



## **Internal Audit Progress Report – January 2024**

The Head of Internal Audit is required to provide a written status report to Senior Management and Members, summarising internal audit activity.

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# Role of Internal Audit

The requirement for an internal audit function in local government is detailed within the Accounts and Audit (England) Regulations 2015, which states that a relevant body must:

*‘Undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards and guidance.’*

The standards for ‘proper practices’; are laid down in the Public Sector Internal Audit Standards [the Standards -updated 2017].

The role of internal audit is best summarised through its definition within the Standards, as an:

*‘Independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes’.*

The District Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the District Council that these arrangements are in place and operating effectively.

The District Council’s response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisation’s objectives.

# The Purpose of the Report

In accordance with the proper internal audit practices (Public Sector Internal Audit Standards), and the Internal Audit Charter, the Head of Internal Audit is required to provide a written status report to Senior Management and Members summarising:

- the status of live internal audit reports.
- an update on progress against the internal audit plan.
- a summary of internal audit performance, planning and resourcing issues; and
- a summary of significant issues that impact of the Head of Internal Audits annual opinion.

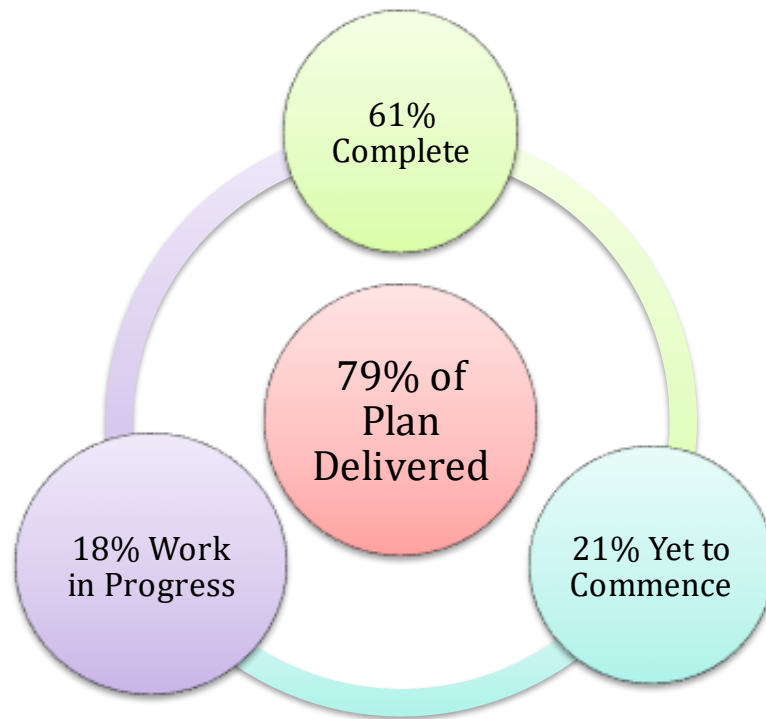
Assurance opinions are categorised as follows:

Substantial	A reliable system of governance, risk management and control exist, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Adequate	There is a generally reliable system of governance, risk management and control in place. Some issues of non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.

Limited	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control are inadequate to effectively manage risks in the achievement of the objectives for the area audited.

# Performance Dashboard

*Figure 1*



**Figure 1** shows the completion of the internal audit plan to date. We will be commencing fieldwork across four audits during January. The audit work yet to commence includes contingency time.

There is an expectation that all clients will provide feedback on their audit experience with the team. The results of audit feedback will be used by managers in developing team and individual improvements as well as to inform training requirements and quality learning across the entire audit team.

Formal feedback on the Cyber Security audit has not yet been received however Management comments on the final audit report are as follows: We welcome the audit feedback that provides us with an assurance that we are doing what we say, and what we have planned to do. The work to introduce further Improvements and risk controls to enhance the cyber posture outcomes for both North Kesteven and West Lindsey will continue. With the excellent work from the ICT Team looking at the benefits of profiled risk management will continue to be progressed.

# Update on Internal Audit Activity

Since our last progress report in November 2023, we have issued one final audit report and commenced fieldwork across four audits. We continue to work closely with management to ensure that audit timelines are adhered to, to support timely delivery.

## **Completed**

Cyber Security - Adequate assurance

The summary of key observations within this report is provided in the Executive Summary section of this report.

## **In Progress**

We have four audits in progress:

Procurement

Performance Management

ICT- Incident Management

Levelling Up Fund Phase 2

## **Planning**

We are currently planning for one audit due to commence at the end of January:

Financial Key Controls testing to cover the following areas:

- Payroll & Human Resources
- Budget Control & Management
- Income Collection & Cash Receipting
- Bank reconciliation

## **Changes to the Internal Audit plan**

In agreement with the Director of Corporate Services (Section 151 Officer) we have removed Safeguarding Policy from the Internal Audit plan. This is due to an independent Section 11 audit commencing in January 2024. We have allocated these days to Financial Key Controls testing.

## **Combined Assurance**

Annually we undertake combined assurance work, where we identify and map the main sources and types of assurance across the Council and coordinate them to best effect. The team will have met with all teams across the Council by mid January 2024, allowing us to finalise the combined assurance map and support the development of the combined assurance report for presentation to Governance & Audit Committee in March 2024.

# Analysis of Audit Reviews

The table below shows the audits completed since April 2023 along with details of the actions. No actions are overdue. A detailed update can be found in Appendix 2.

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Total Management Actions	Not Accepted	Not Yet Due	Completed	Overdue	
<b>2022/23</b>								<b>High</b>	<b>Medium</b>
ICT Patch Management	Apr-23	Director Change Management & Regulatory Services	High	0	0	0	0	0	0
ICT Asset Management	Apr-23	Director Change Management & Regulatory Services	Substantial	8	0	4	4	0	0
Risk Management	Apr-23	Director of Corporate Services	Substantial	5	0	1	4	0	0
Key Control testing	May-23	Director of Corporate Services	Substantial	5	0	0	5	0	0
Key Project - CRM System	May-23	Director Change Management & Regulatory Services	Consultancy	0	0	0	0	0	0
<b>TOTAL</b>								<b>0</b>	<b>0</b>

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Total Management Actions	Not Accepted	Not Yet Due	Completed	Overdue			
<b>2023/24</b>								High	Medium	Low	Critical
Equality Impact Assessments	Jul-23	Assistant Director People & Democratic	Adequate	11	0	8	3	0	0	0	0
Key Project – Refurbishment of Saxilby Footbridge	Oct- 23	Director Planning, Regeneration & Communities	Adequate	12	0	12	0	0	0	0	0
Cyber Security	Dec-23	Director Change Management & Regulatory Services	Adequate	2	0	1	1	0	0	0	0
<b>TOTAL</b>								<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>



The table below shows the actions remaining to be implemented from reports issued prior to April 2023. Three actions are overdue and two actions are not yet due to be completed. The overdue actions are all in progress and relate to the development of dashboards for key performance areas of the finance system, centralising contract documentation and producing detailed guidance on the management of contracts.

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Total Management Actions	Not Accepted	Not Yet Due	Completed	Overdue	
								High	Medium
2020/21 ICT Email Security	02/02/2021	Director Change Management & Regulatory Services	Substantial	6	0	0	6	0	0
2021/22 Key Control testing	22/08/2022	Director of Corporate Services	Substantial	5	0	0	3	0	2
2021/22 Carbon Management	18/05/2022	Head of Policy & Strategy	Substantial	1	0	0	1	0	0
2022/23 Contract Management	21/12/2022	Management Team	Substantial	4	0	2	1	0	1
<b>TOTAL</b>								<b>0</b>	<b>3</b>

## **Executive Summaries of ‘Limited’ or ‘No’ Assurance Opinions**

There have been no reports issued during this period with a Limited or No Assurance Opinion.

# Executive Summaries of ‘Substantial’ or ‘Adequate’ Assurance Opinions

The table below provides a summary of the substantial or adequate assurance reports published since the last progress report.

Audit Review Title: Cyber Security					
Audit Sponsor	Assurance Opinion	Management Actions			
Director Change Management & Regulatory Services	Adequate	Low 1	Medium 1	High 0	Critical 0
<p><b>Summary of Key Observations:</b></p> <p>As part of the Internal Audit plan for 2023/24, audit have undertaken a review of Cyber Security, in order to provide assurance that effective governance arrangements are in place as well as a high level review of the National Cyber Security Centre’s (NCSC) 10 steps and the consideration that the Council has given to these areas.</p> <p>Overall, the arrangements for compliance to the NCSC steps for ensuring security of information assets and managing cyber risk is good.</p> <p>In their pursuit of enhancing cybersecurity capabilities, the Council has undertaken a comprehensive set of initiatives to strengthen their security posture in line with the NCSC 10 Steps. Key measures included:</p> <ul style="list-style-type: none"> <li>• Development and enforcement of a remote working policies, reinforced by robust security controls</li> <li>• Mandatory user training and awareness with regular compliance monitoring and reporting</li> <li>• Alignment of incident management with the service desk, featuring well-defined Service Level Agreements (SLAs) and documented action cards for known incidents. Also, testing of the Council's business continuity processes to check readiness to respond to disruptions,</li> <li>• Implementation of multi-factor authentication</li> <li>• Articulation and enforcement of a system baseline, along with continuous monitoring of changes to device configurations, providing a comprehensive overview of the Council’s environment,</li> </ul>					

- Endpoint protection and network security monitoring,

Two recommendations were made to strengthen the processes in place, which included: -

- Review and update risk management documentation to include triggers and alignment of controls
- Document a monitoring policy and procedures

# Planning and Resourcing

The table below shares an update on the delivery programme for the Council's audits. This will include audit assignments from 2022/23 and 2023/2024. The report will hold a maximum of two years of internal audit work to allow the progress and delivery to be monitored. As there has been a change to the assurance ratings applied to assurance work from 2023/2024, the equivalent updated rating has been included for 2022/2023.

For the remaining Q4 audits, we have provided intended fieldwork start dates to support Members in their monitoring of delivery. *Please note that these are intended start dates but could be subject to change if unforeseen circumstances arise.*

Key to the colour coded table

Green – Complete, Amber- In Progress

## Work Plan

Audit Review	Audit Sponsor	Scoping	Audit Objective	Fieldwork	Draft Report	Final Report	Assurance Opinion / Equivalent
<b>ASSURANCE WORK 2022/2023</b>							
ICT Patch Management	Director Change Management & Regulatory Services	✓	✓	✓	13/01/23	12/04/23	High
ICT Asset Management	Director Change Management & Regulatory Services	✓	✓	✓	01/04/23	06/04/23	Substantial
Key Control testing	Director of Corporate Services	✓	✓	✓	19/05/23	22/05/23	Substantial
Key Project – CRM System	Director Change Management & Regulatory Services	✓	✓	✓	04/05/23	22/05/23	Consultancy

Audit Review	Audit Sponsor	Scoping	Audit Objective	Fieldwork Commences	Draft Report	Final Report	Assurance Opinion or Equivalent
<b>ASSURANCE WORK 2023/2024</b>				(W/C)			
Equality Impact Assessments	Assistant Director People & Democratic	✓	✓	16/06/23	25/07/23	02/08/23	Adequate
Key Project Review – Refurbishment of Saxilby Footbridge	Director Planning, Regeneration & Communities	✓	✓	25/09/23	25/10/23	08/11/23	Adequate
ICT Cyber Security	Director Change Management & Regulatory Services	✓	✓	25/09/23	31/10/23	22/12/23	Adequate
Combined Assurance	Director Corporate Services	✓	✓	28/11/23			
Procurement	Director Commercial & Operational Services	✓	✓	20/11/23			
Levelling Up Fund Phase 2	Director Planning, Regeneration & Communities	✓	✓	08/01/23			
Performance Management	Director Change Management, ICT & Regulatory Services	✓	✓	08/01/23			
ICT Incident Management	Director Change Management & Regulatory Services	✓	✓	22/01/23			
Key Control testing	Director Corporate Services	✓		29/01/23			
Safeguarding Policy	Assistant Director People & Democratic	This audit has been removed from the plan. The days have been allocated to Key Control testing.					

### Overdue Critical or High priority actions

There are no overdue Critical or High priority actions to report during this period.

## Overdue Medium and Low priority actions

Audit Review	Audit Sponsor	Priority	Agreed Action	Owner	Original Due Date	Current Due Date	Comments
2021/22 Key Control testing	Director of Corporate Services	Medium	Use ERP to manage contractual documentation.	Contracts & Procurement Officer	30/6/2023	31/12/2023	An area to house all the contract documentation is being progressed. This is now planned to be in place by the end of Dec 2024.  Revised Date: 31/12/24
2021/22 Key Control testing	Director of Corporate Services	Medium	Develop dashboards for key performance areas within the finance system.	Financial Services Manager / Deputy S151 Officer	31/12/2022	31/12/2023	Individual service performance dashboards to be rolled out early 2024. Creditors and Debtors dashboards to be developed for July 2024 following a review of the system security configuration. Bespoke financial dashboards for GL and Budgeting to be customised for each service throughout 2024, supported by the wider finance team, with a view to roll out to all services by the end of December 2024.  Revised Date: 31/12/2024



2022/23 Contract Management	Management Team	Medium	Produce supplementary contract management guidance to detail expectations around contract monitoring.	Contracts & Procurement Officer	1/4/2023	31/12/2023	More detailed guidance on Management of Contracts has been drafted and will be put before the Management Team by the end of February 2024  Revised Date: 28/4/2024
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