

SUBJECT:	DRAFT INTERNAL AUDIT PLAN – 2019/20
DIRECTORATE:	CHIEF EXECUTIVE AND TOWN CLERK
REPORT AUTHOR:	JOHN SCOTT, AUDIT MANAGER

1. Purpose of Report

1.1 The Internal Audit Section works to an annual plan which is agreed by the Audit Committee and Senior Management.

2. Background

2.1 The plan has been developed using a combination of:

- the Council's Combined Assurance Model - which is a record of all assurances against our critical activities and key risks.
- an assessment of risk - based on the significance and sensitivity of key activities
- consultation with Senior Management
- issues raised by the Audit Committee

3. Internal Audit Plan 2019/20

3.1 Using the Combined Assurance Model helps streamline and avoid duplication of effort where assurances can be drawn from other sources e.g. management – corporate functions - third parties. The Combined Assurance Model provides coverage of all assurance – not just those from Internal Audit and will help enable the Head of Audit to produce the annual internal audit opinion for 2019/20.

3.2 Our planning work takes into account the relative risks of the activity. This may result in some low risk areas not being audited. We take account of combined assurance where a low or medium assessment is made. We also undertake cyclical work on due diligence areas particularly around financial and governance systems.

3.3 Internal Audit continues to have the right to conduct its own assurance activity freely and independently to meet its role and remit – even if there appears to be a good level management or alternative assurance in place.

3.4 Attached is the draft internal audit plan for 2019/20– Appendix A

3.5 We have conducted meetings in January 2019 with each Assistant Director and CMT to consult and agree the areas to be included in the plan.

3.6 The Internal Audit Plan should focus on the key risks facing the Council and is

adequate to support the Head of Audit opinion. We take account of key risks facing the Council when developing the plan. The plan should achieve a balance between setting out the planned work for the year and retaining flexibility to changing risks and priorities during the year. This is undertaken through a regular review of any changing activity and risks. The audit resource should have sufficient capacity and capability to deliver the plan. The audit days are sufficient and compare adequately with others. We use external auditors / consultants as required to fill any gaps mainly ICT security specialists. Further details are included within the section below.

- 3.7 The internal audit plan, together with our combined assurance work, and review of other assurances enables us to provide an annual internal report and opinion around governance, risk and control.

4. Internal Audit Resources

- 4.1 As part of the review of the medium term financial strategy, along with other services, it was agreed to review the level of internal audit resources for the City of Lincoln Council.
- 4.2 Benchmarking was undertaken with a large number of other district councils. Whilst the size of the authority will have an impact on resources required, the benchmarking we completed showed that resources were adequate and could be reduced slightly without a detrimental effect on the authority or the annual audit opinion.
- 4.3 It is proposed to reduce the plan by 50 days (£10,000) from 2019/20 from 450 to 400.
- 4.4 The excess days will be sold on and will not impact upon existing staffing. The service already sells a number of days to another local authority as part of the Assurance Lincolnshire partnership.

5. Strategic Priorities

5.1 High Performing Services

The internal audit service and plan contributes to the Council's strategic priorities, by helping to manage risk and achieve its objectives.

6. Organisational Impacts

6.1 Finance (including whole life costs where applicable)

The proposed changes to the plan will result in a reduction of £10,000 on the audit budget from 2019/20. This is covered under delegated budget holder responsibility and savings will be allocated to TFS (Towards Financial Sustainability)

6.2 Legal Implications including Procurement Rules

The Accounts and Audit Regulations require a local authority to maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control.

6.3 Human Resources

There are no direct human resource implications as a result of the budget reduction.

7. Risk Implications

7.1 (i) Options Explored

The options explored were to maintain the plan at the current levels or reduce the plan.

7.2 (ii) Key Risks Associated with the Preferred Approach

The risk of reducing the plan has been assessed and the level of reduction will not have a significant impact on the service.

8. Recommendation

8.1 Audit Committee is asked to agree the draft plan, identifying any amendments which it considers appropriate.

8.2 Audit Committee agrees to the internal audit plan reduction and associated resources as set out in section 4

Is this a key decision? No

Do the exempt information categories apply? No

Does Rule 15 of the Scrutiny Procedure Rules (call-in and urgency) apply? No

How many appendices does the report contain? One

List of Background Papers: None

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