

RYEDALE
DISTRICT
COUNCIL



Ryedale District Council

Internal Audit Plan 2020/21

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Introduction

- 1 This plan sets out the proposed 2020/21 programme of work for the internal audit service to be provided to Ryedale District Council by Veritau. The plan includes an allocation of time for work already undertaken in 2020/21, in response to Covid-19 issues.
- 2 In accordance with the Public Sector Internal Audit Standards (PSIAS) and the Council's Audit Charter, internal audit is required to prepare an indicative risk-based audit plan following consultation with the Overview and Scrutiny Committee and senior management. The work in the audit plan will form the basis for the Head of Internal Audit's annual opinion on the Council's framework of risk management, governance and internal control.
- 3 The plan is a working document, and changes are made throughout the year to reflect changes in risk and issues that may arise. This is the case every year but is more likely to be a factor in 2020/21 due to the need to remain responsive to issues that arise as a result of the impact of Covid-19 on all areas of the Council, and its ongoing recovery from the pandemic.
- 4 The content of the plan has been subject to consultation with this committee, as part of its 23 January 2020 meeting, and with senior officers. It also takes account of the Council's corporate risk register, other known risk areas (for example, areas of concern highlighted by management), significant issues identified elsewhere in local government, the results of recent audit work and other changes in Council services and systems. Proposed audit work is also discussed with the Council's external auditors to ensure there is no duplication of effort.
- 5 The 2020/21 audit plan was originally scheduled to be presented to Overview and Scrutiny Committee for approval in April 2020. Following cancellation of that meeting Veritau has been undertaking work in response to Covid-19 issues. Audit work has also commenced in areas of the Council less involved in response and recovery efforts. The revised 2020/21 plan is submitted for formal approval by the Overview and Scrutiny Committee.
- 6 Future changes to the plan will be agreed through the Council's client management arrangements, via the s151 Officer, and will be notified to the Audit Committee. Further details about the approach to audit planning can be found in the Audit Charter.
- 7 The internal audit plan is based on a total number of 225 days for 2020/21 which is the same as in 2019/20.

2020/21 Internal Audit Plan

- 8 The impact of Covid-19 on the Council will be a significant influence on this year's audit plan. However, the principle remains the same in that the approach adopted is to focus on higher risk systems.
- 9 The Council continues to face budgetary pressures and a high demand for its services, and these are likely to be increased by the impact of Covid-19. Covid-19 also presents many other challenges, including implementing central government legislative and regulatory changes, administering government grants, and different ways of working. In addition to this, the core financial and corporate systems remain vital to the effective operation of the Council.
- 10 To reflect this, the approach adopted is to focus on higher risk systems / areas including those:
- where the volume and value of transactions processed are significant, or the impact if risks materialise is very high, making the continued operation of regular controls essential;
 - areas of known concern, where a review of risks and controls will add value to operations;
 - areas of significant change which may include providing direct support / challenge to projects, reviewing project management arrangements, or consideration of the impact of those changes on the control environment, for example where the reduction in resources may result in fewer controls.

Covid-19 has changed the context in which the Council operates but the above areas remain the appropriate criteria for prioritising audit resources.

- 11 Internal audit resources are limited and the plan is intended to ensure the available resources are prioritised towards those systems which are considered to carry more risk and / or which contribute the most to the achievement of the Council's priorities and objectives.
- 12 The plan is based on a total commitment of 225 days. It includes an allocation of days for key systems and service areas within the Council, and an allowance for work undertaken in response to Covid-19 issues. The scope and objectives of individual audits will be agreed with officers during the year.
- 13 The plan has been structured into a number of sections:

- **Strategic risks;** to provide assurance on areas which have been highlighted as corporate risks, the successful management of which is fundamental to the ongoing success of the Council.
- **Fundamental / material systems;** to provide assurance on the key areas of financial risk. This helps support the work of the external auditors and provides assurance to the Council that risks of loss are minimised.
- **Operational / regularity;** to provide assurance on key systems, processes and governance arrangements within the Council. These areas face risks which are individually significant but which could also have the potential to impact more widely on the operations or reputation of the Council if they were to materialise.
- **Technical / projects;** to provide assurance on those areas of a technical nature and/or where project management is involved. These areas are key to the Council as the risks involved could detrimentally affect the delivery of services.
- **Covid-19 response;** work we have already carried out for the Council during 2020/21. This includes the production of fraud risk assessments and supplier relief guidance. It also includes time spent providing ad-hoc support and advice.
- **Client support, advice and follow-up;** this includes ongoing support and advice to the Council on risk and control issues, work to provide assurance that findings from previous audits have been addressed, and time necessary to support the delivery of the internal audit service.
- **Other;** an allocation of time for new and emerging risks.

- 14 At the end of each audit engagement, a report is produced. For assurance audits, we provide an opinion on the strength of the controls in place to mitigate risk.
- 14 In February 2020 CIPFA issued guidance on the use of audit opinions by local authority internal audit teams. The guidance recommends that standard opinions and definitions be adopted by the sector. The rationale is that it will provide more clarity, improve understanding, allow for easier comparison, reduce disruption (if providers of internal audit services change), allow assurances to be shared more readily across public bodies, and help with training.
- 15 Adoption of the standard opinions and definitions is not mandatory. However, Heads of Internal Audit will be expected to justify why they are not using them and it is expected that most local authorities will adopt the new wording. Apart from a reduction in the number of opinions in use the proposed changes are not

considered significant. Where we identify areas of weakness or opportunities for improvement, we will continue to raise findings in our reports and agree actions with responsible officers based on the same priority rating of 1, 2 or 3.

- 16 The main change is that there are now four levels of opinion, compared to the previous five. The s151 Officer has been consulted on the change and the new opinions will be used for all 2020/21 audits. Our opinions and their definitions and our priorities for actions are set out in Appendix 1 to this report.
- 17 Progress against the plan will be monitored throughout the year and key issues reported to the s151 Officer as the Council's client officer for internal audit services. Veritau will also report to the Overview and Scrutiny Committee on a regular basis on progress against the plan.
- 18 Details of the 2020/21 plan are set out on the page below:

Area	Days	Potential audits / activity
Strategic risks	40	Health and safety Information governance ICT Contract management and procurement
Fundamental / material systems	40	Payroll Creditors Debtors Main accounting system
Operational / regularity	48	Waste and Street Scene Risk management Environmental health Local code of corporate governance
Technical / projects	12	Insurance
Covid-19 response	30	Covid-19 related risk assessments and guidance General support and advice
Client support, advice and follow-up	40	Committee preparation and attendance Audit planning, resourcing and client liaison Support and advice Follow-up of previous actions External audit liaison, member and officer training
Other	15	Contingency for new or emerging risks
TOTAL	225	

Audit Opinions

Our work is based on using a variety of audit techniques to test the operation of systems. This may include sampling and data analysis of wider populations. It cannot guarantee the elimination of fraud or error. Our opinion relates only to the objectives set out in the audit scope and is based on risks related to those objectives that we identify at the time of the audit.

Our overall audit opinion is based on 4 grades of opinion, as set out below.

Opinion	Assessment of internal control
Substantial Assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable Assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited Assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

Priorities for Actions

Priority 1	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.
Priority 2	A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
Priority 3	The system objectives are not exposed to significant risk, but the issue merits attention by management.