



**Stronger Economy: Stronger Communities.
Together we can be stronger.**

Our Council Plan pledges to work with partners to invest in our people and our place.

North East Lincolnshire Council

Internal Audit Plan 2023/24

Version 1 30 March 2023

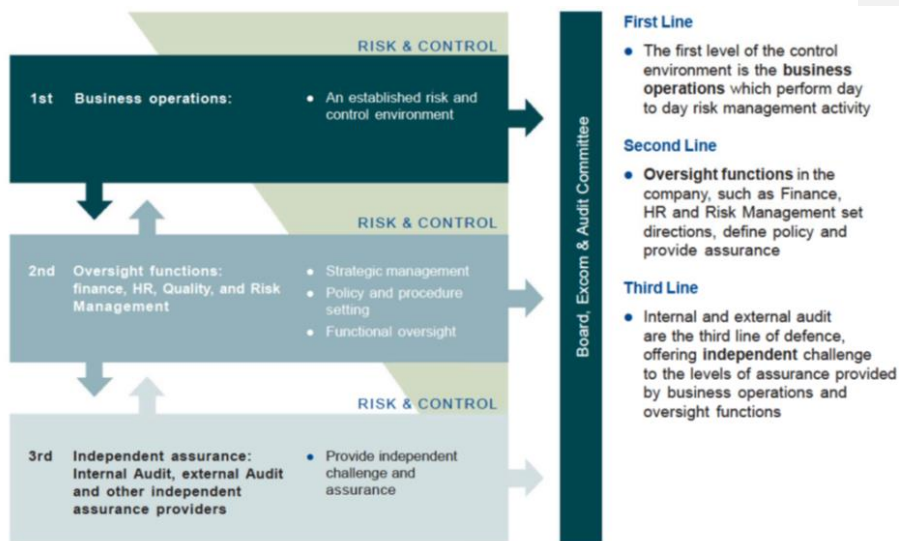
1. INTRODUCTION

- 1.1 As recognised in the Accounts and Audit Regulations 2015 Internal Audit is a key part of the Council's control environment. Its primary objective is to provide an independent and objective opinion and advice on the Council's control environment, which comprise the systems of risk management, internal control, and governance.
- 1.2 The Audit Charter sets out the purpose, authority, and responsibility of Internal Audit in accordance with the Public Sector Internal Audit Standards (PSIAS). It was updated in April 2023 and should be read in conjunction with this Plan. It defines the mission of internal audit *"To enhance and protect organisational value by providing risk-based and objective assurance, advice, and insight"*.
- 1.3 As laid out in paragraph 6.1 of the Charter, the Head of Audit and Assurance is responsible for *"developing audit plans based on an understanding of the organisation's strategies, key business objectives, associated risks and risk management processes, and adjust the plan in response to the organisation's business, risk, operations, programmes, systems and controls"*.
- 1.3 The audit plan lays out Internal Audit's priorities and work programme for 2023/24. It has been compiled to ensure that:
 - it meets the requirements of the PSIAS (summarised in Appendix 1);
 - provides sufficient evidence to support a reliable year-end Audit opinion on the Council's control;
 - adds value to the Council by providing assurance on the underlying processes and governance arrangements to support the achievement of its strategic priorities as laid out in the Council Plan i.e:
 - Reach their full potential through skills and learning;
 - Benefit from a green economy and a high-quality environment; Enjoy good health and wellbeing;
 - Benefit from a strong local economy;
 - Live in a safe environment, can have their say about things that are important to them and participate fully in their communities.

2. COMPILATION OF THE AUDIT PLAN

- 2.1 As required by the standards, the plan is developed on a risk-based approach. We have prioritised resources to where the need is greatest, and where potentially Audit could provide most value. In compiling the plan, we have ensured that the requirements laid down in the standards have been met.
- 2.2 At the heart of the approach to Internal Audit is the "3 lines of assurance" model where:
 - the first line of assurance is the control environment operated by managers in individual services;

- the second line of assurance includes the oversight functions such as Finance, HR, Procurement, Legal Services, who provide advice, direction, and support to individual services; and
- the third line of assurance, such as Internal Audit, External Audit and other external assurance providers which offer independent challenge to business functions.



The more developed the first and second lines of assurance are then the greater the reliance that can be placed on the assurances obtained by services rather than directly from Internal Audit work.

2.3 The plan is made up of a number of key components designed to provide assurance on the effectiveness of the Council's control environment, i.e.

- the achievement of strategic priorities;
- those specific areas identified in the Council's code of governance;
- effective procedures and processes;
- reliable financial and performance information;
- compliance with laws and regulations; and
- the protection of council assets, including physical assets, financial resources, people, information – this includes a review the controls in place to minimise the risk of fraud and financial irregularity in those areas of highest risk.

Depending on the nature of their scope, audit assignments may provide assurance on more than one of these areas of the control environment. In addition, Internal Audit follows up the implementation of agreed actions from previous audit work with relevant managers.

2.4 In addition, Internal Audit provides support to the Council in the following areas:

- providing assurance in relation to the control environment within maintained schools;
- providing advice and support to management on the design of the control environment; and
- the mandatory certification of external grant claims.

2.5 Internal Audit takes a cyclical risk based approach in determining the content of the audit plan with those areas having the biggest potential risk to an effective control environment. It first identifies those areas which potentially have a significant impact on the control environment. The key sources of information are:

- the Council's key strategic outcomes as contained in the Council Plan and performance reports relating to their delivery;
- the strategic risk register;
- those areas in the operational risk registers where a high inherent risk has been identified;
- when an audit was last carried out in a specific area, and whether there have been any known changes to the design or operation of that area since then;
- areas which represent key components of the code of governance;
- issues identified in Director assurance statements prepared as part of the preparation of the Annual Governance Statement (AGS);
- activities in receipt of significant external grant funding;
- the Council's statutory responsibilities
- cabinet and scrutiny reports to help identify areas of emerging risk;
- other sources of assurance such as OFSTED, Care Quality Commission (CQC), peer reviews , Local Government Ombudsman reports etc; and
- emerging national issues, including areas subject to changes in legislation and regulation.

Those areas considered to have the highest risk are prioritised for inclusion in the plan based on the likelihood of a control failure and its impact to the organisation should it occur. Discussions are held with the Leadership Team, Directors, and Assistant Directors to determine the prioritisation of work.

2.6 The level of estimated audit resource allocated to each assignment is dependent upon;

- previous knowledge of the function or system and the risks associated with it;
- if there have been significant changes to the design or operation of the system or function since it was last audited;
- the complexity of the function or system;
- the level of assurance which can be obtained from internal assurance mechanisms (second line of assurance) or by external sources of

assurance such as the external audit and the outcome of inspections (third line of assurance); and

- the nature of the testing required to obtain assurance - for example the use of control testing and observation compared to substantive testing, and the testing methodology required. Increasingly the audit team has been using analytical techniques to obtain assurance based on wider populations compared to sample testing.

2.7 The draft plan, based on Internal Audit's risk assessment, is then subject to consultation with the strategic leadership team and with Assistant Directors. Where appropriate amendments are made to the plan to reflect its feedback on the areas where it is felt that audit resource is needed to be prioritised. The emerging themes which have been identified as part of the 2023/24 audit planning process include:

- supporting the development of, and providing assurance on, the control environment in relation to Children's services;
- in the context of the developing partnership arrangements and decision-making processes with the Integrated Care Board, providing assurance on the impact of ongoing national changes to the funding and delivery of Adult Social Care (including preparations for the revised inspection arrangements) ;
- building on previous audit work, providing assurance on the supporting processes to support the delivery of the Council's environmental and carbon reduction strategies, including for example the approach to energy management ;
- the governance arrangements relating to the delivery of significant regeneration projects;
- linked to the above, providing assurance on the development of the Council's arrangements for project management;
- reviewing the Council's approach to asset management, and the governance arrangements related to the asset rationalisation programme;
- continuing assurance on the design and operation of the Council's key financial systems;
- assurance on the governance arrangements relating to Freshney Place, including arrangements with the respective Asset Managers and Property Managers;
- assurance on the governance arrangements relating to the Council's role as the Accountable Body for the Humber Freeport'
- assurance on the arrangements relating to Public Health
- building on previous work, assurance on the continued development of underpinning support arrangements such organisational development and the "New Operating Model" ; and
- the increased requirement for Internal Audit to certify grant income from central government departments.

2.8 The proposed audit plan is summarised in the table below. It shows the resources provisionally allocated to each of the main areas of the internal

audit activity. As of 30 March 2023, particularly in relation to the area covered by “strategic risk/ operational risk/ governance” audit, in consultation with management, is considering which of the potential audit work identified needs to be given priority for 2023/24, and so it is subject to further development, and some of the provisional allocations maybe subject to change. Once this work is completed, we will circulate an updated plan, including a breakdown of the planned audits to be covered under the “strategic risk/ operational risk/ governance”.

Area	Planned days	July 2023	
Strategic risk/ operational risk/ governance	415	441	A risk-based programme of audit reviews to provide assurance on the Council’s governance framework, as well as the arrangements in place to deliver key strategic and service outcomes efficiently and effectively and ensure compliance with laws and regulations
Financial systems	115	121	Providing assurance on the design and operation of the fundamental financial systems (e.g., payroll, local taxation and benefits, treasury management, creditors and debtors etc), including on a cyclical basis those systems which feed into them.
ICT	50	50	Providing assurance on the effectiveness of the Council's approach to ICT and Information Governance, and key ICT systems.
Procurement and contract management	20	20	Providing assurance on the Council's procurement and contract management processes, including reviews of a sample of key procurement exercises.
Schools	10	10	Provide assurance on the control environment within maintained schools via a cyclical programme of school audits
Grant Certification	40	40	Mandatory certification of grant claims. The time required for this element of audit activity has increased in recent years due to a greater number of certifications requested by central government departments
Advisory	60	51	Providing advice and support on governance and internal control matters
Follow up	40	40	Follow up of previous actions

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Probity and Counter Fraud	60	50	Proactive and reactive work to support the Council's approach to anti-fraud and corruption, to provide assurance on the controls in place designed to prevent fraud in areas of high risk. This also includes co-ordinating the Council's response to the National Fraud Initiative (NFI) and working with services to investigate data matches
Management time	75	75	Includes audit planning, monitoring the delivery of audit work, and meetings with the Audit Committee and senior management
Contingency	15	2	
Total	900	900	

2.9 Throughout the year the audit plan will be subject to regular review to reflect the changes in the risks to the Council's control environment, and to reflect changes in the assumptions made when the plan was first completed. For example:

- an area in which internal audit intended to work may subsequently be subject to an external inspection, in which case less audit work may be required as audit will look to seek reliance on the outcome of the inspection;
- where applicable any issues arising from Local Government Association (LGA) Peer Review of the Council carried out in February 2023 and due to report in May 2023;
- where a new process or system has not been implemented as quickly as anticipated and therefore the audit of it would be delayed;
- a risk may emerge during the year which may require to be included in the audit plan so that work can be carried out to obtain sufficient assurance;
- where issues arise during a planned audit then extra resource may be required to obtain sufficient assurance and /or obtain an understanding of the underlying control issues; and
- potential reprioritisation of the plan due to a greater level of uncompleted audit work carried forward from the previous year than anticipated, or changes in staffing levels during the year due to leavers or long-term sickness absence.

To reflect that the plan will be subject to regular change and adjustment, and to provide flexibility to manage emerging risks, the plan includes an allocation for contingency. In addition, regular meetings will be held with Directors and Assistant Directors throughout the year to review the progress of work, and to re-prioritise audit resource where appropriate Any significant changes to the allocations will be reported to future Audit Committees.

2.10 The Audit Charter describes how the Audit Team will conduct itself when delivering the plan, and the quality assurance processes which underpin the quality of its work. A number of enhancements have been put in place to further enhance efficiency and effectiveness of the delivery of audit work, including:

- the ongoing development of the team's competency framework, and development programmes;
- enhanced stakeholder engagement;
- further enhancements to reporting templates;
- the ongoing development of the team's audit manual to incorporate changes to audit good practice;
- enhancements to the team's audit software, including action tracking; and
- delivery of the data analytics strategy action plan.

3 RESOURCES TO DELIVER THE AUDIT PLAN

3.1 The standards require the Head of Audit and Assurance to be satisfied that he or she has sufficient resources available to deliver the plan and be able to provide an opinion on the control environment and discharge their other responsibilities. In addition, under the CIPFA statement "The Role of the Head of Internal Audit" the Head of Internal Audit must "lead and direct an Internal Audit service that is resourced to be fit for purpose".

3.2 Based on the risks identified from the audit planning processes which have been carried out as of 24 March 2023, we can confirm that there are sufficient resources available to deliver the Audit Plan and to provide a reliable year-end audit opinion subject to the comments made in paragraph 3.3. This conclusion is due an assessment of resources available to the team as of 24 March 2023 considering annual leave, training, non-audit time, the availability of additional ICT audit specialist support. This includes being prudent on the potential impact of long-term sickness and unfilled vacancies that may arise given the relatively small size of the team.

3.3 It is recognised, however, that resourcing is a risk, and in response we will monitor the delivery of the plan monthly and will reprioritise the audit programme on a risk basis should issues arise regarding the level of resources available. Furthermore, given the risks and challenges currently faced by the Council we will need to continuously work with management to re-prioritise audit work so that it covers those areas of the control environment which have the potentially greatest impact and risk and where it can add most value.

4 REPORTING AND MONITORING ARRANGEMENTS

4.1 For most assignments, excluding advisory work and grant certification, we will provide a report with an overall opinion on the control environment ("substantial", "satisfactory", "limited", "none") and the residual risk. There

will be some areas, due to particular circumstances, where it may not be appropriate to issue a full report and/or an opinion. In such cases a short commentary will be provided in the Annual Head of Internal Audit Report and Opinion.

- 4.2 A summary of completed audit work will be included in the Annual report, and this will feed into the overall opinion on the control environment. The opinion will also take account of other sources of intelligence, as appropriate, such as the outcome of inspections or other relevant forms of third-party assurance. Interim reports will also be presented to the Audit and Governance Committee during the year. These will include progress in achieving the annual plan, including any significant amendments to it.
- 4.2 As part of its Quality Assurance and Improvement Programme (QAIP) Internal audit has a number of performance indicators based on the three principles of Outcome Based Accountability:
- “what did we do?”;
 - how well did we do it?; and
 - how did we add value?

Appendix 1: Confirmation of compliance with Public Sector Internal Auditing Standards (PSIAS) requirements

PSIAS Requirement	How we demonstrate compliance
<p>The Head of Internal Audit (HOIA) must establish risk-based plans to determine the priorities of the Internal Audit activity, consistent with the organisation’s goals. (PSIAS 2010)</p>	<p>The plan is based on the Council’s strategic objectives and its Code of Corporate Governance. Those activities with the greatest impact on the achievement of strategic objectives are given greatest priority. The Head of Audit and Assurance carries out a detailed risk assessment to prioritise audit work based on the “audit universe”</p>
<p>The risk-based plan must consider the requirement to produce an annual Internal Audit opinion and the assurance framework. (PSIAS 2010 public sector requirement)</p>	<p>The Audit Plan has been designed to ensure that there is sufficient evidence to provide a reliable year end opinion in relation to risk, governance and internal control.</p>
<p>The plan must incorporate or be linked to a high-level statement of how the Internal Audit service will be delivered, developed in accordance with the Internal Audit Charter and how it links to the organisational objectives and priorities. (PSIAS 2010 public sector requirement)</p>	<p>The audit plan demonstrates the extent to which it links in with organisational objectives and priorities, including reference to the Audit Charter, which was updated in April 2023, whilst paragraphs 2.9 and 2.10 reflects how the plan will be delivered</p>
<p>The risk-based plan must explain how Internal Audit’s resource requirements have been assessed. (PSIAS 2030 public sector requirement)</p>	<p>Considered in Section 3 of this report. This identifies the risks in relation to the delivery of the plan, how they will be mitigated, and the importance of regular prioritisation to ensure that resources continue to focus on areas of highest risk.</p>
<p>The internal audit activity’s plan of engagements must be based on a documented risk assessment, undertaken at least annually. The input of senior management and the board must be considered in this process.</p>	<p>The Audit Team carries out a detailed risk assessment, based on the “Audit Universe”, to prioritise the work to be included in the audit plan. In determining priorities discussions are held with the Senior Leadership Team, Assistant Directors, and other stakeholders.</p>