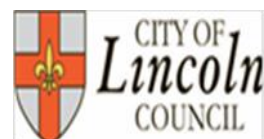


Internal Audit Progress Report



City of Lincoln Council
July 2020



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1 Limited Assurance Reports
2 Assurance Definitions

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This report has been prepared solely for the use of Members and Management of Boston Borough Council. Details may be made available to specified external organisations, including external auditors, but otherwise the report should not be used or referred to in whole or in part without prior consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended for any other purpose.

The matters raised in this report are only those that came to our attention during the course of our work – there may be weaknesses in governance, risk management and the system of internal control that we are not aware of because they did not form part of our work programme, were excluded from the scope of individual audit engagements or were not brought to our attention. The opinion is based solely the work undertaken as part of the agreed internal audit plan.

1

Introduction

The purpose of this report is to:

- Provide details of the audit work during the period February to June
- Advise on progress with the 2019/20 Plan and the 2020/21 Plan
- Raise any other matters that may be relevant to the Audit Committee role

Key Messages

In line with the corporate strategy responding to the pandemic, audit resources have been redeployed to deliver key services, supporting business and protecting the most vulnerable. This has caused a delay in completing the 2019/20 plan due to officer availability as resources were prioritised towards responding to the pandemic. As a result three audits are still at draft report stage awaiting agreement with management. In relation to the 2020/21 Plan, this was produced and approved by management but unfortunately this was not presented to Audit Committee for approval due to the 'lockdown'. This will however need to be significantly amended in line with revised priorities as the Council continues to implement it's recovery plans and also in line with available resources. Discussions will be held with management in July/August with a revised plan to be presented to Audit Committee in September 2020. As a result of the this no planned audits have yet been undertaken in 20/21, the Audit team have been completing 19/20 work and have been heavily involved in assisting with the provision of grants to the Business sector (audit checks/assessment) and undertaking the Housing Benefit Subsidy Testing work. As a result of the delay in implementation of the 20/21 audit plan, and after considering further options for redeployment of the audit team, one member of the team was placed on furlough for a 4 week period.

Note: The assurance expressed is at the time of issue of the report but before the full implementation of the agreed management action plan. The definitions for each level are shown in Appendix 1.

3

HIGH
ASSURANCE

5

SUBSTANTIAL
ASSURANCE

0

LIMITED
ASSURANCE

0

LOW
ASSURANCE

1

CONSULTANCY

High Assurance

Treasury Management is an important part of the overall financial management of the Council's affairs. Previous audits in 2015 and 2017 on traditional TM activities gave high assurance and following the Council's decision to adopt a commercial approach to generate new income streams this audit has examined TM activities linked to property / commercial investments.

Current commercial investments are spread across differing sectors (car park, tourism, retail park); all the agreements include rent reviews. Risks associated with each proposal were identified and alternative options explored if the tenant should go into liquidation.

CIPFA have recently published a new Financial Management Code. Guidance notes that accompany it have been delayed so a full assessment against it will be undertaken in 20/21. The first full year of compliance with the code is 2021/22.

We found that;

- Commercial investments & property acquisitions (former council houses) have been bought in accordance with approved strategies / policies and authorised at the correct level.
- A minimum net yield has been set for the return on investments; this has been revised from 4% to 5-8% following the introduction of the Commercial Property Investment strategy in March 2019.
- Proposals for the purchase of investment properties include estimated costs of borrowing and identified annual net income; all agreements include rent reviews at fixed points.
- The return on investment properties is being reported in the Capital Strategy
- Long term borrowing is in accordance with the strategy; loans have been secured with the PWLB at favourable rates and prior to the 1% increase.
- Minimum Revenue Provision has been considered as part of each property investments; the method of calculation has been reviewed and approved by external audit.

We did not identify any areas requiring improvement and no recommendations have been made.

Treasury Management

High Assurance

The objective of the audit was to review the operation and management of the payroll processing service level agreement with NKDC to ensure that a timely, accurate and complete payroll service is delivered.

We found that;

- There is a good separation of duties
- Access to the I-Trent system for staff in HR and Payroll is appropriate, however there needs to be a formal process to record authorisation of users by the manager – this will be put in place
- The Authorised Signatory schedule (which includes payroll documentation) needs to be refreshed and this will be facilitated by Internal Audit.
- A robust process is in place for changing bank account details to manage the risk of fraudulent requests
- The processing timetable is being adhered to so that payments are made on the correct date
- Detailed testing found that;
 - Standing data is correct
 - Additional payments and starters and leavers are supported by authorised documentation and accurately input
 - An independent officer authorises the BACS file to be processed
- There is an up to date SLA in place and delivery of the service is monitored at periodic liaison meetings
- The SLA was extended in 2018 to include pension administration and this is operating as expected
- The SLA contains requirements to handle data in accordance with the requirements of the Data Protection Act 2018 and General Data Protection Regulations and processes are in place (at COLC & NKDC) to comply with these requirements. Data handling isn't discussed at SLA liaison meetings but this will be introduced going forwards.

Payroll

High Assurance

The Council must continue to reduce its levels of expenditure or identify additional income generation streams and the TFS programme continues to play a vital role in ensuring that the Council maintains a sustainable financial position and delivers the required reductions in the net budget.

Our review was **completed prior to the Covid-19 pandemic** and the subsequent impact that this will have on the Council's financial resilience.

We found that the Council has effective arrangements in place to identify, monitor and manage the financial aspects of the Towards Financial Sustainability Programme; however this assurance does not provide certainty that the Council will meet the savings targets that have been identified;

- The Council's MTFS is appropriately linked to the TFS programme
- Savings targets are set for individual projects and approval of each project is at an appropriate level.
- The programme is effectively managed; the TFS Programme Team monitor and report on project managers achievements against timescales on a regular basis. The Chief Finance Officer reports to the TFS board on the achievement of overall and individual savings targets.
- Directors obtain updates on saving projects through DMT meetings and / or 1-1 meetings with Assistant Directors.
- LPMM should be adopted for all projects; testing confirmed that is was applied for the two saving projects that we reviewed.
- Service area budgets are reduced to reflect the reduced expenditure, or increased income levels.
- The invest to save fund, which supports delivery of projects, is effectively managed with protocols in place for authorising payments in and out of the fund.

We did not identify any areas that require improvement.

Efficiency Savings

Substantial Assurance

Licensing is an important statutory service for the Council and its residents, helping to ensure that relevant activities and businesses are licensed. The Licensing team that ensure that licensed individuals and businesses conform to the legal conditions and requirements of the license awarded.

We found that systems and controls on the whole are operating effectively.

There is an established staff structure with experience across licensing and enforcement processes. A Licensing committee is in place, along with sub-committees with a clear delegation of functions agreed. The Statement of Licensing Policy is updated so that it can be taken into account when considering applications.

Time is spent by officers at the beginning of the process offering advice to ensure all relevant information is captured and conditions set.

Enforcement is currently reactive rather than proactive. It was agreed that proportionate enforcement action will be taken and a strategy will be developed.

Licensing

Safeguarding is a key element of the licensing process. We found that the service has robust application controls in place which provide assurance that only bona fide driver and vehicle applications are processed. Despite the varied controls, safeguarding will always be an area of risk due to the impact of any one incident. The service are aware of the risk and have learnt lessons from others both nationally and locally.

Formal complaints are captured within the council complaints process, however we found that informal complaints are not consistently captured on the APP system. These will be logged more consistently on the software in future.

Individual officers specialise in areas of licensing. For transparency and appropriateness it was agreed supervisors would complete more formal quality control of license processing. Also any conflicts of interests (if they arise) would also be clearly documented.

In terms of performance measures consideration will be given to developing more meaningful KPI's for the service and an annual report for the Licensing Committee.

Substantial Assurance

We are providing Substantial assurance on the Council's arrangements for managing malware risks. Whilst there are some recommendations to address, software has been installed in a controlled manner, with consultancy support, and is providing the protection required.

There are some areas which are work in progress including the Council's updated IT Security policy which is in draft and should be finalised shortly.

There were some agreed recommendations:

- Ensuring the video training / user education is rolled out to all staff as soon as possible
- Reviewing options for a Code of Connection for 'access by Third-party organisations to the CoLC network'
- Obtaining secondary review/opinion of software settings by the Principal IT officer and other relevant professionals
- Cascading guidance /training to other IT officers on anti-malware software use
- Create a new Incident management response plan (sitting below the IT Security policy) and above the Malware response plan
- Ensure that any configuration changes to the AV solution (and other pertinent security controls) are subject to careful consideration and documented.

ICT Anti-malware

Substantial Assurance

To enable Internal Audit to give an opinion on the Council's governance arrangements for its Annual Report a high level review has found that;

- The External Auditor's ISA260 report for 2018/19 stated that the AGS has been reviewed for any significant issues – no adverse comments were made.
- Management rated Corporate Governance as Green in the 2020 Combined Assurance map.
- The Code of Corporate Governance is due for review in 2020.
- The process to produce the AGS and identify any potential significant governance issues is robust. A wide range of intelligence is gathered and the Council's statutory officers are interviewed. Two different officer groups consider and refine potential significant issues before they are considered by CLT and CMT, and finally Audit Committee.
- During 2019/20 Audit Committee received quarterly updates on the one significant issue in the 2018/19 AGS, and the four areas to watch were monitored regularly by the High Performing Services group.
- Audit Committee receive periodic updates on Information Management, six-monthly Fraud & Error reports, an annual Complaints report and in 2020 will also receive a Partnership governance report. Other Audit committees in Lincolnshire also receive annual reports on Safeguarding and Health & Safety and an advisory point has been made to consider whether the Audit committee would benefit from receiving this type of assurance information.
- The previous Governance audit in 2018/19 found that a register of Policies had been created but approximately 25% were due for review. Work to update and use the register and review these policies has been delayed due to capacity and other priorities but it is hoped that some time can be found in 2020.

This report is based on work undertaken and information obtained prior to the outbreak of the Covid-19 virus. Any impacts of the virus on the Council's governance framework won't be known for some time and to reflect this a Substantial assurance has been given, even though no areas for improvement have been identified.

Substantial Assurance

To enable Internal Audit to give an opinion on the Council's governance arrangements for its Annual Report a high level review has undertaken.

This audit was undertaken before the impact of the Covid-19 virus and the findings reflect pre-virus ways of working.

We found that;

- There is a current Risk Management Strategy, which states that the Council's risk appetite is 'Creative and Aware'. The Strategy sets out the responsibilities for risk management at strategic and operational levels, and is due for review by 2021.
- The Strategic risk register is being regularly reviewed by CMT and presented to the Executive. Strategic risks have an owner and any actions have a target date.
- Directorate risk registers are, on the whole, being periodically updated but the Major Developments risk register has not been updated for over a year (it was last produced in February 2019). It has agreed that the DMD risk register will be updated as soon as possible and refreshed periodically going forwards.
- Training was given to managers in mid-2018 by Lincolnshire County Council's Strategic Risk Management Team, the Council's risk advisor. In 2020/21 HR are introducing a new formal Service Manager Induction Checklist process which includes risk management.
- The Fraud risk register was refreshed and presented to the Audit committee in December 2019

Risk management should be also operating in other areas such as programme and project management, partnerships, Medium Term Financial Planning, strategies and committee reporting. Separate audit work in these areas has found that it is generally in place but some improvements are required in project management and partnership working (recommendations have been made in separate audits).

Risk

Substantial Assurance

The main purpose of the audit was to give assurance on the arrangements to construct the facility and consider the preparations being made for operating the facility. The operational requirements will be subject to a more detailed review during 2020/21.

We found that;

- Appropriate governance arrangements are in place
- Contract documentation has been completed and lodged with Legal, although the Deed of Novation of Contract was found not to have been signed by the Architect. A High priority recommendation was made and this has now been completed
- Risks are being identified and managed
- Effective budget monitoring is in place
- Effective progress monitoring is in place but the client project plan (covering construction, the operational tasks and critical paths and dates) needed to be updated. A High priority recommendation was made and this has now been completed
- A variations procedure is in place
- Procedures are in place to verify the accuracy of payments. A High priority recommendation was made to improve the audit trail for the invoice checking process and this is now in place
- Work has commenced on the operational requirements using specialist working groups. A Lettings Policy has been approved by the Executive

Consultancy

As part of recent combined assurance work we undertook to review ICT in more detail, in particular mapping assurances against ISO27001 headings (one of the main IT security standards). We also used an external IT auditor for advice. ISO 27001 is a specification for an information security management system (ISMS). An ISMS is a framework of policies and procedures that includes all legal, physical and technical controls involved in an organisation's information risk management processes.

The map will also help inform the proposed (ICT) audit plan for 2020/21

Progress on the majority of actions will be reported into the Technology Group or CLT or both. Monitoring of both infrastructure and security related projects will be undertaken by the Technology Group (One Council) with specific governance related matters being taken to CLT for review.

Some of the key current projects include:

Completion of the IT security policy and standards (Autumn 2020)

Completion of the Hamilton House infrastructure to improve DR and allow update of the IT DR plan (Ongoing)

Formal project and programme management for IT projects (security and infrastructure) and the monitoring of these by the new One Council Technology group (Ongoing)

Development and monitoring of an IT risk register (May 2020)

PSN compliance (July 2020 re-submission)

ICT Assurance Map

Other work

Audit Recommendations

Follow up will be reported in September 2020

Work in Progress

- Homelessness – draft report with management
- Housing Allocations (Choice Based Lettings) – draft report with management
- Western Growth – this is in progress and will be completed in 20/21
- Partnerships (Consultancy). Internal Audit provided consultancy advice around the register. CLT were due to review the registers in March 2020 – this was postponed due to Covid-19.

Other work

- Combined Assurance Map – the Map has been refreshed for 2020 and was presented to CMT. Key highlights are included within our annual report.
- Audit Strategy and Plan 2020/21 – a Draft Plan has been produced. This will be refreshed due to Covid-19 and presented to Audit Committee in September 2020
- Advice work on the expenses claim for the 2019 Parliamentary Election has been completed – no issues were found
- Whistleblowing Policy review – see attached report
- NFI completion - Ongoing
- Tenancy fraud – Ongoing

The 20/21 Audit Plan will be reviewed and revised once it becomes clearer what the new priorities are and what resources are available.

Scale Fees

Letter to Section 151 Officer and Audit Committee Chair, April 2020

Fee Scale for the Audit 2020/21 and update on 2019/20

I am writing to notify you of your 2020/21 audit scale fee. In previous years your auditor has been required to write to you to do this. However, going forward, we have agreed with the audit firms that it is more efficient for PSAA to write out to all bodies directly. PSAA commissions auditors to provide audits that are compliant with the National Audit Office's Code of Audit Practice ('the Code'). PSAA is required by s16 of the Local Audit (Appointing Person) Regulations 2015 (the Regulations) to set the scale fees by the start of the financial year, and we published the 2020/21 scale fees on our website on 31 March 2020. In addition to notifying you directly of your scale fee, this letter provides you with key updates and information on audit matters in these difficult times.

We wrote to all S151 officers on 12 December 2019 describing that local audit and audit more widely is subject to a great deal of turbulence with significant pressures on fees.

These pressures still apply and the key aspects are summarised below;

-It is apparent that the well publicised challenges facing the auditing profession following a number of significant financial failures in the private sector have played a part. As you know, these high profile events have led the Government to commission three separate reviews - Sir John Kingman has reviewed audit regulation, the Competition and Markets Authority has reviewed the audit market, and Sir Donald Brydon has reviewed the audit product.

-It is not yet clear what the long term implications of these reviews will be. However, the immediate impact is clear - significantly greater pressure on firms to deliver higher quality audits by requiring auditors to demonstrate greater professional scepticism when carrying out their work across all sectors – and this includes local audit. This has resulted in auditors needing to exercise greater challenge to the areas where management makes judgements or relies upon advisers, for example, in relation to estimates and related assumptions within the accounts. As a result, audit firms have updated their work programmes and reinforced their internal processes and will continue to do so to enable them to meet the current expectations.

Scale Fees (continued)

How we set your scale fee

We consulted on the 2020/21 Scale of Fees in early 2020 and received a total of 54 responses. We published the final document on our website (Scale fee document). In it we explained that although we have set the scale audit fee at the same level as for 2019/20, we do not expect the final audit fee to remain at that level for most if not all bodies because of a variety of change factors, the impact of which cannot be accurately or reliably estimated at this stage.

The impact of these changes is likely to vary between bodies depending on local circumstances, and information to determine that impact with any certainty is not yet available. Our view is that it would also be inappropriate to apply a standard increase to all authorities given the differing impact of these changes between bodies. As the impact of these changes is understood, fee variations will need to be identified and agreed reflecting the impact on each audit

City of Lincoln Council

Scale fee for the audit 2020/21 £36,332

Scale fee for the audit 2019/20 £36,332

As well as the Scale of Fees document, we have also produced a Q&A which provides detailed responses to the questions raised as part of the consultation. We will update the Q&As periodically to take account of ongoing developments affecting scale fees.

The fee for the audit is based on certain assumptions and expectations which are set out in the Statement of Responsibilities. This statement serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and of the audited body begin and end, and what is to be expected of both in certain areas.

The final fee for the audit will reflect the risk-based approach to audit planning as set out in the Code. Under the Code, auditors tailor their work to reflect local circumstances and their assessment of audit risk. This is achieved by assessing the significant financial and operational risks facing an audited body, and the arrangements it has put in place to manage those risks, as well as considering any changes affecting audit responsibilities or financial reporting standards.

Scale Fees (continued)

Fee Variations

As noted above, we recognise that with so much turbulence and change in the local audit environment, additional fee variations are likely to arise for most if not all bodies.

The amount of work required on arrangements to secure VFM is a matter of auditor judgement and is based on the requirements set out in the new Code and supporting guidance which will be published later in 2020. Once the Auditor Guidance Notes have been published we will be able to consider the impact of the new requirements in more depth, and may be able to provide indicative ranges in relation to the likely fee implications for different types and classes of body.

Given that local circumstances at each audited body are key to determining the assessment of risk and the audit work required, we would encourage early dialogue with your auditor to determine any related implications for fees. The process for agreeing fee variations begins with local communication, and ideally agreement. We have produced a fee variation process note which is available on our website (Fee variations process). Please note that all fee variations are required to be approved by PSAA before they can be invoiced.

Quality of Audit Services

We are committed to do all we can to ensure good quality audits and a high-quality service for the bodies that have opted into our arrangements. The service that you can expect to receive from your auditors is set out in their Method Statement, which is available from your auditors.

Whilst professional regulation and contractual compliance are important components of the arrangements for a quality audit service, so too is the aspect of relationship management. We recently commissioned a survey via the LGA Research team to obtain audited bodies' views of the audit service provided to them. The themes and improvement areas from the survey will be discussed with firm contact partners for development at a local level. The results from our 2018/19 survey of all opted-in bodies will be available on our website in May and we will notify all S151 officers and Audit Committee Chairs.

Scale Fees (continued)

Impact of COVID-19 on current 2019/20 audits

The global COVID-19 pandemic has created further turbulence impacting on all aspects of the economy including the public sector. There are potentially significant repercussions for the delivery of audits, audit-related issues and delays to signing audit opinions for 2019/20. MHCLG has acted to ease these pressures by providing more flexibility in the 2019/20 accounts preparation and auditing timetable by temporarily revising the Accounts and Audit Regulations. This has extended the period which an authority has to publish its draft financial statements until 31 August, and importantly there is much greater flexibility for the public inspection period as it is now required to start on or before the first working day of September 2020. The revised date for publishing audited accounts (if available) is 30 November 2020. We recommend that you discuss with your auditors the use that can be made of this flexibility in meeting mutual governance and assurance responsibilities, noting that in a letter to all local authority Chief Executives on 22 April, MHCLG encouraged approval of pre-audit accounts earlier than 31 August if possible.

We have referred to the importance of audit quality in this letter, and just as important is the quality of the pre-audit financial statements and the working papers that are prepared by bodies. The disruption caused by COVID-19 will impact on areas of judgement and creates uncertainty in preparation of the financial statements, and it is key that bodies ensure there is sufficient focus upon financial reporting and related processes and controls, and that the planned timetable allows for sufficient internal quality assurance and review of financial reporting issues taking into account the wider impact of the pandemic on the officers' time.

Local Audit Quality Forum

Our Local Audit Quality Forum focuses on providing information to support audit committees (or equivalent) in delivering their remit effectively. We are disappointed that we are not able to host our planned event this summer due to the COVID-19 pandemic. However, we plan to host our next event towards the end of the year. It will provide an opportunity to discuss a range of relevant topics and themes. If there are any particular areas you would like to see included on a future agenda, or if you wish to raise any other issues with PSAA, please feel free to contact us at generalenquiries@psaa.co.uk

Your auditor will, of course, be best placed to answer any questions you may have with regard to your audit.

Yours sincerely,
Tony Crawley
Chief Executive

CIPFA Financial Management Code 2019

CIPFA have updated their financial management code for UK Local Authorities to acknowledge the pressures of a tightening fiscal landscape. The Financial Management Code (FM Code) is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. The FM Code therefore for the first time sets the standards of financial management for local authorities. The FM Code is based on a series of principles supported by specific standards which are considered necessary to provide the strong foundation to:

- Financially manage the short, medium and long-term finances of a local authority
- Manage financial resilience to meet unforeseen demands on services
- Manage unexpected shocks in their financial circumstances

Each local authority (and those bodies designated to apply the FM Code) must demonstrate that the requirements of the code are being satisfied. Demonstrating this compliance with the FM Code is a collective responsibility of elected members, the chief finance officer (CFO) and their professional colleagues in the leadership team.

The first full year of implementation of the CIPFA FM code is from 21/22 and that an assessment against the requirements of the code will be undertaken during 20/21 with an action plan developed if necessary to ensure compliance.

The Redmond Review

The Redmond review is an independent review to determine whether the requirements of the Local Audit and Accountability Act 2014 are being fulfilled. It will look to test the assurance processes in place with regard to the value for money arrangements together with financial resilience in local councils and the arrangements in place to support the transparency and quality of local authority financial reporting and external audit in England.

A consultation exercise was undertaken in late 2019 and the consultation paper can be found at:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/850638/Redmond_Review_Call_for_Views_-_Extended.pdf

UK Public Sector Internal Audit Standards Advisory Board – Conformance with the PSIAS during the coronavirus pandemic

All internal auditors of any organisation in countries significantly affected by COVID-19 will be reassessing their work plans and staff priorities. For public sector internal auditors there is an additional responsibility. All staff in a public service body have a responsibility to work in the public interest. At a time of national crisis there is a need to act in the best interests of the health, safety and livelihoods of the public as well as supporting the operational needs of the organisation.

As a result very few internal auditors will be operating under ‘business as usual’ conditions. At the very least they will be doing the majority of work remotely, and staff in many teams are likely to be taking on different roles to support their organisation and the public interest.

The primary concern of heads of internal audit will be to support their organisation and its functions together with concern for the wellbeing of their staff. They may also be worried that the decisions they take could lead to non-conformance with UK Public Sector Internal Audit Standards (PSIAS2).

This guidance should reassure heads of internal audit and the audit committee that diversion from planned audit work will not automatically mean that they do not conform. There are however some basic steps to take to safeguard the longer-term position of internal audit.

The Mission of Internal Audit is ‘To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.’ In the current circumstances internal auditors will be fulfilling their Mission in different ways than usual. However the critical point is that they should still fulfil that Mission. Ideally, this will provide enough assurance to support audit opinions, and for the Governance Statement, although it will certainly be appropriate to draw attention to the context within which this assurance was gained and potential limitations. If it is not possible to achieve sufficient depth or coverage it will be necessary to caveat opinions and/or the Governance Statement, and explain the impact of this and what will be done to retrieve the position in future. However, the key point is to protect organisational value.

Examples of ways that internal audit can protect organisational value are:

- Helping **protect** the organisation’s operations by helping management to find new ways of working
- Providing real-time **advice** and **insight** in the development of new systems and controls. For example where the organisation has to implement a new and urgent government policy.

-
- Ensuring that internal audit's work remains **risk-based**, but continuously reassessed to reflect the significant changes and escalation of risk levels being experienced.
 - Providing real-time **assurance** to the board and audit committee on the actions and decisions being made.
 - Helping the organisation to understand and plan for longer term risks resulting from the current crisis to **protect** the organisation and its services going forward.

Whatever internal audit work is undertaken, it should be in accordance with PSIAS. In practice the operational situation is likely to make this more challenging. Challenges might include:

- **Diversion of internal audit staff to other work:** this may reduce capacity to carry out audit work, capacity to monitor the quality of that work, and may make it harder to manage threats to independence
- **Diversion of operational staff to other duties:** this may make it difficult to access information or obtain responses to audit queries.
- **Home-working of the majority of staff:** depending on the effectiveness of business continuity arrangements in a home-working environment, both internal audit and operational staff may have reduced access to systems and resources. This may be a particular issue for smaller public sector organisations.
- **Increased levels of sickness absence/sick leave:** these may exacerbate the above issues

However each internal auditor retains their personal responsibility for operating in accordance with PSIAS and should aim to act professionally. The Core Principles in the International Professional Practices Framework articulate internal audit effectiveness, and are short and focused reminders of the professionalism of an internal auditor. There will clearly be strains on resources, and this will make it more difficult to maintain quality and adherence with professional standards. There will often be pressures to contribute to the first and second lines of defence rather than providing assurance, and this may in turn create threats to independence which need to be managed.

High

Our critical review or assessment on the activity gives us a high level of confidence on service delivery arrangements, management of risks, and the operation of controls and / or performance.

The risk of the activity not achieving its objectives or outcomes is low. Controls have been evaluated as adequate, appropriate and are operating effectively.

Substantial

Our critical review or assessment on the activity gives us a substantial level of confidence (assurance) on service delivery arrangements, management of risks, and operation of controls and / or performance.

There are some improvements needed in the application of controls to manage risks. However, the controls have been evaluated as adequate, appropriate and operating sufficiently so that the risk of the activity not achieving its objectives is medium to low.

Limited

Our critical review or assessment on the activity gives us a limited level of confidence on service delivery arrangements, management of risks, and operation of controls and / or performance.

The controls to manage the key risks were found not always to be operating or are inadequate. Therefore, the controls evaluated are unlikely to give a reasonable level of confidence (assurance) that the risks are being managed effectively. It is unlikely that the activity will achieve its objectives.

Low

Our critical review or assessment on the activity identified significant concerns on service delivery arrangements, management of risks, and operation of controls and / or performance.

There are either gaps in the control framework managing the key risks or the controls have been evaluated as not adequate, appropriate or are not being effectively operated. Therefore the risk of the activity not achieving its objectives is high.