

**DERBYSHIRE COUNTY COUNCIL**

**AUDIT COMMITTEE MEETING**

**27 May 2020**

**Report of the Assistant Director of Finance (Audit)**

**INTERNAL AUDIT PLAN 2020-21 – SUPPLEMENTARY REPORT**

**1. Purpose of Report**

To provide Members with additional information for consideration and approval of the proposed Audit Services Plan for 2020-21.

**2. Information & Analysis**

The Audit Committee meeting arranged for 24 March 2020 was cancelled due to the impact of the coronavirus pandemic. At that meeting Members were to consider and approve the proposed Audit Services Plan for 2020-21, and the accompanying report previously circulated set out my detailed considerations in its formulation.

Since that time the coronavirus pandemic has had far reaching effects across the world, some of which will continue for a number of years. Currently it is not possible to determine if, how and when the Council's services will return to normal. Consequently it is not possible to quantify the effects of the changes in working arrangements on the proposed Audit Services Plan for 2020-21 at this time. However, it is clear that there will be an impact for several reasons some of which are detailed below:

Timing of Audit Work

The timing of Audit work and engagement of Departmental Management and staff are always significant factors to consider when planning Audit reviews. Currently, and particularly in the early weeks of the lockdown, there are pressures on the Council and Senior Management to fulfil additional responsibilities whilst continuing existing service provision. This situation, together with the majority of staff working remotely, make it difficult or impossible for the Unit to progress some planned Audit work.

Additional, Unplanned Work

Due to changed working arrangements it has been necessary for the Council to consider new systems or changes to existing systems. Audit staff have supported Senior Management by providing advice and guidance in order to ensure that governance and control systems remain effective, and discharge those responsibilities required of the Audit Services Unit by Financial Regulations and Standing Orders relating to Contracts.

In addition, as the Unit has not been able to progress planned projects staff have been deployed in “deep dives” to review specific areas of risk in greater detail eg. checks on potential duplicate payments and directorships. The results of this work will be reported to Senior Management on completion.

#### Potential Impact of Frauds, Scam and Errors

During the immediate aftermath of the lockdown fraudsters sought to take advantage of the situation that organisations and staff were working in changed circumstances and sought to exploit any vulnerabilities. Action Fraud reported coronavirus related frauds increased by 400% in March 2020.

Audit Services acted swiftly to build on our established systems to distribute intelligence received relating to potential frauds and scams and will, of course, continue to assist in safeguarding the Council against such risks.

#### Home Working and Social Distancing

The vast majority of Council staff are currently working from home and whilst the Unit is using systems including Skype to arrange discussions and virtual meetings regarding Audit work, which has been quite successful, this does have limitations.

#### Access to Records

In the majority of cases records required by Audit to support our work are computerised and accessible remotely with appropriate permissions. However, there are still a number of paper based systems and records which are not easily accessible when working at home.

#### Access to Premises

Schools are closed and Audit staff are currently unable to visit other establishments due to increasing the risk of transmitting infection for staff and, in some cases, residents. During recent years the Unit has increased the amount of information it gathers before a school Audit to reduce the impact on school staff on the day of the visit. We are currently reviewing our approach to school reviews and the extent of testing which could be performed remotely and via Skype. It is possible that Audit reviews of establishments, including visits to premises, may be resumed before the end of this calendar year.

#### Return to Business as Usual

Following the immediate impact of the lockdown it was necessary for Executive Directors to make urgent decisions using emergency powers, in accordance with guidance issued by the Director of Legal and Democratic Services. Such decisions are recorded in a separate record.

The Council and Senior Management, whilst still dealing with the impact of the coronavirus pandemic, are moving towards business as usual although the systems and processes to support such working have changed in some cases. Consequently business as usual will be different following the pandemic.

Audit Services will need to review the effectiveness of systems to support emergency decision making and assist the return to business as usual. It will be necessary to ensure that established, robust control frameworks are not compromised but acknowledge that some changes made could provide lasting benefits and efficiencies. This will bring challenges for Audit Services and I will continue to actively shape the Unit to be able to meet the new normal.

#### Monitoring and Delivery of the Audit Services Plan

The delivery of Audit work is routinely monitored on a weekly basis by Senior Audit Management and progress against the Audit Services Plan is regularly reported to the Audit Committee.

It is essential that the Audit Services Plan can respond to changing and emerging threats to the Council's governance, control and risk management framework. The current situation is unparalleled and there are a significant number of factors which could impact on the proposed Audit Services Plan but these cannot be accurately estimated at the present time. In the absence of such detailed estimates it is considered that as the situation evolves and any implications for, or restrictions on the Audit Services Plan are identified and quantified, that these are included in the progress reports presented to the Audit Committee. Audit resources will be targeted at the highest levels of risk but also directed to achieve a broad range of coverage across the Council's activities.

Where planned Audit activity does not take place Senior Management may wish to seek or build upon other forms of assurance and accept a higher level of risk.

The achievement of the Audit Services Plan and output from Audit work will inform the annual audit opinion provided by the Assistant Director of Finance (Audit), as Head of Internal Audit (HIA).

### **3. Legal Considerations**

The Audit Services Unit discharges the Council's statutory responsibilities under Regulation 5 of the Accounts & Audit Regulations 2015 and significant aspects of the Director of Finance & ICT's statutory duties under Section 151, Local Government Act 1972.

The Public Sector Internal Audit Standards require that the Assistant Director of Finance (Audit), as HIA, 'must deliver an annual audit opinion and report that can be used' to inform the Council's Annual Governance Statement. This opinion must reflect the work done during the year and 'must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control'. In providing this opinion it is necessary to summarise the main findings and conclusions from Audit work together with any specific concerns the HIA has.

**4. Other Considerations**

In preparing this report the relevance of the following factors has been considered: financial, prevention of crime and disorder, equality and diversity, human resources, environmental, health, property and transport considerations.

**5. Background Papers**

A file held by the Assistant Director of Finance (Audit).

**6. Officer's Recommendation**

That the Audit Committee consider the information provided in this supplementary report and approve the Audit Services Plan for 2020-21 details of which are included in a separate report.

**Carl Hardman**  
**Assistant Director of Finance (Audit)**