



For all your assurance needs

West Lindsey District Council Internal Audit Plan 2018/19



What we do best

Innovative assurance services

Specialists at internal audit

Comprehensive risk management

Experts in countering fraud

..... And what sets us apart

Unrivalled best value to our customers

Existing strong regional public sector partnership

Auditors with the knowledge and expertise to get the job done

Already working extensively with the not-for-profit and third sector

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Our Internal Audit Plan

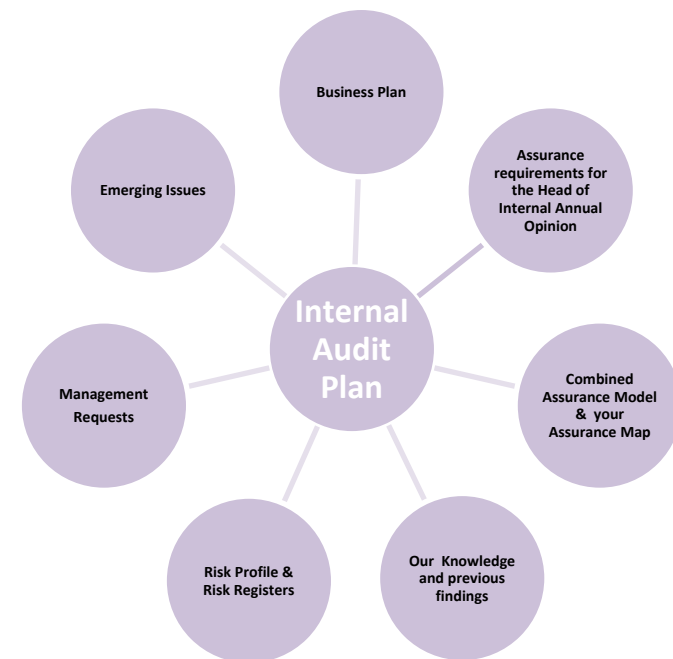
Introduction

1. This report sets out the Internal Audit Plan as at 1st April 2018. The plan details the activities to be audited and the indicative scope for each audit. The audits are listed in priority order. The draft plan gives you an opportunity to comment on the plan and the priorities that we have established.
2. The dynamic plan replaces the traditional fixed style of audit plan. Whereas the fixed plan details the audits to be undertaken in a financial year, with the number of audits in the plan being determined by the internal audit resource available, the dynamic plan details all the audits required to be undertaken at a given point in time. The plan is then amended on an on-going basis to reflect changing assurance needs.
3. Internal Audit are then able to use our audit planning tool to target our resources– working within agreed resources. This approach has the benefit of enabling greater flexibility and responsiveness – ensuring each piece of work is the right one, delivered at the right time. It also delivers greater productivity and efficiencies – reducing abortive planning and engagement time. The plan becomes more dynamic and responsive – essential for an effective Internal Audit service.
4. 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
 - Your Internal Audit Team

Developing the plan

5. The internal audit plan has been developed from the Council's Assurance Map – which was updated in November 2017 and input from the Management Board. **Figure 1** below also shows other key sources of information that has help inform the plan.

Figure 1 – Sources of information considered when developing Internal Audit activity



Our Internal Audit Plan

6. 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).

Updating the Plan

7. Through the year we will liaise with the Council and collect business intelligence that identifies emerging audits which will be included in the plan according to priority. The 2018 Assurance Map, to be undertaken in November 2018, will allow for a major annual review of the plan.
8. The primary source of business intelligence will be the regular liaison meetings between Assurance Lincolnshire and Executive Director of Resources, other sources of intelligence will include:

- Committee reports
- Investment and project proposals
- Project update reports
- Performance reports
- Key stakeholders

Delivering the Plan

9. The aim is to deliver the audits included in the plan in the order that they are listed, i.e. in accordance with their assessed priority. This will be modified in accordance with requests from management and practical considerations around the timing of audits. It may also be modified by the availability of specialised staff, in particular ICT audits, however we do not consider this will have a significant, if any, impact.
10. The Council's Internal Audit Plan is **170 Days** – with an additional **20 days** for testing of the Housing Subsidy claim on behalf of External Audit.

Fees

11. Our proposed internal audit fee is outlined below. We are pleased to confirm that we have once again not increased the daily rate.

Area	Fees – 2018/19
Internal Audit	£47,940
Housing Subsidy Claim Testing	£5,640

Our Audit Focus for 2018/19

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

Area	Reason for inclusion in the Internal Audit Strategy and Plan
<p>Critical Activities</p>	<p>The combined assurance work undertaken in 2017/18 identified some critical activities where a potential audit would provide independent assurance over the effectiveness of risk management, control and governance processes. The areas prioritised included:</p> <ul style="list-style-type: none"> ▪ Regulatory Services ▪ Income and Investment Programmes ▪ Customer First Programme ▪ Community Safety and Anti Social Behaviour ▪ Vulnerable Communities ▪ Health and wellbeing
<p>Project Assurance</p>	<p>There have been a number of critical projects identified by the Council. We will seek to provide assurance around their successful delivery (on-time – within budget – deliverables achieved and benefits realised).</p> <ul style="list-style-type: none"> ▪ The Marina Growth Project will be reviewed.

13. All auditable areas are shown in Appendix A. We have currently included 16 audits to be delivered.

Area	Reason for inclusion in the Internal Audit Strategy and Plan
Financial Governance	<p>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 his assurance that the Council has effective arrangements for the proper administration of its financial affairs.</p> <p>The areas of coverage and key controls to be tested will be agreed the Section 151 officer. We propose the following systems are reviewed this year:</p> <ul style="list-style-type: none"> ▪ Financial strategy and budget preparation ▪ Budget Management ▪ Continuous Audit – key control testing
Governance & Risk	<p>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. The area prioritised included:</p> <ul style="list-style-type: none"> ▪ Corporate Health and Safety ▪ Corporate Planning

Our Internal Audit Plan

Area	Reason for inclusion in the Internal Audit Strategy and Plan
IMT	<p>Technology and associated threats and opportunities continue to evolve at a pace. The effectiveness of IMT 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. Audits planned come from previous year assessments and our awareness of current IMT risks. We have prioritised :</p> <ul style="list-style-type: none"> ▪ ICT Capability and Capacity ▪ Record / Document Management Systems
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	<p>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 January 2019.</p>

Area	Reason for inclusion in the Internal Audit Strategy and Plan
Consultancy /No-Opinion Reviews	<p>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.</p>

Annual Internal Audit Opinion

14. 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.

Internal Audit Plan

Dynamic Plan - Audits to be undertaken in priority order subject to agreement with the client over scheduling and where applicable availability of specialist staff eg ICT audits.

Dynamic Plan at 1st April 2018	Assurance Sought	Internal Audit Risk Assessment	Assurance Map RAG Rating	Strategic Risk Register	Corporate Priority	Management Request	Internal Audit Priority
Environment protection and enforcement	Review the recent changes in structures and management and provide assurance that services are being delivered as intended.	Amber	Amber	✓	✓	✓	High
Income and Investment programmes	Review the Councils approach to managing projected gaps in the budget and provide assurance on the delivery of projects which provide a commercial return to the Council.	Amber	Amber	✓	✓		High
Customer First Programme	A key programme of work and business transformation for the Council. Provide assurance that the programme is being effectively managed and monitored.	Amber	Amber	✓	✓		High
Vulnerable Communities	Provide assurance on the strategic approach and management of vulnerable communities in the district including Hemswell and the South West Ward.	Amber	Amber	✓	✓	✓	Med
Community Safety & Anti-Social Behaviour	Review and assess the effectiveness of Internal Control in this area. Previously agreed to audit but postponed in 2015/16.	Red	Amber	✓	✓		Med
Corporate Health & Safety	To provide assurance on the Councils health and safety processes and to review the issue and risk of how incident and accidents in the workplace are investigated.	Amber	Amber	✓	✓	✓	Med
ICT Capability and Capacity	Review the Councils staff structures, training succession and development plans, staff capacity and capability. To provide assurance on the continued effective delivery of ICT services.	Amber	Amber	✓	✓		Med

Dynamic Plan at 1 st April 2018	Assurance Sought	Internal Audit Risk Assessment	Assurance Map RAG Rating	Strategic Risk Register	Corporate Priority	Management Request	Internal Audit Priority
Document Management systems	Provide assurance on the Councils systems and controls for document management and compliance with legislation.	Amber	Amber		✓		Med
Programmes and Projects	To provide assurance on project and programme work in delivery	Amber	Green	✓	✓		Med
Marina Growth Project	Consultancy – Review the Councils approach and management of the Marina project to date and feedback any lessons learned.	Amber	Green	✓	✓		Med
Health & Wellbeing	Tendered for new contract if successful could represent a large increase in workloads. Require management assurance on the Councils approach and strategy for managing this work if successful.	Amber	Amber	✓	✓		Med
Central Lincolnshire Local Plan	The local plan has been approved and is now in delivery. This now needs close monitoring and management assurance that the plan is being delivered.	Amber	Green				Med
Property & Estate Strategic Management	Continued management monitoring and assurance on capacity and capability of the team to support the Councils strategic aims.	Amber	Amber				Med
Property & Estate Operational Management	Continued management monitoring and assurance on capacity and capability of the team to support the Councils operational aims.	Amber	Amber				Med

Dynamic Plan at 1 st April 2018	Assurance Sought	Internal Audit Risk Assessment	Assurance Map RAG Rating	Strategic Risk Register	Corporate Priority	Management Request	Internal Audit Priority
Building Control	Review the service and provide assurance on the future commercial capacity and longer term sustainability of the service.	Amber	Amber				Med
Equality & Diversity	Assurance on the Councils strategy and approach to E&D training and awareness across the Council. Provide assurance that plans are developed and in place and support officers in E&D management.	Amber	Amber				Med
Housing Needs	<p>Legislative change is coming in the form of the Homeless Reduction Bill. This potentially could have a big impact on workloads and the ability of the service to be proactive with prevention policies.</p> <p>There has been a 50% rise in demand for homeless services. Currently the service is not sure if this is a blip or a trend. This has been reported through P&D measures and raised with the Director but is assessed as amber due to the uncertainty of the effect of increased workloads.</p>	Amber	Amber				Med
Dynamic Plan Resources allocation April 2018 to March 2019							90 days

Holding Plan – High priority audits on hold awaiting specific trigger event to occur before they are included in the dynamic plan. It is not expected that the triggers will occur in 2018/19.

Holding Plan Audits to be integrated into Dynamic Plan if triggered	Areas identified through Assurance Mapping by management	Internal Audit Risk Assessment	Assurance Map RAG Rating	Strategic Risk Register	Corporate Priority	Management Request	Internal Audit Priority
Ambition vs Priority	Capacity to deliver key works by 2018/19. The new management team have listed the key deliverables for 2018/19 and these now need prioritising and considering the resource impact of delivering all the projects.	Red	Amber				High
Growth Development	There is a capacity risk for the Council in delivering a wide range of complex projects. With the Chief Executive leaving this has reduced the outward facing resource for the Council in working with partners and developers. It has also reduced the resilience within the management team.	Amber	Amber				High

Fixed Plan – Audit management work to be undertaken that supports the audit process and audits from our cyclical plan (Appendix F) not subject to dynamic planning, these are required to fulfill the Head of Audits annual assurance requirements or contracted by the Council.

Fixed Plan	Assurance Sought	Internal Audit Risk Assessment	Assurance Map RAG Rating	Head of Internal Audit Opinion	Management Request
Continuous Auditing - Key Control Testing	<p>To provide high level assurance that the Council's key controls are in place and operating effectively throughout the year – this will cover financial and corporate areas. The areas of coverage and the key controls tested will be agreed with management but can cover:</p> <ul style="list-style-type: none"> – Financial – Supplier data – payments – HR – new starters, leavers, changes to payroll data – Key reconciliations eg bank – payroll – creditors - income – Complaint handling – Revs & Bens – key control indicators around collection and accuracy rates. 	Amber	Green	✓	✓
Financial Strategy and Budget Preparation Budget Management	Review the Councils systems and processes in place to provide assurance on the management of budgets. This will include budget setting, forecasting, monitoring, any key person dependencies and system access.	Amber	Green	✓	
Corporate Planning	Review the Council's systems and processes over the setting of its strategic direction.	Amber	Green	✓	

Internal Audit Plan

Fixed Plan	Assurance Sought	Internal Audit Risk Assessment	Assurance Map RAG Rating	Strategic Risk Register	Corporate Priority	Management Request
Emerging risks	<p>Areas to be agreed for possible audit reviews.</p> <ul style="list-style-type: none"> Agile Refresh / Mobile / Working in Field. 					✓
Combined Assurance	Completing the integrated assurance mapping process for the Council by helping to map assurance against critical activities and key risks. Helping coordinate the development of the annual status report.	N/A				
Audit follow up work	<p>To provide management with assurance that actions from previous key audits have been implemented and this has led to improved outcomes.</p> <p>Commercial governance and strategic planning Planning Enforcement Sales & Invoicing</p>	N/A				
Sub Total Days Allocated	65 days					
Advice and liaison						
Annual Report						
Audit Committee						
Review IA Strategy and Planning						
Sub Total Days Allocated	15 days					
Fixed Plan Resources 2018/19						80 days
Housing Benefit Subsidy						20 days

How the draft plan achieves the requirements of the Council and the Head of Internal Opinion

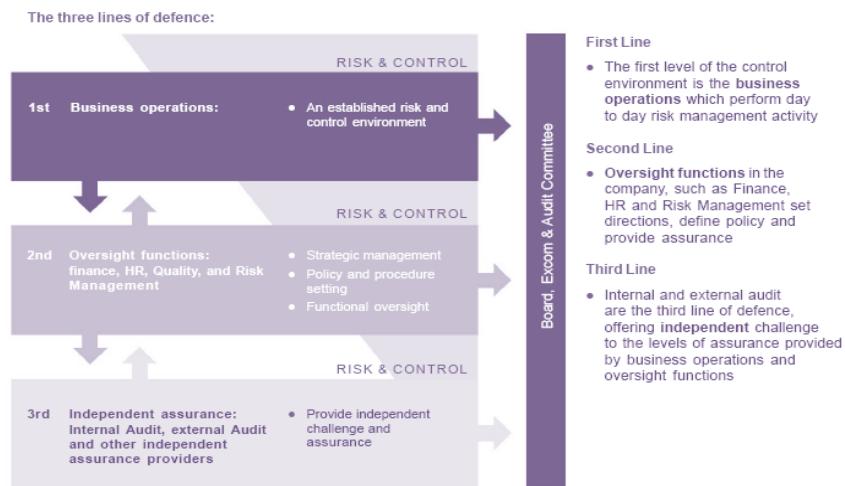
1. Our work is carried out in conformance with the UK Public Sector Internal Audit Standards. These require that the scope of Internal Audit covers the whole range of the Council activities – seeking to provide an annual internal audit opinion on the governance, risk and internal control environment 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.
2. 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.
3. To help us do this we propose to change the way we prioritise and schedule our work –Working with you we intend to have a continuous rolling audit work plan – updated each quarter – responding to changing circumstances or emerging risks during the year.
4. This approach has the benefit of enabling greater flexibility and responsiveness – ensuring each piece of work is the right one, delivered at the right time. It also delivers greater productivity and efficiencies – reducing abortive planning and engagement time. The plan becomes more dynamic and responsive – essential for an effective Internal Audit service.
5. 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.
6. Our aim is 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.
7. 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. Internal Audit are then able to use our audit planning tool to target resources. This will to minimise duplication of effort through sharing and coordinating activities with management and other management oversight functions.

Our Internal Audit Strategy

How the draft plan achieves the requirements of the Council and the Head of Internal Opinion

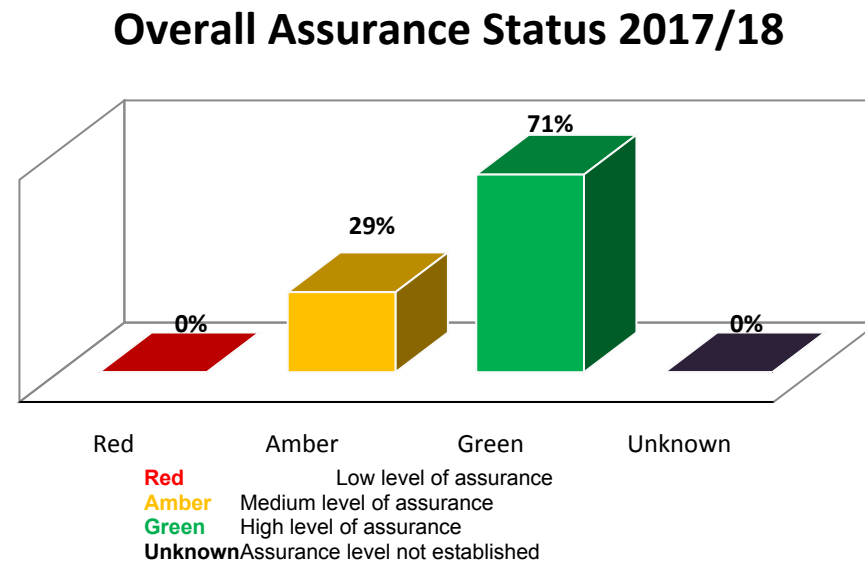
8. We have identified the level of assurances in place by using the "Three lines of assurance" model – See **Figure 1**.

Figure 1 – Three Lines of Assurance Model



9. **Figure 2** shows the overall assurance levels on the Council's critical activities as at November 2017.

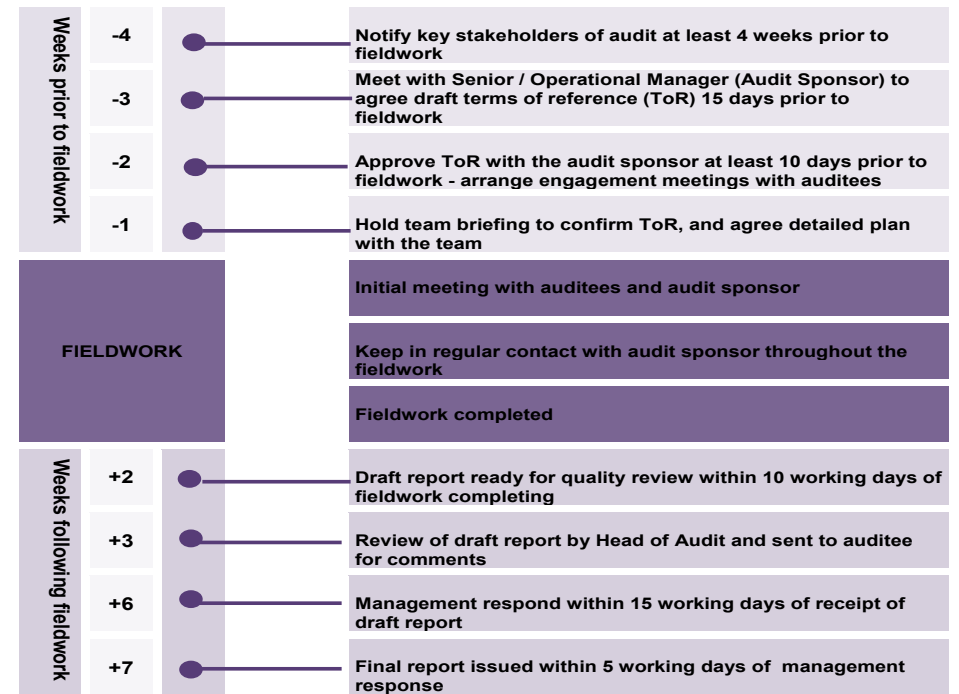
Figure 2 –Your Assurance Status



10. 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.

Working Protocols and Performance

1. 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 opposite.
2. Our performance is monitored by the Section 151 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).
3. 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 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.

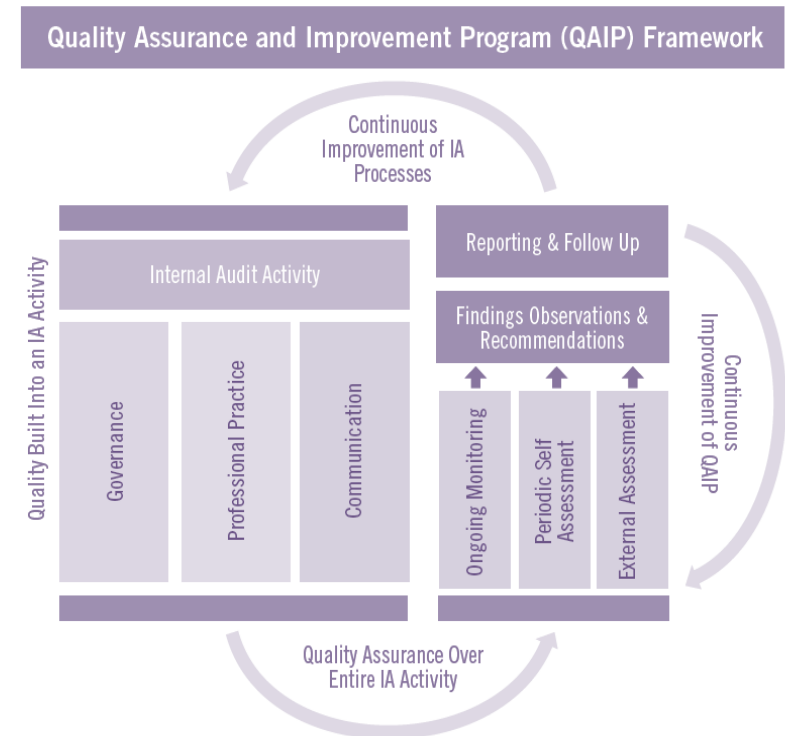


- We communicate the results of our audit work in a clear and concise way – securing management action where control improvements are needed.
- We support Senior Management in attending the Governance & Audit Committee where a Limited or Low Assurance level has been given against the activity.

Our Quality Assurance Framework

1. 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.
2. 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.
3. 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 – **Figure 4** shows how we structure our internal assessments to ensure appropriate coverage.
4. 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.
5. 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 is due to be reviewed in 2018 following the planned revision of the CIPFA Local Government Application Note.

Figure 4 - Scope of Quality Assurance Improvement Programme



Your Internal Audit Team

Your Internal Audit Team

1. Your Internal Audit Team will be led by Lucy Pledge (Head of Assurance Lincolnshire), supported by John Sketchley (Team Leader) and Matthew Waller – who is your Client Engagement lead.
2. The team will be supported by specialists from Assurance Lincolnshire and our wider audit framework as and when appropriate.
3. An indicative staff mix delivering our Internal Audit service to you is shown below:

Grade	2018/19 (days)	Grade Mix (%)
Head of Internal Audit	15	9%
Team Leader / Audit Manager	25	15%
Principle Auditor	60	35%
Senior Auditor	70	41%

Conflicts of Interest

4. Internal Audit remains sufficiently independent of the activities that it audits to enable auditors to perform their duties in such a way that
5. allows them to make impartial and effective professional judgements and recommendations.
6. We are not aware of any relationships that may affect the independence and objectivity of the team and which are required to disclose under the internal auditing standards.

Our Cyclical Audits

System	Opinion	Last audited	Assurance Map Rating	Risk Score	System Changes
Financial Due Diligence					
Income Collection & Cash Receipting*	Substantial	2015/16	Green	Amber	No
Bank*	Substantial	2015/16	Amber	Amber	Yes - 2015
Budgetary Control/Management	High	2015/16	Green	Amber	No
General Ledger	Substantial	2015/16	Green	Amber	No
Budget prep and financial strategy	High	2015/16	Green	Amber	No
Creditors*	Substantial	2015/16	Green	Amber	No
Debtors*	Substantial	2016/17	Green	Amber	No
Pensions	Substantial	2016/17	Green	Amber	No
Payroll*	Substantial	2015/16	Green	Amber	Yes - 2014
Treasury Management	High	2015/16	Green	Amber	No
Property, Plant and Equipment*	Substantial	2014/15	Green	Amber	No
Council Tax*	High	2014/15	Green	Amber	No

Our Cyclical Audits

System	Opinion	Last audited	Assurance Map Rating	Risk Score	System Changes
Benefits*	Substantial	2016/17	Green	Amber	No
Other Due Diligence					
Investment Decisions / commissioning	Limited	2016/17	Green	Amber	No
Risk Management	Substantial	2016/17	Green	Amber	No
VAT/Tax	Low risk		Green	Amber	No
Insurance	Substantial	2015/16	Green	Amber	No
Grants	Substantial	2015/16	Green	Amber	No
Counter Fraud	Health Check	2017	Green	Amber	No
Contract Management	Substantial	2015/16	Green	Amber	No
Equality & Diversity	High	2008/09	Amber	Amber	No
Health & Safety	High	2010/11	Green	Green	No
Information Governance	Substantial	2014/15	Green	Green	No
Code of Corp Governance	Substantial	2017/18	Green	Amber	No
Partnerships	Substantial	2016/17	Amber	Amber	No
Corporate planning	Substantial	2012/13	Green	Amber	No
Business Continuity	Substantial	2010/11	Green	Amber	No
Emergency Planning	Substantial	2010/11	Green	Amber	No
Human Resources / Managing People	Substantial	2010/11	Green	Amber	No