

Internal Audit

Draft 2021/22 Plan



City of Lincoln Council
March 2021

Contents

The Planning Process

Page 1

Introduction

Developing the plan

Updating the plan

Delivery and Focus

Page 2

Delivering the plan

Audit focus

Annual internal audit opinion

Appendices

Page 4

A – Internal audit plan

B – Areas not on the audit plan

C – Head of internal audit's opinion

D – Working protocols

E – Our quality assurance framework

The contacts at Assurance Lincolnshire are:

John Scott

Audit Manager (Head of Internal Audit)

John.scott@lincoln.gov.uk

Paul Berry

Principal Auditor

Paul.berry@lincoln.gov.uk

The Planning Process

Introduction

This report sets out the Internal Audit Plan as at 1st April 2021. The plan details the activities to be audited and the indicative scope for each audit. The draft plan gives you an opportunity to comment on the plan and the priorities that we have established.

Our audit plan delivers assurance within agreed resources of 275 days, covering the period May 21 to March 22 (11/12ths). Due to the impact of Covid the 20-21 plan was extended into April 21.

The plan may be amended throughout the year to reflect changing assurance needs.

In Appendices A to E we provide for you information details of:

- Auditable Activities
- How the draft plan achieves the requirements of the Audit and Accounts Committee and Head of Internal Audit
- Our Working Protocols and Performance
- Our Quality Assurance Framework

Developing the plan

The internal audit plan has been developed using various sources including our external intelligence, local knowledge and the meetings held with Assistant Directors and the Senior Leadership Team as a whole. **Figure 1** shows the key sources of information that has helped inform the plan.

We have prioritised our audit work taking account of the impact an activity will have on the Council if it fails. The criteria for determining priority are:

- **Significance** - how important is the activity to the Council in achieving its objectives, key plans and in managing its key risks. We look at both financial loss and strategic impact.
- **Sensitivity** - how much interest would there

be if things went wrong and what would be the reputational and political impact.

- **Level of Assurance** – we assess the current level of assurance evaluating reliability and contribution to the Head of Internal Audit annual opinion on governance, risk and control.
- **Time**– when it will happen (this will determine when the best time to do the Audit is).

Figure 1 – Key sources of information



Updating the Plan

Through the year we will collect business intelligence that identifies emerging audits which could be included in the plan according to priority.

The primary source of business intelligence will be the regular liaison meetings between our team and the nominated liaison contact, other sources of intelligence will include:-

- Committee reports
- Key stakeholders
- Risk registers
- Officer groups

Delivery and Focus

Delivering the Plan

The audit plan has been developed to enable us to respond to changes during the year. Whilst every effort will be made to deliver the plan, we recognise that we need to be flexible and prepared to revise audit activity – responding to changing circumstances or emerging risks. The plan is therefore a statement of intent – our liaison meetings with senior management will enable us to firm up audit activity during the year.

The aim is to deliver the audits included in the plan in accordance with the schedule which will be devised once the plan is agreed. The schedule will be drawn up following liaison with the various auditees and Assistant Directors. Resources will then be allocated accordingly to the audits at the specified times. It is therefore important that any changes required to the audits or the schedule are notified to Internal Audit as soon as possible to avoid abortive time being spent on audits and for us to reallocate resources.

The Council's Internal Audit Plan is **275 Days**. The core team who will be delivering your Internal Audit plan are:

Head of Internal Audit / Audit Manager
John Scott

Principal
Paul Berry

Auditor
Karen Atkinson

Audit Focus for 2021/22

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

The impact of Covid on the public sector has been unprecedented. We have carried out some assurance work in this area during 2020/21 and although the Plan doesn't contain an allocation for further work in 21/22 it is flexible to take account of this and other evolving risks.

Appendix A outlines the various audits to be undertaken within each area. Appendix B contains those areas which we have not been able to include in the plan, but management may wish to consider whether they should be included.

Area	Reason for inclusion
Financial Governance	Providing assurance that key financial controls are in place and operating effectively during the year across all areas of the Council. This work provides the Section 151 Officer with a key element of his assurance that the Council has effective arrangements for the proper administration of its financial affairs.
Governance & Risk	Providing assurance that key governance controls are in place and are operating effectively. These cross cutting audits focus on the Council's second line of assurance - corporate rather than service level systems.
Critical Activities	Our discussions with Assistant Directors identified some critical activities where a potential audit would provide independent assurance over the effectiveness of risk management, control and governance processes.

Area	Reason for inclusion
Project Assurance	There are a number of critical projects identified by the Council.
ICT	Technology and associated threats and opportunities continue to evolve at a pace. The effectiveness of ICT has a significant impact on how well the Council works. We will seek to provide assurance that key controls comply with industry best practice and are operating effectively.
Follow Up	<p>In accordance with our follow up protocol we will carry out follow up work when any High priority recommendations are implemented to provide assurance that identified control improvements have been effectively implemented and the risks mitigated.</p> <p>Working with management we also track the implementation of agreed management actions for all audit reports issued.</p>
Combined Assurance	Working with management we co-ordinate the levels of assurance across the Council's critical activities, key risks, projects and partnerships – producing a Combined Assurance Status report in the early part of 2022.
Consultancy Assurance	At the request of management, we undertake specific reviews where they may have some concern or are looking for some advice on a specific matter or around governance, risk and controls for a developing system. Such reviews are not normally given an audit opinion.

Annual Internal Audit Opinion

We are satisfied that the level and mix of resources - together with the areas covered in the plan - will enable the Head of Internal Audit to provide their annual internal audit opinion.

Appendix A – Internal Audit Plan 2021/22

Our proposed planned audits are listed below.

Audit Area	Assurance Sought	Internal Audit Risk Assessment	Assurance Map RAG Rating	Strategic Risk Register	Corporate Priority	Management Request
Financial Governance						
Medium Term Financial Strategy	To provide assurance that assumptions, reserve levels, etc, are appropriate and there is integration with other strategic documents.	R	G	✓		
Income	Review income controls in key areas to ensure all income due is being collected.	N/A	N/A			
Value for Money	To provide assurance on VFM arrangements across the Council to support External Audit's annual commentary in line with the new code of practice and the CIPFA Financial Code.	N/A	N/A			
Governance and Risk						
Brexit	Provision of advice to the Brexit Working Group.	N/A	N/A	✓		
Performance Management	To provide assurance that the revised PM Framework enables the Council's performance to be effectively monitored.	A	A			
Partnership Governance	Consultancy / advice to assist in providing assurance for management and Audit Committee	A	A	✓		
Corporate Governance	Consultancy / advice to assist in a review of the Corporate Governance Code	A	G			
Counter Fraud	Consultancy / advice work on strategy, training, NFI, money laundering, identity fraud	A	A			
Safeguarding	Protecting Vulnerable People / Safeguarding compliance review	R	A	✓		✓
Critical Activities						
Leisure Centres	To provide assurance that appropriate contingency planning is being undertaken for the possible failure of the current provider.	R	R	✓		
Planned Maintenance	To provide assurance on the closedown of the current contract and the establishment of new arrangements.	R	A	✓		
Visitor Information Centre	To provide assurance on the operation of a new service.	A	G			
Economic Recovery	Consultancy / advice on the provision of business grants	R	A	✓		

Audit Area	Assurance Sought	Internal Audit Risk Assessment	Assurance Map RAG Rating	Strategic Risk Register	Corporate Priority	Management Request
Elections & Electoral Registration	Review of 2021 expenses claim plus maintenance of the electoral register.	A	A			
Housing Repairs	To provide assurance on the operation of the new repairs process and the void repairs process	R	G			
Stores	To provide assurance on the changeover of contractor.	A	A			
Health and Safety	Risk assessment processes (brought fwd from 20-21)	A	A			
Programme / Project Assurance						
Town Deal	To provide assurance that appropriate governance, programme and project management arrangements are in place.	R	G	✓		
Western Growth Corridor	To provide assurance that appropriate partnership governance and programme management arrangements are in place for the construction of Phase 1a.	A	A	✓		
Rogue Landlord	Consultancy work relating to the PIR (brought forward)	n/a	n/a			✓
ICT						
ICT	Scope to be confirmed but likely to be assets, security, projects, IT DR	A	A			
Follow-up						
Follow-ups	Follow-up of recommendations made for the progress report and on a sample basis.	N/A	N/A			
Combined Assurance						
Combined Assurance	Updating the assurance map and completing the Combined Assurance report.	N/A	N/A			
Days		177				

Grand Total	Total
HB Subsidy Testing	45

Total Internal Audit Days

275

Non-Audit	
External Quality Assessment	
Advice and liaison	
Annual Report	
Audit Committee	
Review IA Strategy and Planning	
Days	53

Appendix B –Areas not included in the current plan

These are the areas which are not on the plan but are important.

Auditable Areas	Assurance Sought	Internal Audit Risk Assessment	Assurance Map RAG Rating	Strategic Risk Register	Corporate Priority	Management Request
Critical Activities						
New build / new homes / Housing Strategy		R	A			
Business Continuity		R	A			
Corporate Asset Management		R	A	✓		
CCTV		R	A			
Housing Finance / Business Plan		R	A			
Void Management		R	A			
Crematorium project		R	A			
Christmas Market		R	A			
Information Management		R	A			

Appendix C – Head of Internal Audit's Opinion

Our work is carried out in conformance with the UK Public Sector Internal Audit Standards. These require that the scope of Internal Audit covers the whole range of the Council activities – seeking to provide an annual internal audit opinion on the governance, risk and internal control environment of the Council which has been established to:

- Achieve strategic objectives
- Ensure effective and efficient operational systems and programmes.
- Safeguard assets and interests of all kinds (including risks that relate to work it undertakes through partnerships)
- Ensure the reliability and integrity of financial and operational information.
- Ensure economic, efficient and effective use of council resources.
- Ensure compliance with established policies, procedures, laws, regulations and contracts.

Our Internal Audit Strategy

It is important that the Internal Audit function focusses its work on what matters most to you – providing insight, assurance and added value to the Council. Whilst we have a plan in place this is flexible and may be changed during the year enabling greater flexibility and responsiveness – ensuring each piece of work is the right one, delivered at the right time. The plan is therefore more dynamic and responsive – essential for an effective Internal Audit service.

Our internal audit activity and plan has been driven by the Council's key objectives within the corporate plan, your key risks and critical service areas identified as part of the Combined Assurance Map.

We aim to align our work with other assurance functions – seeking to look at different ways of leveraging assurance to help us to maximise the best use of the Internal Audit resource and other assurance functions in the Council.

By adopting this approach, it is possible to give the Council comfort that there is a comprehensive risk and assurance framework with no potential gaps. We are then able to use our audit planning tool to target resources. This will minimise duplication of effort through sharing and coordinating activities with management and other management oversight functions.

We have identified the level of assurances in place by using the "Three lines of assurance" model – See **Figure 2**.

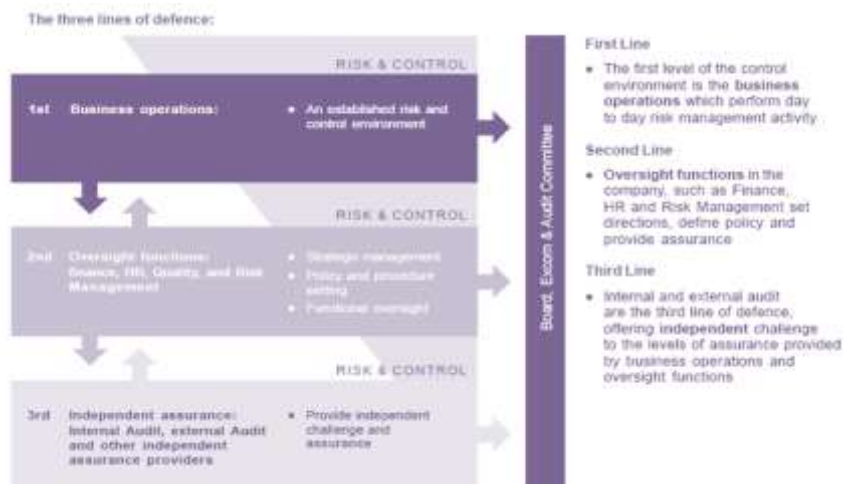


Figure 2 – The three lines of defence

Our Internal Audit Strategy also seeks to co-ordinate our work with other assurance providers where we can. In particular we liaise with External Audit to ensure the Council gets the most out of its combined audit resource – keeping audit fees low.

Appendix D – Working Protocols

Our approach to delivering of internal audit work is based on a clear protocol detailed in the Audit Charter. How this works in practice is set out at the bottom.

Our performance is monitored by the Section 151 Officer and the Audit Committee - measured against 3 key areas:

- Delivery of planned work.
- Timeliness (contemporary reporting).
- Quality and Impact of work (communicating results / added value).

Strong communication is fundamental to quality delivery and maintaining trusting relationships. We keep management informed in accordance with agreed protocols including:

- Agreeing potential audit work for the forthcoming year
- Providing quarterly updates to evaluate progress and discuss activities and priorities for the next quarter.
- For individual audit engagements we hold planning meetings in person (our preference) by phone or email to discuss and agree the terms of reference and scope of our work.
- We keep you informed of key findings during the audit and upon conclusion we hold a debrief meeting in person to discuss our findings and any outstanding issues.
- We communicate the results of our audit work in a clear and concise way – securing management action where control improvements are needed.

Weeks prior to fieldwork	-4	←	Notify key stakeholders of audit at least 4 weeks prior to fieldwork
	-0-4	←	Meet with Director or Business Manager (Audit Sponsor) to agree draft terms of reference (TOR) and obtain approval
Fieldwork			Initial meeting with auditees and audit sponsor
			Keep in regular contact with audit sponsor throughout the fieldwork
			Fieldwork completed
Weeks after fieldwork	+2	←	Draft report ready for internal review within 10 working days of fieldwork completing
	+3	←	Internal review
	+4	←	Draft issued within 5 working days of review
	+7	←	Closure meeting and Management response within 15 days of receipt of draft report
	+9	←	CMT review of draft
	+10	←	Final report issued within 5 days of management response

Appendix E – Our Quality Assurance Framework

Quality is built into the way we operate – we have designed our processes and procedures to conform to best practice applicable to Internal Audit – in particular the UK Public Sector Internal Audit Standards and the CIPFA Local Government Application Note.

Our audit team offers a wide depth of knowledge and experience gained across different organisations. We promote excellence and quality through our audit process, application of our Quality Assurance Framework and our training and development programme.

Our Quality Assurance Improvement Programme incorporates both the internal (self) and external assessments – this is a mandatory requirement and the Head of Audit reports annually on the results and areas for improvement. Our internal assessments must

cover all aspects of internal audit activity – **The diagram below** shows how we structure our internal assessments to ensure appropriate coverage.

We use a number of ways to monitor our performance, respond to feedback and seek opportunities to improve. Evidence of the quality of our audits is gained through feedback from auditees and the results of supervision and quality assurance undertaken as part of our audit process.

Our Internal Audit Charter sets out the nature, role, responsibilities and authority of the Internal Audit service within the Council – this was approved by the Audit Committee and was reviewed in 2019 (and 2020) following the planned revision of the CIPFA Local Government Application Note.

Quality Assurance and Improvement Program (QAIP) Framework

