

Internal Audit Update Note

Internal Audit Response to the Covid-19 pandemic

May 2020

Official

Devon Audit Partnership

Internal Audit Response to Covid 19

Update note for Plymouth City Council Audit and Governance Committee

1 Introduction

1.1 In these extremely testing times we wanted to briefly update the Audit and Governance Committee on how we (Devon Audit Partnership (DAP) – the providers of the Internal Audit function) - are looking to adjust our ways of working, to help deliver our work, in particular the 2020/21 internal audit plan, and how we aim to provide wider support to organisations as they respond to challenges brought by Covid-19.

2. Helping our Partners and Clients respond to Covid-19

2.1 As a reminder, all DAP staff are Devon County Council (DCC) employees; Devon (like other Authorities) has sought volunteers to assist front line service delivery. We know DAP is not a “front line” service and therefore our staff could be well placed to assist with requests for help. We do not yet know what roles we may be asked to complete but I am sure that any support we can provide will be helpful.

2.2 The guidance from Phil Norrey (Chief Executive of Devon) has said:-
“...other..... partner organisations may require staff to volunteer to support their work such as drivers and customer call handling, and we are currently bringing this information together”.
As a consequence, our staff who are based in locations around Devon (e.g. Plymouth, Torbay etc) may be best allocated to help those organisations.

2.4 Our Immediate Response: -

- We have prepared a skills / availability matrix of all DAP staff for the purposes of deployment to other priority services for all our partners. Some staff have already been deployed;
- We have been informed of, and have identified, a range of activities from across our client and partner organisations where workarounds to normal business practices are required in response to Covid-19; for example, procurement practices, payments for adult and children’s social care and purchasing cards etc. It is our intention to be proactive in providing input, advice and assurance to services on any proposed changes;
- Working with colleagues in other teams to support them as they respond to the challenges brought by Covid-19. For example, work with DCC Procurement regarding payments to contractors where services may be delayed / not provided.

2.5 Ongoing Support: -

- Head of Partnership has taken on role as Head of Devon CC Food Cell;
- Other DAP staff are supporting this through a wide range of issues including:
 - Establishing needs around food supplies for smaller Care Homes;
 - Liaising with supermarkets and other providers;
 - Assisting the “Shielded”; and
 - Working with voluntary sector organisations.

2.6 DAP staff have been deployed in different roles e.g. Supporting HR, Business Grants Processing, DCC Call centre – at time of writing **5 staff** have been subject to such deployment.

2.7 We remain alert to the Council’s emergency procedures and associated control environment assurance needs; we are well placed to support and, ensure sound and effective arrangement are in place to deal with the current crisis.

2.8 We encourage officers to contact us when proposing changes to systems; if they have any concerns about what they are doing, are anxious about the risk of fraud or just want assurance that what they are planning is suitably robust. The DAP team are all working from home at this time, but have excellent IT comms, make good use of Skype, Teams etc. and are therefore readily contactable.

3 Internal Audit Response

- 3.1 We are very aware that we need to provide an annual assurance opinion at the end of 2020/21. We anticipate that there will be difficulties in completing the 2020/21 audit plan in our traditional manner, and so have developed different practices to enable us to deliver our assurance. This will include confirmation of key controls, remote testing wherever possible of these controls (so as not to disturb / disrupt operational staff) and using data analytics generated from system data. This approach has been discussed (and agreed) with your s151 officer and the DAP Management Board.
- 3.2 In more detail we have reviewed our approach to the provision of Internal Audit and are developing this new model (see info graphics below): -



- 3.3 The focus of this model is on assurance mapping, underpinned by the well-known and recognised '3 lines of defence model' to build a more in-depth view of the risk and control framework in operation. Our plan is to build this map and model from our existing knowledge base and access levels supported by a much-reduced contact with client staff. This work will be our focus in early part of the year covering key financial systems and other areas within the audit plan that can support this engagement. This will not result in the usual and frequent issue of audit reports but produce a wider risk and control framework image.
- 3.4 This model can then be supported by less intrusive testing through data analytics, which we will also need to develop to support this model. As services return to normal operation during the year, we will take this assurance framework through to more specific audit reviews and more familiar reporting arrangements to provide assurance in line with the audit plan.
- 3.5 This info graphic also includes improvement opportunities for our service delivery which we will work on to further develop service efficiency and effectiveness.
- 3.6 *Completion of 2019/20 work.*
- 2019/20 Internal Audit Plans – are near full completion for the year though a small number of audits will, unfortunately, be at risk of non-completion / finalisation as audits are formally or informally cancelled, deferred or postponed whilst our partners focus is turned firmly to business-critical services.
 - Currently staff are completing 2019/20 audit work “as best they can” – without putting undue pressure on service areas. we hope to have covered 90% of the audit programme and that is what we shall base our assurance opinion on.
 - All staff are remote working and to date this does seem to be working effectively; this brings with it some new challenges and engagement at delivery level. This is being managed and achieved sensitively.

3.7 *Undertaking the agreed plans for 2020/21*

- 2020/21 Internal Audit Plans – Work will be undertaken as outlined above. “Traditional” audit work is unlikely to be effective during this time and we recognise that tying up key staff is unlikely to be welcomed. Our approach is to firstly identify areas within the audit plan where we have remote access to information and are likely to need minimal officer input. This approach will allow us to start 2020/21 work with minimal client disruption. We will continue to liaise closely with management to ensure that we deliver the audit assignments detailed within the audit plan as efficiently as possible.
- The recently cancelled round of Audit Committees has had an impact. At most organisations the agenda items have been:
 - deferred to the next available Committee;
 - approved by officer delegation or
 - circulated by e-mail to Committee members.
- Such meetings would have considered (and agreed / approved / noted) IA charter and work plan for 2020/21, but we shall use the prepared plans as a basis for our work, subject to any changes reported.

3.8 *External Audit*

- 3.8.1 It should be noted that our External Audit colleagues look to the work of internal audit when determining their work and the resources for that work. If the internal audit plan was adversely affected by Covid-19, and the 2020/21 internal audit opinion caveated due to lack of coverage, then External Audit may need to reconsider their plan, their resources and, ultimately, the cost of their services to the Council. Therefore, it is important that we stay on track to deliver our plan, helping External Audit in completing their tasks.

4 **Counter Fraud.**

- Counter-fraud staff continue to work on referrals until such time as they are deployed into other roles.
- Advice, guidance and consultancy continues.
- Progressing investigations as far as possible in the absence of face to face interviews and court proceedings taking place.

- 4.1 The Department for Business, Energy & Industrial Strategy (BEIS) have put in place a process by which we can flag to you potentially fraudulent behaviour that is brought to their attention. They require a nominated individual from within the Local Authority that can be a point of contact on potential fraud. Ken Johnson, DAP Counter Fraud Team Manager has been nominated as champion at Plymouth and an offer has been made to other partners for same.

5 **DAP Development**

- 5.1 DAP continues to :-
- Review and develop its approach (see model above).
 - Contributing to a national horizon scanning exercise to understanding what Internal Audit can do further (from a professional practice viewpoint) to support the organisation at this time (both for the organisations short and, long term plans).
 - Help staff adjust to new ways of working, including MS Teams becoming the lynchpin of getting things done.
- 5.2 We have identified a range of service development activities that staff will work on without impacting our clients – a particular example of this is the use of data analytics to help provide some oversight of large data sets / transactions at a time where the control environment may be reduced;
- 5.3 Staff have been asked to complete Personal Development Objectives and any required records for CPD for their professional institutes and ensure that they are up to date with the Host Authority's E-Learning requirements.
- 5.4 Reviewing the suite of training material that we deliver to the Audit Committees and staff at partner organisations.

6 Impact on the Council and DAP

6.1 19/20 Audit Opinion

6.1.1 DAP will prepare the Annual Internal Audit report based on the work completed. We envisage that the work undertaken will enable the reports to be produced reasonably effectively but, may need to make reference where work has been shortened.

6.2 Delivering in 20/21

6.2.1 As outlined above we will undertake 2020/21 internal audit work as best we can with the expectation that we will be able to provide an annual audit opinion, albeit with an expected reduction in direct client contact and under our alternate model.

6.2.2 Audit plans for our partners may suffer from some reduction. We would normally expect to complete one quarter of our plan by end of June, but completion in this first quarter may be impacted (for example by staff deployment to Covid-19, some audit work being deferred etc). Whilst we would, ideally, like to make up lost time in the rest of the year this may not be achievable, though we still aim and expect to provide a balanced audit opinion. We recommend that the internal audit plan for 2020/21 be reviewed at the end of Q1.

6.3 Budget issues

6.3.1 DAP management and the Board recognise that Covid-19 presents financial challenges to the Partnership in respect of the level of external work expected to be achieved. We shall closely monitor the situation and take effective (proactive and reactive) action to minimise any negative financial impact.

7 Conclusion

7.1 Covid-19 presents significant challenges to organisations; DAP is adapting to the ever changing and developing situation to ensure that internal audit assurance continues to be provided and assists in meeting the Covid-19 challenge as effectively and efficiently as possible

7.2 We are advising and supporting wherever possible but have recognised that we will need to deliver our work in different ways.

7.3 We have made the whole team (from Head of Partnership to apprentice) available to support our partners and we will manage the impact of this.

7.4 We are managing our resources to ensure that the financial impact of Covid-19 on DAP is controlled and minimised.

8 Recommendation

8.1 The Audit Committee note this update report and the changes made by DAP to ensure that internal audit can continue to operate effectively and advise management on risk and control issues, particularly those arising from Covid-19.

Robert Hutchins Head of Devon Audit Partnership May 2020