

Internal Audit

2023/24 Audit Plan



West Lindsey District Council

May 2023

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The Planning Process

Introduction

This report sets out the Internal Audit Plan as at 19th May 2023. 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. Our fees have been reviewed and the figure shown in the table on page 5 reflects that.

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

In appendices A to E we provide 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 and
- Our quality assurance framework

Developing the plan

The internal audit plan has been developed using a variety of sources including our external intelligence, local knowledge and the meetings held with Assistant Directors and the Senior Management Team. **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 the best time is 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 information and
- Key stakeholders

Delivery and Focus

Delivering the Plan

The audit plan has been designed to enable us to be responsive to changes that may arise during the year. Whilst every effort will be made to deliver the plan, we recognise that we need to be flexible and respond to changing circumstances or emerging risks. The plan is therefore a statement of intent. Our liaison meetings with senior management will enable us to agree and finalise the audit activity during the year.

The intention is to deliver the audits in accordance with a schedule to be developed once the plan has been agreed. This will be completed through appropriate liaison. Once agreed, resources will then be allocated at the specified times. It is important that any changes required are notified to Internal Audit as soon as possible. This helps in the avoidance of abortive time.

The Council's Internal Audit Plan is **146 Days**. The core team who will be delivering your Internal Audit plan are:

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We will be using Senior Auditors from the Team to support this delivery.

Audit Focus for 2023/24

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

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. This will include work on the Levelling Up Fund and Key Control Testing.
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. We will be looking at Safeguarding, Performance Management and Equality & Diversity.
Critical Activities	Our discussions with Senior Management Team identified critical activities where an audit would provide independent assurance over effectiveness of risk management, control and governance processes. The areas prioritised relate to the Wellbeing Lincs Service and Procurement.

Area	Reason for inclusion
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 a key WLDC project
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. As part of our agreed 3-year ICT Audit Plan we will be looking at Cyber Security and Incident Management.
Follow Up	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. Working with management we also track the implementation of agreed management actions for all audit reports issued.
Combined Assurance	Working with management we co-ordinate the levels of assurance across the Council's critical activities, key risks, projects and partnerships – producing a Combined Assurance Status report in February 2024.
Consultancy Assurance	At the request of management, we undertake specific reviews where they may have some

Area	Reason for inclusion
	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.

Housing Benefit Subsidy

As agreed last year we will not be providing this service going forward.

Audit Fees

Our daily blended rate from 1st April 2023 will continue to be £350 per day. The fees are planned to be reviewed later this year for 2024/25.

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 – 26 days						
Key Control Testing (planned for Q4)	Internal Audit review key financial systems on a cyclical basis. This may include elements of core business functions such as creditors, debtors, income, expenditure, payroll, and balance sheet controls.	N/A	N/A			
Levelling Up Fund phase 2 (planned for Q3)	Levelling up is a significant project for the Council delivering regeneration for Gainsborough. This work will provide additional assurance in areas not included in the 2022/23 assurance review taking account of progress and any developments.	A	A		✓	
Governance and Risk – 27 days						
Safeguarding Policy (planned for Q3)	The Council implemented a revised safeguarding policy in 2022/23, this review will consider the effectiveness of the policy delivery.	A	G	✓		
Performance Management (planned for Q4)	The Council has implemented a new Tech One performance system and new member reporting which will be embedded throughout 2023. This review will consider the effectiveness of delivery and its reporting.	A	G			✓
Equality and Diversity (planned for Q1)	This audit will consider how the Council is considering Equality and Diversity in its operations and decision making.	A	G			✓
Critical Activities – 10 days						
Procurement (planned for Q4)	This audit will review a sample of procurements for compliance with the Councils processes and policies.	A	A			
Project Assurance – 10 days						
Key Project Review (planned for Q2)	Internal audit will consider a risk based key project delivered by the Council and how it has been delivered according to methodology in place.	A	G			

Audit Area	Assurance Sought	Internal Audit Risk Assessment	Assurance Map RAG Rating	Strategic Risk Register	Corporate Priority	Management Request
ICT (Joint with North Kesteven District Council) – 18 days						
Cyber Security (also included in NKDC audit plan and planned for Q2).	Cyber Security is a significant risk to the authority and this review will consider the steps the Council is taking to manage cyber risk effectively.	A	G	✓	✓	✓
Incident Management (also included in NKDC audit plan and planned for Q3).	ICT Incidents can have a huge impact on an organisation in terms of cost, productivity, and reputation. This review will consider a sample of incident management arrangements and their testing practices.	A	G	✓		✓
Follow-up and Contingency – 15 days						
Follow-ups	To provide management with assurance that actions from previous key audits have been implemented and this has led to improved outcomes.					✓
Contingency	To provide management with contingency for unplanned events throughout the year.					✓
Combined Assurance – 15 days						
Combined Assurance (Q3 and Q4)	Work to be determined in Q1/2 and carried out in Q3 required to support Annual Governance Statement and provide Annual Internal Audit opinion.			✓		✓

Other Activities	
Advice and liaison	5
Annual Report	8
Audit Committee	10
Review IA Strategy and Planning	2
Days	25

Grand Total	
Internal Audit	146 days
Fee	£51,100

Appendix B – Areas not on the Audit Plan

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

Auditable Areas	Assurance Sought	Internal Audit Risk Assessment	Assurance Map RAG Rating	Strategic Risk Register	Corporate Priority	Management Request
Critical Activities						
Building Control	To provide assurance over the operational arrangements including the impact of potential changes in legislation.	A	A			
Commercial Waste	To provide assurance over the operational arrangements, objectives and targets are met.	A	A			
Fleet Management	To support management with a consultancy review as they embed their new organisational structure	A	A			
Growth and Regeneration Projects	To provide assurance over the project management of a sample of projects that are in development.	A	A			

Appendix C – Cyclical Audits

The below shows our cyclical audits.

System	Opinion	Last audited	Assurance Map Rating	Risk Score
Financial Due Diligence				
Income Collection & Cash Receipting	Substantial	2015/16	Amber	Amber
Bank	Substantial	2021/22	Green	Amber
Budgetary Control/Management	High	2018/19	Green	Amber
General Ledger	Substantial	2021/22	Green	Amber
Budget preparation and Financial Strategy	High	2018/19	Green	Amber
Creditors	Substantial	2021/22	Green	Amber
Debtors	Substantial	2021/22	Amber	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	2021/22	Amber	Amber
Council Tax	High	2020/21	Amber	Amber
Benefits	Substantial	2017/18	Amber	Amber
Financial Resilience	High	2019/20	Green	Amber
Other Due Diligence				
Risk Management	Substantial	2022/23	Green	Amber
VAT/Tax	High	2020/21	Amber	Amber
Insurance	Substantial	2021/22	Green	Amber
Grants	Substantial	2015/16	Green	Amber

System	Opinion	Last audited	Assurance Map Rating	Risk Score
Counter Fraud	Health Check	2017/18	Green	Amber
Contract Management	Substantial	2022/23	Green	Amber
Equality & Diversity	High	2008/09	Green	Amber
Health & Safety	Substantial	2018/19	Green	Amber
Information Governance	Substantial	2017/18	Green	Green
Corporate Governance	High	2022/23	Green	Amber
Partnerships	Substantial	2018/19	Green	Amber
Corporate plan/ Golden Thread	Substantial	2021/22	Green	Amber
Business Continuity	High	2021/22	Green	Amber
Emergency Planning	High	2021/22	Green	Amber
NNDR	High	2017/18	Amber	Amber
Performance Management	Limited	2017/18	Green	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 focuses its work on what matters most to you by 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 and ensuring each piece of work is the right one, delivered at the right time. The plan is therefore more dynamic and responsive. This is important for delivering 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 and seek 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. We are then able to use our audit planning tool to target resources. This will minimise duplication of effort through sharing and coordinating 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**.

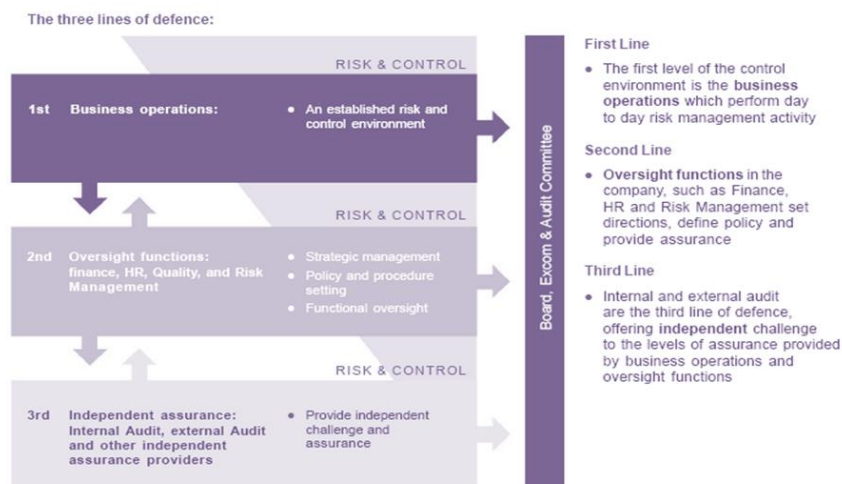


Figure 2 – The three lines of defence

Our internal audit strategy 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.

Appendix E – Working Protocols

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

Our performance is monitored by the Assistant Director People & Democratic Services (Interim) and Monitoring Officer, 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).

Effective 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 to discuss and agree the terms of reference and scope of our work.
- Keeping you informed of key findings during the audit and upon conclusion we hold a recommendation meeting to discuss our findings and share ideas to inform appropriate recommendations.
- We communicate the results of our audit work in a clear and concise way.

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.

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 quality assurance programme incorporates both internal 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.

Our Audit Charter sets out the nature, role, responsibilities, and authority of the internal audit service within the Council.

