

## AUDIT COMMITTEE

**Tuesday, 14 June 2022**

**5.30 pm**

**Committee Rooms 1-2, City Hall**

Membership: Councillors Rebecca Longbottom (Chair), Jackie Kirk (Vice-Chair), David Clarkson, Thomas Dyer, Gary Hewson, Calum Watt and Emily Wood

Substitute member(s): Councillors Pat Vaughan

Independent Member: Jane Nellist

Officers attending: Paul Berry, Democratic Services, Jaclyn Gibson and Amanda Stanislawski.

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## A G E N D A

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2. Declarations of Interest	
Please note that, in accordance with the Members' Code of Conduct, when declaring interests members must disclose the existence and nature of the interest, and whether it is a disclosable pecuniary interest (DPI) or personal and/or pecuniary.	
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**Present:** Councillor Rebecca Longbottom (*in the Chair*)

**Councillors:** Helena Mair, David Clarkson, Thomas Dyer,  
Gary Hewson, Rosanne Kirk and Calum Watt

**Independent Member:** Jane Nellist

**Apologies for Absence:** None.

**59. Confirmation of Minutes - 1 February 2022**

RESOLVED that the minutes of the meeting held on 22 March 2022 be confirmed subject to the following amendment:

Councillor Vaughan be included in the attendance list.

**60. Declarations of Interest**

No declarations of interest were received.

**61. Change to Order of Business**

RESOLVED that the order of business be amended to allow the following reports to be considered before the remaining agenda items.

- Information Governance Update
- Exclusion of Press and Public
- Information Governance Update
- Partnership Governance
- Inclusion of Press and Public

**62. Information Governance Update**

Sally Brooks, Data Protection Officer:

- a. presented a report to update Audit Committee on progress made with Information Management monitoring the council's compliance with data protection legislation including the General Data Protection Regulation (GDPR) and the Data Protection Act 2018 (DPA)
- b. highlighted that update reports were submitted to Audit Committee on a bi-annual basis, the last report was provided in September 2021
- c. advised on data protection training that was underway by the council at paragraph 4 of the officer's report which was a legal requirement under the GDPR and the ICO
- d. reported on work completed in relation to contracts, Brexit and UK GDPR as detailed at paragraph 5 of the report
- e. updated members of Audit Committee in relation to progress made with the Office 365 roll out as detailed at paragraph 6 of the report

- f. reported that the Annual Governance Statement (AGS) status for Information Governance had been downgraded from Red to Amber due to progress made in the implementation of the GDPR and had since been removed from the AGS although remained closely monitored with reports submitted to IG Board, CMT and Audit Committee

- g. invited members' questions and comments;

**Question:** Referred to the risk register and questioned if the target risk related to the end of the financial year or if it rolled on.

**Response:** Clarified that the risk register was updated each time that it was presented to committee and was the current scenario of the Council. The majority of the risks were static but ongoing work was required to ensure continued compliance.

**Question:** Referred to page 9 of the risk register in relation to IT Security and asked for an update.

**Response:** The IT Security compliance met legal requirements, however work needed to continue to ensure that compliance continued to be met.

RESOLVED that the content of the report be noted.

#### **63. Exclusion of Press and Public**

RESOLVED that the press and public be excluded from the meeting during consideration of the following item(s) of business because it is likely that if members of the public were present there would be a disclosure to them of 'exempt information' as defined by Section 100I and Schedule 12A to the Local Government Act 1972

#### **64. Information Governance Update**

Minute number 62 included details of the discussion associated with this item.

*(Only Appendix A Information Governance Risk Register was contained here as exempt information.)*

#### **65. Partnership Governance**

Jaclyn Gibson, Chief Finance Officer:

- a. presented an overview of the annual assurance assessments for the Council's significant partnerships
- b. gave the background to the report as detailed at paragraph 2 of the report and explained the governance framework
- c. highlighted the Council's Partnership Guidance as detailed at paragraph 3 of the report
- d. advised that each Directorate had a partnership register in place and highlighted the annual assurance assessments that had been completed

- e. explained that the outstanding annual assurance assessments would be presented to the Audit Committee on 14<sup>th</sup> June 2022
- f. invited members questions and comments;

Jane Nellist, Independent Member asked if the Annual Assurance Assessment forms would be signed. Jaclyn Gibson, Chief Finance Officer confirmed that the forms had been signed electronically.

RESOLVED that the annual assurance assessments of the Council's significant partnerships and the RAG status for each partnership be noted.

**66. Inclusion of Press and Public**

RESOLVED that the press and public be included back into the meeting.

**67. Next Steps Accommodation Project - Homes England Compliance Audit Results**

Andrea Ripley, Housing Strategy Officer:

- a. presented a report to request that Audit Committee note the result of the Homes England Compliance Audit for the Next Steps Accommodation Programme (NSAP) which took place during Q2 of 2021/22
- b. highlighted that the Council was currently under contract with Homes England (HE) to deliver several schemes.; the annual Compliance Audit Programme provided assurance that the Council had met all of HE's requirements and funding conditions; and had properly exercised its responsibilities as set out in HE's Capital Funding Guide
- c. explained that on the 15<sup>th</sup> July 2021 the Audit Committee approved the audit to be completed by the Council's external auditor Mazars
- d. advised that on the 17<sup>th</sup> January 2022, Homes England issued the Audit report to confirm a successful Green rating. The report confirmed that the scheme met all requirements with zero breaches and also had no areas for improvement
- e. invited members' questions and comments;

**Question:** Referred to paragraph 4.1 of the report and asked for clarification on RSAP.

**Response:** Clarified that RSAP was the Rough Sleepers Accommodation Programme which had delivered 3 properties at present.

**Question:** Asked if the audit compliance scheme was reported through Audit Committee as part of normal procedure.

**Response:** It was a requirement to complete a post project review.

**Question:** Asked if inflation had been considered as part of the audit.

**Response:** The audit was based on the property prices at the time of the audit.

RESOLVED that the successful Green rating for Audit Compliance as per paragraph 3.2 of the report be acknowledged and noted.

**68. Annual Governance Statement Monitoring**

Jaclyn Gibson, Chief Finance Officer:

- a. presented a progress update on those areas identified as 'significant governance issues' as set out in the 2020/21 Annual Governance Statement (AGS), which Audit Committee had a role to review
- b. stated that the report provided details of the monitoring arrangements for the significant internal control issues raised in the latest AGS, as detailed at Appendix A of the report
- c. advised that key actions would be reviewed by the Service Manager's Group and be overseen by Corporate Leadership Team as well as monitored by Audit Committee
- d. advised that on the status of the two significant issues:
  - i. The IT Disaster Recovery plan alignment with current Business Continuity plans remained at amber status
  - ii. Vision 2025 needs to be re-profiled and communicated to a wider audience in light of Covid-19 had been reduced to green status as all of the key work was completed
- e. requested that members of Audit Committee give consideration to the content of the report.

**Question:** Referred to Cyber-attack insurance and asked if it had been procured.

**Response:** Confirmed that it had been procured and would be in place from April 2022.

**Question:** Asked if the cyber-attack insurance covered financial loss.

**Response:** A summary of the insurance could be circulated following the meeting.

RESOLVED that the content of the report be noted and monitoring arrangements be continued.

**69. Internal Audit Progress Report**

Amanda Stanislawski, Audit Manager:

- a. presented the Internal Audit Progress Report to Audit Committee, incorporating the overall position reached so far and summaries of the outcome of audits completed during the period January 2022 to March 2022, as detailed at Appendix A.
- b. highlighted that Audit Committee held the responsibility for receiving a regular progress report from Internal Audit on the delivery of the Internal Audit Plan as a key requirement of public sector internal audit standards.
- c. detailed the content of the report covering the following main areas:

- Progress against the plan
- Summary of Audit work
- Current areas of interest relevant to the Audit Committee

d. invited members' questions and comments;

**Question:** Asked for more information on the Lincoln Visitor Information Centre.

**Response:** The Lincoln Visitor Centre had been transferred from Lincoln BIG. The centre operated at a surplus and a recommendation was to develop a business plan to enhance the services offered.

**Question:** Further asked if part of the business plan was to develop an e-commerce website. If so, how much the website would cost and how much income would be generated?

**Response:** There was no capital investment being provided therefore not aware that money would be sent for an ecommerce website.

**Question:** Referred to page 4 of the report and highlighted the higher attendance at virtual multi-agency meetings due to remote working.

**Response:** This had been a positive from the pandemic as online meetings were easier for people to attend as they did not have to travel.

**Question:** Asked what the plan of action was for meeting the audit span moving forward

**Response:** We would be looking at drawing up a plan for next year and also completing some analysis work to find out the reasons for any delays.

**Comment:** It was good to note that additional resources had been provided to cover the Audit Manager vacancy.

**Question:** Referred to the Lincolnshire Safeguarding Children Partnership which stated that there was 96% compliance which meant that there was 4% non-compliance. Given the area of safeguarding children this could have significant implications. Whilst it was suggested that gaps were being addressed, was there anything the Audit Committee needed to be concerned about?

**Response:** This would be for the Safeguarding Team to address.

RESOLVED that the report be accepted and the monitoring arrangements be continued.

## 70. Internal Audit Recommendations Follow Up

Amanda Stanislawski, Audit Manager:

- a) presented an update to Audit Committee on outstanding audit recommendations including recommendations over 12 months old.
- b) referred to Appendix A attached to his report which provided details of relevant audits, outstanding recommendations, agreed actions and the current position/explanation from the service manager
- c) invited members' questions and comments.

RESOLVED that updates on Audit Recommendations older than 12 months be noted.

## 71. Combined Assurance Report

Jaclyn Gibson, Chief Finance Officer:

- a. presented the combined assurance report which grouped the different sources of assurance in a single model to provide the basis for Senior Management and the Audit Committee to gain a better understanding of their organisation's assurance status and needs, as detailed at Appendix A to the report
- b. summarised the assurance levels for different areas of Council business
- c. advised that despite the impact of Covid-19 on the Council and the changes in services, systems and processes etc that it had to make, the overall levels of assurance were broadly consistent with previous years with a combined assurance of 65% services designated green, 32% amber and 3% red
- d. further advised on the actions being taken to address those amber and red assurance levels detailed in Appendix A of the report
- e. invited members' questions and comments;

**Question:** Asked what was the Lincoln way of working and how would this be addressed.

**Response:** The Lincoln way of working referred to the Councils core values and was an internal policy for staff on how they were managed for example respect and dignity at work and these were considered during one to ones with managers.

**Question:** Asked what the OD Pillar meant.

**Response:** This stood for Organisational Development Pillar.

**Question:** Asked for more detail on the reduced capacity in the Legal Department.

**Response:** There were currently two vacancies in the Legal Department, it was difficult to recruit into professional services in Local Government. They had taken on some agency workers to fill the gap.

**Question:** Asked what work was being undertaken with tree management.

**Response:** A tree trial was underway at the moment which would look at how they could develop in longer terms. The trial would identify which were the trees at biggest risk and what could be done going forward.

**Question:** Referred to the brief update in relation to the Christmas Market and commented that the report did not highlight any risks in relation to the contracts.

**Response:** The report was not designed to flag up all the individual risks in all of the areas.

**Question:** Requested an update on Tourism.

**Response:** This could be circulated following the meeting.

RESOLVED that the content of the Combined Assurance report be noted.

## 72. Fraud Risk Register - Annual Review

Amanda Stanislowski, Audit Manager:



- a. presented a report to provide Audit Committee with an updated fraud risk register for consideration
- b. explained that the Audit committee had a responsibility within its terms of reference to monitor the Councils anti-fraud and anti-corruption arrangements including an assessment of fraud risks
- c. advised that the Fraud Risk Register contained 27 risks – none were red, 14 were amber and 13 were green, the risk and risk levels were detailed at paragraph 4 of the report
- d. referred to paragraph 4 of the report which highlighted the key findings from the CIPFA Fraud and Corruption Tracker which provided a national picture of public sector fraud and corruption activity to help local authorities identify and implement mitigating actions
- e. invited members' questions and comments;

**Question:** Referred to risk 15 in relation to Council Tax and questioned why it was rated probable.

**Response:** This would be looked into and a response circulated following the meeting.

RESOLVED that the fraud risk register be noted.

### **73. Draft Internal Audit Plan - 2022/23**

Amanda Stanislawski, Audit Manager:

- a. presented the Internal Audit Plan 2022-23 for consideration and approval, as detailed at Appendix A to his report
- b. advised that the plan had been developed using a combination of the Council's Combined Assurance Model, an assessment of risk, consultation with senior management and issues raised by Audit Committee
- c. reported that the Internal Audit Plan should focus on the key risks facing the Council, be adequate to support the Head of Audit opinion taking into account key risks facing the Council when developing the plan, achieving a balance between setting out the planned work for the year and retaining flexibility to changing risks and priorities during the year, via a regular review of any changing activity and risks
- d. drew members' attention to the areas proposed for auditing as detailed at Appendix B to his report
- e. advised that the annual planned days were 313, which represented a "good" level of audit resource for an authority of this size and allowed the Head of Internal Audit sufficient resources to comply with standards and provide and appropriate audit opinion. This included work across key financial systems, other governance and due diligence areas as well as critical systems, ICT and counter fraud

- f. explained that the service continued to provide internal audit days through the Assurance Lincolnshire partnership for which the Council received income to help achieve the internal audit agreed net budget
- g. invited members' questions and comments;

**Question:** Requested clarification on the difference between Western Growth Corridor and Charterfields.

**Response:** Western Growth Corridor referred to the area whereas Charterfields would be the name of the development when it was built.

**Question:** There had been a reduction in days when compared to last year which was 360 days plus 40 days for housing benefit. This year, there were 313 in total plus 35 for Housing Benefit subsidy testing. Was this the impact of efficiency savings?

**Response:** There had been no reduction in resources over 2021/22 to 2022/23.

RESOLVED that the Internal Audit Plan 2022-23 be approved.

#### **74. Statement of Accounting Policies 2021/22**

Jaclyn Gibson, Chief Finance Officer:

- a. presented for consideration the Council's accounting policies used to prepare the 2021-22 Statement of Accounts, as detailed at Appendix 1 of her report
- b. advised that each year the content of the accounting policies was reviewed to ensure it reflected the requirements of the Code of Practice on Local Authority Accounting (the Code), based on International Financial Reporting Standards (IRFS) and that it remained relevant to the Council
- c. referred to the accounting policies for 2021/22 Statement of Accounts as detailed in Appendix 1 and advised that there were no changes to the accounting policies in 2021/22 other than some wording adjustments (highlighted in the Appendix)
- d. requested that members review and note the Accounting Policies to be used for the 2021/22 accounts.

**Question:** Asked where the grand piano was currently and if it had been kept safe.

**Response:** The relevant Officers would know where the grand piano was and assurance would be provided that it was being kept safe.

RESOLVED that the Accounting Policies to be used for the 2021/22 accounts be noted.

#### **75. External Audit Enquiries 2021/22 Statement of Accounts**

Jaclyn Gibson, Chief Finance Officer:

- a. presented a report to inform members of the External Auditor's requirement for the provision of information regarding the Council's approach to dealing with fraud, litigation, laws and regulations, together with some areas specific to the accounts such as related parties and estimates used in the accounts as part of their audit of the Council's Statement of Accounts for 2021/22

- b. advised that the purpose of the report was to allow members to comment on officers' responses related to 'Those Charged with Governance'
- c. drew members' attention to the proposed responses to the inquiries provided by officers and requested members' views regarding their submission.
- d. invited members' questions and comments;

**Question:** Referred to single person discount in relation to Council Tax fraud and asked if this should be a higher risk.

**Response:** It was a risk but the value compared to the overall council tax yield did not flag as a red risk based on the value.

**Question:** Referred to Internal Audit having undertaken an "emerging legislation" audit/review in the past and requested more information.

**Response:** The report could be updated to include the details of when the audit was completed and any outcomes.

RESOLVED that the proposed responses to the enquiries to those charged with governance for the 2021/22 Statement of Accounts be agreed and submitted to Mazars, External Auditor.

#### **76. IAS19 - Assumptions used to Calculate Pension Entries in the 2021/22 Statement of Accounts**

Jaclyn Gibson, Chief Finance Officer:

- a. presented a report to allow the committee to consider the assumptions the pension fund actuary proposed to use in preparing IAS19 figures for inclusion in the 2021/22 Statement of Accounts
- b. advised that IAS19 represented the accounting standard for pension costs, based on the simple principle that an organisation should account for retirement benefits when it was committed to give them
- c. informed members that in order to calculate the costs of earned benefits for inclusion in the statement of accounts, the scheme actuaries used assumptions to reflect expected future events which led to best estimates of future cash flows arising under the scheme liabilities
- d. advised that the council planned to use the calculated costs and the underlying assumptions, based upon the specialist advice of the actuary of the Lincolnshire County Council Pension Fund in preparing the Statement of Accounts for 2021/22
- e. detailed further financial and demographic assumptions as detailed at paragraph 3 and 4 and Appendix A of the report and relevant financial implications at paragraph 6 of the report
- f. requested that members approve the IAS19 assumptions the pension fund actuary proposed to use in preparing IAS19 figures for inclusion in the 2021/22 Statement of Accounts.

RESOLVED that the IAS19 assumptions the pension fund actuary proposed to use in preparing IAS19 figures for inclusion in the 2021/23 Statement of Accounts be approved.

**77. External Audit Progress Report**

Mike Norman, representing Mazars, External Auditor:

- a. provided the External Audit progress report to Audit Committee which gave an update on progress in delivering their responsibilities as external auditor to the City of Lincoln Council
- b. advised that the External Audit progress report attached at Appendix A of the report covered the following areas:
  - Audit progress
    - 2010/21 audit and assurance Work
    - 2021/ 22 Audit planning process
    - A summary of recent relevant reports and publications for information
- c. invited members' questions and comments;

The Chair expressed her disappointment and frustration that the accounts had been delayed and asked for the reasons why they had been delayed.

Mike Norman, Mazars responded that there had been a backlog in the review process. It has been agreed to role the balance forward so it should not hold up the process for the next accounts.

RESOLVED that the content of the report be noted.

**78. CIPFA Financial Management Code**

Jaclyn Gibson, Chief Finance Officer:

- a. presented the Council's assessment for 2021/22 against standards contained within the CIPFA Financial Management Code and the associated actions arising to ensure compliance
- b. gave the background as detailed at paragraph 3 of the report and advised that the Financial Management Code was designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability
- c. explained that the code focussed on value for money, governance and financial management styles, financial resilience and financial sustainability
- d. advised that the Council's external auditors from 2021/22 now had regard to the Financial Management Code and would be looking to ensure that the Council was meeting the code

- e. referred to the 2020/21 self-assessment as set out at paragraph 4.7 of the report and gave an update on a range of actions that were being undertaken to move towards full compliance
- f. referred to an updated 2021/22 self-assessment contained at Appendix A of the report and highlighted the actions that had arisen from the updated assessment ( which incorporated those outstanding from 2020/22) as detailed at paragraph 4.8 of the report
- g. advised that the areas set out for improvement would be include in the Annual Governance Statement and progress would be monitored through the Audit Committee.

RESOLVED that

- 1. the progress of the actions arising from the 2020/21 self-assessment be noted.
- 2. the 2021/22 self-assessment attached at Appendix A of the report be noted.

#### **79. DLUHC: Measures to Improve Local Audit Delays**

Jaclyn Gibson, Chief Finance Officer:

- a. presented a summary of the Government's announcement of a new series of measures to support the timeliness of local audit (conducted by external audit), and the implications for the Council
- b. referred to paragraph 2 of the report and gave an overview of the challenges around the timeliness of local audits in recent years and highlighted the reasons for this
- c. advised that the government was continuing to prioritise measures to improve timeliness and support capacity as part of its response to the Redmond Review and highlighted the measures taken to date as detailed at paragraph 2.5 of the report
- d. summarised the series of new measures to improve timeliness and the wider local audit market as set out table 3.2 of the report.

RESOLVED that the latest measures that had been announced and the potential implications for the Council be noted.

#### **80. Audit Committee Work Programme**

Jaclyn Gibson, Chief Finance Officer:

- a. presented a report to inform members of the Audit Committee on the work programme for 2021/22 as detailed at Appendix A of the report
- b. referred to paragraph 3 of the report and highlighted the changes to the work programme

- c. advised that the Audit Committee Terms of Reference was attached at Annex A of the report for information
- d. referred to paragraph 4 of the report and gave an overview of the learning and development plan to support members in the delivery of their roles
- e. invited members' questions and comments:

**Question:** Asked if the training would be held virtually.

**Response:** The intention would be to hold the training in person at City Hall.

RESOLVED that the contents of the Audit Committee work programme 2021/22 be noted.

<b>SUBJECT:</b>	<b>ANNUAL INTERNAL AUDIT REPORT</b>
<b>DIRECTORATE:</b>	<b>CHIEF EXECUTIVE &amp; TOWN CLERK</b>
<b>REPORT AUTHOR:</b>	<b>AMANDA STANISLAWSKI, AUDIT MANAGER</b>

## **1. Purpose of Report**

- 1.1 To receive and comment upon the Annual Internal Audit Report 2021/22.

## **2. Executive Summary**

- 2.1 The Annual internal audit report (Annex A) provides a summary of Internal Audit work undertaken during 2021/2022 timed to support the Annual Governance Statement by providing an opinion on the organisation's governance, risk management and internal control environment.
- 2.2 Overall our opinions remain the same as for 2020/21. There are three areas, governance, risk and internal financial control, where we have been able to provide the highest level of assurance - working well: no concerns that significantly affect the governance framework and successful delivery of the Council priorities. Internal control was assessed as performing adequately – some improvements identified over the Council's Governance, Risk and Control framework. This is due to a number of factors including recovery from coronavirus, similar levels of assurance to last year and there are a high number of actions remaining to be implemented.
- 2.3 There have not been any restrictions on the scope of the work to be undertaken. The reduction in time available due to the Audit Manager leaving was covered through the employment of consultants and removal of items from the plan due to unsuitable timing.
- 2.4 Performance of the Internal Audit Service remains good with 94% of the revised plan being completed and most of the performance measures being met.
- 2.5 Assurance Lincolnshire conforms to the UK Public Sector Internal Audit Standards. An External Quality Assessment was undertaken in early 2022 and we were found to 'FULLY CONFORM'.

## **3. Annual Audit report**

- 3.1 The Annual Internal Audit Report of City of Lincoln Council aims to present a summary of the audit work undertaken over the past year. In particular:
- Include an opinion on the overall adequacy of and effectiveness of the governance framework and internal control system and the extent to which the Council can rely on it;
  - Informs how the plan was discharged and of overall outcomes of the work undertaken;

- Draws attention to any issues particularly relevant to the Annual Governance Statement.
- Summarises the performance of Internal Audit against its key performance measures.
- Comments on compliance with standards.

#### **4. Organisational Impacts**

4.1 Finance (including whole life costs where applicable)  
There are no financial implications

4.2 Legal Implications including Procurement Rules

To ensure compliance with the Accounts and Audit regulations and Internal Audit standards an annual report should be produced

4.3 Equality, Diversity & Human Rights

The Public Sector Equality Duty means that the Council must consider all individuals when carrying out their day-to-day work, in shaping policy, delivering services and in relation to their own employees.

It requires that public bodies have due regard to the need to:

- Eliminate discrimination
- Advance equality of opportunity
- Foster good relations between different people when carrying out their activities.

Due to the nature of the report, no specific Equality Impact Analysis is required.

#### **5. Recommendation**

5.1 The Audit Committee should note the contents of the report and appendices.

**Key Decision** No

**Do the Exempt Information Categories Apply?** No

**Call in and Urgency:** Is the decision one to which Rule 15 of the Scrutiny Procedure Rules apply? No

**How many appendices does the report contain?** One

**List of Background Papers:** None

**Lead Officer:** Amanda Stanislawski, Audit Manager  
Telephone (01522) 873321



# Internal Audit Annual Report 2021/22



## **What we do best...**

**Innovative assurance services**  
**Specialists in internal audit**  
**Comprehensive risk management**  
**Experts in countering fraud**

## **...and what sets us apart**

**Unrivalled best value to our customers**  
**Existing strong regional public sector partnership**  
**Auditors with the knowledge and expertise to get the job done**  
**Already working extensively with the not for profit and third sector**

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- 4 - Assurance Definitions
- 5 - Glossary of Terms

Amanda Stanislawski – Audit Manager  
Paul Berry - Principal Auditor

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This report has been prepared solely for the use of Members and Management of City of Lincoln Council. Details may be made available to specified external organisations, including external auditors, but otherwise the report should not be used or referred to in whole or in part without prior consent. No responsibility to any third party is accepted as the report has not been prepared and is not intended for any other purpose.

The matters raised in this report are only those that came to our attention during the course of our work – there may be weaknesses in governance, risk management and the system of internal control that we are not aware of because they did not form part of our work programme, were excluded from the scope of individual audit engagements or were not brought to our attention. The opinion is based solely the work undertaken as part of the agreed internal audit plan.

# Purpose of Annual Report

The purpose of the Annual Internal Audit Report is to meet the Head of Internal Audit annual reporting requirements set out in the Public Sector Internal Audit Standards (PSIAS) and the Accounts and Audit Regulations 2020. In particular:-

- Include an opinion on the overall adequacy of and effectiveness of the Council's governance, risk and control framework and therefore the extent to which the Council can rely on it;
- Inform how the plan was discharged and the overall outcomes of the work undertaken that supports the opinion;
- A statement on conformance with the PSIAS and the results of the internal audit quality assurance);
- Draw attention to any issues particularly relevant to the Annual Governance Statement

## Introduction

For the twelve months ended 31 March 2022 working practices continued to change as a result of the coronavirus pandemic.

Operationally, priorities changed during the year as the Government guidance in respect of the pandemic changed, staff continued to work remotely, and some were redeployed to other service areas. We also found face to face Committee meetings being reintroduced.

Financially, the Council continued to be impacted by the effects of the pandemic resulting in a number of significant variances in income and expenditure.









Whilst the restrictions have now been lifted, the impact of the coronavirus pandemic continues to be felt throughout the Council and the processes, procedures etc. which were in place previously will not all return to exactly how they were pre-coronavirus.

My opinion needs to take into account the impact of this on the Council's governance, risk and control environment. In doing this we rely on a number of sources of intelligence including the results of the Council's combined assurance work.

Whilst the work to be undertaken by ourselves is set out prior to commencement of the new year, it is reviewed and revised to reflect the risks faced by the Council as they change throughout the year. We formally reviewed and revised our audit plan following the half year point to reflect the impact of these.

# Annual opinion

Based on the work we have undertaken and information from other sources of assurance, my opinion on the adequacy and effectiveness of the Council's arrangements for governance, risk management and control is:-

		Direction of Travel
<b>Governance</b> 	<b>Performing Well</b> – No concerns that significantly affect the Council's governance and control framework.	
<b>Risk</b> 	<b>Performing Well</b> – No concerns that significantly affect the risk management framework.	
<b>Internal Control</b> 	<b>Performing Adequately</b> – Some improvement required to manage a high risk in a specific business area and medium risks across the Council.	
<b>Financial Control</b> 	<b>Performing Well</b> – No concerns that significantly affect the financial control framework.	

## Governance



*"Achieving the Intended Outcomes While Acting in the Public Interest at all Times"*

It is comprised of systems, processes, culture and values, by which the Council is directed and controlled and through which they account to, engage with, and where appropriate, lead their communities.

Each year the Council is required to reflect on how its governance arrangements have worked – identifying any significant governance issues that it feels should be drawn to the attention of the public – in the interests of accountability and transparency.

At the time of writing this report the 2021/22 Annual Governance Statement (AGS) is being drafted.

The significant issues raised in the 2020/21 AGS concerned IT Disaster Recovery and the re-profiling and re-launch of Vision 2025. Progress has been made on both – the IT DR issue is now at Amber status (a secondary data centre is operational, but a review of the IT DR Plan has been delayed) and the Vision 2025 issue is now at Green status (all key work has been completed).

Corporate Governance was rated Green by management in the 2022 Assurance Map and early in 2022 the Council's Code of Corporate Governance was updated.

Six monthly updates on Information Governance are reported to the Audit Committee and the last one in March 2022 did not raise any issues. E-learning for all staff and councillors covering data protection, data handling, password security, use of social media, phishing and cyber security was rolled out in December 2021. There has been a good level of completion, rates are being monitored with chasing being undertaken.

The ICT Security Policies were updated in February 2022 and are being promoted with staff and Councillors.

An assessment of Partnership Governance for the significant partnerships has been completed with the first batch of results reported to the Audit Committee in March 2022 and the final assessments being report in July 2022. There were no issues identified.

Although the impact of the coronavirus is still ongoing it is now being treated as 'business as usual' and as such it is not being recognised for any special mention in this report.

The Audit Committee helps to ensure that governance arrangements are working effectively. They regularly review the governance framework and consider the draft and final versions of the Annual Governance Statement.

We have assessed governance as performing well as overall the Council has good Governance processes in place and has renewed several key policies this year. The training on Information Governance will help the Council to protect the data it holds and reduce the potential for successful cyber attacks.

## Governance Assurance



**Assessed as Performing Well**





Good risk management is part of the way we work. It is about taking the right risks when making decisions or where we need to encourage innovation in times of major change – balancing risk, quality, cost and affordability. This put us in a stronger position to deliver our goals and provide excellent services.

The Council's risk management arrangements were rated as Green by management in the 2022 Assurance Map, with some qualifying comments;

- The Strategy needs refreshing
- Some training is required
- There has been a lack of time for strategic work

The strategy was last reviewed in July 2018 and states that it will be reviewed at least every three years.

Over the year, the Council has continued with existing arrangements to monitor and report the quarterly strategic risk management position to Executive with the last report being made in February 2022.

There are risk registers in other areas of Council work – major projects, IT, Information Governance, significant Partnerships and directorate service risks.

Recommendations to improve risk management were made in a 20/21 Western Growth Corridor audit and a 21/22 Town Deal audit. These recommendations will be tracked to completion.

Internal Audit carried out a high level review of Risk Management in 2020/21 looking at the operation of the risk management framework. It provided an Substantial Audit Opinion and made a recommendation to make the review process for

the Directorate Risk Registers more robust and report them to the Corporate Management Team quarterly. These have both been completed.

We have assessed risk management as performing well as there are adequate processes in place and action has been taken to implement recommendations made. Management have identified that the Strategy requires refreshing following which further training will be provided and plan to complete this during 2022/23.

## Risk Management assurance



## Assessed as Performing Well

## Internal Control



We take account of the outcome of our audit work during the 2020/21 year. As our audit plans include different activities each year it is not unexpected that assurance varies. However the assurance levels still give insight into the Council's control environment.

Our opinion is based on several sources of intelligence including the outcome of our internal audit work and combined assurance work.

During 2021/22 all our reviews were assessed as High or Substantial assurance. There are no Limited or Low assurance reports. See appendix 1 for full details of our audits completed during the year.

Our combined assurance work found similar levels of assurance to previous years – further information is provided on the following page. There were five areas with a Red level of assurance, four of which had resources as contributing towards this. The other affected by repair work.

The need to recruit a new Audit Manager had an impact on resources. The impact was reduced through the appointment of a contractor to complete some of the audits.

We undertook work in all key areas including financial systems, ICT, and projects, as well as our combined assurance work which looks at assurance across the whole council.

During the year we made 3 High priority and 19 Medium priority recommendations for improvements – a comparison with the previous year is shown in the Benchmarking section.

There are currently 2 actions from 21/22 audits which have passed their implementation date and have not yet been implemented – new target dates have been agreed and will be monitored.

There are 19 actions from prior years which are

24

overdue (3 High and 16 Medium) which are being monitored via Audit Committee.

See appendices 1 and 2 for full details of audits completed during the year and changes made to the plan.

The impact of the coronavirus is still ongoing and whilst it is now being treated largely as 'business as usual' as the 'new normal' becomes embedded there are some areas which continue to recover. Mixed with the cost-of-living crisis and the situation in Ukraine there are some services which are not operating as they were previously, and others are undertaking new activities. This can impact on the control processes in place throughout the Council.

We have assessed internal control as performing adequately again this year due to the impact on the Council of coronavirus, similar levels of assurance to last year and there are a high number of actions remaining to be implemented.

## Internal Control assurance



**Assessed as Performing Adequately**

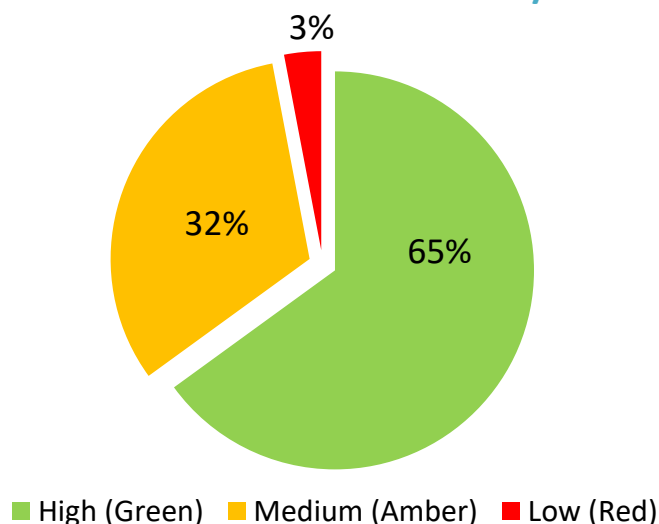




A Combined Assurance Status report is produced by the Council on the level of confidence they can provide on service delivery arrangements, management of risks, operation of controls and performance for their area of responsibility. These reports are reviewed by the Governance & Audit Committee and provide key assurance evidence to support the Head of Internal Audit opinion.

## Combined Assurance

### Overall Assurance Status 21/22



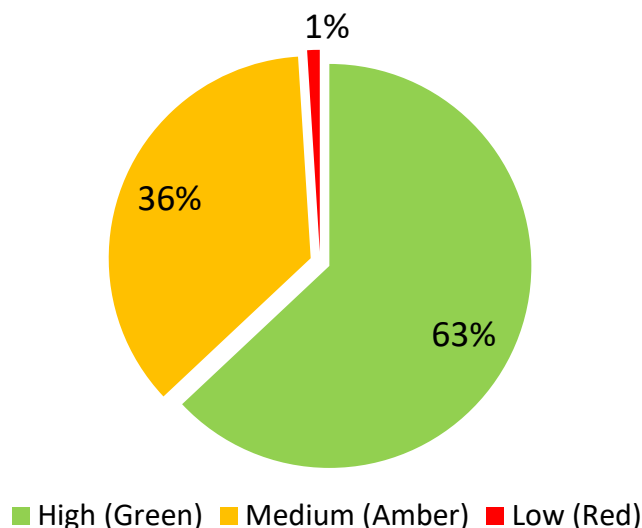
We gather the Council's assurance intelligence through an annual process across all Directorates. It provides a RAG rating assessment of the Council's Critical Activities, Key Projects and Key Risks.

Overall, there is a positive assurance picture for the Council. There continues to be a high level of assurance (65%), which is slightly higher than last year.

Critical activities identified by Management as having a low level of assurance are:

- Legal – pressures due to reduced capacity and increase in demand.
- Leisure Centre's – Impact of covid and roof repairs on the operations and financial health of the centre.
- Strategic Street Scene Management – complex preparation for the new contracts due to start in September 2026
- Tree Management – currently responsive due to funding.
- Lincare Emergency Control Centre – staff shortages and financial uncertainties.

### Overall Assurance Status 20/21



Management continue to take action to reduce the risks within these areas.

**High levels of assurance have increased by 2% since 2020/21**

# Financial Control



Our audit plans include providing assurance over our key financial systems, this is done on a cyclical basis; however the level of risk will also influence frequency.

Our work provides an important assurance element to support the External Auditor's opinion on the Council's Statement of Accounts.

During the year we have undertaken work in the following financial areas:

- Housing Benefit Subsidy – High assurance
- Housing Benefit and Council Tax Support – High assurance
- Election expenses – no issues identified
- Visitor Information Centre operations – Substantial assurance
- Income Fees & Charges – Substantial assurance
- Medium Term Financial Strategy – fieldwork in progress, not yet assessed

We have also been advising on various Covid related grants and more recently on the Council Tax rebate.

The combined assurance work identified many of the financial systems as being Green with only a few rated as Amber (Fraud Prevention & Detection, Financial Resilience, VAT, Housing Rent Collection and Counter Fraud arrangements).

Some of these were due to the impacts of Covid-19 including reduced income, lower collection rates, suspension of Single Person Discount reviews, reduced enforcement action to collect debts and additional duties taken on by staff within the revenues services. Members have been kept informed of the impacts through the budget monitoring quarterly reports.

The full financial impact is unlikely to be fully realised until recovery is complete. However management have reported that the MTFS remains robust with action taken as part of the 26

latest refresh to revise estimates and to carefully use reserves to maintain a balanced position in the short term, whilst longer term savings and interventions are delivered.

A 2021/22 assessment against the CIPFA Financial Management Code found a number of actions in this area including the review of Contract Procedure Rules and Financial Procedure Rules, implementation of the Finance Business Partner approach, implement revised reporting requirements in the Prudential Code and to consider further engagement with stakeholders for budget consultation. These will be included in the AGS and monitored through the Audit Committee.

We have assessed financial control as performing well as despite the uncertainties no issues were identified during audit work, the Council has a Medium Term Strategy in place which has been updated to reflect the estimated impacts of covid, and maintains a robust level of reserves in order to mitigate changes in these assumptions.

## Financial Control



**Assessed as performing well**

## Our Work



The Council is responsible for establishing and maintaining risk management processes, control systems and governance arrangements. Internal Audit plays a vital role in providing *independent risk based and objective assurance* and *insight* on how these arrangements are working. Internal Audit forms part of the Council's assurance framework.

## Scope of Work

Our risk based internal audit plan was prepared taking into account the critical activities and key risks to support the basis of my annual opinion. It has remained flexible to enable us to respond to emerging risks and maintain effective focus.

Audit Committee approved the 2021/2 audit plan of 275 days in March 2021. The Plan was revised during the year – see Appendix 2 for details.

We have delivered 94% of the revised plan - details of the work completed is set out in Appendix 1.

We have not experienced any impairment to our independence or objectivity during the conduct and delivery of the Internal Audit Plan.

## Restriction on Scope

In carrying out our work we identified no unexpected restrictions to the scope of our work.

We have worked closely with the Council's senior management team to agree audit scopes and to ensure audit work is progressed.

I do not consider the changes to the plan to have had an adverse effect on my ability to deliver my overall opinion. The combined assurance work undertaken in January helped in this regard.



## Our Work



Internal Audit's role include advisory and related client service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organisation's governance, risk management and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation and training.

## Other Significant Work

During the year we completed testing of Housing Benefit Subsidy on behalf of the External Auditors, Mazars.

We produced a Combined Assurance report which maps all assurance across the Council using the 'three lines of assurance' model. This provided the Council with insight over the assurances present on its critical activities, key risks, projects and partnerships. This was presented to the Audit Committee in March 2022 by the Chief Finance Officer.

We have provided advice and guidance on the processes to pay grants paid out on behalf of the Government (Business Grants, Energy Rebate).

In accordance with the PSIAS requirements we were subject to an External Quality Assessment. It was undertaken by CIPFA who found that the Assurance Lincolnshire partnership 'FULLY CONFORM' to the requirements of the PSIAS and the CIPFA Local Government Application Note.

We also;

- Refreshed the Counter Fraud Policy / Strategy and Action Plan
- Completed a review of Internal Audit and Audit Committee effectiveness
- Reviewed the Anti-Bribery Policy
- Refreshed the Fraud Risk Register
- Administered the Whistleblowing cases



## Our Work



We recognise the importance of meeting customer expectations as well as conforming to the UK Public Sector Internal Audit Standards (PSIAS). We continually focus on delivering high quality audit to our clients – seeking opportunities to improve where we can.

## Quality Assurance

Our commitment to quality begins with ensuring that we recruit, develop and assign appropriately skilled and experienced people to undertake your audits.

Our audit practice includes ongoing quality reviews for our assignments. These reviews examine all areas of the work undertaken, from initial planning through to completion and reporting. Key targets have been specified - that the assignment has been completed on time, within budget and to the required quality standard.

There is a financial commitment for training and developing staff. Training provision is continually reviewed through the appraisal process and regular one to one meetings.

Assurance Lincolnshire conforms to the UK Public Sector Internal Audit Standards. An External Quality Assessment was undertaken in early 2022 and we were found to 'FULLY CONFORM'.

Our quality assurance framework helps us maintain a continuous improvement plan, which will be refreshed shortly following the external review.

### External Audit

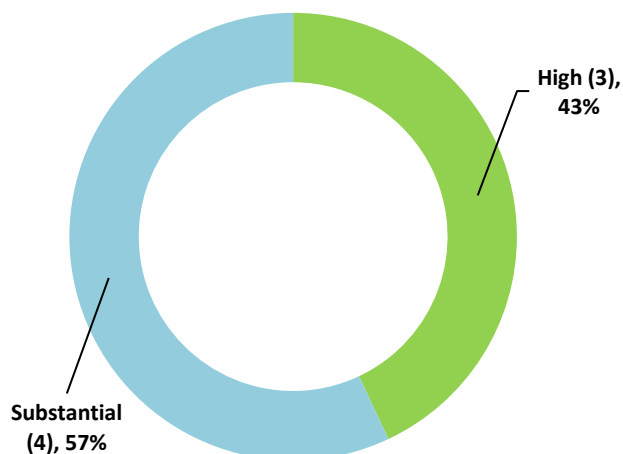
Although internal and external auditors carry out their work with different objectives in mind, many of the processes are similar and it is good professional practice that they should work together closely. Wherever possible, External Audit will place reliance and assurance upon internal audit work where it is appropriate.



Our audit plan includes different activities each year – it is therefore not unexpected that these vary; however, the assurance levels do give an insight on the application of the Council's control environment and forms part of the evidence that helped inform the overall annual opinion.

## Assurances

2021/22



**Increase in Substantial assurance opinions (from 40% to 57%)**  
**Reduction in High assurance opinions (from 60% to 43%)**

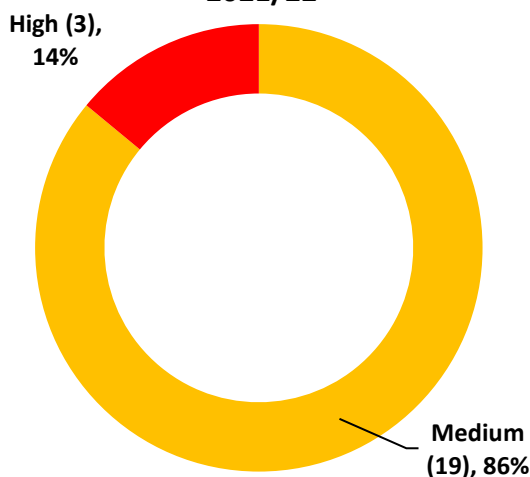


## Recommendations

**Medium priority recommendations have increased (from 83% to 86%)**

**High priority recommendations have decreased (from 17% to 14%)**

2021/22





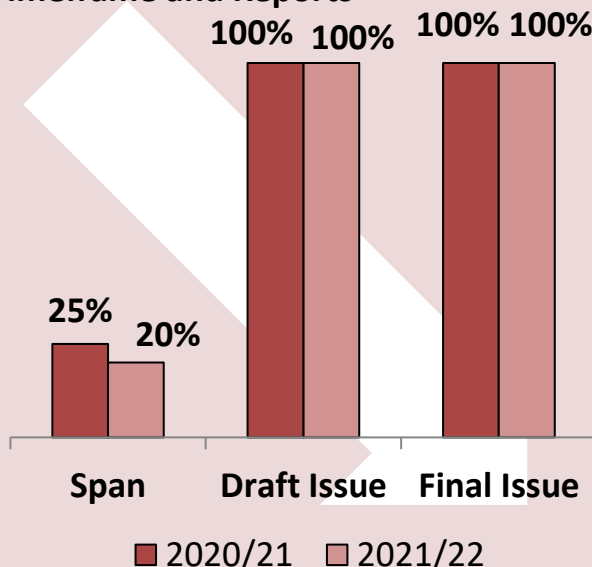
Internal Audit's performance is measured against a range of indicators. The table in **Appendix 3** shows our performance on key indicators at the end of the year. We are pleased to report a good level of achievement in the delivery of the revised plan, but we recognise that improvements are required in the time taken to undertake audits (Span).

### Performance on Key Indicators

# 94%

## Of the plan delivered

#### Timeframe and Reports



Reasons for the Audit Span performance being below the target of 80% include completion of other priority work and delays in receiving information. We are working on a plan of action to improve this going forward.

Audit	Rating	Type	High	Medium	Advisory	Total
Housing Benefit Subsidy	High Assurance	Risk Based Audit	0	0	0	0
Housing Benefit & Council Tax Support	High Assurance	Risk Based Audit	0	2	0	2
Safeguarding	Substantial Assurance	Risk Based Audit	0	5	0	5
Visitor Information Centre	Substantial Assurance	Risk Based Audit	1	6	0	7
Election Claims	N/A	Consultancy	0	0	0	0
Town Deal	High Assurance	Risk Based Audit	0	1	0	1
Income Fees & Charges	Substantial Assurance	Risk Based Audit	1	1	0	2
Planned Maintenance	Substantial Assurance	Risk Based Audit	1	4	0	5
Performance	Not yet finalised	Risk Based Audit	0	0	0	0
Rogue Landlord	N/A	Consultancy work on PIR	0	0	0	0
Stores	Not yet finalised	Risk Based Audit	0	0	0	0
ICT Project and Programmes	Not yet finalised	Risk Based Audit	0	0	0	0
Medium Term Financial Strategy	Not yet finalised	Risk Based Audit	0	0	0	0
	<b>Total</b>		<b>3</b>	<b>19</b>	<b>0</b>	<b>22</b>



The approved Plan for 2021/22 was 300 days, but due to the impact of Covid the 2020/21 Plan took longer to complete than expected and so 25 days were used to complete 2020/21 audits.

At the start of 21/22 a Value for Money (VFM) audit was replaced by a Housing Benefit & Council Tax Support audit that couldn't be done in 20/21. The VFM audit was to support External Audit's annual VFM commentary required under the new code of practice and the CIPFA Financial Code, but as External Audit have started their work it was felt this would be a duplication.

In October 21, due to a resource shortfall while the Audit Manager post was recruited to, three audits were deferred to 22/23 – Medium Term Financial Strategy (MTFS), Western Growth Corridor and Housing Repairs.

Planned work on Leisure Centre's was not within the skillset of the IA team and will be procured from external specialists. The introduction of a new Health & Safety risk assessment process has been delayed so this work is now in the 22/23 Plan. The resource savings from these has allowed the MTFS audit to be brought back into the 21/22 Plan.

An IT Disaster Recovery audit (due to be undertaken by external consultants) has been moved to 22/23 as the project needs to be more advanced to make the audit worthwhile.

The annual audit plan remains flexible with a process to postpone and change audits. This

means we can adapt our plan and coverage to emerging risks but maintain control and transparency on changes which must be approved by management (S151 Officer) and the Audit Committee.

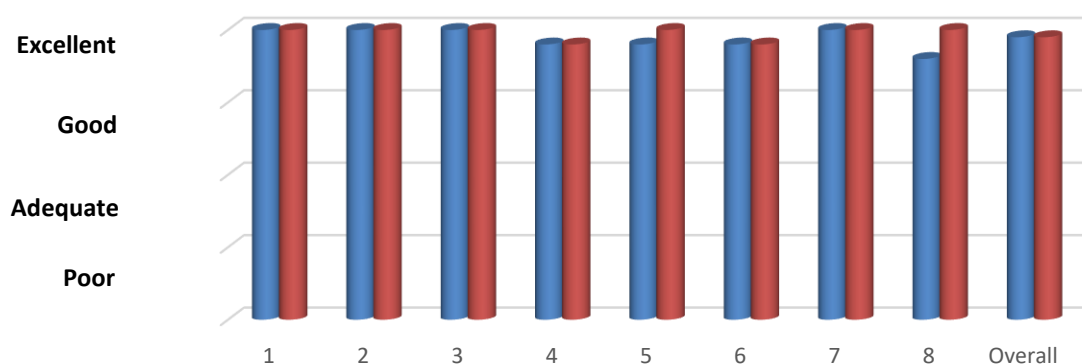
## Performance on Key Indicators

Performance Indicator	Annual Target	Actual
Percentage of plan completed (based on revised plan)	100%	94%
Percentage of recommendations agreed	100%	100%
Percentage of 2021/22 actions due implemented	100% or escalated	78%
Timescales:		
Draft Report issued within 10 days of completion	100%	100%
Final Report issued within 5 days of management response	100%	100%
Draft Report issued within 2 months of fieldwork commencing	80%	20%

Reasons for the Audit Span performance being significantly below the target of 80% include completion of other priority work and delays in receiving information. We are working on a plan of action to improve this going forward.

## Client Feedback

Post Audit Questionnaire Results



Key: Blue: 2020/21, Red: 2021/22

### Audit Planning

1. Consultation on audit coverage
2. Fulfilment of scope and objectives

### Audit Report

3. Quality of report
4. Accuracy of findings
5. Value of Report

### Communication

6. Feedback during the audit
7. Helpfulness of auditor (s)
8. Prompt delivery of report

**High**

Our critical review or assessment on the activity gives us a high level of confidence on service delivery arrangements, management of risks, and the operation of controls and / or performance.

The risk of the activity not achieving its objectives or outcomes is low. Controls have been evaluated as adequate, appropriate and are operating effectively.

**Substantial**

Our critical review or assessment on the activity gives us a substantial level of confidence (assurance) on service delivery arrangements, management of risks, and operation of controls and / or performance.

There are some improvements needed in the application of controls to manage risks. However, the controls have been evaluated as adequate, appropriate and operating sufficiently so that the risk of the activity not achieving its objectives is medium to low.

**Limited**

Our critical review or assessment on the activity gives us a limited level of confidence on service delivery arrangements, management of risks, and operation of controls and/or performance.

The controls to manage the key risks were found not always to be operating or are inadequate. Therefore, the controls evaluated are unlikely to give a reasonable level of confidence (assurance) that the risks are being managed effectively. It is unlikely that the activity will achieve its objectives.

**Low**

Our critical review or assessment on the activity identified significant concerns on service delivery arrangements, management of risks, and operation of controls and / or performance.

There are either gaps in the control framework managing the key risks or the controls have been evaluated as not adequate, appropriate or are not being effectively operated. Therefore, the risk of the activity not achieving its objectives is high.

**Significance**

The relative importance of a matter within the context in which it is being considered, including quantitative and qualitative factors, such as magnitude, nature, effect, relevance and impact. Professional judgment assists internal auditors when evaluating the significance of matters within the context of the relevant objectives.

**Head of Internal Audit Annual Opinion**

The rating, conclusion and/or other description of results provided by the Head of Internal Audit addressing, at a broad level, governance, risk management and/or control processes of the organisation. An overall opinion is the professional judgement of the Head of Internal Audit based on the results of a number of individual engagements and other activities for a specific time interval.

**Governance**

Comprises the arrangements (including political, economic, social, environmental, administrative, legal and other arrangements) put in place to ensure that the outcomes for intended stakeholders are defined and achieved.

**Risk**

The possibility of an event occurring that will have an impact on the achievement of objectives. Risk is measured in terms of impact and likelihood.

**Control**

Any action taken by management, the board and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved. Management - plans, organises and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved.

**Impairment**

Impairment to organisational independence and individual objectivity may include personal conflict of interest, scope limitations, restrictions on access to records, personnel and properties and resource limitations (funding).

**SUBJECT: ANNUAL FRAUD AND ERROR REPORT**

**DIRECTORATE: CHIEF EXECUTIVE & TOWN CLERK**

**REPORT AUTHOR: AMANDA STANISLAWSKI, AUDIT MANAGER**

## **1. Purpose of Report**

- 1.1 This report informs Committee of performance against the 2021/22 Counter Fraud Work Plan and the outcomes of pro-active fraud work and investigations.

## **2. Executive Summary**

- 2.1 The Audit Committee receive an Annual Fraud and Error report (Counter Fraud Report). This is linked to its terms of reference linked to Counter Fraud and contributes to the overall governance arrangements of the authority and the annual governance statement.
- 2.2 The report summarises the number of cases during 2021/22 comparing them with the previous year. Overall there has not been a significant change in the number of cases but there was an increase in the number of errors identified through the National Fraud Initiative (NFI) matches. There has been a positive significant change as more NFI matches have now been processed. There have also been fewer Single Persons Discounts removed.
- 2.3 Progress has been made against completing the actions within the Counter Fraud Action Plan and these are detailed within the report. There are seven which are still in progress and most of these have been added onto the 2022/23 action plan. The remaining two, Tenancy Counter Fraud work and Cybercrime are now embedded as business as usual so no-longer need to be included on the action plan. There are a number of actions relating to the Lincolnshire Counter Fraud Partnership (LCFP) which were not started due to the priorities and capacity within the partnership of these, the Single Person Discount Rolling Review project has been added to the 2022/23 action plan. The review of compliance with the Strategy was also not started and has been added to the 2022/23 Action plan.
- 2.4 Whistleblowing referrals slightly increased this year, most of these related to Housing Benefit and Single Person Discounts. Allegations made were mainly in respect of partners being resident or the claimant was working. Action has been taken in five whistleblowing cases, seven have been referred to the DWP and eight have been cleared with no issues.
- 2.5 Several actions have been put into place to reduce the risks around Cyber crime. These include updated policies, rolling out e-learning to staff and members, participating in sharing threat information both internally and externally and monitoring software vulnerabilities.
- 2.6 The reduction in Housing Benefit cases has led to a reduction in the number of

referrals to the DWP. Other proactive measures such as the NFI, Verification of Earnings and Pensions, Housing Benefit Matching Service and the Housing Benefit Award Accuracy Initiative have also reduced the level of fraud and error.

2.7 Within Housing the data matching exercise has been completed with most cases only requiring an administrative change. The notices to quit for non-occupation of a council dwelling were all ended without legal proceedings.

2.8 For Covid grants there are two which are being recovered as not compliant and two cases which were detected prior to payment.

### **3. Organisational Impacts**

3.1 Finance (including whole life costs where applicable)

There are no direct financial implications

3.2 Legal Implications including Procurement Rules

There are no direct legal implications

3.3 Equality, Diversity & Human Rights

The Public Sector Equality Duty means that the Council must consider all individuals when carrying out their day-to-day work, in shaping policy, delivering services and in relation to their own employees.

It requires that public bodies have due regard to the need to:

- Eliminate discrimination
- Advance equality of opportunity
- Foster good relations between different people when carrying out their activities.

Due to the nature of the report, no specific Equality Impact Analysis is required.

### **4. Recommendation**

4.1 The Audit Committee consider and comment on the contents of the report and appendix.

<b>Key Decision</b>	No
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<b>Do the Exempt Information Categories Apply?</b>	No
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<b>Call in and Urgency:</b> Is the decision one to which Rule 15 of the Scrutiny Procedure Rules apply?	No
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<b>How many appendices does</b>	One
---------------------------------	-----

**the report contain?**

**List of Background Papers:**

None

**Lead Officer:**

Amanda Stanislawski, Audit Manager  
Telephone (01522) 873321

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# Counter Fraud

## 2021/22 Annual Report



# Introduction

The purpose of the Annual Report is to provide assurance to the Audit Committee on the effectiveness of the Council's arrangements in countering fraud and corruption.

The report also informs the committee of performance against the 2021/22 Counter Fraud Work Plan and the Counter Fraud Strategy and the outcomes of pro-active fraud work and investigations.







## The Council's Policy Statement:

*The Council is opposed to any form of fraud or malpractice. The Council is committed to operating in an open and honest way in order to:-*

- *Prevent, deter and detect fraud and malpractice*
- *Allow scrutiny and investigation to take place, both internally and externally*
- *Allow rigorous enforcement to take place; and*
- *Reinforce good practice and prevent reoccurrence*

## Overview of Cases

During 2021/22 the Council has experienced the following number of cases:-

	Cases 2021/22	Cases 2020/21	Change
Referrals to the Single Fraud Investigation Service – DWP	7	8	
Tenancy – Notices to Quit issued (For potentially fraudulent reasons e.g. Abandonment, trespass, not main/only home)	19	18	
Covid Business Grants	4	9	
Whistleblowing	23	18	
NFI – HB/CTR matches:- Processed Fraud Errors	404 0 27	152 0 6	
Single Person Discounts Removed	514	566	

# Work Completed / In Progress

The Council undertakes a number of Counter Fraud activities throughout the year, both on it's own and through the Lincolnshire Councils Fraud Partnership (LCFP). The following sets out the work completed during the year and progress made against items included on the 2021/22 Action Plan (\*):-

## Work completed in 2021/22:-

- ✓ Single Person Discount Bulk Review\*
- ✓ Joint working with the Citizens Advice Bureau during scam awareness week.
- ✓ Fraud Risk Register Updated in February 2022\*
- ✓ Fraud Policy Updates – Bribery completed in December 2021\*
- ✓ Sharing scam warnings and Fraud intelligence alerts with relevant staff within the Council\*
- ✓ Ongoing sharing of counter fraud guidance and best practice\*
- ✓ Business Rates avoidance – Small Business Rate Relief checks through a third party\*
- ✓ ICT Risk register completed to include cyber crime
- ✓ National Fraud Initiative\*
- ✓ 2021/22 Annual Fraud Report
- ✓ Whistleblowing referrals/communication\*
- ✓ Council Tax empty property review\*
- ✓ Housing Tenancy Fraud - Tenancy Verification Project\*
- ✓ LCFP preparation of briefings and updates for the Lincolnshire Finance Officers Group\*

## Work in progress:-

- ⌚ Covid 19 Grants fraud cases and post assurance\* – some post assurance work completed and returns made and will continue into 2022/23 so added to the 2022/23 Action Plan.
- ⌚ Fraud Training – working with the Lincolnshire Counter Fraud Partnership to produce a revised e-learning package for Members and staff\* – training package complete and currently being reviewed to make more District/City relevant, to complete in 2022/23, added to the 2022/23 Action Plan
- ⌚ Housing Tenancy Fraud – Fraud strategy\* - to complete in 2022/23, added to the 2022/23 action plan.
- ⌚ Tenancy Counter Fraud Work\* - this work forms part of the regular work of the service.
- ⌚ Cybercrime\* - work has been undertaken in this area and will continue to be undertaken forming part of the regular work of the service.

# Work Completed / In Progress

- ⌚ Money Laundering Risk Assessment\* - started and will be completed in 2022/23, added to the 2022/23 action plan.
- ⌚ Business Rates avoidance – Small Business Rate Relief checks through a third party\* - ongoing to be completed in 2022/23, added to the 2022/23 action plan.

## Actions on the 2021/22 Action plan not started:-

- ☒ Single Person Discount Rolling Review\* – put on hold due to procurement capacity at Lincolnshire County Council and capacity within District Revenues & Benefits Teams, added to the 2022/23 Action Plan
- ☒ LCFP Joined up Communications approach/Fraud awareness working group\* - this was delayed due to other priorities of the partnership
- ☒ LCFP Fraud Risks register development and identifying/sharing top five risks\* - this was delayed due to other priorities of the partnership
- ☒ LCFP Housing Tenancy Fraud – fraud awareness, counter fraud and fraud strategy\* - this was delayed due to other priorities of the partnership
- ☒ Fraud Benchmarking across the LCFP\* – not undertaken and not a priority for the LCFP.
- ☒ Compliance with the Strategy\* - a review has not been undertaken on this specifically, added to the 2022/23 Action Plan

## Summary Counter Fraud Action Plan 2022/23:-

There are a number of activities included above and on previous action plans which each service area will complete on a regular basis as normal business such as responding to Whistleblowing referrals, sharing intelligence, Tenancy Counter Fraud reviews and investigating potential fraud cases. We have revised the 2022/23 Counter Fraud Action Plan to just include additional activities and projects to be completed during the year. A summary of the action plan is included as follows:-

Ref	Activity	Target Date	Responsibility
1	LCFP Single Person Discount Rolling Review	Q2 start Q4 reporting	Lincolnshire Councils Fraud Partnership (LCFP) Head of Shared Revenues and Benefits
2	Covid Grants – Fraud Cases and Post Assurance	TBC	Head of Shared Revenues and Benefits Assistant Director – Major Developments Internal Audit Manager
3	Money Laundering Risk Assessment	Q2	Internal Audit Manager
4	Self Assessment against the Counter Fraud Strategy	Q4	Internal Audit Manager
5	Small Business Rate Relief checks through a third party	TBC	Head of Shared Revenues and Benefits

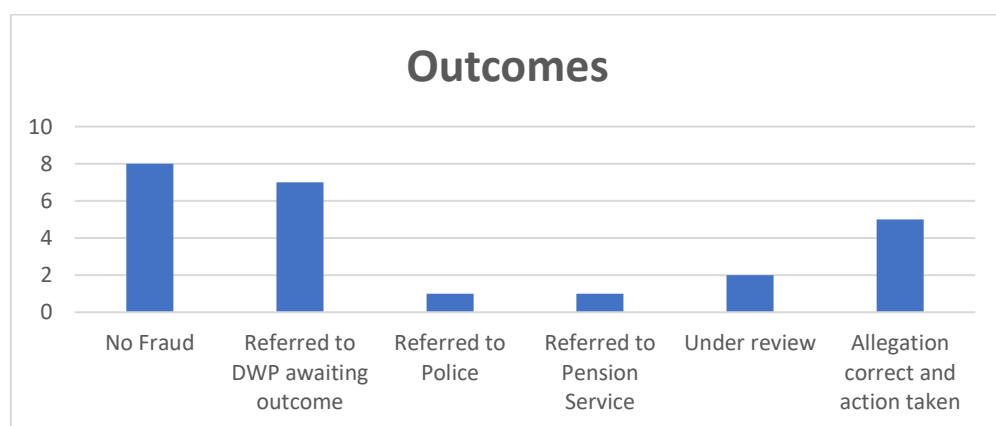
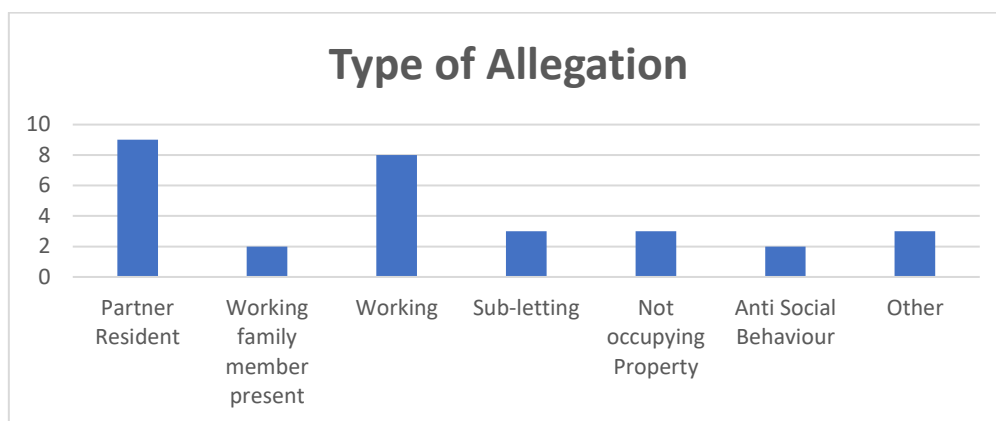
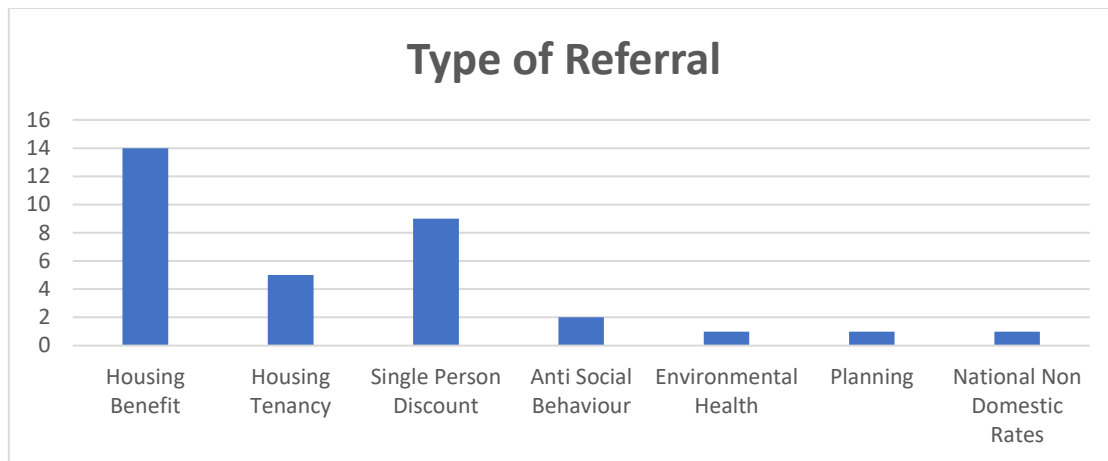
## Work Completed / In Progress

6	Housing Tenancy Fraud – Fraud strategy	TBC	Tenancy Services Manager
7	Roll out of Counter Fraud E-learning and review of Counter Fraud Training requirements throughout the Council.	Q4	Lincolnshire Councils Fraud Partnership (LCFP) Internal Audit Manager

# Whistleblowing

The Council has a Whistleblowing line which is operated through Lincolnshire County Council. During 2021/22, we have had 23 whistleblowing reports.

These are analysed below. Note that each referral can contain multiple allegations covering different types so there are more than 23 cases recorded:-



Payment of Housing Benefit and Council Tax Support can be reliant on information provided from the DWP and Pensions Service. Where this is the case the Council pass over the information received through the Whistleblowing process but is unable to change the benefit paid until they receive updated information from the DWP.



# National Fraud Initiative

The Council continues to be engaged with the National Fraud Initiative (NFI) which involves national data matching using a range of Council data sources including payroll, benefits, creditors, housing, and licences, insurance. Files were uploaded in October 2020 for the main scheme.

Council Tax and Electoral roll data was uploaded in December 2021 as was initial grants data. Rather than use the Council Tax and Electoral roll NFI matches a separate Council Tax SPD exercise has taken place for 2021/22, the results of which are reported later in this report.

## NFI results for 2021/22 to date:-

Matches relating to Housing Benefit/Council Tax Support:-

	Number
Claims looked at (Processed)	404
Investigated	12
Cleared	404
Frauds	0
Errors	27
Total Financial Change	£54,221.89
Housing Benefit Claims where seeking recovery	26
Amount of Housing Benefit to recover	£39,351.16

Other Matches:-

Area	Number	Reviewed/Cleared	Outcome
Payroll	7	7	No issues
Housing	110	39	No issues. Remaining cases in progress of being reviewed
Duplicate Creditors	381	381	1 Duplicate

# Cyber Crime and Cyber Security

Online fraud, also known as cyber-crime, covers all crimes that takes place online committed using computers, or assisted by online technology. The Council continues to place high importance on cyber security and has included it as an Amber risk within the Fraud Risk Register.

The Council faces multiple attacks each day which are prevented, detected, and neutralised by systems and software. Security measures are applied, kept under review, and audited regularly. The Council is also subject to Central Government compliance initiatives.

A number of actions are being taken to reduce the risks around cyber crime:-

- Security risks are managed through an ICT risk register and associated projects.
- IT security policies have been updated and approved. The E-Learning 'Cyber Ninjas' has been provided to all staff and Councillors and completion of this is being monitored.
- Cyber resilience is now on the Council's strategic risk register.
- Reminders to staff are sent periodically around cyber fraud and cyber-crime. Phishing and malware activity are closely monitored and trends identified and acted upon.

An anti-malware internal audit was completed in 2019/20; this provided substantial assurance. Audit Committee are monitoring the implementation of agreed actions and there is now just one remaining action to be implemented.

IT Disaster recovery was a significant governance issue on the AGS (Annual Governance Statement) and this is being monitored through the Audit Committee. However, significant progress has been made, with more being worked on. Updated recovery plans are scheduled for 22/23.

Information is shared between regional and national cyber security teams. This allows us to build our knowledge of the cyber fraud threat and inform messages circulated to staff.

The Council is part of an LRF/MHCLG (Lincolnshire Resilience Forum/Ministry of Housing, Communities & Local Government) Cyber Resilience Group. The LRF/MHCLG have developed a cyber-resilience plan and the Council has access to a range of resources including training materials and documentation. This will also feed into the Disaster Recovery plan currently being worked on.

New software vulnerabilities are identified regularly, and the Council is looking at new technologies to counteract these threats, but it is also known that no prevention measures will ever fully protect against the threat.



## Housing Benefit / Council Tax Support

For 2021/22 the total number of referrals to SFIS (Single Fraud Investigation Service –DWP) for Lincoln was 7.

The low level of referrals is due to more customers moving from Housing Benefit to Universal Credit with the caseload dropping by nearly 47% since 2016/17 and by 10% since 2020/21 to 4,408. It is also affected by the continuation of proactive work around the:-

- National Fraud Initiative (NFI) - an exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud.
- Verification of Earnings and Pensions (VEP) – initiative asking Authorities to focus purely on changes to earnings and Pensions that occur on a daily basis. Information is fed through to the system via a link with HMRC.
- Housing Benefit Matching Service (HBMS) - a mechanism used to cross reference all Department for Work and Pensions' (DWP) benefits systems by data matching details against local authorities (LAs) systems with the purpose to support LAs to identify fraud and error.
- Housing Benefit Award Accuracy Initiative (HBAA) - requires LA's to complete full case reviews and self-employed earnings reviews on high risk cases. Data is provided by the DWP. The aim of the initiative is to proactively identify unreported changes and make sure that the right amount of benefit is paid to the right person at the right time.

There have not been any prosecutions or administrative penalties issued this year. The reduction is due to the DWP overpayment threshold and a reduction in the number of cases being investigated by the DWP through the pandemic as staff were redeployed. The fraud hotline was also closed during the pandemic only re-opening in April 2022.

## Council Tax – Single Person Discount (SPD)/ Empty Properties

The final SPD bulk review came to a close in October 2021 with the final figures expected to be confirmed in December 2022. The latest report from November 2021 shows 514 discounts being removed generating estimated revenue of £212,477. The largest removal value was £2,791 and the oldest dated back to December 2015.

During the year a review of empty properties was undertaken, a total of 199 properties were found to now be occupied.

## **NNDR**

The NNDR team continue with proactive checks on planning lists and utilising the Visiting Officer capacity within the team. There are regular reviews of reliefs including Small Business Rate relief, Charity relief, and other discretionary relief.

For 2021/22 and continuing into 2022/23, Small Business Rates Relief (SBRR) is being reviewed through a third-party company, to cross check against other authorities as to whether a business is in receipt of SBRR. SBRR regulations allow for small single businesses, not multiple. This is progressing well and has stopped giving SBRR from the outset rather than seeking clawback.

## **Housing Tenancy**

Tenancy fraud covers several areas including unlawful sub-letting or assignment, non-occupation, key selling, application deception, right to buy fraud

For 2021-22 there were 19 notice to quits issued. For non-occupation of a council dwelling and all have been ended without recourse to legal proceedings.

The potential fraud data match exercise has been completed with the majority of cases only requiring an administrative change to the household details of the property.

## **Covid Grants**

The Council has continued to administer the Government funded grants to support business during 2021-2022. All these grants have been administered in line with Government Guidance and assurance processes [COVID-19 business grant funding schemes: guidance for local authorities - GOV.UK \(www.gov.uk\)](https://www.gov.uk/guidance/covid-19-business-grant-funding-schemes-guidance-for-local-authorities)

There have been two grants paid in 21/22 that are currently subject to recovery procedures due to having been identified post assurance as not compliant with the eligibility requirements, and 2 cases of fraudulent claims that were detected pre payment and referred to National Anti-Fraud Office.

Government have requested all details of a COVID-19 business grants fraud and error data be reported to them by June 2022. This is a new data collection covering fraud and error data from all grant schemes from their start dates to 31 March 2022.

## **Payroll and Human Resources**

There have not been any incidents identified of fraud or error within the service this year. Within Payroll one of the checks carried out ensures that changes to bank details for staff are validated with them prior to payments being made. The system also has a built in control whereby an automatic email is sent to both parties when the bank details are changed on the system by the employee enabling fraudulent attempts to be identified.

### **Other fraud / fraud attempts**

There have not been any frauds identified within remaining Amber areas within the Fraud Risk Register including procurement, elections and creditors.

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**SUBJECT: INTERNAL AUDIT CHARTER**

**REPORT BY: CHIEF EXECUTIVE'S AND TOWN CLERK**

**LEAD OFFICER: AMANDA STANISLAWSKI, AUDIT MANAGER**

## **1. Purpose of Report**

- 1.1 To undertake the annual review of the Internal Audit Charter

## **2. Executive Summary.**

- 2.1 The Audit Charter formally defines Internal Audit's purpose, authority and responsibility. It establishes Internal Audit's position within the Council and defines the scope of Internal Audit activities. It is linked to Internal Audit's roles and responsibilities set out in the Constitution (Financial Procedure Rules) but provides more detail around compliance with the Accounts and Audit Regulations and the Public Sector Internal Audit Standards. It is reviewed annually.

## **3. Main report**

- 3.1 The current Charter was approved by the Audit Committee and Council in December 2019 and last reviewed by the Audit Committee in February 2021
- 3.2 There has been no new national guidance since then and no significant changes are suggested at this time.
- 3.3 There have been three minor changes made:-
- Revised ownership of the Charter following the appointment of a new Audit Manager
  - Insertion of the responsibilities of the S151 Officer within the section on Authority
  - Insertion of the responsibilities of Internal Audit in respect of Fraud within the section on Scope

## **4. Organisational Impacts**

### **4.1 Finance**

There are no direct financial implications arising as a result of this report.

### **4.2 Legal Implications including Procurement Rules**

The Accounts and Audit Regulations require that internal audit takes into account the Public Sector Internal Audit Standards (The Standards) which are mandatory. The Charter sets out the roles and responsibility of Internal Audit in line with these standards and the Chartered Institute of Public Finance (CIPFA) have also

developed an application note for the Standards – which sets out the proper practice for Internal Audit in local government. The Charter supplements the Constitution (Financial Procedure Rules) in the area of Internal Audit.

#### 4.3 Equality, Diversity & Human Rights

The Public Sector Equality Duty means that the Council must consider all individuals when carrying out their day-to-day work, in shaping policy, delivering services and in relation to their own employees.

It requires that public bodies have due regard to the need to:

- Eliminate discrimination
- Advance equality of opportunity
- Foster good relations between different people when carrying out their activities.

Due to the nature of the report, no specific Equality Impact Analysis is required.

### 5. Recommendations

5.1 The current Charter is noted.

5.2 The frequency of which the Charter is presented to Committee is changed from annually to every three years or sooner if there is a significant change.

<b>Key Decision</b>	No
<b>Do the Exempt Information Categories Apply?</b>	No
<b>Call in and Urgency:</b> Is the decision one to which Rule 15 of the Scrutiny Procedure Rules apply?	No
<b>How many appendices does the report contain?</b>	One
<b>List of Background Papers:</b>	None

**Lead Officer:** Audit Manager Telephone 873321

# Internal Audit Charter

## 2022

V0.3

### Our Mission

To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight to our clients

The Council expects the Internal Audit service to achieve the mission statement through its overall delivery arrangements – this Charter sets out how this is done.

Organisation	City of Lincoln Council
Title	Internal Audit Charter
Author - name and title	John Scott Audit Manager
Owner - name and title	Amanda Stanislawski Audit Manager
Date	December 2019
Approvals	CMT/Audit Committee
Filename	
Version	V.01
Next review date	February 2023

Revision	Originator of change	Date of change	Change description
V0.2	Audit Manager	February 2021	Reviewed - no changes
V0.3	Audit Manager	May 2022	Change of ownership Added in S151 requirement under Authority Added in fraud paragraph under scope.



# Internal Audit Charter

## Purpose of this Charter

This Charter formally defines Internal Audit's purpose, authority and responsibility. It establishes Internal Audit's position within the Council and defines the scope of Internal Audit activities.

## Internal Audit's Purpose

Internal Audit provides an independent, objective assurance and consulting activity that is designed to add value and improve the organisation's operations. It helps the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Internal Audit also provides the Audit Committee with information necessary for it to fulfil its own responsibilities and duties.

Implicit in Internal Audit's role is that it supports the organisation's management to fulfil its own risk, control and compliance responsibilities.

## Internal Audit's Authority

There is a statutory requirement for the Council to have an internal audit of its governance, risk and control processes. The [Accounts and Audit Regulations 2015](#), more specifically require that the audit takes into account the [Public Sector Internal Audit Standards \(The Standards\)](#) or guidance which are mandatory.

These Standards set the basic principles for carrying out internal audit in the public sector and provide criteria against which quality and performance can be evaluated. The Chartered Institute of Public Finance (CIPFA) have also developed an [application note](#) for the Standards – which sets out the proper practice for Internal Audit in local government.

Internal Audit derives its authority from these, from this Charter and from the Council's Constitution, specifically the Financial Procedure Rules

The Council's Section 151 Officer is required to ensure that the Internal Audit function is appropriately resourced and effective.

The Head of Internal Audit (Audit Manager) is the "Chief Audit Executive". The HIA and internal audit staff are authorised to:

- Have unrestricted access to all the organisation's records, property, and personnel, management and elected members relevant to the performance of its engagements. Including those relevant to services provided in partnership or under contract with external organisations.
- Receive information and explanations that are sought in the course of audit work
- Obtain the necessary assistance of the organisation's personnel in relevant engagements, as well as other specialised services from within or outside the organisation.

Internal Audit has no authority or management responsibility for any of its engagement subjects.

Internal Audit (and its auditors) will not make any management decisions or engage in any activity which could reasonably be construed to compromise its independence. Auditors are free from operational system involvement or influence.



# Internal Audit Charter

## Internal Audit's Responsibility

The Head of Internal Audit is responsible for all aspects of Internal Audit activity, including strategy, planning, performance, quality and reporting.

For each Authority, the Head of Internal Audit will:

## Strategy

- Develop and maintain an Internal Audit Strategy.
- Review the Internal Audit Strategy at least annually with management and Audit Committee.

## Planning

- Develop and maintain a risk based Internal Audit Plan
- Engage with Management and consider the organisation's strategic and operational objectives and related risks in the development of the Internal Audit Plan.
- Review the Internal Audit Plan periodically with management to reflect changes in the risk environment and these changes are approved when significant.
- Present the Internal Audit Plan, including updates, to the Audit Committee for periodic review and approval.
- Agree an Internal Audit Budget sufficient to fulfil the requirements of this Charter, the Internal Audit Strategy, and the Internal Audit Plan.

- The Internal Audit budget is reported to the Executive and Full Council for approval annually as part of the overall Council's budget. The Audit Manager will draw to the attention of the Chief Executive, Section 151 officer and the Audit Committee any resourcing issues that potentially impact on the effectiveness of the Internal Audit function.
- Coordinate with and (where relevant) provide oversight of other control, monitoring and assurance functions, including Risk Management, External Audit.
- Consider the scope of work of the external auditors (and other assurance providers) for the purpose of providing optimal audit coverage to the organisation.

The Head of Internal Audit should be consulted about significant proposed changes to the internal control system and the implementation of new systems - providing advice on the standards of controls to be applied. This need not prejudice the audit objectivity when reviewing systems at a later date.

In developing the Internal Audit Plan we also take account of the Council's assurance framework – using the Three Lines of Assurance (see next page) which is obtained through our Combined Assurance work.

# Internal Audit Charter

How do we assure ourselves about how the council is run?

**Management**  
Accountable for delivery

**Corporate and third party**  
External inspections and internal assurance functions

**Internal audit**  
Independent assurance

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Speaking to senior and operational managers who have the day to day responsibility for managing and controlling their service activities.

Working with corporate functions and using other third party inspections to provide information on performance, successful delivery and organisational learning.

Using the outcome of internal audit work to provide independent insight and assurance opinions.

Considering other information and business intelligence that feed into and has potential to impact on assurance

## Performance

- Implement and deliver the risk based Internal Audit Plan
- Maintain professional resources with sufficient knowledge, skills and experience to meet the requirements of this Charter, the Internal Audit Strategy and the Internal Audit Plan.
- Allocate and manage resources to accomplish Internal Audit engagement objectives.
- Establish and maintain appropriate internal auditing procedures incorporating best practice approaches and techniques.
- Monitor delivery of the Internal Audit Plan using appropriate performance indicators.
- Hold regular senior management / statutory officer liaison meetings.

## Quality

- Establish a Quality Assurance Framework is to:
  - ✓ provide a system for monitoring and evaluating our effectiveness and conformance with the **Standards**.
  - ✓ ensure continuous improvement within the internal audit service.
  - ✓ ensure compliance with professional Standards, Code of Ethics and Council Codes of Conduct.
  - ✓ meet client expectations / demonstrate our importance to the business.
  - ✓ facilitate the Head of Audit's statement on conformance with the International Standards for the Professional Practice of Internal Auditing.

# Internal Audit Charter

- Undertake annual assessment of the service and its compliance with the UK Public Sector Internal Audit Standards (the **Standards**) – with this assessment being undertaken through an external assessment at least every five years by a suitably qualified, independent assessor.
- Obtain regular feedback on the quality and impact of our work (added value).

The **Standards** are principles-focused and consist of basic requirements for the professional practice of internal auditing and for evaluating the effectiveness of performance. The ten **Core Principles** set out what we must do to be considered effective – all principles must be present and operating effectively to achieve our mission, they are:-

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- 1) demonstrates integrity.
- 2) demonstrates competence and due professional care.
- 3) is objective and free from undue influence (independent).
- 4) aligns with the strategies, objectives and risks of the organisation.
- 5) is appropriately positioned and adequately resourced.
- 6) demonstrates quality and continuous improvement.
- 7) communicates effectively.
- 8) provides risk based assurance.
- 9) is insightful, proactive and future focused.
- 10) promotes organisational improvement

## Reporting

- Issue a report to management at the conclusion of each engagement to confirm the results of the engagement and the timetable for the completion of agreed management actions to be taken.
- Provide periodic reports to management and the Audit Committee summarising Internal Audit activities and the results of Internal Audit Engagements.
- Provide periodic reports to management and the Audit Committee on the status of agreed management actions taken in response to Internal Audit Engagements.
- Report annually to the Audit Committee and management on Internal Audit performance against goals and objectives including an annual assurance opinion on governance, risk and control. This will also help inform the Council's Annual Governance statement.
- Report as needed to the Audit Committee on management, resource, or budgetary impediments to the fulfilment of this Charter, the Internal Audit Strategy, or the Internal Audit Plan.
- Inform the Audit Committee of emerging trends and practices in internal auditing.
- Provide results of the annual review on the effectiveness of internal audit (including outcomes of its Quality Assurance and Improvement programme to both the Management and the Audit Committee. This will include a statement on organisational independence of Internal Audit and conformance with the Code of Ethics. Any significant non-conformance must be included in the Annual Governance Statement.

# Internal Audit Charter

- The Head of Internal Audit will meet informally in private with members of the Audit Committee or the Committee as a whole as required.
- Report as necessary any significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by, the Audit Committee or any response to risk by management that may be unacceptable to the organisation.

## Internal Audit's Scope

The scope of Internal Audit activities includes all activities conducted by the organisation - the entire control environment including those services provided in partnership or under contract with external organisations. There are no restrictions.

The Internal Audit Plan identifies those activities that have been identified as the subject of specific Internal Audit engagements – helping to support the Head of Internal Audit opinion on governance, risk and control.

**Assurance engagements** involve the objective assessment of evidence to provide an independent opinion or conclusions regarding an entity, operation, function, process, system or other subject matter. The nature and scope of the assurance engagement are **determined by Internal Audit**.

**Consulting engagements** are advisory in nature and are generally performed at the **specific request of management**. The nature and scope of consulting engagement are subject to **agreement with management** and should assist management in meeting the objectives of the organisation without undermining the key principles of independence and objectivity. Internal Audit should not assume management responsibility.

Internal audit does not have responsibility for the prevention or detection of fraud and corruption. Internal Auditors should, however, be alert in all their work to risks and exposures that could allow fraud or corruption and to any indications that a fraud or corruption may have been occurring. Audit procedures alone, even when performed with due professional care, cannot guarantee that fraud or corruption will be detected. Managing the risk of fraud and corruption is the responsibility of management

The Head of Internal Audit will assist with the implementation of the Council's counter fraud policy/strategy and the investigation of fraud and irregularities in line with policy/strategy and the constitution. The HIA must be notified of all suspected or detected fraud, corruption or impropriety

Consultancy engagements should only be performed where resources and skills exist and should focus on governance, risk and control – supporting the Head of Internal Audit annual opinion. They **should not** replace assurance engagements.

The Head of Internal Audit cannot give total assurance that control weaknesses or irregularities do not exist. Managers are fully responsible for the quality of internal control within their area of accountability. They should ensure that appropriate and adequate risk management, control systems, accounting records, financial processes and governance arrangements exist (the control environment), without depending on internal audit activity to identify weaknesses or control failures.

# Internal Audit Charter

## Independence and Internal Audit's Position within the organisation

To provide for Internal Audit's independence, the Head of Internal Audit reports directly to the Audit Committee (The Board) and the Corporate Management (Senior Management ) Team and the Chief Executive.

Internal Audit also supports the Chief Finance Officer, Monitoring Officer and the Head of Paid Service discharge statutory responsibilities including those responsibilities set out in the Constitution.

9 The Head of Internal Audit has free and full access to the Chair of the Audit Committee.

The Head of Internal Audit reports administratively to the Section 151 Officer (CFO) who provides day-to-day oversight. The Chief Finance Officer reports directly to the Chief Executive as Head of Paid Service

The appointment or removal of the Head of Internal Audit will be performed in accordance with established procedures.

Internal Audit service will have an impartial, unbiased attitude and will avoid conflicts of interest.

If the independence or objectivity of the Internal Audit Service is impaired, details of the impairment should be disclosed to either the Section 151 Officer, or the Chair of the Audit Committee, or both dependent upon the nature of the impairment.

The Internal Audit Service is not authorised to perform any operational duties for the organisation; initiate or approve accounting transactions external to the Internal Audit Service; or direct the activities of any organisation employee not employed by the Internal Auditing Service, except to the extent such employees have been appropriately assigned to Service or to otherwise assist the Internal Auditor.

Where the Head of Internal Audit is responsible for delivery of operational functions other than Internal Audit. External assurance is sought on these - overseen by the Section 151 Officer.

Constructive working relationships make it more likely that internal audit work will be accepted and acted upon – although the internal auditor does not allow their objectivity or impartiality to be impaired.

# Internal Audit Charter

## Audit Committee

The Audit Committee is a key component of the Council's governance framework providing an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards. It provides independent assurance to the Council members of the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

29 For the purposes of the UK Public Sector Internal Audit Standards the Audit Committee performs the role of the 'Board'. The Audit Committee complies with CIPFA best practice standards through their terms of reference and work programme.

The Audit Committee will:

- Approve the internal audit charter.
- Approve the risk-based internal audit plan.
- Receive reports from the head of internal audit on internal audit activity's performance relative to its plan and other matters.

## Standards of Internal Audit Practice

Internal Audit will perform its work in accordance with the International Professional Practices Framework of the Chartered Institute of Internal Auditors, and further guided by interpretation provided by the Public Sector Internal Audit Standards (the **Standards**), the CIPFA Local Government Application note and the CIPFA publication on the "Role of the Head of Internal Audit". This Charter is a fundamental requirement of the Framework.

## External Work

Assurance Lincolnshire provides internal audit services to a number of public sector external clients. Approval is sought from the Section 151 officer and the Audit Committee before entering into any significant engagement. The level and extent of external work is also reported in the approval of the audit plan and annual report.

The nature and extent of work for external clients is kept under review to ensure:

- a) it does not impinge on the audit work carried out for the Council, and;
- b) there is no conflict of interest or impairment of independence arising from this work.

## Approval and Validity of this Charter

This charter shall be reviewed and approved annually by Senior Management and by the Audit Committee as the Board of the organisation and Council .



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**AUDIT COMMITTEE**

**14 JUNE 2022**

**SUBJECT: INTERNAL AUDIT EXTERNAL QUALITY ASSESSMENT (EQA)**

**DIRECTORATE: CHIEF EXECUTIVE & TOWN CLERK**

**REPORT AUTHOR: JACLYN GIBSON, CHIEF FINANCE OFFICER**

**1. Purpose of Report**

- 1.1 In accordance with Public Sector Internal Audit Standards (PSIAS) the Council's Internal Audit function is required to have an external quality assessment undertaken at least once every 5 years as part of its Quality Assurance Framework. This report provides the Audit Committee with information on the result of the external quality assessment undertaken in February 2022.

**2. Background**

- 2.1 The Council's Internal Audit function is delivered by an in-house team and is part of the Assurance Lincolnshire Partnership. Assurance Lincolnshire is a collaborative partnership consisting of Lincolnshire County Council, City of Lincoln and Nottinghamshire County Council.
- 2.2 Internal Audit within the Public Sector in the UK is governed by the Public Sector Internal Audit Standards (PSIAS), which have been in place since April 2013 (revised 2016 and 2017). These Standards consist of the following elements:
- Mission statement
  - Definition of Internal Auditing
  - Code of Ethics, and
  - Attribute and performance Standards for the Professional Practice of internal Auditing
- 2.3 They aim to promote further improvement in the professionalism, quality and effectiveness of internal audit across both the public and private sectors. They reaffirm the importance of robust, independent and objective internal audit assurance.
- 2.4 In local government the PSIAS are mandatory, as required by the Accounts and Audit Regulations 2015. The Internal Audit function must also comply with the CIPFA Advisory Note associated with the Standards.
- 2.5 The Standards require an external assessment at least once every 5 years as part of an Internal Audit's Quality Assurance Framework. They must be conducted by a qualified, independent assessor or assessment team from outside the organisation. The Council's last EQA was undertaken in 2016.

### **3. External Quality Assessment 2022**

- 3.1 Working in partnership with Assurance Lincolnshire, a procurement exercise, was undertaken and CIPFA were selected to undertake this second EQA. As Nottinghamshire County Council had only recently joined the Partnership and their internal audit service was not due for an EQA they did not form part of this assessment.
- 3.2 CIPFA were ideally placed to carry out the quality review. They are one of the professional bodies who set internal audit standards for public bodies and provide professional guidance on the Standards as well as other aspects of internal audit. CIPFA is therefore very familiar with internal audit standards in policy and in practice. They have undertaken a number of External Quality Assessments.
- 3.3 The assessment was undertaken in February 2022 and included:
- A self-assessment, completed by the Council, against the Standards supported by a comprehensive range of documents – this was then subject to a validation process by the assessor
  - An end-to-end review of a sample of completed internal audits
  - A series of (virtual) interviews with key stakeholders from the customer bases, made up of the corporate leadership teams, chairs of Audit Committees and Audit Staff.
  - Questionnaires sent to and completed by a range of other key stakeholders from the customer bases.

The questionnaire and interviews were focussed on determining the strengths and weaknesses of the Internal Audit function and assessed them against the four broad themes of:

- Purpose and Positioning
- Structure and Resources
- Audit Execution
- Impact

- 3.4 The Assessor concluded that:

“It is our opinion that the Assurance Lincolnshire Partnership’s self-assessment is accurate and as such we conclude that they FULLY CONFORM to the requirements of the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note.”

- 3.5 The Internal Audit function are very pleased with the outcome of the External Quality Assessment. They pride themselves on being an experienced, competent and innovative internal audit provider, who strives to maintain and develop its service by embedding quality in all elements of internal audit activity. This assessment helps provide confidence to the Council over the quality of the service and the excellent people who deliver its internal audit work and plan.
- 3.6 A copy of the External Quality Assessment report for Assurance Lincolnshire is attached in Appendix A.

#### **4. Issues for consideration**

4.1 Having assessed Assurance Lincolnshire as conforming to the PSIAS, the assessor did identify one action (low priority) and five enhancements (advisory) to the Partnership. Actions have been agreed and will be included in the Council's Quality Assurance Improvement Plan (QAIP) where relevant.

4.2 The one action agreed was:

- 1) To present the Audit Charter to the respective Audit Committee's annually.

This was specific to Lincolnshire County Council as the City Council had previously presented its Audit Charter to the Audit Committee in February 2021 it is included in the work programme on an annual basis.

4.3 The four enhancements were:

- 2) Consider increasing management capacity for the County Council element of the Partnership.

This was specific to Lincolnshire County Council.

- 3) Consider increasing the use of data analytics during audits.

Refresher training in IT Audit and the use of data analytics will be undertaken and incorporated as part of assurance work.

- 4) Consider increasing the in-house IT audit capacity.

Working as part of Assurance Lincolnshire to enhance the IT skills of the existing team members, forming part of the overall training and development plan of the Partnership.

- 5) Consider potential strategies to address recruitment issues.

Although the Council is subject to recruitment issues, due to the nature of a small audit team many of the strategies in place are not possible. The Council will continue to work alongside Assurance Lincolnshire to support the development of Audit Officers across the Partnership with the aim of providing opportunities across the partner authorities.

4.4 The implementation of these enhancements, where relevant, will be tracked through the QAIP.

#### **5. Strategic Priorities**

5.1 An effective internal audit service is one way in which the Council ensures that it discharges its functions in accordance with its expressed priorities, as set out in Vision 2025, and that it does so in accordance with statutory requirements.

#### **6. Organisational Impacts**

- 6.1 Finance – There are no specific financial implications arising as a result of this report. By combining with Assurance Lincolnshire for the EQA the cost of the assessment was lower than acting individually, ensuring better value for money.
- 6.2 Legal Implications including Procurement Rules - The Council is required under the Accounts and Audit Regulations 2011 to undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control. These proper practices include conformance with audit standards which includes the EQA review requirement.

### 6.3 Equality, Diversity and Human Rights

The Public Sector Equality Duty means that the Council must consider all individuals when carrying out their day-to-day work, in shaping policy, delivering services and in relation to their own employees.

It requires that public bodies have due regard to the need to:

- Eliminate discrimination
- Advance equality of opportunity
- Foster good relations between different people when carrying out their activities.

Due to the nature of the report, no specific Equality Impact Analysis is required.

## 7. Recommendation

### 7.1 That Members:

1. Note the External Quality Assessment for the Assurance Lincolnshire Partnership, as attached, and what it tells Members about the compliance with audit standards and the quality of the Internal Audit function, and;
2. Are assured over the quality and effectiveness of the Council's Internal Audit Service.

Key Decision	No
Do the Exempt Information Categories Apply?	No
Call in and Urgency: <b>Is the decision one to which Rule 15 of the Scrutiny Procedure Rules apply?</b>	No
How many appendices does the report contain?	One

List of Background Papers:

None

Lead Officer:

Jaclyn Gibson, Chief Finance Officer  
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# **External Quality Assessment of Conformance to the Public Sector Internal Audit Standards**

## **Assurance Lincolnshire Partnership**

### **Final Report**

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

**Internal QA: Policy and Technical, CIPFA.**

**4<sup>th</sup> May 2022**

## **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 1<sup>st</sup> 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, 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. This is the Assurance Lincolnshire Partnership's second external quality assessment (EQA) of conformance to the PSIAS that the Internal Audit Service has undergone.

## **2. Background**

- 2.1 The Assurance Lincolnshire Partnership is an internal audit partnership made up of the internal audit services from Lincolnshire County Council, the City of Lincolnshire Council, and Nottinghamshire County Council. As Nottinghamshire County Council have only recently joined the Partnership and their internal audit service was not due for an EQA they did not form part of this review.
- 2.2 The Assurance Lincolnshire Partnership provides internal audit services to a portfolio of clients including Lincolnshire County Council (LCC), the City of Lincoln (COL), three district councils (North Kesteven District Council, West Lindsey District Council, and Newark and Sherwood District Council), the East and South Lincolnshire Partnership (East Lindsey District Council, Boston Borough Council and South Holland District Council), education establishments, and Town Council. Assurance Lincolnshire is predominantly a large experienced and well qualified in-house Partnership managed by the Head of Internal Audit and Risk Management for LCC and the Audit Manager for COL. The in-house staff are supported as and when required by internal audit resources bought in from one or more of the Partnership's co-sourcing partners.
- 2.3 From an operational perspective, Assurance Lincolnshire reports directly to the Corporate Leadership teams and the Audit Committees at their respective clients. These two bodies fulfil the roles of 'senior management' and 'the board', as defined by the Public Sector Internal Audit Standards. The Head of Internal Audit and Risk Management for LCC and the Audit Manager for COL report regularly on the audit plan and its delivery to the respective corporate leadership teams and audit committees, together with their respective annual reports and opinions.
- 2.4 Assurance Lincolnshire has a comprehensive set of audit practice notes in place, and they use standard template documents for their engagement working papers and testing schedules, engagement terms of reference, action plans and audit reports, all of which are held in the Service's audit management application, Pentana. This application is also used for managing the audit engagements with all staff recording time spent on the assignments in the application. Supervision of the engagements is undertaken at every stage of the audit process and is recorded in the Pentana application.
- 2.4 Assurance Lincolnshire has a comprehensive quality assurance process in place that includes supervision and monitoring of live audit and consulting assignments, completed audit file reviews, customer satisfaction surveys, and annual self-assessments of their conformance to the PSIAS and LGAN. All of these, together with the workforce development strategy, feed into their Quality Assurance and Improvement Programme (QAIP).



### 3. Validation Process

- 3.1 The self-assessment validation comprises a combination of a review of the evidence provided by the Assurance Lincolnshire Partnership; a review of a sample of completed internal audits covering the Partnership's main clients; questionnaires that were sent to and completed by a range of stakeholders from the Partnership's clients; and a series of (virtual) interviews using MS Teams with key stakeholders, again covering all the Partnership's main clients. The questionnaire and interviews focussed on determining the strengths and weaknesses of Assurance Lincolnshire and assessed them against the four broad themes of Purpose and Positioning; Structure and Resources; Audit Execution; and Impact.
- 3.2 Assurance Lincolnshire 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 for the main clients;
  - the audit plans and strategies for the main clients;
  - audit practice notes (audit manual);
  - a range of documents and records relating to the team members; and
  - progress and other reports to the respective Audit Committees.

All the above documents were examined during the EQA.

- 3.3 The validation process was carried out during February 2022 and involved interviews with the key personnel from Assurance Lincolnshire plus a sample of key stakeholders from their customer base, made up of members of the senior management teams and chairs of Audit Committees. Overall, the feedback from the interviewees was positive with clients valuing the professional and objective way Internal Audit delivered services.
- 3.4 A questionnaire was sent to a range of other key stakeholders and the results analysed during the review. A summary of the survey results has been provided to assurance Lincolnshire.
- 3.5 The assessor also carried out an end-to-end review of a sample of completed audits, covering all of Assurance Lincolnshire's clients to confirm his understanding of the audit process used by Internal Audit and embedded in their Pentana audit management system.

### 4. Opinion

**It is our opinion that the Assurance Lincolnshire Partnership's self-assessment is accurate and as such we conclude that they FULLY CONFORM to the requirements of the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note.**

The table below shows the Partnership's level of conformance to the individual standards assessed during this external quality assessment:

<b>Standard / Area Assessed</b>	<b>Level of Conformance</b>
Mission Statement	<b>Fully Conforms</b>
Core principles	<b>Fully Conforms</b>
Code of ethics	<b>Fully Conforms</b>
Attribute standard 1000	<b>Fully Conforms</b>
Attribute standard 1100	<b>Fully Conforms</b>
Attribute standard 1200	<b>Fully Conforms</b>
Attribute standard 1300	<b>Fully Conforms</b>
Performance standard 2000	<b>Fully Conforms</b>
Performance standard 2100	<b>Fully Conforms</b>
Performance standard 2200	<b>Fully Conforms</b>
Performance standard 2300	<b>Fully Conforms</b>
Performance standard 2400	<b>Fully Conforms</b>
Performance standard 2500	<b>Fully Conforms</b>
Performance standard 2600	<b>Fully Conforms</b>

## **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 clear indication from this EQA is that the Core Principles are embedded in the Pentana audit management application and the Partnership's working methodologies and demonstrates that Assurance Lincolnshire is a competent and professional service that conforms to all ten elements of the Core Principles.

### **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 Assurance Lincolnshire conforms to the Code of Ethics, and this is embedded in their Pentana audit management application and their audit methodologies. Conformance to the code of ethics is part of their overarching culture and underpins the way the Partnership 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.*

The Assurance Lincolnshire Partnership has a standard format for the audit charter used at its clients. We reviewed this document and the processes used to present it to the various Audit Committees for approval and found the audit charter to be a comprehensive and well written document that contained all the elements required by the standards. We note that due to the COVID-19 pandemic, the audit charter does not appear to have been presented to all client audit committees since 2019. Whilst this is understandable given the unique circumstances encountered because of the pandemic, the Partnership is returning to a business-as-usual model and as such should return to presenting the charter to the audit committees on an annual basis. We are satisfied that the Assurance Lincolnshire Partnership conforms to attribute standard 1000 and the LGAN although there is one minor action in section nine relating to this standard. **(Paragraph 9.2)**

#### 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 Assurance Lincolnshire's culture. The Head of Internal Audit and Risk Management for LCC and the Audit Manager for COL report in their own name and directly to senior management and the Audit Committees at their respective clients. All Assurance Lincolnshire employees sign a declaration of interest each year and declare any potential impairment to their independence or objectivity. The Head of Internal Audit and Risk Management for LCC has direct responsibility for the strategic and operational management for some functions that are subjected to periodic internal audits. This potential impairment to independence is disclosed in the Audit Charter and there are mechanisms in place to preserve the independence and objectivity of the Partnership.

We have reviewed the Assurance Lincolnshire audit practice notes (audit manual), their standard documentation, quality assurance and improvement plans, their audit charters and annual reports and opinions, and a sample of completed audit files, together with their reporting lines and their positioning in the organisations they work with. We are satisfied that Assurance Lincolnshire conforms with attribute standard 1100 and the LGAN.

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

*Attribute standard 1200 requires Internal Audit Service's 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.*

It is evident from this EQA that Assurance Lincolnshire has a professional and experienced workforce, the majority of which hold relevant professional qualifications. All the senior managers in the Partnership hold relevant professional qualifications.

The Assurance Lincolnshire Partnership operates on a commercial basis by providing internal audit services to several external clients as well as to the County Council and the City of Lincoln. The Partnership is a well-respected, professional, and commercially focused operation, and although it is a successful business, it needs to look to the future and develop its operations to remain a sustainable operation and maintain its standing with its clients. There are a few operational enhancements that management are already aware of and discussed with the assessor during the EQA.

The first of these is around the structure of the Partnership and in particular the managerial layers. It was apparent from the discussions that we had with the team members, all of the current management layers from the Head of Internal Audit and Risk Management down to the Principal Auditors are stretched and struggle to fulfil some of their duties in a timely manner. During the last two years there has been difficulty in attracting and retaining staff – a national problem – but this has put pressure on the Partnership in terms of resource planning and finding it difficult to have sufficient time to develop and enhance the Partnership – the focus being on delivery and adapting to new ways of working as a result of the pandemic. We are aware that the Partnership are considering changes to the structure of the Partnership at LCC to increase managerial capacity, including moving the Head of Internal Audit and Risk Management post back to a full-time post once the current post holder retires, and supplementing the managerial team with a dedicated performance and development officer post. It is our view that these proposals make sound business and operational sense although as there is little if any spare capacity in the Partnership's budget, they will need to secure additional funding for the posts.

Assurance Lincolnshire are continually looking for opportunities to develop their services and they have identified that there are opportunities to expand and develop the digital services that they can offer their clients. There are two key elements to their vision. The first is around making greater use of technology during audits and this would take the form of making greater use of data analytics and interrogation software. The Partnership already has the latest version of the IDEA data analytics software application which is used for some of the audits where there are large volumes of data. However, to make greater use of this they will need to train more team members in its use.

The second strand of their vision is to expand the range of specialist IT audits that can be undertaken by the in-house team rather than relying on expensive specialist external IT auditors. The Partnership already has expertise in-house, but this needs to be developed further by either recruiting additional qualified IT auditors, or by training existing members of the Team to obtain relevant IT audit qualifications, such as the Certified Information Systems Auditor (CISA) qualification. It is our view that both development strands make sound business sense and will help future proof the Partnership.

From discussions with the Head of Internal Audit and Risk Management it is evident that the Assurance Lincolnshire Partnership are, like many internal audit services around the country, struggling to fill vacant posts in its structure, largely due to the dire national shortage of qualified and experienced internal auditors and finance professionals wanting to work in the public sector. Whilst there is no quick solution to resolving this issue, other than perhaps lowering the experience criteria for some posts to see if that attracts more candidates with relevant qualifications to apply, a longer-term solution would be to consider introducing career graded trainee or apprentice posts to the Partnership's structure for LCC and for the CofL. Staff would follow one of the recognised training or apprenticeship programmes, such as the

Accounting Technicians or the Institute of Internal Auditors Apprenticeship schemes, or the CIPFA graduate training programme.

It is evident from this review that Assurance Lincolnshire's employees perform their duties with due professional care. We are satisfied that the Assurance Lincolnshire Partnership complies with attribute standard 1200 and the LGAN. There are however four development opportunities for management to consider and these are set out in section nine of this report. **(Paragraphs 9.3 to 9.6).**

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

*This standard requires the Chief Audit Executive to develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity.*

The Assurance Lincolnshire Partnership has developed a robust and effective quality assurance process that ensures engagements are performed to a high standard within the available resources. It is effective and feeds into their quality assurance and improvement programme. We have examined this process during the EQA and are satisfied that Assurance Lincolnshire 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 for each client and communicate this and internal audit's resource requirements, including the impact of resource limitations, to senior management and the Audit Committees at each client 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, coordinate 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 Audit Committees 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 panels.*

Assurance Lincolnshire has a comprehensive set of audit practice notes (audit manual), supervision, and quality assurance processes in place that meet the requirements of the PSIAS. They have developed an innovative comprehensive combined assurance model that underpins the audit planning processes by taking into consideration the client's risks, objectives and risk management, and governance frameworks; other relevant and reliable sources of assurance; any key issues identified by the client's managers; Assurance Lincolnshire's own risk and audit needs assessments; and the resources that are available to undertake the audits. From this information, they produce risk-based audit plans that are designed to enhance the client's risk management and governance frameworks and control

processes; and objectively provide them with relevant assurance. These audit plans are reviewed and approved by the senior management and the Audit Committees at Assurance Lincolnshire respective clients.

Details of the completed audits and the risk and control issues found, together with the progress being made on delivering the audit plans and the performance of Assurance Lincolnshire, are regularly reported to the respective Audit Committees, with an annual report and opinion for each client being issued at the end of the year.

The clear indication from this EQA is that Assurance Lincolnshire is effectively managed and 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 Assurance Lincolnshire and is set out in their audit practice notes, the Pentana audit management system, and their working methodologies. During this EQA, we selected a sample of completed audit engagements from the Partnership's clients and examined them to see if they conformed to standard 2100 and the Service's own methodologies. We found that the sample audits complied with both.

Internal audit's credibility and value is enhanced when auditors are proactive, and their evaluations offer new insights and consider future impact on the organisation. Overall Assurance Lincolnshire's clients value the work they do in this area and often turn to them for advice and guidance when faced with emerging risks or when they are developing or changing systems.

The clear indication from this EQA is that the Assurance Lincolnshire Partnership 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, Assurance Lincolnshire have comprehensive audit practice notes, supervision and quality assurance processes in place that cover engagement planning in detail and meet the requirements of the PSIAS. During this EQA, we selected a sample of completed audit engagements, and examined them to see if they conformed to standard 2200. We found that they all conformed to the standards and the Partnership's own audit procedures and methodologies, and therefore we conclude that the Assurance Lincolnshire Partnership 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.*

Assurance Lincolnshire's audit practice notes, methodologies, supervision and quality assurance processes all fulfil the requirements of the standards and our examination of a sample of completed audit engagements confirmed that the Partnership adopts a consistent approach to the way audits are undertaken and managed, with all of the sample audits conforming to the standards and the Partnership's own

procedures. We therefore conclude that the Assurance Lincolnshire Partnership 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 panels 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 communication of engagement results are covered in detail in the Partnership's procedures and these fulfil the requirements of the PSIAS. We selected a sample of completed audit engagements and found that they all conformed to the standards and the Partnership's own procedures.

We have also reviewed the progress and annual reports to the Audit Committees and found that overall, these also conformed to the standards and Assurance Lincolnshire's own internal procedures.

We therefore conclude that the Assurance Lincolnshire Partnership conforms to performance standard 2400.

#### **5.13 Performance Standard 2500 – Monitoring Progress**

There is a comprehensive follow-up process in place which monitors the client's progress towards the implementation of agreed actions. The results of follow-up reviews are reported to the respective Audit Committees. From this EQA, it is evident that the Assurance Lincolnshire Partnership 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 either the Head of Audit and Risk Management (LCC) or the Audit Manager (CofL) has concluded that a client's management has 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 during this EQA. From this external quality assessment, it is evident that the Assurance Lincolnshire Partnership 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.

### **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.

## **8. Survey results**

- 8.1 Overall, the results of the survey of key stakeholders from Assurance Lincolnshire's clients were positive with respondents valuing the services provided by the Partnership. A total of 19 surveys were received by the assessor. The overall number of negative responses were very low ranging from zero for most questions to a

maximum of two on any given question. We have shared the summary report from the survey with the Head of Internal Audit and Risk Management and Audit Manager as they may wish to explore some of the responses in further detail to understand if there are any underlying issues that the Partnership may need to address.

## **9. Issues for management consideration**

- 9.1 We have assessed the Assurance Lincolnshire Partnership as conforming to the PSIAS and the LGAN. There is one action and four enhancements to the Partnership that the Head of Audit and Risk Management (LCC) and the Audit Manager (CofL) should consider.
- 9.2 At the time of the EQA, the audit charter had not been presented to the LCC audit committee since 2019. Whilst this is understandable given the unique circumstances encountered because of the pandemic, the Partnership is now returning to a business-as-usual model and as such should return to presenting the audit charters to the respective audit committees on an annual basis.
- 9.3 We are aware that the Partnership's management are considering changes to the structure of the Partnership at LCC to increase its managerial capacity. The changes include moving the Head of Internal Audit and Risk Management post back to a full-time post (once the current post holder retires) and supplementing the managerial team with a dedicated performance and development officer post to support management as they develop and future proof the Partnership. It is our view that these proposals make sound business and operational sense although there are cost implications that will need to be taken into consideration.
- 9.4 The Partnership should consider making greater use of technology during audits by expanding the use of data analytics and interrogation software applications. The Partnership already has the latest version of the IDEA data analytics software application which is used for some audits where there are large volumes of data to interrogate and test. However, to achieve this objective and make greater use of the IDEA application, more team members will need to be trained in its use.
- 9.5 The Partnership already has some IT audit expertise as part of the in-house team but needs to supplement this by buying in specialist IT audit services from a range of external providers. IT audit is a specialist area of internal audit that requires suitably qualified and experienced auditors and there is a limited supply of good quality IT auditors, and these are always in demand. Consequently, organisations that provide these services can and do levy a premium on their charge out rates. To reduce the Partnership's reliance on expensive specialist external IT auditors, and to expand the range of services on offer to existing and potential clients, the Partnership should consider expanding the number of specialist IT auditors in the in-house team. This could be achieved by either recruiting additional qualified IT auditors, which may be difficult given the demand for these skills, or more likely by training existing members of the Partnership to become IT auditors and obtain a relevant IT audit qualification, such as the Certified Information Systems Auditor (CISA) qualification.
- 9.6 The Partnership is, like much of the public sector, experiencing problems recruiting suitably experienced and qualified staff to fill vacant posts. This is an issue for many internal audit services, many of which have an ageing workforce that are likely to retire during the next decade. These factors will undoubtedly have an adverse impact on the sustainability of the Partnership. Whilst there is no quick solution to resolving this issue, other than lowering the experience criteria when trying to recruit to vacant posts, a longer-term and more sustainable solution is to consider introducing career graded trainee or apprentice posts to the Partnership's structure, both at the County Council and at the City of Lincoln.

There are two options to consider with this suggestion. The first is to consider recruiting graduate trainees and putting them through a relevant training



programme to obtain a full accountancy qualification, for example the CIPFA graduate training programme.

The second option is to recruit school or FE college leavers who would then follow one of the recognised apprenticeship programmes, such as the Accounting Technician or the Institute of Internal Auditors' Apprenticeship schemes. This option is likely to attract good quality candidates that want to move into higher education but are perhaps worried about the level of debt they would incur if they opted to go to university.

There are cost implications for both options and graduate trainees tend to command a higher starting salary than apprentices. There are also resource implications to consider as any training programme will need to be developed and managed, and all trainees require additional levels of supervision, particularly in the early part of their employment.

## 10. Definitions

<b>Fully Conforms</b>	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 section in all material respects.
<b>Partially Conforms</b>	The internal audit service falls short of achieving some elements of good practice but is aware of the areas for development. These will usually represent significant opportunities for improvement in delivering effective internal audit and conformance to the standards.
<b>Does Not Conform</b>	The internal audit service is not aware of, is not making efforts to comply with, or is failing to achieve many/all of the elements of the standards. These deficiencies will usually have a significant adverse impact on the internal audit service's effectiveness and its potential to add value to the organisation. These will represent significant opportunities for improvement, potentially including actions by senior management or the board.

<b>Action Priorities</b>	<b>Criteria</b>
<b>High priority</b>	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.
<b>Medium priority</b>	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 six months.
<b>Low priority</b>	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.
<b>Advisory</b>	These are issues identified during 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.

The co-operation of the Head of Internal Audit and Risk Management (LCC), the Audit Manager (CofL), and other members of the Partnership in providing the information requested for this EQA, is greatly appreciated. Our thanks also go to the chairs of Audit Committees and the key stakeholders that made themselves available for interview during the EQA process and/or completed questionnaires.

Ray Gard, CPFA, FCCA, FCIIA, DMS

4<sup>th</sup> May 2022

This report has been prepared by CIPFA at the request of the Assurance Lincolnshire Partnership, 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. 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 Assurance Lincolnshire Partnership, including the senior management and boards of the Partnership'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.

## Management action plan

1. Present the audit charter to the respective audit committees annually (Low priority)	
Rationale	Agreed Action
The audit charter does not appear to have been presented to the LCC audit committee since 2019. Whilst this is understandable given the unique circumstances encountered because of the pandemic, the Partnership is now returning to a business-as-usual model and as such should return to presenting the audit charters to the respective audit committees on an annual basis.	Completed for LCC in March 2022. We will ensure that the Charter is presented to all client Audit Committees as a background paper in 2022/23 as part of the Internal Audit Plan approval.
Action Responsibility	Audit Managers
Deadline	31 <sup>st</sup> March 2023

<b>2. Consider increasing management capacity at the County Council element of the Partnership (Advisory)</b>	
<b>Rationale</b>	<b>Agreed Action</b>
<p>We are aware that the Partnership's management are considering changes to the structure of the Partnership at LCC to increase its managerial capacity. The changes include moving the Head of Internal Audit and Risk Management post back to a full-time post (once the current post holder retires) and increasing the Management Team to support Quality Assurance and Workforce Development. Supplementing the managerial team with a dedicated performance and development officer post to support management as they develop and future proof the Partnership. It is our view that these proposals make sound business and operational sense although there are cost implications that will need to be taken into consideration.</p>	<p>Working within approved budget to implement changes to the structure by:</p> <ul style="list-style-type: none"> <li>• submitting budget development / pressure bid to support transition as we grow our own talent, succession plan and build resilience.</li> <li>• increasing management capacity whose focus will be on Quality Assurance and Workforce Development across the Partnership.</li> <li>• Working with LCC Finance Team to develop graduate scheme – building on existing apprenticeship programme.</li> <li>• Establish IT Auditor posts within structure.</li> <li>• Establish Performance &amp; Development post within structure.</li> </ul>
<b>Action Responsibility</b>	<b>Head of Audit and Risk Management</b>
<b>Deadline</b>	<b>30<sup>th</sup> September 2022</b>

<b>3. Consider increasing the use of data analytics during audits (Advisory)</b>	
<b>Rationale</b>	<b>Agreed Action</b>
The Partnership should consider making greater use of technology during audits by expanding the use of data analytics and interrogation software applications. The Partnership already has the latest version of the IDEA data analytics software application which is used for some of audits where there are large volumes of data to interrogate and test. However, to achieve this objective and make greater use of the IDEA application, more team members will need to be trained in its use. There may be cost implications for this action particularly if external trainers are used.	<p>Approve Digital Strategy for service – aligning to corporate digital strategy and Service Business Plan Objectives for 2022/23 and beyond. This includes better use of data and data analytics as part of our assurance work.</p> <p>Refresher training in IT Audit and use of data analytics.</p>
<b>Action Responsibility</b>	<b>Audit Managers</b>
<b>Deadline</b>	<b>31st March 2023</b>

<b>4. Consider increasing the in-house IT audit capacity (Advisory)</b>	
<b>Rationale</b>	<b>Agreed Action</b>
The Partnership already has some IT audit expertise as part of the in-house team but needs to supplement this by buying in specialist IT audit services from a range of external providers. IT audit is a specialist area of internal audit that requires suitably qualified and experienced auditors and there is a limited supply of good quality IT auditors, and these are always in demand. Consequently, organisations that provide these services can and do levy a premium on their charge out rates. To reduce the Partnership's reliance on expensive specialist external IT auditors, and to expand the range of services on offered to existing and potential clients, the Partnership should consider expanding the number of specialist IT auditors in the in-house team. This could be achieved by either recruiting additional qualified IT auditors, which may be difficult given the demand for these skills, or more likely by training existing members of the Partnership to become IT auditors and obtain a relevant IT audit qualification, such as the Certified Information Systems Auditor (CISA) qualification.	<p>IT Audit post to be established.</p> <p>Continuing professional development discussed and agreed with each team member as part of the appraisal process.</p> <p>Enhancing IT capabilities within existing team will be considered as part of these discussions – forming part of the training and development plan for the Partnership.</p>
<b>Action Responsibility</b>	<p><b>IT Post = Head of Internal Audit &amp; Risk Management.</b></p> <p><b>Continuing professional development = Audit Managers</b></p>
<b>Deadline</b>	<b>30<sup>th</sup> September 2023</b>

<b>5. Consider potential strategies to address recruitment issues (Advisory)</b>	
<b>Rationale</b>	<b>Agreed Action</b>
<p>The Partnership is, like much of the public sector, experiencing problems recruiting suitably experienced and qualified staff to fill vacant posts. This is an issue for many internal audit services, many of which have an aging workforce that are likely to retire during the next decade. These factors will undoubtedly have an adverse impact on the sustainability of the Partnership. Whilst there is no quick solution to resolving this issue, other than lowering the experience criteria when trying to recruit to vacant posts, a longer-term and more sustainable solution is to consider introducing career graded trainee or apprentice posts to the Partnership's structure, both at the County Council and at the City of Lincoln.</p> <p>There are two options to consider with this suggestion. The first is to consider recruiting graduate trainees and putting them through a relevant training programme to obtain a full accountancy qualification, for example the CIPFA graduate training programme.</p> <p>The second option is to recruit school or FE college leavers who would then follow one of the recognised apprenticeship programmes, such as the Accounting Technician's or the Institute of Internal Auditors' Apprenticeship schemes. This option is likely to attract good quality candidates that want to move into higher education but are perhaps worried about the level of debt they would incur if they opted to go to university.</p> <p>There are cost implications for both options and graduate trainees tend to command a higher starting salary than apprentices. There are also resource implications to consider as any training programme will need to be developed and managed, and all trainees require additional levels of supervision, particularly in the early days of their employment.</p>	<p>Workforce strategy already in place which include career grade – paused during pandemic but now being reset with some success already.</p> <ul style="list-style-type: none"> <li>• Recruited 3 Audit Officers who will be undertaking IIA apprenticeships with career path to Senior Auditor.</li> <li>• CIPFA/IIA graduate scheme agreed with Director of Resources. To be implemented during 2022.</li> <li>• Renew Professional Practice Year with Universities</li> <li>• Set up new entrant apprenticeship for school and care leavers – moving to IIA Level 4 Apprenticeship (Audit Officer / Senior Auditor).</li> </ul>
<b>Action Responsibility</b>	<b>Head of Internal Audit &amp; Risk Management &amp; Audit Manager.</b>
<b>Deadline</b>	<b>30<sup>th</sup> September 2022</b>



**SUBJECT:           AUDIT COMMITTEE WORK PROGRAMME**

**REPORT BY:       CHIEF EXECUTIVE'S AND TOWN CLERK**

**LEAD OFFICER:   AMANDA STANISLAWSKI, AUDIT MANAGER**

## **1.     Purpose of Report**

1.1    To provide details of the Audit Committee work programme for 2022/23

## **2.     Executive Summary.**

2.1    The Audit Committee approves a work programme each year and monitors progress.

## **3.     Main report**

3.1    The proposed work programme is attached at Appendix A. The frequency of meetings has been reviewed and is considered appropriate for 2022/23.

## **4.     Organisational Impacts**

4.1    Finance  
There are no direct financial implications arising as a result of this report.

4.2    Legal Implications including Procurement Rules  
There are no direct legal implications arising as a result of this report.

4.3    Equality, Diversity & Human Rights  
There are no direct E and D implications arising as a result of this report.

## **5.     Recommendation**

5.1    The Audit Committee should comment on and agree the work programme for 2022/23.

**Key Decision** No

**Do the Exempt Information Categories Apply?** No

**Call in and Urgency:** Is the decision one to which Rule 15 of the Scrutiny Procedure Rules apply? No

**How many appendices** Two

**does the report contain?**

**List of Background  
Papers:**

None

**Lead Officer:**

Amanda Stanislawski, Audit Manager  
Telephone (01522) 873321

**9.1 Audit Committee**

The Council will appoint an Audit Committee.

**9.2 Composition**

Audit Committee

(a) The Audit Committee will comprise • seven Councillors • one independent member

(b) The seven councillors of the Audit Committee should include the Chair of Performance Scrutiny Committee.

(c) A member of the Executive may not be a member of this Committee

**9.3 Statement of purpose**

(a) The Audit Committee will have the following roles and functions:

(b) The audit committee is a key component of the City of Lincoln's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.

(c) The purpose of the Audit Committee is to provide independent assurance to the Council members of the adequacy of the risk management framework and the internal control environment. It provides independent review of the City of Lincoln's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

(d) To decide upon and authorise allowances to the Committee's Independent Member.

**Governance, risk and control**

(a) To consider the council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.

(b) To engage with relevant committees to help support ethical values and reviewing arrangements to achieve those values as appropriate

(c) To appoint Lead Member to monitor and oversee Information Governance practices within the Council along with the Information Governance Board.

(d) To monitor the effectiveness of the Authority's risk management Arrangements (development and operation),

(e) To monitor the Council's anti-fraud and anti-corruption arrangements (including an assessment of fraud risks);

(f) To monitor the counter-fraud strategy, actions and resources.

(g) To monitor progress in addressing risk-related issues reported to the committee.

(h) To maintain an overview of the Council's constitution in respect of contract procedure rules and financial procedure rules;

(i) To review any issue referred to it by the Chief Executive, a Strategic Director, Monitoring Officer, Chief Financial Officer or any Council body as the Chair considers appropriate within the general Terms of Reference of the Committee

(j) To review the Authority's assurance statements, including the Annual Governance Statement prior to approval, ensuring it properly reflects the risk environment and

supporting assurances (including internal audit's annual opinion on governance, risk and control)

(k) To consider the council's framework of assurance and ensure that it adequately addresses the risks and priorities of the council.

(l) To review the Council's arrangements for corporate governance, including the local Code of Corporate Governance and agreeing necessary actions to ensure compliance with best practice (the good governance framework, including the ethical framework)

(m) To review the governance and assurance arrangements for significant partnerships or collaborations.

(n) To consider the Council's compliance with its own and other published standards and controls;

(o) To report and make recommendations to Executive or Council on major issues and contraventions;

(p) To have rights of access to other Committees of the Council and to strategic functions as it deems necessary.

(q) To receive on an annual basis a report on the Treasury Management Strategy before approval by the Executive and Full Council.

(r) To be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

### **Internal audit**

(a) Receive and consider the annual report and opinion of the Internal Audit Manager including conformance with Internal Audit Standards

(b) Review a summary of internal audit activity including internal audit reports on the effectiveness of internal controls, seeking assurance that action has been taken where necessary on the implementation of agreed actions;

(c) To consider summaries of specific internal audit reports as requested by the Audit committee.

(d) To Approve (but not direct) internal audit's risk-based annual audit plan including resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those sources.

(e) Audit Committee Chair to approve significant interim changes to the risk based internal audit plan and resource requirements followed by report to Audit Committee.

(f) To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.

(g) To consider any impairments to independence or objectivity arising from additional roles or responsibilities outside of internal auditing of the head of internal audit. To approve and periodically review safeguards to limit such impairments

(h) To monitor audit performance, including QAIP results and any nonconformance with PSIAS and LGAN.

(i) To consider whether the non-conformance is significant enough that it must be included in the AGS

(j) Consider the annual review of effectiveness of internal audit to support the AGS, where required to do so by the Accounts and Audit Regulations

(k) To contribute to the Quality Assurance and Improvement Programme and in particular, to the external quality assessment of internal audit that takes place at least once every five years

(l) To receive reports outlining the action taken where the Audit manager has concluded that management has accepted a level of risk that may be

unacceptable to the authority or there are concerns about progress with the implementation of agreed actions

(m) To provide free and unfettered access to the audit committee chair for the head of internal audit, including the opportunity for a private meeting with the committee.

(n) To have the right to call any officers or Members of the Council as required to offer explanation in the management of internal controls and risks.

(o) To approve the internal audit charter.

### **External audit**

(a) To consider the reports of external audit and inspection agencies, including the external auditor's annual letter, relevant reports, and the report to those charged with governance

(b) To consider specific reports as agreed with the external auditor.

(c) To advise and recommend on the effectiveness of relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted;

(d) To comment on the scope and depth of external audit work and to ensure it gives value for money.

(e) To support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by PSAA or the authority's auditor panel as appropriate.

(f) To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.

(l) To commission work from internal and external audit, as required, and as resources allow;

### **Financial reporting**

(a) The Audit Committee, as the Committee "Charged with Governance" should consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts

(b) To review the annual statement of accounts. The Committee should consider whether appropriate accounting policies have been followed and whether there are any concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.

c) The Committee will monitor management action in response to any issues raised by external audit 151

### **Accountability arrangements**

(a) To report to full council on an annual basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.

## **9.4 Proceedings of the Audit Committee**

(1) The Audit Committee must conduct its proceedings in accordance with Rules 6-8, 12.3 to 12.7, 14 -17 and 18-28 (but not Rule 23.1 or 26 of the Council Procedure Rules set out in Part 4 of this Constitution.

## **9.5 Quorum**

### **Audit Committee**

The quorum for any meeting of the Audit Committee shall be three Councillors.

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**AUDIT COMMITTEE  
AUDIT WORK PROGRAMME FOR 2022/23**

<b>Meeting dates</b>	<b>Audit Items – Revised Agenda</b>	<b>Training (Suggested)</b>
<b>6<sup>th</sup> June 22</b>		<b>Audit Committee Effectiveness</b>
<b>14<sup>th</sup> June 22</b>	<ul style="list-style-type: none"> <li>• Annual Internal Audit Report</li> <li>• Annual Fraud &amp; Error Report</li> <li>• Internal Audit Charter</li> <li>• External Quality Assessment Report</li> <li>• External Audit – Audit Planning Update 2021/22 and Progress Report</li> <li>• External Audit – Audit Completion Report 2020/21 – Follow Up Letter</li> <li>• External Audit – Annual Auditor’s Report 2020/21</li> <li>• Audit Committee Work Programme</li> </ul>	
<b>19<sup>th</sup> July 22</b>	<ul style="list-style-type: none"> <li>• Internal Audit Progress Report</li> <li>• Internal Audit recommendations Follow Up</li> <li>• Annual Governance Statement (Draft)</li> <li>• Statement of Accounts (Draft)</li> <li>• Risk Management Annual Update</li> <li>• External Audit Progress Report</li> <li>• Audit Committee Work Programme</li> <li>• Partnership Governance</li> </ul>	<b>Local Government Financial Statements (date to be arranged prior to Committee)</b>
<b>27<sup>th</sup> Sept 22</b>	<ul style="list-style-type: none"> <li>• Internal Audit progress report</li> <li>• Counter Fraud Policies – Whistle Blowing</li> <li>• Annual Complaints report</li> <li>• Annual Governance Statement Monitoring</li> <li>• Information Governance Update</li> </ul>	

## APPENDIX B

	<ul style="list-style-type: none"> <li>• <b>Assessment of going concern status</b></li> <li>• <b>Audit Committee Terms of Reference</b></li> <li>• <b>External Audit Progress Report</b></li> <li>• <b>Audit Committee Work Programme</b></li> </ul>	
<b>15<sup>th</sup> Nov 22 (Provisional)</b>	<ul style="list-style-type: none"> <li>• <b>Statement of Accounts (including Annual Governance Statement) (Final)</b></li> <li>• <b>External Audit – Audit Completion report (21/22)</b></li> <li>• <b>External audit – Annual Audit letter (21/22)</b></li> </ul>	
<b>13<sup>th</sup> Dec 22</b>	<ul style="list-style-type: none"> <li>• <b>Internal Audit progress report</b></li> <li>• <b>Audit Recommendations Follow Up Report</b></li> <li>• <b>Six Month Fraud &amp; Error Report</b></li> <li>• <b>Annual Governance Statement Monitoring</b></li> <li>• <b>Audit Committee Work Programme</b></li> </ul>	
<b>31<sup>st</sup> Jan 23</b>	<ul style="list-style-type: none"> <li>• <b>Internal Audit Progress report</b></li> <li>• <b>Treasury management policy and Strategy</b></li> <li>• <b>Annual Fraud Risk Register Update</b></li> <li>• <b>Code of Corporate Governance Update</b></li> <li>• <b>External Audit – Audit Strategy Memorandum</b></li> <li>• <b>Audit Committee Work Programme</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Treasury Management</b></li> </ul>
<b>21<sup>st</sup> Mar 23</b>	<ul style="list-style-type: none"> <li>• <b>Internal Audit Progress report</b></li> <li>• <b>Audit Recommendations Follow Up Report</b></li> <li>• <b>Combined Assurance Report</b></li> <li>• <b>Internal Audit Strategy and Plan 22/23</b></li> <li>• <b>Counter Fraud Policies – Money Laundering</b></li> <li>• <b>Statement on Accounting Policies</b></li> <li>• <b>IAS19 – Assumptions</b></li> <li>• <b>External Audit Inquiries</b></li> <li>• <b>External Audit Progress Report</b></li> </ul>	



## APPENDIX B

	<ul style="list-style-type: none"> <li>• Annual Governance Statement Monitoring</li> <li>• Information Governance update</li> <li>• Partnership Governance</li> <li>• CIPFA Financial Management Code</li> <li>• Audit Committee Work Programme</li> </ul>	
<b>Date to be agreed</b>		<ul style="list-style-type: none"> <li>• Counter Fraud (e-learning)</li> </ul>

*A private meeting between the Audit Committee and internal and external audit managers can be arranged outside of the meeting agenda times.*

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