AUDIT AND GOVERNANCE COMMITTEE

DATE   18 April 2024

REPORT OF   Head of Audit and Assurance

SUBJECT   Internal Audit Update (Incorporating 2024/25 Audit Plan)

STATUS   Open

CONTRIBUTION TO OUR AIMS

An effective Internal Audit service contributes to the achievement of the Council's strategic objectives by assessing, providing comment and, if relevant, recommending improvement to the Council's assurance and control frameworks. The Internal Audit plan has also been designed to provide assurances on strategic risks and the supporting governance framework.

EXECUTIVE SUMMARY

This report provides Audit and Governance Committee Members with an update in relation to the following:

- progress on the delivery of the 2023/24 audit plan;
- the outcome of audits completed since 1 January 2024;
- the 2024/25 Internal Audit Plan;
- the updated Internal Audit Charter;
- the outcome of the External Audit Assessment (EQA) carried out in November 2023 and reported in February 2024;
- the Internal Audit Strategy; and
- the Quality Assurance and Improvement Programme (QAIP).

RECOMMENDATIONS

- The Audit and Governance Committee is asked to:
- note the progress in delivering the 2023/24 audit plan and the outcomes of audits which have been completed since January 2024;
- provide comment on the outline Audit Plan 20224/25, subject to a more detailed plan to be brought to the Committee in July 2024;
- note the content of the Audit Charter, the audit strategy, and the QAIP; and
- note the outcome of the External Quality Assessment.

REASONS FOR DECISION

A key responsibility of the Committee is to obtain assurance on the effectiveness

of the Council's control environment. Internal Audit plays a significant role in evaluating the control environment, and therefore update reports such as this contribute to the Committee discharging its duties. In addition, the Committee also has responsibility in monitoring the effectiveness of Internal Audit, including the delivery of the Internal Audit Plan and compliance with Internal Audit Standards.

1. BACKGROUND AND ISSUES

1.1 It is a requirement of the auditing standards for the Audit and Governance Committee to receive regular updates on the activities of Internal Audit, in particular:

- providing assurance that sufficient work will be carried out to provide a reliable risk based annual opinion on the effectiveness of the control environment and any amendments to the audit plan;
- bringing to the Committee's attention any issues identified when carrying out the 2023/24 audit which could impact on the annual opinion;
- consulting on the outcome of the Audit Plan, and providing assurance on its compilation and the resources available to deliver it; and
- providing an update on the activities which have taken place during 2023/24 to assess Internal Audit's compliance with Public Sector Internal Audit Standards (PSIAS).

Delivery of 2023/24 Audit Plan

1.2 As discussed at the Audit and Governance Committee on 1 February 202 there were challenges to the delivery of the audit plan and after consultation some assignments were deferred until 2024/25. Although, subject to amendments, the Head of Audit and Assurance reported there would be sufficient work would be carried out to provide a reliable audit opinion, there remained a risk that he may need to issue a "limitation of scope" opinion if not enough of the remaining plan was completed by 30 June 2024.

1.3 As of 29 February 2024, 554 audit days (69%) had been delivered. Although there remains a risk of a "limitation of scope" opinion this has reduced due to the following factors:

- all remaining work has been allocated and has been matched to the team's resourcing profile;
- the ICT audit support is now in place and the ICT audits are now progressing; and
- additional audit resource has been agreed and will be beginning in early May; and
- since the previous meeting, audit has met with the Assistant Directors within Looked After Children, which has led to a re-prioritisation of work for Quarter 1, with the focus being on "Front Door" activities and continued reliance on both the work of OFSTED and the Commissioner resulting in a likely net reduction in the time required.

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1.4 However, Quarter 1 will remain challenging, and Audit will be ensuring its resources are monitored closely so that work is completed to agreed

timescales and time budgets, as well as working closely with the services regarding the delivery of the outstanding audits.

Work Completed Since 1 January 2024

1.5   Appendix 1 shows the work completed since 1 January 2024 up to 27 March 2024. All reports provided either "Substantial" or "Satisfactory" assurance.

1.6   In addition in relation to some grant related expenditure audit has a responsibility for certifying that it has been used in line with the grant conditions. From January to March we carried out the following work on grant certification:

- Bus Recovery Grant

- Troubled Families Monthly Returns

Audit Plan 2024/25

1.7   The current version of the Internal Audit Plan 2024/25 as of 28 March 2024 is shown on Appendix 2. This provides an update on the methodology for compiling the plan, progress on its compilation, an outline of the audit priorities and activities for 2024/25, the emerging themes from the planning process, how it will be delivered and resourced, and assurance on compliance with auditing standards. It also discusses the risks relating to the resources available to deliver the anticipated work and this will need to be kept under review throughout 2024/25.

1.8   As referred to in the Audit Plan there is some outstanding planning work to be carried out, and an updated version of it, including a breakdown of planned assignments to be shown in the section referred to as "strategic risk/ operational risk/ governance", will be provided to the next meeting of the Assurance Board

Audit Charter

1.9   The standards also require an Audit Charter to be reviewed and presented to the Audit Committee annually. The Charter defines the scope of Internal Audit activities, its purpose, its authority, and its responsibilities, and is shown in Appendix 3 for information. The Charter was reviewed as part of the EQA and found to be compliant and in line with good practice, and therefore no amendments were required this year.

External Quality Assessment (EQA)

1.10   It is a requirement of the standards   for audit to be subject to an External Quality Assessment every five years. In November 2023 the Chartered Institute of Public Finance and Accountancy (CIPFA) carried out the EQA and reported the results in February 2024. The outcome of the Assessment is shown on Appendix 4, and it is pleasing to note that overall, the Council

received the highest possible score "generally conforms", and for each of the individual sections of the standards.

1.11 Some areas for development have been identified in the report. These will be developed into an action plan which will be presented to the Audit Committee as part of the Quality and Assurance and Improvement Plan (QAIP) referred to below.

Audit Strategy

1.12 It is a requirement of the Standards that Internal Audit produces a medium/ long term strategy, and for this to be shared with the Audit and Governance Committee. This has been updated and is shown on Appendix 5. Actions which have been already implemented to achieve the strategy include:
- as part of the ongoing review of the Audit and Assurance structure job descriptions are being reviewed to ensure that they reflect the needs of the team;
- reviewing audit processes and upgrading the audit software to improve efficiency and effectiveness;
- having a facilitated training day in March 2024 with audit staff, counter fraud staff, and accountancy staff on the development of data analytics; and
- as referred to in the Audit Plan and EQA there will be a review of key performance indicators so that performance can be measured more efficiently and effectively.

Quality Assurance and Improvement Programme (QAIP)

1.13 It is a requirement of the standards for Internal Audit to have a documented Quality Assurance and Improvement Programme (QAIP), for it be reviewed regularly, the outcome of the review of quality to be reported annually in the Head of Internal Audit Annual Report and Opinion, and where appropriate an improvement plan to be developed. A copy of the QAIP is shown on Appendix 6. It has been subject to review. but only minor changes were required, whilst the outcome of the review of quality will be reported to the Audit Committee in July, together with an improvement plan, which will incorporate actions identified in the EQA and the audit strategy.

2. **RISKS AND OPPORTUNITIES**

Audits are planned and delivered using risk-based auditing concepts, whilst strategic and operational risks form the significant basis of the formulation of the audit plan. In addition, audit provides an opinion on the residual risk exposure for each audit completed.

This report has highlighted that risks remain in delivering the audit plan in 2023/24 and the potential risks around the delivery of the 2024/25 plan.

3.   **OTHER OPTIONS CONSIDERED**

Not applicable - the Audit and Governance Committee is required to regularly receive updates on the delivery of the audit plan as part of the discharge of its responsibilities.

4.   **REPUTATION AND COMMUNICATIONS CONSIDERATIONS**

There are no specific reputational and communication considerations other than any identified in specific audit reports shown on Appendix 1 of the interim report.

5.   **FINANCIAL CONSIDERATIONS**

A key role of internal Audit is to provide assurance on the financial systems which support the production of the statement of the accounts, and specific time is allocated for this work. Any significant issues arising from this work will be reported to the Audit and Governance Committee in the Head of Internal Audit Annual Report and Opinion. In addition, effective financial reporting and processes are a key component of the control environment and therefore are considered when planning each assignment

6.   **CHILREN AND YOUNG PEOPLE IMPLICATIONS**

Audit assignments relating to Children's Services are included in the list of final reports issued shown on Appendix 1. As discussed in the report, as well as the work carried out by Internal Audit, other sources of intelligence are considered when forming the year-end Head of Internal Audit opinion, including the outcome of external inspection reports (particularly in relation to OFSTED) and the response to them.

7. **CLIMATE CHANGE AND ENVIRONMENTAL IMPLICATIONS**

None directly arising from the recommendations in this report.

8.   **FINANCIAL IMPLICATIONS**

There are no direct financial implications arising from this report.

9.   **LEGAL IMPLICATIONS**

There are no specific legal implications arising from this this report.

10.   **HUMAN RESOURCES IMPLICATIONS**

There are no direct human resources implications arising from this report.

11.   **WARD IMPLICATIONS**

Applicable to all wards.

12. BACKGROUND PAPERS

Internal Audit Annual Plan 2023/24 (April 2023)
Internal Audit Interim Report (February 2024)
Public Sector Internal Audit Standards (April 2017

13. CONTACT OFFICER(S)

Peter Hanmer (Head of Audit and Assurance)
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Peter Hanmer
Head of Audit and Assurance

Appendix 1: Summary of Completed Audit work January to March 2024

Audit Assignments 2023/24	Director	Assurance	Residual Risk
Delivery of strategic outcomes and good governance			
Carers	Adults	Satisfactory	Low
Housing enforcement	Environment, Economy and Infrastructure	Satisfactory	Medium
Housing Related Support	Environment, Economy and Infrastructure	Satisfactory	Medium
Skills - Governance arrangements	Environment, Economy and Infrastructure	Satisfactory	Medium
Financial systems			
Budget Monitoring	Resources	Satisfactory	Medium
Treasury Management	Resources	Substantial	Low
ICT			
Inventory management	Resources	Satisfactory	Low

Audit Assignments 2023/24	Director	Assurance	Residual Risk
Probity and counter fraud			
Supplier mandates	Resources	**Substantial**	**low**
Print Unit Income	Resources	**Substantial**	**Low**
Expenses and conflicts of interests	Resources	**Satisfactory**	**Low**
Schools			
Scartho Nursery	Childrens Services	**Satisfactory**	**Medium**

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North East Lincolnshire Council

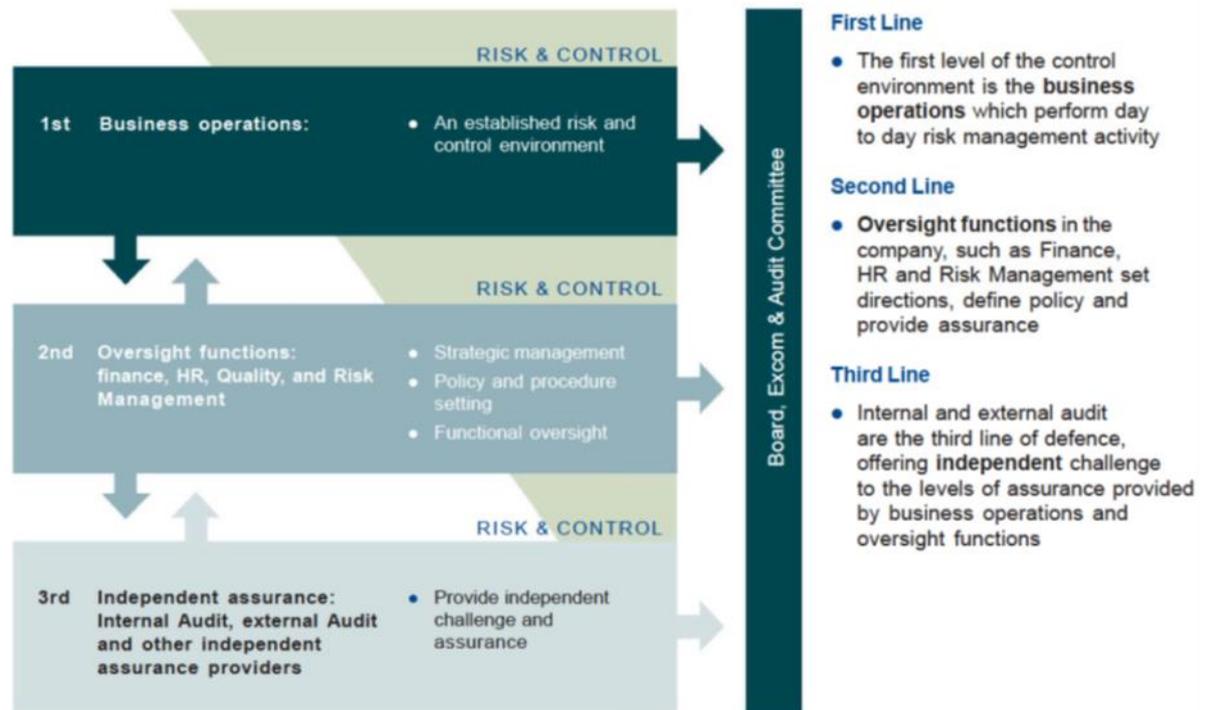# Internal Audit Plan 2024/25

Version 1 28 March 2024

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 March 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".*

1.4 The audit plan lays out Internal Audit's priorities and work programme for 2024/25. It has been compiled to ensure that it;
- meets the requirements of the Public Sector Internal Audit Standards (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.:
  - o Reach their full potential through skills and learning;
  - o Benefit from a green economy and a high-quality environment; Enjoy good health and wellbeing;
  - o Benefit from a strong local economy;
  - o 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 using 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.

RISK & CONTROL

1st Business operations:
- An established risk and control environment

RISK & CONTROL

2nd Oversight functions: finance, HR, Quality, and Risk Management
- Strategic management
- Policy and procedure setting
- Functional oversight

RISK & CONTROL

3rd Independent assurance: Internal Audit, external Audit and other independent assurance providers
- Provide independent challenge and assurance

Board, Excom & Audit Committee

First Line
- The first level of the control environment is the **business operations** which perform day to day risk management activity

Second Line
- **Oversight functions** in the company, such as Finance, HR and Risk Management set directions, define policy and provide assurance

Third Line
- Internal and external audit are the third line of defence, offering **independent** challenge to the levels of assurance provided by business operations and oversight 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 several 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 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 outcomes of external inspections and peer reviews;
- the strategic risk register;
- the Commissioning Plan;
- 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; 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;

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- 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 so far as part of the 2024/25 audit planning process include:

- Audit work which was deferred from the previous year.
- The development of assurance and internal control frameworks within Looked After Children
- Adult Social Care, including the new "Place" based arrangements with the Integrated Care Board
- Pressures related to Special Educational Needs and Disabilities funding and delivery, including High Needs and Home to School Transport
- The governance and project management arrangements associated with the ending of the current regeneration partnership in June 2025
- Contract management and the delivery of the capital programme
- The delivery of commissioning plans
- The design and operation of the key financial systems
- Data Quality and Data Management
- Organisational development and supporting Human Resources processes.
- Regulatory and enforcement processes
- ICT risks such as the continued threats from cyber crime

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 28 March 2024, the detail of the plan was subject to further discussion and some of the provisional allocations maybe subject to change. Once this work is complete, we bring an updated plan to the Audit and Governance Committee in July 2024, including a breakdown of the planned audits to be covered under the "strategic risk/ operational risk/ governance".

Area	Planned days	
Strategic risk/ operational risk/ governance	350	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	120	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). As per 2023/24 this will focus on key risks rather than necessarily full system reviews
ICT	35	Providing assurance on the effectiveness of the Council's approach to ICT and Information Governance, and key ICT systems.
Procurement and contract management	25	Providing assurance on the Council's procurement and contract management processes, including reviews of a sample of key procurement exercises. In 2024/25 we intend to focus on the implementation of the Procurement Act 2023 and overall processes for contract monitoring.
Grant Certification	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	Providing advice and support on governance and internal control matters
Follow up	30	Follow up of previous actions
Probity and Counter Fraud	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. with services to investigate data matches
Management time	75	Includes audit planning, monitoring the delivery of audit work, and meetings with the Audit Committee and senior management
Contingency	65	
Total	850	

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 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.
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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   In 2023/24 the audit team had challenges in relation to resources due to sickness and vacancies, which led to some reductions in the audit plan for that year and well as it being agreed that in Quarter 1 of 2024/25 focus on completing 2023/24 work. The delivery of the 2024/25 plan will, however, remain challenging due to:

- Not fully staring work on it until Quarter 2 due to resource being focused on completion of the 2023/24 plan in Quarter 1:

- The review of the audit and assurance structure in response to vacancies which have occurred in 2023/24 taking a little longer than anticipated which means that it is unlikely that any anticipated recruitment will not be complete until Quarter 2

3.4 To some degree this has been mitigated by the following:
- some additional support confirmed from a third-party supplier of audit services up to the end of Quarter 3;
- additional ICT audit support now in place; and
- building in additional contingency than in previous years so the response to emerging risks can be managed;
- review (and automation) of audit processes to make more efficient use of resources.
continuing to embed data analytics to obtain assurance and
- working with services to programme in audits on a quarterly basis with the intention of improving the timeliness of audits and more effective use of audit resource

3.5 It is recognised, however, that resourcing remains a significant risk, and in response we will be regularly updating out resourcing forecasts and proving updates to the Audit Committee and Senior Management about the position, and if appropriate discuss mitigating actions to ensure that sufficient work is carried out to provide a reliable yea-end opinion.

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 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 to measure performance. In line with recommendations from the recent External Quality Assessment we will be reviewing our indicators, including less emphasis on "days" and more on outcomes and audits delivered. We will provide an update on the indicators to the July audit committee.

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

PSIAS Requirement	How we demonstrate compliance
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)	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"
The risk-based plan must consider the requirement to produce an annual Internal Audit opinion and the assurance framework. (PSIAS 2010 public sector requirement)	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.
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)	The audit plan demonstrates the extent to which it links in with organisational objectives and priorities, including reference to the Audit Charter, which will be presented to the Audit and Governance Committee in April 2024, and the summary audit strategy, which will also be presented to the In in April 2024.
The risk-based plan must explain how Internal Audit's resource requirements have been assessed. (PSIAS 2030 public sector requirement)	Considered in Section 3 of this report. As discussed in the body of the report due to resourcing issues this is a risk that will need to be closely managed during the year.
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.	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.

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INTERNAL AUDIT CHARTER- NORTH EAST LINCOLNSHIRE COUNCIL

1. Introduction

1.1 Under the Accounts and Audit Regulations (2015) the Council is required to ensure there are sound systems of internal control and to undertake effective internal audit to evaluate the effectiveness of its risk management, control and governance processes. Internal audit must consider Public Sector Internal Auditing Standards (PSIAS) and guidance.

1.2 This document sets out the purpose, authority and responsibility of Internal Audit in accordance with the Standards.

2. Definitions

2.1 Internal Audit is provided at North East Lincolnshire Council (NELC) through a joint Audit and Assurance service between NELC and North Lincolnshire Council. It is governed by the UK Public Sector Internal Audit Standards. They are mandatory for all internal auditors working in the UK public sector. The main components are:
- articulating the mission of internal audit;
- providing a definition of internal audit;
- laying out the key principles of effective internal auditing;
- the code of ethics for internal auditors; and
- the standards themselves.

2.2 The mission of internal audit as laid out in the standards is "*To enhance and protect organisational value by providing risk-based and objective assurance, advice, and insight*".

The 'Core Principles' that underpin delivery of the mission require internal audit to:
- Demonstrate integrity;
- Demonstrate competence and due professional care;

- Be objective and free from undue influence (independent);
- Align with the strategies, objectives and risks of the organisation;
- Be appropriately positioned and adequately resourced;
- Demonstrate quality and continuous improvement;
- Communicate effectively;
- Provide risk-based assurance;
- Be insightful, proactive, and future-focused; and
- Promote organisational improvement*.*

2.3 The standards define internal auditing 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".*

2.4 As defined in the standards internal audit adds value to the organisation and its stakeholders when it considers strategies, operations and risk; strives to offer ways to enhance risk, governance and control processes; and objectively provides relevant assurance.

2.5 Internal Audit supports the Executive Director of Place and Resources to discharge her responsibilities for maintaining an adequate and effective system of internal audit as required under section 151 of the Local Government Act 1972 and by the Accounts and Audit Regulations 2015.

2.6 Internal Audit supports the Monitoring Officer in discharging his responsibilities for providing advice on vires issues, maladministration, financial impropriety, probity, Code of Conduct, policy framework and investigating cases reported under the confidential reporting policy as appropriate.

2.7 The Head of Audit and Assurance is responsible for the effective review of all aspects of governance, risk and internal control throughout the full range of the Council's activities.

2.8 The existence of Internal Audit does not diminish the responsibility of management to establish systems of internal control to ensure that activities are conducted in a secure, efficient and well-ordered manner.

2.9 The Public Sector Internal Audit Standards require that the internal audit charter defines the terms 'board' and 'senior management' in relation to the work of internal audit. For the purposes of internal audit work, the 'board' refers to the Council's Audit and Governance Committee which has delegated responsibility for overseeing the work of internal audit. The term senior management in this context is defined as the Strategic Leadership Team (SLT).

3. Independence

3.1 Internal Audit is independent of all the activities of the Council to ensure it can appraise the Council's governance, risks and internal control systems in the impartial and unbiased manner essential to the proper conduct of audits. Independence is secured by a number of means, in particular:

- unfettered access to all Council officers, senior management and Elected Members;
- direct access to the Chair of the Audit and Governance Committee;
- the right to all documentation held by the council and to seek explanations as they see necessary to effectively discharge their duties, from all officers and Elected Members of the Council;
- the Head of Audit and Assurance reports in his / her own name to officers and Elected Members, particularly those charged with governance; and
- where internal audit staff have a perceived or real conflict of interest in undertaking a particular piece of work, this will be managed through the internal audit management and supervisory process. Staff are required to declare any potential conflict of interest when they are assigned a particular audit review and if necessary, the work will then be reassigned to another auditor. All staff are required to complete a yearly declaration of interests form.

3.2 The responsibilities of the Head of Audit and Assurance include risk management, insurance and counter fraud. To maintain this independence in these areas, the Head of Audit and Assurance is not actively involved in the audit of those areas where he has some managerial responsibility, and usually a third-party provider will be asked to carry out an audit on the team's behalf.

3.3 In addition, although the Audit and Assurance team (primarily through the Strategic Lead - Risk and Governance) provides support and advice for the maintenance of the risk registers and the development of the Council's risk framework, the definition of risk appetites and the management of individual risks lies purely with management.). Furthermore, the Head of Audit and Assurance is not directly involved in management discussions relating to the determination of risk appetite**.**

4. Reporting Lines of the Head of Audit and Assurance

4.1 Arrangements are in place to ensure that the Head of Audit and Assurance has suitable status within the Authority. The Head of Audit and Assurance is line managed by the Assistant Director of Law, Governance and Assets (Monitoring Officer), who is a member of the Council's Strategic Leadership Team. The Head of Audit and Assurance is also a member of the Assistant Director's senior management team.

4.2 The status of the Head of Audit and Assurance within the Council's management structure is further highlighted by:

- regular meetings with the Executive Director of Place and Resources and attending her management team on a periodic basis;
- being a member of the Council's Assurance Board, which is made up of the Council's Strategic Leadership Team - this Board meets monthly to discuss governance and control matters relating to the Council;
- quarterly meetings with the Chief Executive;
- attendance (at least quarterly) at the Assistant Directors Team meeting.
- member of the Council's Corporate Governance Group; and
- regular attendance at management teams throughout the Council to promote the importance of good governance and internal control.

4.3 In addition, monthly liaison meetings are held between the Head of Audit and Assurance, the Assistant Director of Law and Governance, and Assistant Director of Governance and Partnerships (NLC) to discuss matters concerning the operation of the Audit and Assurance Shared Service.

5. Scope of Internal Audit Work and Access to Information

5.1   The main purpose of Internal Audit is to provide assurance on the Council's governance, risk management and internal control arrangements. This involves providing an annual report and opinion summarising the work carried out during the year, and providing an opinion on the Council's arrangements based on this work, and where appropriate, other sources of intelligence.

5.2   The scope of Internal Audit allows for unrestricted coverage of all the Council's activities and unfettered access to all records, assets, personnel and premises deemed necessary in the course of its work. It also has unrestricted access to all Authority employees and Elected Members and the authority to obtain such information and explanations, as it considers necessary to fulfil its responsibilities. Such access shall be granted on demand and not subject to prior notice.

5.3   Internal auditors respect the value and ownership of information they receive and the reports they produce, and do not disclose information without appropriate authority unless there is a Law or professional obligation to do so. They are prudent in the use and protection of information acquired in the course of their duties and shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the Council's legitimate and ethical objectives.

5.4   The Head of Audit and Assurance has direct access to, and freedom to report to, all senior management including Directors, the Chief Executive, and the Audit and Governance Committee.

5.5   Where the Council works in partnership with other organisations (other than NELC), the role of Internal Audit will be defined on an individual basis. Where Internal Audit undertakes work on behalf of any other organisations, this will be determined in conjunction with the Section 151 officer to ensure that

appropriate audit resources are available to provide assurance over the Council's activities.

5.6 The standards recognise that the Internal Audit Service may go beyond the work needed to meet its assurance responsibilities and provide services to support management, including consultancy services or assistance with the investigation of suspected fraud or corruption. Consultancy services are advisory in nature and are generally performed at the specific request of the organisation. The nature and scope of the consulting engagement should aim to improve governance, risk management and control and should contribute to the overall opinion.

5.7 The scope of any consultancy work will be agreed with management and will only be undertaken where resources permit without impacting on the annual assurance process, and where the Head of Audit and Assurance is satisfied that the team has sufficient expertise to carry out the work. When attending project boards or steering groups, auditors will agree their role and act as "critical friend" or advisor and not have any decision-making responsibility. Internal Audit may provide assurance to services where it has previously performed a consulting service, provided the nature of the consulting did not impair objectivity.

5.8 Internal Audit is not responsible for the prevention or detection of fraud and corruption. Managing the risk of fraud and corruption is the responsibility of management. Internal auditors will, however, be alert in all their work to risks and exposures that could allow fraud or corruption and to any indications that fraud and corruption may have occurred. Internal audit's work in relation to fraud includes carrying out an annual programme of audits to review the design and operation of controls in areas of the Council where there is an inherent higher risk of fraud, where appropriate reviewing counter fraud controls when carrying out assignments, providing advice on counter fraud controls built into systems, manage the Council's response to the National Fraud Initiative, and where appropriate lead or support investigations for suspected fraud. However, internal audit procedures alone, even when performed with due professional care, cannot guarantee that fraud or corruption will be detected.

5.9 The Head of Audit and Assurance should be informed of all suspected or detected fraud, corruption or impropriety and will consider the implications for his opinion on the adequacy and effectiveness of the relevant controls, and the overall internal control environment.

6. Responsibility

6.1 The Head of Audit and Assurance is responsible for:
- developing an annual audit plan based on an understanding of the organisations strategies, key business objectives, associated risks and risk management processes, and adjust the plan in response to the

organisations business, risk, operations, programmes, systems and controls;

- determining the strategic direction of the Audit and Assurance Service; and ensures that it aligns to the Council's strategic priorities
- the management of the Audit and Assurance Service that is compliant with the Public Sector Internal Audit Standards, including a Quality and Assurance Improvement Plan;
- the monitoring and reporting of the performance of the Audit and Assurance service;
- the production and reporting of an annual audit opinion based on the outcomes of internal audit work conducted throughout the year;
- providing advice and guidance on risks and the application and development of internal controls;
- the fostering of good working relationships with External Audit with an aim to achieving mutual recognition and respect, leading to a joint improvement in performance and the avoidance of unnecessary overlapping of work; and
- assessing all matters of potential fraud or irregularity brought to his attention in line with the requirement of the Council's Counter Fraud Strategy and arranging for team members to lead or support the investigations into such matters.

7. Resourcing and Staffing Matters

7.1 Internal audit is staffed to meet the needs of both Councils. The structure is designed to ensure that there is a suitable mix of experienced and qualified staff. In line with the standards, the Head of Audit and Assurance will annually confirm whether there are sufficient resources available to deliver a reliable annual audit opinion and comply with the standards.

7.2 Individual training needs are established and agreed through the respective performance management systems of both Councils, involving regular 1-2-1 meetings, and the development of a locally produced competency framework for audit staff. A training and development plan is produced for each team member, and the team has access to both Councils' training budgets.

8. Ethics

8.1 The Public Sector Internal Audit Standards contain a Code of Ethics which is mandatory for all internal auditors in the public sector. In addition, individual staff are also required to adhere to the Codes of Ethics of their professional bodies where appropriate.

8.2 Team members are reminded of the need to comply with the Code on an annual basis including the requirement to complete a Code of Ethics Declaration Form to confirm they have read and understood them. In addition, they are expected to be aware of the seven standards of public life. Discussions on ethics, using ethical scenarios, are held periodically at audit team meetings.

9. Limitations of Internal Audit Responsibilities

9.1 In seeking to discharge the responsibilities detailed above, and in line with the responsibilities of Internal Audit it should be noted that the Internal Audit Service is not responsible for:
- controlling the risks of the Council.
- establishing and maintaining systems of internal control;
- determining operational policies or procedures; and
- ensuring the prevention or detection of fraud and irregularity.

10. Reporting

10.1 The exact form of reporting for internal audit assignments may vary depending on the nature of the assignment, but in many cases will be the subject of formal reports. Draft reports will be sent to the manager(s) responsible for the area under review for agreement of the factual accuracy of findings and the implementation of agreed actions made to address weaknesses in internal controls. Once agreed, final reports will be copied to all relevant stakeholders, with a summary of the outcomes reported to the Audit and Governance Committee and Senior Management

10.2 Internal Audit will provide regular reports to the Audit and Governance Committee and the Senior Leadership Team (in its role as the Assurance Group), including:

- The annual review of the Audit Charter (including confirmation of the independence of audit activity);
- The audit plan (including confirmation of resource requirements) and progress against the plan; and
- The Annual Head of Internal Audit Report and Opinion (supported by Interim reports throughout the year) summarising the outcome of audit activities; providing an overall opinion on the Council's governance, risk and internal control arrangements; and conformation of compliance with quality and ethical standards, including the identification of improvement actions where appropriate.

11. Management Responsibilities

11.1 For internal audit to be fully effective, it needs the full commitment and cooperation from management across the Council. In approving this charter, senior management and the Audit and Governance Committee are mandating management to cooperate with internal audit in the delivery of the service by:

- attending audit planning and scoping meetings and agreeing the terms of reference for individual audit assignments on a timely basis as agreed at the commencement of each piece of internal audit work;
- sponsoring each audit assignment at a senior level.;

- providing internal audit with full support and cooperation, including complete access to all records, data, property and personal relevant to the audit assignment on a timely basis;
- responding to internal audit reports and making themselves available for audit closure t meetings to agree draft audit reports;
- implementing audit recommendations within agreed timescales.

11.2 Instances of non-cooperation with reasonable audit requests will be subject to Internal Audit's escalation policy, which sets out the timescales and steps for raising such issues with senior management if required.

11.3 While internal audit is responsible for providing independent assurance to the Council and its Audit and Governance Committee, it is the responsibility of the organisations' management to develop and maintain appropriately controlled systems and operations. Internal audit does not remove the responsibility from management to continually review the systems and processes for which they are responsible and to provide their own assurances to senior management and elected members that they are maintaining appropriately controlled systems.

12. Quality Assurance

12.1 The Public Sector Internal Audit Standards require that the internal audit function is subject to a quality assurance and improvement programme that must include both internal and external assessments. Internal audit will report the outcomes of quality assessments to the Audit and Governance Committee through its regular progress reports.

12.2 All internal audit assignments are subject to a management quality review to ensure that the work meets the standards expected for audit staff. Such management reviews will include:
- ensure the work complies with the PSIAS;
- work is planned and undertaken in accordance with the level of assessed risk; and
- appropriate testing is undertaken to support the conclusions drawn.

12.3 An external assessment must be conducted at least every five years by a qualified, independent assessor from outside the organisation. The next assessment is due in 2023. The Head of Audit and Assurance will discuss options for the assessment with Senior Management and the Audit and Governance Committee at the appropriate time.

13 Review of the audit charter

13.1 This charter will be reviewed annually by the Head of Audit and Assurance and presented to the Leadership Team and the Audit and Governance Committee for approval.

March 2023

External Quality Assessment of Conformance to the Public Sector Internal Audit Standards

North-East Lincolnshire & North Lincolnshire Shared Internal Audit Service

Final Report

Lead Associate: Ray Gard, CPFA, FCCA, CFIIA, DMS

Quality Assessment: Diana Melville, FCPFA

4 March 2024

North-East Lincolnshire & North Lincolnshire Shared Internal Audit Service

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1.   Introduction

1.1   Internal audit within the public sector in the United Kingdom is governed by the Public Sector Internal Audit Standards (PSIAS), which have been in place since 1st April 2013 (revised 2016 and 2017). All public sector internal audit services are required to measure how well they are conforming to the standards. This can be achieved through undertaking periodic self-assessments, external quality assessments (EQA), or a combination of both methods. However, the standards state that an external reviewer must undertake a full assessment or validate the Internal Audit Service's own self-assessment at least once in a five-year period.

2.   Background

2.1   The Shared Internal Audit Service provides the internal audit services to North-East Lincolnshire Council and North Lincolnshire Council. The Chief Audit Executive is the Council's Head of Audit and Assurance (HAA). Below the HAA post are two Strategic Lead posts (one of which is vacant due to recently retiring and the other was on long term sick leave but returned to work during the EQA); 4 FTE Principal Auditor posts (one of which has given notice that they are leaving); and 5.8 FTE Audit Advisor posts (one of which became vacant during the EQA). The HAA is aware that this is quite a flat structure with limited opportunities for career progression and no scope for trainees to join the Shared Service. We have been advised that plans have been drawn up for a restructure of the Shared Service, but this will take some months to complete and fill all the vacant posts. The HAA is aware that there is a dire shortage of experienced and/or qualified internal auditors across the country and as such they may not be successful in filling any vacant posts generated from the restructure. With this in mind, it would be prudent to develop a mid/long term resourcing strategy for the Service and we have included this as an advisory action in section 9 of the report.

In addition to the in-house team, the Service uses some external partners for the provision of specialist IT Audi. and the audit of services led by the HAA e.g. counter fraud, and risk management.

2.2   The HAA is an experienced internal audit professional who is a CCAB accountant and a Chartered Internal Auditor. The Strategic Lead that is in post is also an experienced internal audit professional with a relevant qualification.

2.3   From an operational perspective, the Shared Internal Audit Service was formed by merging the internal audit services from the two councils into a service managed by a single HAA, without a nominated host authority. This means that the individual team members remain on the payroll and under the employment terms and conditions of their respective employers prior to the formation of the Shared Service. For example, the HAA is an employee of North-East Lincolnshire Council and the Strategic Lead that is in post is an employee of North Lincolnshire Council. This arrangement is not common in local government with most shared services being established with a single host authority as this tends to provide a better degree of uniformity regarding remuneration, employment terms and conditions, staff development, and line management of employees. During the EQA some key stakeholders from both Councils commented that it may be time to reconsider the format of the Shared Service to see if the current model is still fit for purpose, or whether an alternative model would better serve both Council's. With this in mind, we have included this as an advisory action in section 9 of this report.

2.4   The Internal Audit Service has been operating under PSIAS since its launch in 2013, and this is the second external quality assessment (EQA) that they have commissioned.

2.5   The Shared Internal Audit Service has an audit manual that provides the auditors with a comprehensive guide to all aspects of performing an internal audit or consultancy

assignment. The Service uses standard templates for all terms of reference, engagement working papers, testing schedules, and audit reports, all of which are contained in their MK Insight (MKI) audit management system. Supervision of the engagements takes place at every stage of the process and is recorded in MKI.

2.6   There is a quality assurance process in place that includes internal and external quality assessments of the Service, reviews of live engagements, a post-audit client feedback survey, and final clearance of all completed reports is carried out by the Strategic Leads for Internal Audit or the HAA, all of which feed into the Shared Internal Audit Service's Quality Assurance and Improvement Programme (QAIP).

3.   Validation Process

3.1   This validation of the Shared Service's self-assessment comprised a combination of a review of the evidence provided by Internal Audit; a review of a sample of completed internal audits; a survey that was sent to and completed by a range of stakeholders; and interviews with key stakeholders, using MS Teams. The interviews focussed on determining the strengths and weaknesses of Internal Audit and assessed the Service against the four broad themes of Purpose and Positioning; Structure and Resources; Audit Execution; and Impact.

3.2   The Shared Internal Audit Service provided a comprehensive range of documents that they used as evidence to support their self-assessment, and these were available for examination prior to and during this validation review. These documents included the:

- self-assessment against the standards;
- quality assurance and improvement plan (QAIP);
- evidence file to support the self-assessment;
- the audit charters;
- the annual reports and opinions
- the audit plans and strategies;
- audit procedures manual;
- a range of documents and records relating to the team members;
- progress and other reports to the respective Audit Committees.

All the above documents were examined during this EQA.

3.3   The main phase of the validation process was carried out during the week commencing 6 November 2023, with further work and interviews undertaken during the following weeks. This phase of the EQA involved a review of a sample of audit files and interviews with a sample of key stakeholders from North-East Lincolnshire Council and North Lincolnshire Council. Overall, the feedback from the interviewees was positive with clients valuing the professional, knowledgeable, and objective way the Internal Audit Service delivered their services.

3.4   The assessor reviewed examples of completed audits from both organisations to confirm his understanding of the audit process used, and to determine how Internal Audit has applied the PSIAS and LGAN in practice.

4. Opinion

It is our opinion that the self-assessment for the Shared Internal Audit Service is accurate, and we therefore conclude that they GENERALLY CONFORM to the requirements of the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note.

4.1   The table below shows the Shared Internal Audit Service's level of conformance to the individual standards assessed during this external quality assessment:

Standard / Area Assessed	Level of Conformance
Mission Statement	**Generally Conforms**
Core principles	**Generally Conforms**
Code of ethics	**Generally Conforms**
Attribute standard 1000 – Purpose, Authority and Responsibility	**Generally Conforms**
Attribute standard 1100 – Independence and Objectivity	**Generally Conforms**
Attribute standard 1200 – Proficiency and Due Professional Care	**Generally Conforms**
Attribute standard 1300 – Quality Assurance and Improvement Programmes	**Generally Conforms**
Performance standard 2000 – Managing the Internal Audit Activity	**Generally Conforms**
Performance standard 2100 – Nature of Work	**Generally Conforms**
Performance standard 2200 – Engagement Planning	**Generally Conforms**
Performance standard 2300 – Performing the Engagement	**Generally Conforms**
Performance standard 2400 – Communicating Results	**Generally Conforms**
Performance standard 2500 – Monitoring Progress	**Generally Conforms**
Performance standard 2600 – Communicating the Acceptance of Risk	**Generally Conforms**

5. Areas of full conformance with the Public Sector Internal Audit Standards

5.1 Mission Statement and Definition of Internal Audit

The mission statement and definition of internal audit from the PSIAS are included in the audit charters.

5.2 Core Principles for the Professional Practice of Internal Auditing

The Core Principles, taken as a whole, articulate an Internal Audit function's effectiveness, and provide a basis for considering the organisation's level of conformance with the Attribute and Performance standards of the PSIAS.

The indication from this EQA is that the Core Principles are, on the whole, embedded in the Shared Internal Audit's procedures and working methodologies. The Shared Internal Audit Service are a competent, experienced, and professional function that generally conforms to all ten elements of the Core Principles. There is, however, scope to enhance their conformance to the Core Principles in two ways. The first is for the Shared Service to be more commercially focussed by enhancing their knowledge and skills of auditing in a more commercial environment. This is key when carrying out audits of services that have been commissioned from external delivery partners, rather than being provided by in-house functions, as they need to have a sound understanding of the business risks and issues associated with this operational model. The second enhancement relates to the Shared Internal Audit Service being able to demonstrate continuous improvement, insight and proactivity. We included two advisory actions in section 9 of this report relating to these observations.

5.3 Code of Ethics

The purpose of the Institute of Internal Auditors' Code of Ethics is to promote an ethical culture in the profession of internal auditing, and is necessary and appropriate for the profession, founded as it is on the trust placed in its objective assurance about risk management, control, and governance. The Code of Ethics provides guidance to internal auditors and in essence, it sets out the rules of conduct that describe behavioural norms expected of internal auditors and are intended to guide their ethical conduct. The Code of Ethics applies to both individuals and the entities that provide internal auditing services.

The clear indication from this EQA is that the Shared Internal Audit Service conforms to the Code of Ethics, and this is embedded in their procedures, and their audit methodologies. The code of ethics is part of their overarching culture and underpins the way the Shared Service operates.

5.4 Attribute Standard 1000 – Purpose, Authority and Responsibility

The purpose, authority and responsibility of the Internal Audit activity must be formally defined in an internal audit charter, consistent with the Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework (the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Standards, and the Definition of Internal Auditing). The internal audit charter must be reviewed regularly and presented to senior management and the audit panel for approval.

There are separate audit charters in place for each authority, and these are reviewed on an annual basis. We reviewed these documents and found them to be comprehensive and well written and contain all the elements that the PSIAS expects to be included in an

audit charter. We are satisfied that the Shared Internal Audit Service conforms to attribute standard 1000 and the LGAN.

5.5 **Attribute Standard 1100 – Independence and Objectivity**

Standard 1100 states that the Internal Audit activity must be independent, and internal auditors must be objective in performing their work.

The need for independence and objectivity is an integral part of any Internal Audit Service's culture. The HAA reports in his own name directly to the Senior Management Teams at each authority, and to the Audit and Governance Committee at North-East Lincolnshire Council and the Audit Committee at North Lincolnshire Council. All employees declare any potential impairment to their independence or objectivity on recruitment to the Service and again on an annual basis.

We have reviewed the Internal Audit Service's procedures and their standard documentation; their quality assurance and improvement plan; and a small sample of completed audits. We have also reviewed their reporting lines and their positioning within both authorities. In addition to internal audit, the HAA has responsibilities for the counter fraud, risk management and insurance functions. All these functions are subjected to periodic review and assessment from external partners with their findings being reported directly to the HAA's line manager.

The HAA has identified two areas where the Shared Service could enhance their conformance to Attribute Standard 1100. The first relates to involving the respective Chief Executive Officer and the chair of the Audit Committee in the HAA's annual appraisal process, and the second point relates to rotating the team members around the planned audits to enhance objectivity. We have included these as advisory actions in section 9 of this report.

Notwithstanding the above observation, we are satisfied that the Shared Internal Audit Service conforms with attribute standard 1100 and the LGAN.

5.6 **Attribute Standard 1200 – Proficiency and Due Professional Care**

Attribute standard 1200 requires the Internal Audit Services' engagements are performed with proficiency and due professional care, having regard to the skills and qualifications of the staff, and how they apply their knowledge in practice.

As mentioned above, The HAA is an experienced internal audit professional who is a CCAB accountant and a Chartered Internal Auditor. The Strategic Lead that is in post is also an experienced internal audit professional with a relevant qualification. The team members have sufficient knowledge of the operation of high-level IT controls, and they can incorporate these in their testing for the audits they undertake. The more detailed and complex ICT reviews are undertaken by an external specialist ICT audit partner.

The Standards require internal audit services to consider the use of data analytics when performing their audit reviews. The Service has the latest version of the IDEA data analytics software and makes extensive use of this application and has a strategy and supporting action plan to further develop its application. Notwithstanding the above, we feel there are further opportunities to broaden the use of data analytics by making use of external sources of data for benchmarking purposes, such as the local authority data held in the CIPFA statistics and 'Nearest Neighbour Model' applications, which the Councils should already have access to, or the data held by the Local Government Association in their LG Inform application. These are useful sources of data for benchmarking that should not be overlooked, particularly when auditors are undertaking research and preparing the terms of reference for audits as benchmarking can highlight areas where there may be scope to add value to the Council's operations, or at least challenge the current thinking. We have included this as an advisory action for management to consider in section 9 of this report.

Standard 1200 expects internal auditors to maintain and enhance their knowledge and this is usually achieved through undertaking relevant training, reading technical publications, networking with relevant professional groups and research for audits. Individual training plans are discussed at regular one to one sessions with the team members, and all professionally qualified staff are required to maintain their CPD records according to the requirements of their respective institutions. However, team members are not currently required to record any training they have undertaken on any form of central or Shared Service log. As this is an important element of the Shared Service being able to demonstrate that they maintain continuous improvement within the Service, we have therefore included an action in section 9 of this report.

Notwithstanding the above observations, it is evident from this review that the Shared Internal Audit Service's employees are experienced and perform their duties with due professional care. We are therefore satisfied that the Internal Audit Service complies with attribute standard 1200 and the LGAN.

5.7 **Attribute Standard 1300 – Quality Assurance and Improvement Programmes**

This standard requires the Head of Audit to develop and maintain a quality assurance and improvement programme that covers all aspects of the Internal Audit activity.

The Shared Internal Audit Service has developed a quality assurance process which feeds into their quality assurance and improvement programme and ensures engagements are performed to a high standard. Supervision of audit engagements is carried out at all stages of the audit and is recorded throughout the audit process in the MKI audit management system. There are, however, opportunities to strengthen the QAIP process. The first relates to developing a more formal approach to the QAIP and this has been identified by the HAA. The second relates to the Shared Internal Audit Service's management's capacity to carry out quality reviews of completed audits in a systematic and timely manner. The HAA has already identified that this is an issue that should be addressed as part of the planned restructure of the Shared Service, although this will not conclude for some time. As an interim measure we suggest that consideration is given to encouraging the Principal Auditors to undertake some of the audit file reviews, including peer reviews where appropriate. The final observation relates to the self-assessment process where the HAA has identified that although these are being undertaken, the process is more 'ad hoc' rather than being done in a systematic way. We have included these observations, along with appropriate actions, in section 9 of this report.

We have examined the supporting evidence provided by the Shared Internal Audit Service during this EQA and subsequently provided to us, and notwithstanding the observations mentioned above, we feel that the Shared Service generally conforms to attribute standard 1300 and the LGAN.

5.8 **Performance Standard 2000 – Managing the Internal Audit Activity**

The remit of this standard is wide and requires the Chief Audit Executive to manage the Internal Audit activity effectively to ensure it adds value to its clients. Value is added to a client and its stakeholders when Internal Audit considers their strategies, objectives, and risks; strives to offer ways to enhance their governance, risk management, and control processes; and objectively provides relevant assurance to them. To achieve this, the Chief Audit Executive must produce an audit plan and communicate this and the Service's resource requirements, including the impact of resource limitations, to senior management and the Governance and Ethics Committee for their review and approval. The Chief Audit Executive must ensure that Internal Audit's resources are appropriate, sufficient, and effectively deployed to achieve the approved plan.

The standard also requires the Chief Audit Executive to establish policies and procedures to guide the Internal Audit activity, and to share information, co-ordinate

activities and consider relying upon the work of other internal and external assurance and consulting service providers to ensure proper coverage and minimise duplication of efforts.

Last, but by no means least, the standard requires the Chief Audit Executive to report periodically to senior management and the Governance Committee on Internal Audit's activities, purpose, authority, responsibility, and performance relative to its plan, and on its conformance with the Code of Ethics and the Standards. Reporting must also include significant risk and control issues, including fraud risks, governance issues and other matters that require the attention of senior management and/or the audit committee.

The Shared Internal Audit Service has a comprehensive audit manual in place that covers all aspects of the Internal Audit Service. Their planning processes take into consideration the respective Council's risk management and governance frameworks; objectives and priorities; other relevant and reliable sources of assurance that are available; the key issues identified by managers during the annual planning meetings; the Shared Service's own risk and audit needs assessments; and any emerging risks identified through horizon scanning and networking with other organisations and regional audit groups.

For each authority, the Service produces a risk-based audit plan that is designed to provide each Council with relevant assurance on their governance, risk management and control frameworks. The audit plans are reviewed and approved by the respective Senior Management Teams and Audit Committees. The individual audits in the respective audit plans are not, however, allocated a priority level and we have included an action in section 9 of this report relating to this observation.

In the self-assessment, the HAA commented that the staffing resources within the Shared Service are tight, and we have noted that the Shared Service are carrying a number of vacancies in the team with more team members due to leave during the coming months. In addition, the Shared Service have also experienced a degree of sickness amongst the team members, particularly at the management level, which has had an adverse Impact on their ability to deliver the full complement of planned audits. This problem is further compounded by some audits over running their allocated time budgets, putting additional pressure on the Shared Service's ability to deliver the annual plan. Consequently, the HAA and the strategic lead is having to spend considerable time reviewing and flexing the audit plan to meet the available resources, and trying to identify alternative sources of assurance that could be relied upon. He is also exploring whether additional resources could be obtained from external sources to assist with delivering the audit plans. However, we feel it would be prudent for the HAA to consider whether sufficient assurance work will be completed by the end of the year to enable him to issue a full assurance opinion, or whether it will be necessary to issue a limited scope opinion. We have included this as an action in section 9 of this report.

We understand that the HAA has drafted proposals for a restructure of the Shared Service in an attempt to recruit to any vacant posts generated from the restructure and provide a better career pathway for the staff.

The retirement of one of the Strategic Leads coupled with periods of sickness for the other Strategic Lead and the HAA, and the fact the HAA is also responsible for risk, insurance and counter fraud at both Councils, means he has limited time available for Internal Audit at either Council. This inevitably means increased pressure on the remaining Strategic Lead and was a likely contributor to the prolonged sickness for this Officer. These factors have highlighted the need for the Shared Service to strengthen its management and supervision capacity, perhaps by involving the Principal Auditors more in these functions. Tackling the issues around management and supervision capacity are factors that should be taken into consideration during the planned restructure of the Shared Service. We have included this as an advisory action in section 9 of this report.

Details of the completed audits, together with updates on the progress being made on delivering the audit plans and the performance of the Shared Internal Audit Service, are reported to the respective Senior Management Teams and the Audit Committees on a six-monthly basis. The performance data reported to the respective Audit Committees includes the number of planned audit days compared to the actual audit days delivered by the Shared Service, with the planned days being adjusted (usually down) when the audit plan has been adjusted i.e. for audits that have been cancelled, removed from the plan, or postponed, together with the timeliness of completed audit reports, and customer satisfaction with the respective audits.

Some of these performance measures are 'traditional measures' of service inputs and are now regarded as being out of date and not that useful for a modern insightful audit service. A more informed approach would be to provide the Audit Committees with performance data relating to 'outcomes achieved' by the Shared Service, for example audits delivered compared to those audits in the original audit plan; audits that overran the budget days; and the time taken to issue the final report following the final meeting, to provide just a few possible examples.

An annual report and opinion are produced for each authority at the end of the year and presented to the respective Senior Management Teams and Audit Committees. These give separate audit opinions for the risk management, governance and control frameworks at each Council and is recognised as being good practice.

We feel that notwithstanding the observations mentioned above, the Shared Service generally conforms to standard 2000 and the LGAN.

5.9 Performance Standard 2100 – Nature of Work

Standard 2100 covers the way the Internal Audit activity evaluates and contributes to the improvement of the organisation's risk management and governance framework and internal control processes, using a systematic, disciplined and risk-based approach.

This is the approach adopted by the Shared Internal Audit Service and is embedded in their working methodologies. During this EQA, we reviewed a small sample of completed audits and examined them to see if they conformed to standard 2100, the LGAN and Internal Audit's own methodologies. We found that all the sample audits examined during the EQA complied with all three. We have, however, noted that some audits undertaken during the year overran their planned days, partly due to some audits having over ambitious scopes for the available budgeted days. We have discussed this problem with the HAA and agreed that to avoid future recurrences of the problem, the audit scope could be split into 'must do' and 'only do if time permits' elements. We have included this as an advisory action in section 9 of the report.

The indication from this EQA is that the Shared Internal Audit Service conforms to performance standard 2100 and the LGAN.

5.10 Performance Standard 2200 – Engagement Planning

Performance standard 2200 requires Internal Auditors to develop and document a plan for each engagement, including the engagement's objectives, scope, timing, and resource allocations. The plan must consider the organisation's strategies, objectives, and risks relevant to the engagement.

As mentioned above, the Shared Service has an audit manual and supervision processes in place, that include engagement planning, and meets the requirements of the PSIAS. From the sample of audits that we examined during the EQA, we found that they all conformed to standard 2200, the LGAN, and the Shared Service's own audit procedures, and we therefore conclude that Internal Audit conforms to performance standard 2200 and the LGAN.

5.11 **Performance Standard 2300 – Performing the Engagement**

Performance standard 2300 seeks to confirm that Internal Auditors analyse, evaluate and document sufficient, reliable, relevant, and useful information to support the engagement results and conclusions, and that all engagements are properly supervised.

The Shared Internal Audit Service has an audit manual, supervision arrangements, and quality assurance processes in place that meet the requirements of the standards. We reviewed the evidence provided in support of the Shared Service's self-assessment, together with a sample of audits to see if they conformed to the standards, and Shared Internal Audit Service's own working methodologies. We found that all the evidence we examined conformed to the standards and their own procedures and methodologies. We therefore conclude that the Shared Internal Audit Service conforms to performance standard 2300 and the LGAN.

5.12 **Performance Standard 2400 – Communicating Results**

This standard requires Internal Auditors to communicate the results of engagements to clients and sets out what should be included in each audit report, as well as the annual report and opinion. When an overall opinion is issued, it must take into account the strategies, objectives and risks of the clients and the expectations of their senior management, the audit committee and other stakeholders. The overall opinion must be supported by sufficient, reliable, relevant, and useful information. Where an internal audit function is deemed to conform to the PSIAS, reports should indicate this by including the phrase "conducted in conformance with the International Standards for the Professional Practice of Internal Auditing".

The Shared Service's procedures and supervision processes cover the communication of results of individual audits and meet the requirements of the PSIAS. During the EQA we reviewed the evidence provided in support of the Service's self-assessment and the audit reports issued for a sample of audits to establish if they conformed to the standards. We found that all the evidence we examined conformed to the standards and the shared Internal Audit Service's own procedures and methodologies.

We also reviewed the progress and annual reports presented to the respective Audit Committees and found that, on the whole, these also conformed to the standards and the Service's own internal procedures, although we have made observations regarding the data provided to the respective Audit Committees under performance standard 2000 above.

Notwithstanding the observations under performance standard 2000, we conclude that the Shared Internal Audit Service conforms to performance standard 2400 and the LGAN.

5.13 **Performance Standard 2500 – Monitoring Progress**

There is a follow-up process in place, the objective of which is to monitor the client's progress towards the implementation of agreed actions. The results of the follow-up reviews are reported to the respective Audit Committees. From this EQA, it is evident that the Internal Audit Service conforms to performance standard 2500 and the LGAN.

5.14 **Performance Standard 2600 – Communicating the Acceptance of Risk**

Standard 2600 considers the arrangements which should apply if the HAA has concluded that managers have accepted a level of risk that may be unacceptable to the organisation. Situations of this kind are expected to be rare, consequently, we did not see any examples of this during this review. From this EQA, it is evident that the Internal Audit Service conforms to performance standard 2600 and the LGAN.

6. Areas of partial conformance with the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note

6.1 There are no areas of partial conformance with the Public Sector Internal Audit Standards or the CIPFA Local Government Application Note.

7. Areas of non-conformance with the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note

7.1 There are no areas of non-conformance with the Public Sector Internal Audit Standards or the CIPFA Local Government Application Note.

8. Survey results

8.1 Overall, the results of the survey of key stakeholders were positive with respondents valuing the services provided by them with most respondents agreeing or partially agreeing with the survey statements. The detailed findings from the survey have been shared with the Head of Audit and Assurance to enable them to explore the responses in more depth. A summary of the survey results is included in this report at Appendix A.

9. Issues for management action

9.1 From our review of the Service's self-assessment we have identified several issues that the Shared Service and the Councils need to address or consider, and these are all set out in the table below:

Issues for management action	Priority
There are some key stakeholders from both Councils who feel that it may be time to reconsider the formation of the Shared Service to see if the current model is still fit for purpose, or whether an alternative model, such as one authority being the host or a stand-alone independent function, would better serve both Councils	**Advisory**
The Shared Service should be more commercially focussed as they need to have a sound understanding of the business risks and issues associated with services provided by external delivery partners. This is key when carrying out audits of services that have been commissioned from external delivery partners, rather than being provided by in-house functions, or when auditing arm's length management organisations.	**Advisory**
The Shared Audit Service needs to be able to demonstrate continuous improvement, insight and proactivity. This includes ensuring staff undertake regular and appropriate learning and development that is recorded on a central log so the Shared Service can demonstrate continuous improvement takes place and they are insightful. Learning and development includes reading technical journals, research for audits and attendance at networking events and regional group meetings.	**Medium**

Issues for management action	Priority
The Head of Audit and Assurance has identified the need to involve the respective Chief Executive Officers and the chair of the Audit Committees in his annual appraisal process to enhance conformance to the standards.	**Advisory**
To enhance objectivity and remove the risk of complacency, staff allocated to specific audits should be rotated so the same person does not carry out two consecutive audits of a function. The Head of audit and assurance has identified that this is an issue that needs to be addressed.	**Medium**
The Service's use of data analytics can be enhanced further by making use of external sources of data for benchmarking purposes. Suitable sources of external sources of data are the local authority data held in the CIPFA statistics and 'Nearest Neighbour Model' applications, which the Councils should already have access to, and the benchmarking data held by the Local Government Association in their LG Inform application.	**Advisory**
The Head of Audit and Assurance has identified that there is scope to enhance the QAIP process by adopting a more formal approach to the process.	**Medium**
The Head of Audit and Assurance has identified that there is limited capacity within the Shared Service's current structure to facilitate the undertaking of sufficient and detailed 'cold' quality reviews of the completed audits in a timely manner. Whilst the planned restructure of the Shared Service will assist with addressing this matter, it will not conclude for some time. In the interim we suggest that consideration is given to encouraging the Principal Auditors to undertake peer reviews where appropriate, and to also undertake a programme of 'cold' reviews of completed audits to see if there are any development points that need to be addressed.	**Medium**
Consideration should be given to developing a mid/long term recruitment and retention strategy for the Shared Service.	**Advisory**
Consideration should be given to adopting a more systematic approach to carrying out the self-assessments of conformance to the Standards to ensure all elements are covered annually.	**Low**
The individual audits in the respective audit plans should be allocated a priority rating.	**Low**
Given the problems encountered during the year as a result of vacant posts and staff sickness, which are likely to result in the audit plans being condensed, the Head of Audit and Assurance should consider whether sufficient assurance work will be completed to enable him to issue a full assurance opinion at the end of the year, or whether it will be necessary to issue a limited scope opinion instead.	**Advisory**

Issues for management action	Priority
Consideration should be given to splitting the scope of the audits into 'must do' and 'only do if time permits' elements to enable auditors to complete the audits in the allocated time budgets.	**Advisory**
The information provided to the respective audit committees during the year on the delivery of the plan and the changes made to it, could be more informative to give the audit Committees a better understanding of how well the shared service is doing. Some of the performance measures reported to the audit committees are 'traditional measures' of service inputs and are now regarded as being out of date and not that useful for a modern insightful audit service. A more informed approach would be to provide the Audit Committees with performance data relating to 'outcomes achieved' by the Shared Service, for example audits delivered compared to those audits in the original audit plan; audits that overran the budgeted days; and the time taken to issue the final report following the final meeting, to provide just a few possible examples.	**Advisory**
Management should be mindful of the fact that a consultation on revising the Institute of Internal Auditors Global IPPF which is incorporated into the PSIAS, has recently taken place and any changes to the Standards arising from the consultation may affect the Service's future conformance to the Standards. It is, therefore, suggested that the Head of Audit and Assurance continues to keep a watching brief on the developments to the Standards and how this may impact the Service in the medium term.	**Advisory**

The co-operation of the Head of Audit and Assurance in providing the information requested for the EQA, is greatly appreciated. Our thanks also go to the Chairs of the Audit Committees and the key stakeholders that made themselves available for interview during the EQA.

Ray Gard, CPFA, FCCA, FCIIA, DMS

4 March 2024

10. Definitions

Level of Conformity	Description
Generally Conforms	The Internal Audit Service complies with the standards with only minor deviations. The relevant structures, policies, and procedures of the internal audit service, as well as the processes by which they are applied, at least comply with the requirements of the individual Standard, the element of the Code of Ethics, and the Local Government Application Note in all material respects. This means that there is general conformance to a majority of the individual Standards, elements of the Code of Ethics, or the Local Government Application note, and at least partial conformance to the others.
Partially Conforms	The Internal Audit Service is endeavouring to deliver an effective service however, they are falling short of achieving some of their objectives and/or generally conforming to a majority of the individual Standards, elements of the Code of Ethics, or the Local Government Application note and at least partial conformance to the others. There will usually be significant opportunities to improve the delivery of effective internal audit, and enhance conformance to the Standards, elements of the Code of Ethics, and/or the Local Government Application Note. The Internal Audit Service may be aware of some of these opportunities and the areas they need to develop. Some identified deficiencies may be beyond the control of Internal Audit and may result in actions for Senior Management or the Board of the organisation to address.
Does Not Conform	The Internal Audit Service is not aware of; not making efforts to comply with; or is failing to achieve many/all of the individual Standards, elements of the Code of Ethics, or the Local Government Application Note. These deficiencies will usually have a significant adverse impact on Internal Audit's effectiveness and its potential to add value and are likely to represent significant opportunities for improvement to Internal Audit. Some identified deficiencies may be beyond the control of Internal Audit and may result in recommendations to Senior Management or the Board of the organisation.

Action Priorities	Criteria
High priority	The Internal Audit Service needs to rectify a significant issue of non-conformance with the standards. Remedial action to resolve the issue should be taken urgently.
Medium priority	The Internal Audit Service needs to rectify a moderate issue of conformance with the standards. Remedial action to resolve the issue should be taken, ideally within a reasonable time scale, for example six months.

Low priority	The Internal Audit Service should consider rectifying a minor issue of conformance with the standards. Remedial action to resolve the issue should be considered but the issue is not urgent.
Advisory	These are issues identified during the course of the EQA that do not adversely impact the service's conformance with the standards. Typically, they include areas of enhancement to existing operations and the adoption of best practice.

11.   Disclaimer

This report has been prepared by CIPFA at the request of the North-East Lincolnshire & North Lincolnshire Shared Internal Audit Service, and the terms for the preparation and scope of the report have been agreed with them. The matters raised are only those that came to our attention during our work. Whilst every care has been taken to ensure that the information provided in this report is as accurate as possible, we have only been able to base findings on the information and documentation provided to us. Consequently, no complete guarantee can be given that this report is necessarily a comprehensive statement of all the issues that exist with their conformance to the Public Sector Internal Audit Standards that exist, or of all the improvements that may be required.

The report was prepared solely for the use and benefit of the North-East Lincolnshire & North Lincolnshire Shared Internal Audit Service, including the Officers and elected Members of the both Councils, and the Shared Internal Audit Service's clients, and to the fullest extent permitted by law, CIPFA accepts no responsibility and disclaims all liability to any other third party who purports to use or rely, for any reason whatsoever on the report, its contents, conclusions, any extract, and/or reinterpretation of its contents. Accordingly, any reliance placed on the report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk.

Shared Internal Audit Service Stakeholder Survey

North Lincolnshire and North East Lincolnshire Audit and Assurance Shared Service

Internal Audit Strategy 2024-27

Mission

The mission of internal audit as laid out in the standards is "To enhance and protect organisational value by providing risk-based and objective assurance, advice, and insight.

Background

The purpose of audit in the public sector has evolved in recent years. The nature of the audits has changed as have the skills and techniques required to deliver our work. Our updated strategy sets out the key areas we need to develop to ensure that we deliver an audit service fit for our councils   and its stakeholders.

Our critical success factors.

- Occupying a position within our Councils that allows us to deliver insight and maximise the impact of our work.
- Maintaining effective and efficient processes
- Maintaining a suitably skilled and knowledgeable workforce to be able to deliver quality.

Our Focus areas

- **Team Development:** To review the structure and culture of the team to ensure team members have the necessary skills and opportunities to develop the effectiveness of audit work, create resilience and promote succession planning.
- **Client engagement:** Building on existing effective relationships with key stakeholders to help us deliver knowledgeable, high quality audit work.
- **Strategic Planning:** Building on our existing planning processes, and the further development of assurance frameworks, to ensure we always provide the councils and its stakeholders with assurance in the right place, at the right time.
- **Audit Standards**: Preparing for the introduction of the new standards In 2025.
- **Redesign and modernisation:** The development of more targeted pieces of work that adds value. This includes improved using technology more effectively to monitor the implementation of audit actions.
- **Data Analytics:** Via the implementation of our Data Analytics Strategy, more efficiently analyse data and provide real- time assurance.
- **KPIs**: Developing KPIs which capture the value of our services, rather than those activities that are easy to measure. This includes improving supporting performance management systems so that performance can be measured more efficiently and effectively.
MARCH 2024

Quality Assurance and Improvement Programme

1. Introduction

Internal Auditing is defined 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.' (Public Sector Internal Audit Standards – PSIAS).

The Audit and Assurance team aims to meet its stakeholder expectations and deliver high quality services. This requires a lot of hard work and commitment to identify and consistently apply effective professional practice. This is why Attribute Standard 1300 of the International Standards requires heads of internal audit to develop and maintain a Quality Assurance and Improvement Programme (QAIP).

Standard 1310 states that the programme must include both internal and external assessments. This acknowledges that high standards can be delivered by managers but it also implies that improvements can be further developed when benchmarking is obtained from outside the organisation and the internal audit function.

In total there are three key requirements of the Standards, as follows:
- Ongoing monitoring of the performance of the internal audit activity. This refers to the day to day supervision, review and measurement of internal audit activity that is built into policies and routine procedures.
- Periodic self-assessments (or assessments by other persons within the organisation with sufficient knowledge of internal audit practices) to assess conformance with the International Professional Practices Framework (IPPF) that includes the Definition of Internal Auditing, the Code of Ethics and the International Standards.
- External assessments of conformance to the IPPF once every five years by a qualified, independent assessor or assessment team from outside the organisation. External assessments can be in the form of a full external assessment, or a self-assessment with independent external validation.

It is also a requirement of the Standards that the nature of the QAIP and reviews of effectiveness are regularly reported to Council's audit committee and senior management

The QAIP is designed to provide reasonable assurance to our stakeholders that internal audit:

- Performs its work in accordance with the current Audit Charter—which is consistent with The Public Sector Internal Audit Standards' (PSIAS) definition of Internal Auditing and Code of Ethics;
- Operates in an effective and efficient manner; and
- Is perceived by stakeholders as adding value and improving internal audit's operations.

The QAIP covers all aspects of the Internal Audit activity in accordance with the PSIAS Standard 1300 (Quality Assurance and improvement Programme), including:

- Monitoring the internal audit activity to ensure it operates in an effective and efficient manner (1300);
- Ensuring compliance with the PSIAS' Definition of Internal Auditing and Code of Ethics (1300);
- Helping the internal audit activity add value and improve organisational operations (1300);
- Undertaking both periodic and on-going internal assessments (1311 and 1312);
- Commissioning an external assessment at least once every five years, the results of which are communicated to the Audit Committee and Senior Management (1320); and
- Communicating the results of internal and external inspections to the respective senior management and Audit Committees, with disclosure including:
  - The scope and frequency of both the internal and external assessments.
  - The qualifications and independence of the assessor(s) or assessment team, including potential conflicts of interest.
  - Conclusions of assessors.
  - Corrective action plans.

The Head of Audit and Assurance is responsible for the QAIP, which covers all types of Internal Audit activities, including consulting services.

2. Internal Assessments

In accordance with PSIAS Standard 1300, internal assessments are undertaken through both on-going and periodic reviews.

On-going Reviews
Continual assessments are conducted through:
- Management supervision of all engagements;
- Structured, documented reviews of terms of references, working papers and draft reports by internal audit management on a risk assessed basis;

- Audit Policies and Procedures used for each engagement to ensure consistency, quality and compliance with appropriate planning, fieldwork and reporting standards;
- Internal Quality Control Checklist completed for each assignment, and reviewed by Head of Audit and Assurance on a sample basis;
- Reviews of a sample of "cold reviews" of engagements by audit management to confirm that the quality assurance arrangements have been complied with by the team , and where applicable identify areas for improvement;
- Feedback from audit clients obtained through audit questionnaires at the closure of each engagement and periodically from questionnaires sent to Assistant Directors ;
- Monitoring of internal performance targets and regular reporting to Audit Committees, and strategic management teams;
- Review and approval of all final reports, recommendations and levels of assurance by the Head of Internal Audit or the Audit Lead Officer;;
- Review of the status of follow up reports in terms of recommendations implemented; and
- Regular team briefings attended by all members of the Internal Audit team, for which action points are retained- this includes periodic reviews of the team's approach to particular standards (such as evidence, sampling and reporting), agenda items based around the standards, feedback from supervision of audit work and an update of actions arising from quality reviews.

Periodic Reviews
 Periodic assessments are designed to assess conformance with Internal Audit's Charter, the PSIAS' Definition of Internal Auditing, the Code of Ethics, and the efficiency and effectiveness of internal audit in meeting the needs of its various stakeholders. Periodic assessments are conducted through:
- Performance Reports, presented to the Audit Committees
- Annual risk assessments for the purposes of annual audit planning;
- Annual self- assessment against the Public Sector Internal Audit Standards (PSIAS),
- Annual self-assessment against the CIPFA document "Role of the Head of Internal Audit";
- Annual review of compliance against the requirements of this Quality Assurance and Improvement Programme; and
- Feedback from the respective Audit Committees and the Leadership Teams of both Councils to inform the annual appraisal of the Head of Audit and Assurance in accordance with Standard 1100.

As per standard 1320 the Head of Audit and Assurance must communicate the results of the quality assurance and improvement program to senior management and the Audit Committee. The results of internal assessments are included in an action plan which is monitored continually and reported in the Annual Head of Internal Audit Report and Opinion. Any significant areas of non-compliance with the PSIAS that are identified through internal assessment will be reported in the Head of Internal Audit's —Annual Report and used to inform the Annual Governance Statement (AGS).

3. External Assessments

External assessments will appraise and express an opinion about internal audit's conformance with the PSIAS' Definition of Internal Auditing and Code of Ethics and include recommendations for improvement, as appropriate.

Frequency of External Assessment
An external assessment will be conducted at least every five years, in accordance with the PSIAS. Appointment of the External Assessor and scope of the External Assessment will be approved by the Audit Committee.

Scope of External Assessment
The external assessment consists of a broad scope of coverage that includes the following elements of internal audit activity:
- Conformance with the Standards, Definition of Internal Auditing, the Code of Ethics, and internal audit's Charter, plans policies, procedures, practices, and any applicable legislative and regulatory requirements;
- Integration of the internal audit activity into the Councils' governance framework, including the audit relationship between and among the key groups involved in the process;
- Tools and techniques used by Internal Audit;
- The mix of knowledge, experiences, and disciplines within the staff, including staff focus on process improvement delivered through this Quality Assurance and Improvement programme; and
- A determination whether internal audit adds value to North Lincolnshire Council and North East Lincolnshire Council respectively.

Results of external assessments are e provided to each Audit Committee. The external assessment report will be accompanied by a written action plan in response to significant comments and recommendations identified. Any significant areas of non-compliance will be reported in the Annual Head of Internal Audit Report and Opinion and, if applicable, in the Annual Governance Statement (AGS).

The most recent review was carried out in November 2023 and reported in February 2024. This confirmed compliance with the standards. Some actions for further improvement were identified which will be incorporated into the QAIP action plan.

Review of QAIP
This document will be subject to periodic review and will be update accordingly following any changes to the PSIAS or internal audit's operating environment and will be reviewed at least on an annual basis.