

Internal Audit

DRAFT 2021/22 Plan



**West Lindsey District
Council**

February 2021

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The contacts at Assurance Lincolnshire are:

Lucy Pledge CMIIA, QIAL

Audit and Risk Manager (Head of Internal Audit)

01522 553692

Lucy.pledge@lincolnshire.gov.uk

Emma Bee CIA CMIIA

Audit Manager - Audit

01522 552889

emma.bee@lincolnshire.gov.uk

Stacey Richardson CIA

Principal Auditor

stacey.richardson@lincolnshire.gov.uk

The Planning Process

Introduction

This report sets out the Internal Audit Plan as at 1st April 2021. The plan details the activities to be audited and the indicative scope for each audit. The draft plan gives you an opportunity to comment on the plan and the priorities that we have established.

Our audit plan delivers assurance within agreed resources. This remains the same as last year – 190 days. Our fees remain and reflect the rates included within the current agreement.

The plan is amended throughout the year to reflect changing assurance needs.

In Appendices A to E we provide for you information details of:

- Auditable Activities
- How the draft plan achieves the requirements of the Governance & Audit Committee and Head of Internal Audit
- Our Working Protocols and Performance
- Our Quality Assurance Framework

Developing the plan

The internal audit plan has been developed using various sources including our external intelligence, local knowledge and the meetings held with Assistant Directors and the Senior Management Team as a whole. **Figure 1** shows the key sources of information that has helped inform the plan.

We have prioritised our audit work taking account of the impact an activity will have on the Council if it fails. The criteria for determining priority are:

- **Significance** - how important is the activity to the Council in achieving its objectives, key plans and in managing its key risks. We look at both financial loss and strategic impact.
- **Sensitivity** - how much interest would there be if things went wrong and what would be

the reputational and political impact.

- **Level of Assurance** – we assess the current level of assurance evaluating reliability and contribution to the Head of Internal Audit annual opinion on governance, risk and control.
- **Time**– when it will happen (this will determine when is the best time to do the Audit).



Figure 1 – Key sources of information

Updating the Plan

Through the year we will liaise with the Council and collect business intelligence that identifies emerging audits which could be included in the plan according to priority.

The primary source of business intelligence will be the regular liaison meetings between our team and the nominated liaison contact, other sources of intelligence will include:-

- Committee reports
- Performance and Risk
- Key stakeholders

Delivery and Focus

Delivering the Plan

The audit plan has been developed to enable us to respond to changes during the year. Whilst every effort will be made to deliver the plan, we recognise that we need to be flexible and prepared to revise audit activity – responding to changing circumstances or emerging risks. The plan is therefore a statement of intent – our liaison meetings with senior management will enable us to firm up audit activity during the year.

The aim is to deliver the audits included in the plan in accordance with the schedule which will be devised once the plan is agreed. The schedule will be drawn up following liaison with the various auditees and Assistant Directors. Resources will then be allocated accordingly to the audits at the specified times. It is therefore important that any changes required to the audits or the schedule are notified to Internal Audit as soon as possible to avoid abortive time being spent on audits and for us to reallocate resources.

The Council's Internal Audit Plan is **190 Days**. The core team who will be delivering your Internal Audit plan are:

Head of Internal Audit
Lucy Pledge

☎ 01522 553695
07557 498932

✉ lucy.pledge@lincolnshire.gov.uk

Audit Manager
Emma Bee

☎ 01522 552889

✉ emma.bee@lincolnshire.gov.uk

Principal Auditor
Stacey Richardson

☎ 01507 613106

✉ Stacey.richardson@lincolnshire.gov.uk

We will be using Senior Auditors from our Team to support the completion of the plan.

Audit Focus for 2021/22

In the following table we provide information on key audit areas and the rationale for their inclusion in the audit strategy and plan.

The impact of Covid-19 on the public sector has been unprecedented, we will be carrying out some assurance work in this area during the last quarter of 2020/21 and depending on the outcome of that work further work may be required during 2021/22. Our plan remains flexible to take account of these changing and emerging risks.

Appendix A outlines the various audits to be undertaken within each area. Appendix B contains those areas which we have not been able to include in the plan but management may wish to consider whether they should be included.

Area	Reason for inclusion
Financial Governance	Providing assurance that key financial controls are in place and operating effectively during the year across all areas of the Council. This work provides the Section 151 Officer with a key element of her assurance that the Council has effective arrangements for the proper administration of its financial affairs.
Governance & Risk	Providing assurance that key governance controls are in place and are operating effectively. These cross cutting audits focus on the Council's second line of assurance - corporate rather than service level systems.
Critical Activities	Our discussions with Senior Management Team identified some critical activities where a potential audit would provide independent assurance over the effectiveness of risk management, control and

Area	Reason for inclusion
	governance processes. The areas prioritised relate to Wellbeing, Flood Management and Carbon Management.
Project Assurance	There are a number of critical projects identified by the Council particularly relating to the implementation of new corporate systems. Our work will focus on two of these key projects.
ICT	Technology and associated threats and opportunities continue to evolve at a pace. The effectiveness of ICT has a great impact on how well the Council works. We will seek to provide assurance that key controls comply with industry best practice and are operating effectively. We are currently carrying out a detailed review of all ICT areas throughout our client base and will be drawing up a separate ICT Audit plan to ensure that our audit resources are used effectively at each client.
Follow Up	<p>Where an audit receives a Limited or Low Assurance level we will carry out a follow up audit to provide assurance that the identified control improvements have been effectively implemented and the risks mitigated.</p> <p>Working with management we also track the implementation of agreed management actions for all audit reports issued.</p>
Combined Assurance	Working with management we co-ordinate the levels of assurance across the Council's critical activities, key risks, projects and

Area	Reason for inclusion
	partnerships – producing a Combined Assurance Status report in January 2022.
Consultancy Assurance	At the request of management we undertake specific reviews where they may have some concern or are looking for some advice on a specific matter or around governance, risk and controls for a developing system. Such reviews are not normally given an audit opinion.

Annual Internal Audit Opinion

We are satisfied that the level and mix of resources - together with the areas covered in the plan - will enable the Head of Internal Audit to provide their annual internal audit opinion.

Appendix A – Internal Audit Plan

Our current planned audits are listed below.

Audit Area	Assurance Sought	Internal Audit Risk Assessment	Assurance Map RAG Rating	Strategic Risk Register	Corporate Priority	Management Request
Financial Governance						
Key Control Testing	Delivery of key control testing to enable Head of Internal Audit to form an opinion on the Council's financial control environment.	N/A	N/A			
Grants awarded	To provide assurance that there are robust arrangements in place for the issuing of grants across the council and grant conditions are monitored and complied with	A	A			✓
Insurance	To provide assurance around the adequacy and effectiveness of processes within the insurance function	A	A			✓
Value for Money (VFM)	To provide assurance that the Council takes all reasonable steps to achieve Value for Money in the delivery of its services.					
Governance and Risk						
Strategic Risk - Inability to maintain critical services and deal with emergency events	To provide assurance that the processes in place to support the management of this strategic risk are operating effectively	A		✓		
Critical Activities						
Flood Management	To provide assurance that adequate arrangements are in place between the council and the LLFA to both prevent and respond to flooding - Client wide review	R	R			
Carbon Management	To provide assurance that the plans in place to tackle climate change are relevant, fit for purpose and achievable	A	A		✓	✓
Local Land Charges	To provide assurance over the operational arrangements in place with a core focus on performance management	A	A			✓
Wellbeing	Review of delivery and effectiveness of the Council's elements of the wellbeing contract. - Client wide review	A	A		✓	

Audit Area	Assurance Sought	Internal Audit Risk Assessment	Assurance Map RAG Rating	Strategic Risk Register	Corporate Priority	Management Request
Project Assurance						
Enterprise Resource Planning system	Consultancy review to advise and support on system controls during the implementation of this new system	A	R			✓
ICT (Joint with North Kesteven District Council)						
Disaster Recovery & Backup	To provide assurance that backups are robust, working effectively and that disaster recovery arrangements are in place and also periodically tested.	A	A			
Cloud/ Housed Services	Review of several cloud hosted solutions to ascertain the level of due diligence undertaken of selected providers and the adequacy of security arrangements in place	R	G			
Network Infrastructure & Security	Review of the network architecture and design from a security perspective to determine whether adequate security mechanisms are in place and operating effectively.	R	G			
Follow-up						
Follow-ups	To provide management with assurance that actions from previous key audits have been implemented and this has led to improved outcomes.					✓
Combined Assurance						
Combined Assurance	Updating the assurance map and completing the Combined Assurance report.			✓		✓
Days		150				

Non-Audit	
Advice and liaison	
Annual Report	
Audit Committee	
Review IA Strategy and Planning	
Attendance at Management Team	
Days	20

Grand Total	Total
Internal Audit Days	170
Housing Benefit Subsidy	20
Fee	£56,050

Appendix B –Areas not included in the current plan

Auditable Areas	Assurance Sought	Internal Audit Risk Assessment	Assurance Map RAG Rating	Strategic Risk Register	Corporate Priority	Management Request
Critical Activities						
Property & Estate Management	To provide assurance over the arrangements in place for the strategic and operational management of the Council's land and buildings and the maintenance /improvement thereof.	A	A		✓	
Viable Housing Solution	Provide assurance that partnership arrangements are fit for purpose and corporate oversight is in place	A	A		✓	
Customer Services	Review of new customer experience policy to ensure it is fit for purpose and compliance	G	A			✓
Building Control	To provide assurance over the operational arrangements including the impact of potential changes in legislation.	A	A		✓	
Income collection & receipting	To provide assurance that the controls in place are working effectively	A	A		✓	
Commercial Waste	To provide assurance over the operational arrangements, objectives and targets are met.	A	A		✓	
Test & Trace Support Payments	To provide assurance that payments have been made accurately and that processes in place are adequate	R	R			

These are the areas which are not on the plan but are important.

Appendix C – Cyclical Audits

The below shows our cyclical audits.

A new Enterprise Resource Planning (ERP) system is due to be implemented in 2021/22 which will replace the current finance system as well as extending into other areas such as performance and asset management.

System	Opinion	Last audited	Assurance Map Rating	Risk Score
Financial Due Diligence				
Income Collection & Cash Receipting	Substantial	2015/16	Amber	Amber
Bank	Substantial	2017/18	Green	Amber
Budgetary Control/Management	High	2018/19	Green	Amber
General Ledger	WIP	2020/21	Green	Amber
Budget preparation and Financial Strategy	High	2018/19	Green	Amber
Creditors	Substantial	2019/20	Green	Amber
Debtors	Substantial	2019/20	Green	Amber
Pensions	Substantial	2017/18	Green	Amber
Payroll & Human Resources	Substantial	2018/19	Green	Amber
Treasury Management	High	2020/21	Green	Amber
Property, Plant and Equipment	Substantial	2017/18	Amber	Amber
Council Tax	WIP	2020/21	Amber	Amber
Benefits	Substantial	2017/18	Green	Amber
Financial Resilience	High	2019/20	Green	Amber
Other Due Diligence				
Risk Management	Substantial	2016/17	Green	Amber
VAT/Tax	WIP	2020/21	Amber	Amber
Insurance	Substantial	2015/16	Amber	Amber

Grants	Substantial	2015/16	Green	Amber
Counter Fraud	Health Check	2017/18	Green	Amber
Contract Management	Substantial	2015/16	Amber	Amber
Equality & Diversity	High	2008/09	Green	Amber
Health & Safety	Substantial	2018/19	Green	Amber
Information Governance	Substantial	2017/18	Green	Amber
Corporate Governance	High	2020/21	Green	Amber
Partnerships	Substantial	2018/19	Green	Amber
Corporate plan/ Golden Thread	Substantial/ Limited	2019/20	Green	Amber
Business Continuity	Substantial	2010/11	Amber	Amber
Emergency Planning	Substantial	2010/11	Amber	Amber
NNDR	High	2017/18	Amber	Amber
Performance Management	Limited	2017/18	Amber	Amber
Project & Programme Management	Substantial	2019/20	Green	Amber

Appendix D – Head of Internal Audit's Opinion

Our work is carried out in conformance with the UK Public Sector Internal Audit Standards. These require that the scope of Internal Audit covers the whole range of the Council activities – seeking to provide an annual internal audit opinion on the governance, risk and internal control environment of the Council which has been established to:

- Achieve strategic objectives
- Ensure effective and efficient operational systems and programmes.
- Safeguard assets and interests of all kinds (including risks that relate to work it undertakes through partnerships)
- Ensure the reliability and integrity of financial and operational information.
- Ensure economic, efficient and effective use of council resources.
- Ensure compliance with established policies, procedures, laws, regulations and contracts.

Our Internal Audit Strategy

It is important that the Internal Audit function focusses its work on what matters most to you – providing insight, assurance and added value to the Council. Whilst we have a plan in place this is flexible and may be changed during the year enabling greater flexibility and responsiveness – ensuring each piece of work is the right one, delivered at the right time. The plan is therefore more dynamic and responsive – essential for an effective Internal Audit service.

Our internal audit activity and plan has been driven by the Council's key objectives within the corporate plan, your key risks and critical service areas identified as part of the Combined Assurance Map.

We aim to align our work with other assurance functions – seeking to look at different ways of leveraging assurance to help us to maximise the best use of the Internal Audit resource and other assurance functions in the Council.

By adopting this approach it is possible to give the Council comfort that there is a comprehensive risk and assurance framework with no potential gaps. We are then able to use our audit planning tool to target resources. This will to minimise duplication of effort through sharing and co ordinating activities with management and other management oversight functions.

We have identified the level of assurances in place by using the "Three lines of assurance" model – See **Figure 2**.

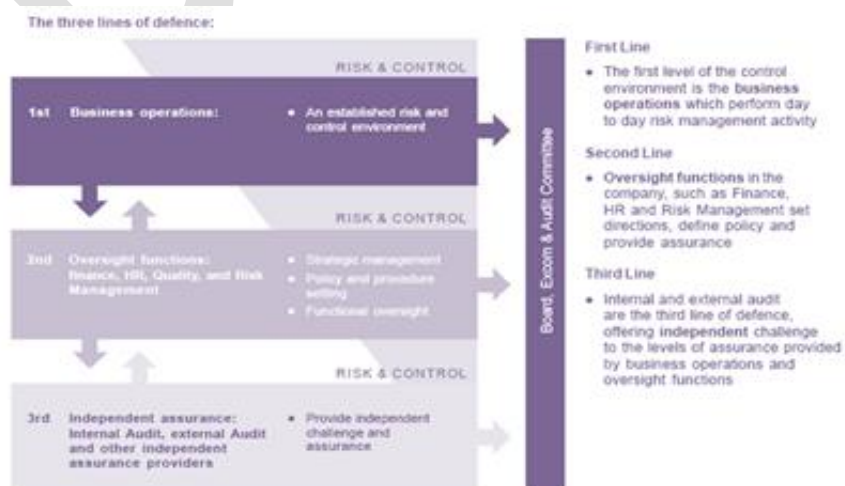


Figure 2 – The three lines of defence

Our Internal Audit Strategy also seeks to co-ordinate our work with other assurance providers where we can. In particular we liaise with External Audit to ensure the Council gets the most out of its combined audit resource – keeping audit fees low.

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Appendix E – Working Protocols

Our approach to delivering of internal audit work is based on a clear protocol detailed in the Audit Charter. How this works in practice is set out at the bottom.

Our performance is monitored by the Director of Corporate Services and the Governance & Audit Committee - measured against 3 key areas:

- Delivery of planned work.
- Timeliness (contemporary reporting).
- Quality and Impact of work (communicating results / added value).

Strong communication is fundamental to quality delivery and maintaining trusting relationships. We keep management informed in accordance with agreed protocols including:

- Agreeing potential audit work for the forthcoming year
- Providing quarterly updates to evaluate progress and discuss activities and priorities for the next quarter.
- For individual audit engagements we hold planning meetings in person (our preference) by phone or email or Teams to discuss and agree the terms of reference and scope of our work.
- We keep you informed of key findings during the audit and upon conclusion we hold a debrief meeting in person to discuss our findings and any outstanding issues.
- We communicate the results of our audit work in a clear and concise way – securing management action where control improvements are needed.

Weeks prior to fieldwork	-4	←	Notify key stakeholders of audit at least 4 weeks prior to fieldwork
	-0-4	←	Meet with Director or Business Manager (Audit Sponsor) to agree draft terms of reference (TOR) and obtain approval
Fieldwork			Initial meeting with auditees and audit sponsor
			Keep in regular contact with audit sponsor throughout the fieldwork
			Fieldwork completed
Weeks after fieldwork	+2	←	Draft report ready for internal review within 10 working days of fieldwork completing
	+3	←	Internal review
	+4	←	Draft issued within 5 working days of review
	+7	←	Closure meeting and Management response within 15 days of receipt of draft report
	+9	←	CMT review of draft
	+10	←	Final report issued within 5 days of management response

Appendix F – Our Quality Assurance Framework

Quality is built into the way we operate – we have designed our processes and procedures to conform to best practice applicable to Internal Audit – in particular the UK Public Sector Internal Audit Standards and the CIPFA Local Government Application Note.

Our audit team offers a wide depth of knowledge and experience gained across different organisations. We promote excellence and quality through our audit process, application of our Quality Assurance Framework and our training and development programme.

Our Quality Assurance Improvement Programme incorporates both the internal (self) and external assessments – this is a mandatory requirement and the Head of Audit reports annually on the results and areas for improvement. Our internal assessments must cover all aspects of internal audit activity – **The diagram below** shows how we structure our

internal assessments to ensure appropriate coverage.

We use a number of ways to monitor our performance, respond to feedback and seek opportunities to improve. Evidence of the quality of our audits is gained through feedback from auditees and the results of supervision and quality assurance undertaken as part of our audit process.

Our Internal Audit Charter sets out the nature, role, responsibilities and authority of the Internal Audit service within the Council – this was approved by the Governance & Audit Committee and was reviewed in 2019 following the planned revision of the CIPFA Local Government Application Note.

Quality Assurance and Improvement Program (QAIP) Framework

