/20
Communities – Hub	COVID-19 Specific risks - new work area
Housing Strategy & Options - Homelessness, Options & voids	COVID-19 Specific risks; Interim Report 2019/20
Housing Strategy & Options - Allocations	Interim Report 2019/20
Environmental Health Protection - Covid-19 specific work	COVID-19 Specific risks - new work area
Environmental Health Commercial - Covid-19 specific work	COVID-19 Specific risks - new work area
Environmental Health C - Licensing	COVID-19 Specific risks Follow-up to 2019/20 audit (LIMITED)
Section 106 Obligations	Interim Report 2019/20
Finance - Insurance	Interim Report 2019/20
Benefits (including LCTS)	COVID-19 Specific risks; key financial yr1

Medium Risk Audits Assignments

4.5 Medium Risk Audits are generally those where:

- Potentially significant Covid-19 related risks have been identified;
and /or
- Potential significant loss of income identified;
and/or
- New Audit areas have been identified.

MEDIUM RISK AUDIT areas	Risk Assessment/ Comment August 2020
Commercial Enterprises & Investments	COVID-19 Specific risks; New enterprises and investments since 2017/18 last audit
Contract Management	New area separated from Procurement specifically contracts <£50k
Uttlesford Norse	New Audit area - All hand over arrangements & UDC monitoring of JVP
Counter Fraud (including Grants post payment)	COVID-19 Specific risks - Government Grants post-payment assurance
Democratic Services	COVID-19 Specific risks; service changes since 2018/19 last audit
Customer Services - Performance Management	COVID-19 Specific risks; service changes since 2016/17 last audit
Customer Services - Risk Management	COVID-19 Specific risks; service changes since 2015/16 last audit
Customer Services - Leisure PFI	COVID-19 Specific risks; lost income
Communication	COVID-19 Specific risks; 2015/06 last audit, Corp Plan
Consultation & Website	COVID-19 Specific risks; New audit area, Corp Plan
Trade Waste	COVID-19 Specific risks; lost income
Income Generating Services	COVID-19 Specific risks; lost income
Housing Strategy & Options - Supporting People	COVID-19 Specific risks
Housing Strategy & Options - Management Services	COVID-19 Specific risks; New audit area; lost income
ICT	COVID-19 Specific risks; security
Printing & Mailroom	COVID-19 Specific risks
Building Control Service and Fees	COVID-19 Specific risks; lost income

Car Parking Partnership (NEPP)	COVID-19 Specific risks; lost income
Development Management	COVID-19 Specific risks
Finance - Main Accounting System	COVID-19 Specific risks; key financial yr 1
Finance - Budgets	COVID-19 Specific risks; lost income; key financial yr 2
Finance - Income, Fees & Charges	COVID-19 Specific risks; lost income; key financial yr 2
Procurement	COVID-19 Specific risks; key financial yr 2
Revenues - Council Tax	COVID-19 Specific risks; lost income; key financial yr 1
Revenues - Business Rates	COVID-19 Specific risks; lost income; key financial yr 3
Revenues - Housing Rents	COVID-19 Specific risks; lost income; key financial yr 2
Revenues - Recovery	COVID-19 Specific risks; lost income; key financial yr 3

- 4.6 In general High Risk audit assignments will be given priority over Medium Risk audit assignments. When the timing of audits is being decided, consideration will be given to reducing as far as possible disruption to critical services areas while the Covid-19 Emergency continues.
- 4.7 Time has not been allocated to any audit assignment as the number of days needed will vary according to the type and volume of audit work required to provide assurance on the control risks.
- 4.8 Progress on the Internal Audit Programme 2020/21 will be reported to the Section 151 Officer, CMT and Members of the Governance, Audit and Performance Committee throughout the remainder of 2020/21.
- 4.9 From 01 September 2020, the Internal Audit Service priority will be to carry out and achieve the planned work as contained in the Audit Work Programme. Requests for unplanned work will be assessed and, if judged high priority, may be carried out in preference to items in the Audit Work Programme in accordance with the following criteria:

- The level of risks to the Council if the work is not carried out and
- The impact of any unplanned work on the Internal Audit Work Programme.

4.10 If judged medium to low priority it will be appraised at in the next Audit Work Programme review and considered for possible inclusion in the 2020/21 Audit Work Programme.

5. Types of Audits

5.1 At the start of each audit assignment, we will undertake a planning, evaluation and assessment process to decide the level or type of audit fieldwork that needs to be undertaken. Prior to Terms of Reference being issued for the audit, we will evaluate all of the information gathered through the planning stage and at that point we will decide on the type of audit to be undertaken:

- **Audit Review** – targeted review of specific potential risks and controls or
- **Standard Audit** – where a significant volume of potential risk areas are identified at the audit planning stage e.g. a new audit area.

It is expected the majority of audit assignments will be Audit Reviews targeting the Covid-19 potential risks that have been identified

5.2 Terms of Reference will be issued for each audit which will define:

- Scope of the Audit
- Areas for Consideration
- Scope Limitations
- Potential Risks identified by Internal Audit

Terms of Reference are copied to Members of the GAP Committee.

5.4 Regular review and assessment is an integral part of our auditing methodology; where field work identifies further testing is required an audit type can be amended.

6. Audit Reports & Recommendations

6.1. Reporting protocols will be as described in the Internal Audit Charter

Recommendations

6.2 All Internal Audit recommendations have a risk level given to them. This is determined according to the Council's corporate method of risk scoring, assessing the potential risks

to the service and/or the Council if the recommendation is not implemented within the agreed timescale. Risk level definitions are presented in the Appendix to this document.

- 6.3 It is Internal Audit's expectation to reach agreement with auditees on recommendations, management actions and implementation dates at the draft report stage. However, it is for management to determine whether or not to accept the Internal Audit recommendations and to recognise and accept the implications of not taking action. Management must formally respond giving reasons for their decisions which will be recorded on the Final Report.
- 6.4 Final Reports will record the Internal Audit opinion and overall comment on the effectiveness of the service area audited. The Internal Audit opinion criteria are presented in the Appendix to this document.
- 6.5 All Final Reports are copied to Members of the Governance, Audit and Performance Committee and posted on the intranet.
- 6.6 Implementation of all recommendations is monitored by Internal Audit through Pentana which automatically generates a reminder e-mail to managers as a recommendation approaches its agreed implementation date.
- 6.7 Follow-up action will be as described in the Audit Charter.

7. Reporting to CMT and Members

Internal Audit Progress Reports to Members

- 7.1 During 2020/21 the Internal Audit Manager will present regular Progress Reports to CMT and the Governance, Audit & Performance Committee which will include:
 - Details of the work completed by Internal Audit since the last report to the Committee;
 - Performance against the Internal Audit Work Programme 2020/21;
 - Details of any recommendations not implemented within the agreed timescale.

The Internal Audit Annual Report and Opinion

- 7.2 It is anticipated that the Internal Audit Manager will report in July 2021 to CMT and the Governance, Audit & Performance Committee on the audit opinions of all audits completed during 2020/21 and give an overall audit opinion on the Council's control environment for the year in the Internal Audit Annual Report and Opinion 2020/21.

7.3 The Internal Audit Annual Report and Opinion will be used by the Council to inform its Annual Governance Statement 2020/21 which will accompany the 2020/21 Annual Statement of Accounts.

INTERNAL AUDIT ASSURANCE OPINION CRITERIA

Opinion	Definition	Maximum Number of Recommendations Overall
Substantial Assurance	<p>There is a sound system of internal control designed to achieve the objectives of the system / process and manage the risks to achieving those objectives.</p> <p>Generally only LOW risk recommendations, and MEDIUM risk recommendations relating to part of the system / process would need to be mitigated by significant strengths elsewhere.</p>	Maximum of 4
Adequate Assurance	<p>There is basically a sound system of control and satisfactory management of risk; there are moderate recommendations indicating weaknesses but these do not undermine the system's overall integrity.</p> <p>Generally MEDIUM and LOW risk recommendations. Any HIGH risks recommendations will prevent this assessment</p>	Maximum of 8
Limited Assurance	<p>There are significant weaknesses in key areas in the system of controls which put the system / process objectives at risk. There are HIGH risk recommendations or a number of MEDIUM risk recommendations indicating significant failings</p>	If and HIGH risk or total number is over 8

INTERNAL AUDIT RISK LEVEL DEFINITIONS

Risk Level	Risk Score	Description
HIGH	12, 16	Matters that are considered FUNDAMENTAL that require immediate attention and priority action
MEDIUM	4, 6, 8, 9	Matters that are considered SIGNIFICANT that should be addressed within SIX months
LOW	2,3	Matters that are considered IMPORTANT that should be addressed within TWELVE months
	1	Low impact / likelihood matters that do not warrant a recommendation; will be discussed with auditees during closing meetings