

# Facing up to COVID-19 in the public sector

The internal audit response

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# Introduction

The COVID-19 pandemic presented an unprecedented challenge to public bodies. They were at the forefront of directing and responding to a wide range of new challenges critical for public safety. At the same time it was essential that business as usual should continue for essential public services on which individuals and businesses rely. As a result public bodies needed to respond swiftly, demonstrating innovation and working collaboratively.

Internal auditors' mission is to 'enhance and protect organisational value', but the challenge for public sector heads of internal audit was deciding the best way to respond to support their organisation **and** the wider public interest. In addition they also had to be mindful of their own 'business as usual' objectives: providing assurances to the governing body, the leadership team and the audit committee, performing efficiently and effectively and acting in accordance with the professional standards, the Public Sector Internal Audit Standards (PSIAS). The Internal Audit Standards Advisory Board, the pan-public sector body that supports the standards, issued guidance, **Conformance with the PSIAS during the Coronavirus Pandemic**, to help heads of audit and audit committees find an appropriate balance.

This Insight provides some examples of how internal audit teams across different public services have responded to those challenges. As the impact of COVID-19 continues, with new and ongoing difficulties to be overcome by public bodies, we hope it will provide some constructive lessons to share among internal audit teams and demonstrate the real value delivered by internal audit. It will also be of value to leadership teams and audit committees in helping them to understand the role and potential of internal audit.

The examples are grouped into themes:

- responding to new risks
- adapting to auditing in a new environment
- supporting and providing assurance on governance and risk management.

At the end there is also a helpful summary of key action and learning points that internal auditors and audit committees can use to help shape their approach going forward.

CIPFA would like to thank the organisations and internal audit teams that contributed case studies to this Insight and to members of the CIPFA Internal Audit Special Interest Group for their comments and sharing their experiences. In particular, thanks to:

- **Marion Pryor**, Head of Audit and Risk, Isle of Anglesey County Council
- **Christine Hellings**, Government Internal Audit Agency
- **Mike Townsend**, Managing Director, London Audit
- **Peter Frost**, Head of Internal Audit, Suffolk County Council

- **Louise Cobain**, Assurance Director, and Sarah Dowbekin, Senior Audit Manager, Mersey Internal Audit Agency
- **Rob Winter**, Head of Internal Audit and Corporate Anti-Fraud, Barnsley Metropolitan Borough Council
- **Justine Poulton**, Head of Internal Audit, South Gloucestershire Council

# Responding to new risks

## Internal audit's review of the adequacy and effectiveness of the Isle of Anglesey County Council's emergency arrangements

Before the year could even get started, the COVID-19 emergency rendered the 2020/21 internal audit strategy out of date. Most of the internal audit team were deployed to priority parts of the business to support the council's emergency response, leaving the Head of Audit and Risk and Principal Auditor to hold the fort.

The council redesigned how it operated, managed and delivered critical services to play a full and active role in the local and regional response to the emergency, which was relentless, fast-moving and uncertain.

The internal EMRT (Emergency Management Response Team) took on 'Gold Command' responsibilities from 25 March using digital technologies to engage in dialogue, share information and make decisions.

It instructed and enabled the majority of its office-based staff to work from home, while putting measures in place to protect the health of frontline staff. It also played an active role in the regional emergency response efforts, collaborating with key public and community-based organisations to ensure decisions and actions protected the island and its residents, while keeping abreast of emerging guidance from both UK and Welsh Governments.

With the initial response arrangements established quickly (in accordance with the council's corporate business continuity plan), in the second week of the new arrangements, the Deputy Chief Executive commissioned internal audit to undertake a high level review of the adequacy and effectiveness of its emergency arrangements. The purpose of this review was to provide assurance that the council's emergency response arrangements were safe, robust, effective and fit for purpose. This was critical assurance work.

The work was split over five themes:

- governance
- data gathering and analysis
- engagement and collaboration
- IT provision and resilience
- people management.

The work involved interviews with members of the EMRT and workstream leads, while always being mindful of their emergency response priorities, and reviewing documents in the EMRT area, all on the MS Teams platform. In a fast moving and sometimes hourly-changing position, the use of MS Teams provided unfettered access and up to the minute information.

We turned the work around in days, rather than the usual weeks, and were able to provide 'reasonable assurance' that the council's arrangements met all necessary criteria.

We raised six 'issues/risks' to be addressed by the EMRT and worked with officers to support them in delivering the improvements. Within weeks, we were able to report that all had been addressed.

The experience has provided valuable learning that auditing can still be effective when done swiftly and remotely. An enthusiastic and dedicated team place us in a good position to ensure we continue to support the Isle of Anglesey County Council as a key component of its governance structure.

**Commenting on the work of internal audit, Dylan J Williams, Deputy Chief Executive of the council said:**

“Our new arrangements and working practices were deployed quickly, in the middle of considerable uncertainty, risks and challenges. There was no precedent or past experience that could inform key decisions to plan, organise, lead, deploy resources, and control the council while maintaining safety. The internal evaluation gave certainty and confidence that the new way of working, leading and decision making was robust and fit for purpose.”

## London Audit: providing assurance over an NHS Nightingale hospital

To add extra critical care capacity, and to treat patients with COVID-19, a number of temporary 'Nightingale' hospitals were established in March and April. The NHS Nightingale Hospital London was the first and largest of these new hospitals. It is housed in the ExCeL London convention centre in East London, with an initial potential capacity for up to 4,000 patients. The hospital was planned and constructed in about two weeks with assistance from the military and staff from across the NHS, and was officially opened on 3 April 2020.

On 4 April, Barts Health NHS Trust formally took over operation of the hospital, and it received its first patients on 7 April 2020. Suppression of the pandemic as a result of the UK lockdown meant that the predicted surge of patients did not materialise. As patient numbers remained considerably lower than originally feared, it was possible for the Nightingale hospital to discharge its last patients in early May, at which point the facility was placed into a state of readiness to reopen as and when needed.

## Assistance and assurance provided

The hospital was established at unprecedented speed in a time of national public health emergency and required input from multiple bodies. The London Audit team provided advice and assurance over the facility in a number of areas:

- Information governance auditors gave advice around aspects of data protection while the facility was being developed.
- Counter fraud specialists undertook an early fraud risk assessment on the new hospital. The team also provided fraud awareness training for inclusion within the induction material for the many new staff recruited. Due to the need to maintain social distancing, this training was provided in the form of a video.
- Internal audit was asked to provide assurance over the new hospital's financial governance arrangements and how consistent these were with the other hospitals within the Barts Group.
- Following the decision in May to put the hospital into a state of readiness, internal audit undertook a review of the hospital's 'preparedness' to be promptly stood back up if required. This audit covered elements ranging from risk management and legal issues to operational readiness and business continuity planning.

## Value added

Work by London Audit staff helped ensure the hospital was properly established in compliance with data protection legislation, and minimised the risk of fraud. Subsequent audit work gave positive assurance that the hospital's financial governance was robust, and that comprehensive plans were in place should the facility be needed again. A number of improvements were recommended, and actions agreed, in order to strengthen certain arrangements ranging from asset registers to business continuity planning – recommendations that will be factored into the readiness and reactivation plan prepared by management.

## Barnsley MBC: internal audit assurance – reactive and recovery approach to the impact of COVID-19

Like most organisations, the Barnsley internal audit service had to quickly adapt to new ways of working due to an increased and prolonged period of working from home, at a time when we were completing the planned work for 2019/20 and about to commence the approved work plan for 2020/21. The plan has been amended, in consultation with senior management and the Audit and Governance Committee, and continues to be revised to ensure that it is focusing internal audit resources in providing advice, support and assurance on the priority areas.

The service has undertaken a range of COVID-19 related work, with engagement/buy in from all officers, and has received positive feedback. This activity includes:

- ad hoc advice to council services and schools in relation to changes to existing service provision, such as school meals, community volunteering, or local welfare assistance
- assurance on the allocation, recording, management and monitoring of the emergency funding plan (expenditure and also loss of income projections); this entailed 14 detailed pieces of work being undertaken to focus on specific council business areas (eg adult social care, early years, place) and also provision of goods/services (eg PPE, crematorium)

- assurance that the moratorium imposed to ensure only essential spend was being consistently managed, monitored and complied with
- undertaking anti-fraud related work to provide assurance that grants/discretionary payments/ applications for support (eg business grants, supplier relief) had been awarded in accordance with government guidance
- advising on the governance arrangements and plans for the recovery phase.

This type of work is planned to continue as new funding streams are announced, for example the recently publicised isolation payments, to provide senior management and members with independent assurance in relation to the council's risk, control and governance arrangements.

Operationally we were able to respond to the pandemic easily as all the team have laptops and work phones, and our use of an audit management system enables remote/agile working. There has been very little we were unable to do in reality. The use of MS Teams across the council has maintained good client liaison and we've been able to maintain a presence at SMT and directorate management team meetings throughout the last eight months.

We are also undertaking some COVID-19 related assurance work for South Yorkshire Police. Attending the force's gold meetings has proved hugely beneficial to understand the fast pace at which decisions and actions are being taken.

Discussions at the pre-planning meeting identified three main areas for which assurance is required from internal audit:

- tracking of COVID-19 related costs
- lessons learned
- innovative practices arising from the response to the pandemic.

The final scope widened to include governance arrangements (for example, decision making and action plan management). We have worked closely with the force's business innovation and change team ensuring we added value over and above the work they were doing. This work has provided assurance that the force's arrangements are sufficiently robust.

# Adapting to auditing in a new environment

## Government Internal Audit Agency: continuing to provide sufficient assurance to audit clients

Like many audit teams during COVID-19, we were faced with the challenge of continuing to provide a sufficient level of assurance to our client, the Forestry Commission, while not directly impacting on their capacity and resources being used to respond to their own challenges.

### **What did we do to address the client's needs?**

The pandemic came at a time when we were finalising and closing off the 2019/20 audit plan and when key sponsors were diverted to respond quickly to early events, impacting the delivery of their strategic objectives. We agreed that where possible and to ease the pressures of senior management involvement, we would finalise all reports that held a low or no assurance rating.

For the audits that had been planned and approved to take place in 2020/21 prior to the pandemic, we liaised with directors and agreed an approach to complete the audit plan quarterly. We found that during the height of the pandemic, regular meetings with directors and sponsors enabled us to judge the level of capacity and resource availability to deliver planned audits or to re-prioritise.

### **How did we adapt our audit process?**

During the planning stages of each audit, as we would do in normal circumstances, we addressed our approach taking into consideration the impact of the pandemic on individual teams. We set out any limitations on the delivery of each audit, such as time, availability and access to offices and systems for providing key documents, setting them out in a term of reference so that expectations were understood.

During audit fieldwork both the audit team and the client adapted to the technology available, carrying out virtual team meetings, sharing documents and walking through systems 'on screen'. We have been flexible with deadlines in response to individuals' changes in circumstances or working patterns, which has improved the level of communication between the client and the auditor.

The 2020/21 plan included more consultancy-based work involving attending programme and project board meetings, and a strategy was developed detailing our embedded assurance approach. This has provided both internal audit and the client with a level of real-time assurance on their governance, risk and control frameworks throughout the pandemic. While these meetings were scheduled prior to COVID-19 they have continued to take place as agreed.

## **What did we learn?**

The ability for internal audit and the client to re-assess and re-prioritise the audit plan quarterly enabled the client to focus on their response to COVID-19 while being assured that audit services were continuing to be delivered in a way that minimised the impact on their operations and staff.

Business teams within the client organisation were informed in advance and responded well to the audit process. It fostered a more focused approach through working collaboratively and maintaining clear communications and expectations throughout. We have been able to respond appropriately to any changes, including being able to accommodate additions to the 2020/21 plan arising as a result of the impact of COVID-19.

# Supporting and providing assurance on governance and risk management

## Mersey Internal Audit Agency (MIAA): supporting the governance, risk and control frameworks within NHS organisations

The Internal Audit Standards Advisory Board issued guidance regarding conformance with the Public Sector Internal Audit Standards during the coronavirus pandemic (May 2020) which set out that:

“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.”

At MIAA, we recognised the plethora of COVID-19 guidance and information being provided including changes to the NHS financial framework, the emergency response and establishment of the control and command structures both regionally and within individual organisations. The response to the COVID-19 emergency situation required NHS organisations to operate in a different way to ‘business as usual’ practice. Guidance was clear that financial constraints must not stand in the way of taking immediate and necessary action but that there was no relaxation in fiduciary duties. This has meant that early actions and decisions needed to be and continue to be made in relation to key governance processes and internal control arrangements. The challenge is to strike a practical balance between documenting the basis for decisions and not slowing down the decision-making processes.

**Governance considerations: COVID-19**



Keeping up to date and navigating all of this is a real challenge. MIAA developed a COVID-19 briefings series, encompassing a range of tools to support our clients as they have responded to and continue to manage the challenges of the pandemic. Alongside this, our counter fraud alerts highlight specific fraud risks facing organisations during this time. We have also continued to respond to requests for support, guidance and assurance, and have contributed at local organisations and system level.

An early piece of work was a practical governance checklist for boards and executive teams to respond to NHSE/I expectations, as well as provide clarity and assurance as to how decision making had changed to enable the emergency response. It was clear from discussions locally and regionally that this has been highly valued, and a range of checklists covering procurement, finance and people followed.

MIAA's COVID-19 series has incorporated the following:

Governance Checklist	Financial Governance Checklist	People Checklist
Procurement Checklist	Assurance Framework and Risk Management Briefing	Data Protection Checklist
Gifts and Hospitality Checklist	Fraud Briefings and Alerts	Governance Benchmarking Briefing
Trust Audit Chairs Webinars	CCG Audit Chairs Webinars	Non-Executive Challenge Questions

The checklists and briefings have very much been focused on supporting and providing assurance on the second line of defence. Our organisations have needed to be agile and make decisions quickly and this has meant that there have been changes to systems and processes and established internal controls. Our detailed checklists and briefings have provided a framework against which to assess the robustness of governance arrangements, specifically in key areas highlighted during the pandemic.

A number of our audit committees have used the checklists as a mechanism for gaining assurance on the changes in internal controls and governance arrangements. They have become a fundamental element in the provision of assurance to the audit committee in these challenging times.

Between April and July 2020, MIAA held a number of webinars with groups of trust and CCG audit committee chairs focusing on governance, the challenges faced in light of the pandemic and moving forward into the recovery phase. This highlighted the changes experienced across organisations in areas such as governance, decision making and risk management and also identified a number of challenges, including accountability and lack of assurance.

We are continuing with the audit chair webinars throughout 2020/21, providing a network to engage with fellow audit chairs, share best practice and lessons learnt.

## Suffolk County Council: maximising the benefit of assurance frameworks

Given the unprecedented times we find ourselves in, there has been a need to work differently – the aim is to find the most efficient and effective way in which this can be done.

Further to conversations with the Deputy Chief Executive, Chief Finance Officer, Monitoring Officer and Chair of the Audit Committee, and taking into account other advice from professional bodies, we ascertained the coverage that would be needed in 2020/21 with regards to internal audit work in order to be able to provide a year-end opinion at 31 March 2021.

As such, the aim of the internal audit service will be to achieve the following during 2020/21:

- opinions on all assurance frameworks
- individual conclusions on key controls, which are being tracked throughout the year, including democratic decisions, budgetary control, data security and sharing, schemes of delegation, recruitment, cyber-security and staff health and safety
- grants
- income earning work such as pensions
- follow-up work, as appropriate
- continued consultancy on programmes and projects
- other risk-based audits/oversight, as resources allow.

We also take assurance from the work of others in some areas.

Suffolk County Council's internal audit service has operated for the last five years without an agreed plan of work. Instead we use a flexible 'live' risk assessment and allocation tool that determines the next piece of work to be carried out. The approach for 2020/21, although more akin to having a plan, still enables flexibility in case higher risk pieces of work become apparent.

Work on assurance frameworks requires less input from auditees but enables us to have good high-level oversight on how the authority is operating.

Assurance frameworks and maps are not uncommon in the auditing world as a method of assessment of an organisation. As a result there are many models and techniques, some of which are extremely complex and time consuming to maintain. The approach within Suffolk County Council is to develop an assurance framework over a period with a view that its accuracy and effectiveness will evolve.

The Public Sector Internal Audit Standards define assurance as "...an objective examination of evidence for the purpose of providing an independent assessment on governance, risk management, and control processes for the organisation." An assurance framework is a structured means of identifying and mapping the main sources of assurance in an organisation, and co-ordinating them to best effect.

Assurance mapping is a mechanism for linking assurances from various sources to the risks that threaten the achievement of an organisation's outcomes and objectives. They can be at various levels, dependent upon the scope of the mapping.

Suffolk County Council's assurance framework seeks to show the control areas in generic form against key governance, risk, statutory and service areas that have been identified; all are assessed against the three lines of defence model the council uses to define its overall governance arrangements.

Using information drawn from the three lines of defence, the control area is then rated to establish its known maturity and effectiveness. This rating is undertaken by members of the audit service; included in the process is an assessment of risk where there is no current evidenced assurance. This enables the assurance framework to produce an opinion of the area under review and possible future risk-based engagements, while informing the overall opinion of the head of audit.

It is vital that the assurance framework risk assessment is attuned to the priorities of the council. The key areas identified as part of Suffolk County Council's assurance framework are:

- Corporate governance
- Risk management
- Financial governance
- Information governance
- ICT
- Performance and data quality
- Contract management, commissioning and procurement
- People management
- Asset management
- Programme and project management
- Safeguarding
- Oversight of schools
- Health and safety
- Business continuity and emergency planning
- Counter fraud.

For 2020/21, these will all be completed by internal audit, the results of which will feed into the head of audit's year-end opinion. The process of rating areas of control within the key governance, risk, statutory and service areas, giving an opinion on this area and the generation of audit engagements and intervention, supported by drawing information from other assurance providers, will enable the head of audit service to evaluate the information and produce an opinion on the council's control environment.

# Learning points for internal audit teams

Drawing on the case studies and wider discussions with internal auditors CIPFA has pulled together a series of learning points for reflection and discussion. They can be used by heads of internal audit and audit teams to review their performance over the last few months and to help shape plans going forward.

CIPFA also considers that it is important for audit committees and leadership teams to reflect on how they have made use of internal audit's skills to ensure appropriate assurance and how they have supported internal audit arrangements. This is of particular importance when looking ahead to the delivery of the head of internal audit's annual opinion.

## **Maintaining effective engagement with clients, the leadership team and the audit committee**

- Be proactive. Put forward suggestions of how internal audit can help through both assurance and advisory work. Don't wait to be asked.
- With many internal audit services working remotely, access to information will be challenging, and picking up organisational intelligence informally 'by the water cooler' will have stopped. Make it your business to find out how the governance of your organisation's response to the crisis is being managed and ensure senior members of the internal audit team are part of those critical conversations.
- Think through how advisory work may contribute to the head of internal audit's annual opinion.
- Consider opportunities to place reliance on other sources of assurance within the first and second lines. If this is a new approach resulting from the response to COVID-19 then consider opportunities for developing an assurance model going forward.
- Consider how the organisation has maintained wider governance arrangements that impact on the work of internal audit, such as the operation of the audit committee and the effectiveness of risk management arrangements. What impact might any changes to the first and second lines have on internal audit and is that recognised?
- Prompt audit reporting is essential. Good planning and focused scoping of work has never been more important. With all areas of the organisation working quickly to implement changes and solutions to emerging issues, audit reports must keep pace to be useful.
- Consider the use of shorter report templates with focused outcomes to enable a quicker response.
- Keep the audit committee informed of your work at regular intervals. The audit plan may continually need to be refocused, as committee members need to be able to understand what risk assessments are being applied and the rationale for changes to planned work so that they can support the work of the team.
- Discuss with your audit committee chair what information they would most value to support them in their role. This could include providing pre-populated checklists to support their challenge role, or could be more frequent updates on internal audit progress.

## **Supporting and developing an effective internal audit team**

- Ensure members of the internal audit team are well supported. Consider longer-term development as well as short-term operational requirements.
- Wellbeing of the team is essential – make sure they are being communicated with and understand their organisational value. Check in regularly and encourage them to take frequent breaks and make use of organisational resources to support their mental health.
- Make use of the remote working tools at your disposal to maximise efficiency and encourage collaboration, eg MS Teams or Sharepoint. Use MS Teams to run a virtual office to enable colleagues to discuss work in real time, innovate and reduce the flow of emails.
- Recognise that there may be opportunities in the way your team is currently working that can be built on in the future. For example, does remote working capability provide greater flexibility and efficiency in your resources?
- Start to think about longer-term resource planning – has the pandemic exposed gaps in some softer skills? For example the need for persuasion and influencing skills may be enhanced when working remotely.
- The pandemic has increased the speed of innovation in some sectors. Resource planning for the future should include consideration of some of the wider skills you may want to develop within your audit team, such as increased use of data analytics and skills around cyber and AI, ethics and controls.

## **Key questions for audit committee members to ask**

Audit committees not only make use of the output of internal audit, they also play a key role in providing support to the head of internal audit and oversight of the resourcing, performance and professional conformance with the Public Sector Internal Audit Standards.

The following key questions can be used by audit committee members to reflect on how internal audit has responded to the COVID-19 pandemic, its impact on performance and plans going forward.

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- 1.** Has the internal audit service redeployed any staff during 2020/21 to support high risk COVID-19 related activity?

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  - 2.** What impact have any redeployments or furlough had on the overall operation of the internal audit service?

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  - 3.** Have key organisational risks (identified in the organisation's risk registers) been subject to some form of internal audit review during 2020/21?

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  - 4.** Has internal audit been able to follow up on outstanding recommendations and are there any significant areas where there are concerns over progress of implementation?

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  - 5.** Is there sufficient audit resource to facilitate the delivery of an internal audit opinion at the end of the year?

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  - 6.** Will the head of internal audit be able to take assurance from any second line functions? Please give examples.

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  - 7.** Can internal audit clarify which planned audit areas have been deferred or cancelled and any potential impact?

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  - 8.** Has the head of internal audit been able to keep up to date with changes in the organisation's COVID-19 governance processes?

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  - 9.** Is senior leadership providing the audit committee with regular information around key risks and governance developments arising from COVID-19 arrangements and keeping engaged with their work?

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  - 10.** Does the internal audit team need to undertake a skills assessment to ensure the skills mix is appropriate in a changing environment?
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# Other useful resources

[CIPFA Statement on the Role of HIA 2019](#)

[CIPFA Position Statement on Audit Committees in Local Authorities and Police 2018](#)

[Leading Internal Audit, CIPFA 2019](#)

[CIPFA Financial Management Code 2019](#)

[CIPFA Financial Management Code Guidance Notes 2020](#)



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