

Internal Audit

Draft 2022/23 Plan



City of Lincoln Council
March 2022

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The Planning Process

Introduction

This report sets out the Internal Audit Plan as at 1st April 2022. 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 313 days, covering the period April 22 to March 23. This includes 300 days of internal resource and 13 days specialist IT resource.

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 **313 Days**. The core team who will be delivering your Internal Audit plan are:

Head of Internal Audit / Audit Manager
Amanda Stanislowski

Principal
Paul Berry

Auditor
Karen Atkinson

Audit Focus for 2022/23

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 previously carried out some assurance work in this area and the plan contains an allocation for post Covid work in 22/23.

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 2023.
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 2022/23

Our proposed planned audits are listed below.

Audit Area	Assurance Sought	Assurance Map RAG Rating Risk	Internal Audit Risk Assessment	Strategic Risk Register	Corporate Priority	Management Request
Financial Governance						
Property/Plant and equipment (Asset Control)	Review of the processes in place to ensure that the assets register held by accountancy is accurate. Looking at - additions and disposals, valuations and reconciliation of the register – Key control review.	G	N/A			
Insurance	Processes in place ensure that the responsibility for insurance is clearly defined and sustainable, adequate cover is in place, compliance with internal procedures and claims are dealt with promptly.	G	N/A			
General Ledger - Journals, Control Accounts and suspense accounts	Review to ensure that there are controls in place to ensure that journals made are appropriately, control accounts are reconciled, and suspense accounts cleared promptly – Key control	G	N/A			
Income - Bank Rec	Processes in place ensure that bank reconciliations are carried out promptly, accurately, reviewed and any discrepancies are rectified – Key control	G	N/A			
Governance and Risk						
Organisational Development	To provide assurance that there is an effective workforce plan in place which meets the changing needs of the council in order to serve its communities. To consider the demographic and skills of staff and to ensure that key risks have been identified.	A	12	✓		
Health & Safety	Risk assessments process	A	11			✓
Staff Wellbeing	Review of the impact of changes to working practices on staff and action being taken. Covering areas such as homeworking, health and safety and the impact on sickness, grievances, turnover.	N/A	N/A	✓		
Counter Fraud	NFI, strategy, policy, health check, partnership, training, money laundering, identity.	A	10			
Electoral Registration	Review of the maintenance of the electoral register.	A	9			

Audit Area	Assurance Sought	Assurance Map RAG Rating Risk	Internal Audit Risk Assessment	Strategic Risk Register	Corporate Priority	Management Request
Critical Activities						
Housing Strategy and New build / new homes	The Council has a plan in place that includes the delivery of new homes which is realistic and adequately resourced. There are processes in place which ensure that any conditions of funding are adhered with.	A	13		✓	
Economic Recovery - Post Covid	Work to be carried out on the Covid related grants - potential to look at third party providers, possible frauds, lessons learned.	A	13	✓	✓	
Corporate Asset Management	There is an up-to-date Strategic Asset Management plan in place which is appropriately communicated.	A	12	✓		
CCTV	Review of the processes in place to ensure that the service complies with the regulatory requirements, is appropriately resourced and has processes in place for maintaining and sharing information in response to incidents. Equipment is maintained and secure.	A	12			
Fleet	Review to ensure that the fleet is procured and managed in accordance with the policies and procedures. There are controls in place to ensure that fuel and consumables are used on council fleet vehicles and policies on private use of fleet vehicles are in place.	A	12			
Christmas Market	There are plans in place setting out the aims and objectives for the market measuring its performance. Processes are in place for the secure collection of income and procurement of goods and services to support the operation of the market.	A	12			
Climate Change	Review of the Councils climate action plan to ensure that it links to the Councils vision and aspirations, sets clear targets for achievement and is embedded within the Council.	A	12		✓	
Members	Review of the processes in place to ensure that Members receive the resources (kit & expenses) and development required including their responsibilities and communication especially via social media (Code of Conduct).	A	11			

Audit Area	Assurance Sought	Assurance Map RAG Rating Risk	Internal Audit Risk Assessment	Strategic Risk Register	Corporate Priority	Management Request
De Wint Court	To review the proposed arrangements in place for the Rent, allocations, staffing and other income in respect of De Wint Court .	A	11			
Housing Repairs	To provide assurance on the operation of the new repairs process and the void repairs process	G	13		✓	
Programme / Project Assurance						
Housing IT	System Implementation Gateway reviews	R	10			
Western Growth Corridor	To provide assurance that appropriate partnership governance and programme management arrangements are in place for the construction of Phase 1a.	A	11	✓		
ICT						
IT DR	Assurance on IT DR planning, incident response & infrastructure resilience	G	N/A	✓		✓
IT Asset Management	Review of the processes and policies in place regarding the control of IT assets (Including mobile devices) including asset management, responsibility, use and the security of the devices to protect against unauthorised use, access to information and loss of assets.	A	N/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		230				

Non-Audit	
Advice and liaison	
Annual Report	
Audit Committee	
Review IA Strategy and Planning	
Days	48

Grand Total	Total
HB Subsidy Testing	35
Total Internal Audit Days	313

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	Assurance Map RAG Rating Risk	Internal Audit Risk Assessment	Strategic Risk Register	Corporate Priority	Management Request
IT Operations Security	To ensure appropriate security / process arrangements in line with policy/strategy and good practice. Areas to be determined at the start of the audit.	A				
Housing Rents	To review the processes in place which ensure that voids are managed effectively reducing the loss of income. Rent is charged correctly to the correct people, collected promptly, accounted for accurately and arrears are managed effectively in accordance with policies.	A	10			
Contract Management	To review the processes in place for managing contracts throughout the Council.	CPR - G	N/A			
Business Continuity	Review of the lessons learned from the pandemic ensuring that these have been incorporated into the arrangements and plans going forward.	A	12			
Sincil Bank Regeneration	Project delivery	A	11	✓		
City Infrastructure	Arrangements in place to manage and implement the infrastructure plans within the City (Links in with the Lincolnshire Transport Plan and Strategic Infrastructure Development Plan)	A	11			
Tourism	Review of the arrangements in place for improving the visitor economy.	A	11	✓		
Parking	Review of the Income collection processes and the strategy.	G	11			
Emergency Planning	Review of the lessons learned from the pandemic ensuring that these have been incorporated into the arrangements and plans going forward.	G	11			

Auditable Areas	Assurance Sought	Assurance Map RAG Rating Risk	Internal Audit Risk Assessment	Strategic Risk Register	Corporate Priority	Management Request
Housing Assistance	Review of the processes in place for Disabled Facilities Grants, Decant Homes and Security Grants.	G	11			
HRS IT	Review of the implementation of the changes to the system.	R	10			
Procurement	Procurement is undertaken in accordance with legislation and Council policy. Use of Procurement cards is controlled and monitored.	G	9			
Strategic Street Scene Man	Assurance over the arrangements in place over the re-tendering of the contract.	R	9			
Elections & Electoral Registration	Annual review of expenses claims plus maintenance of the electoral register	A	9			✓

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**.

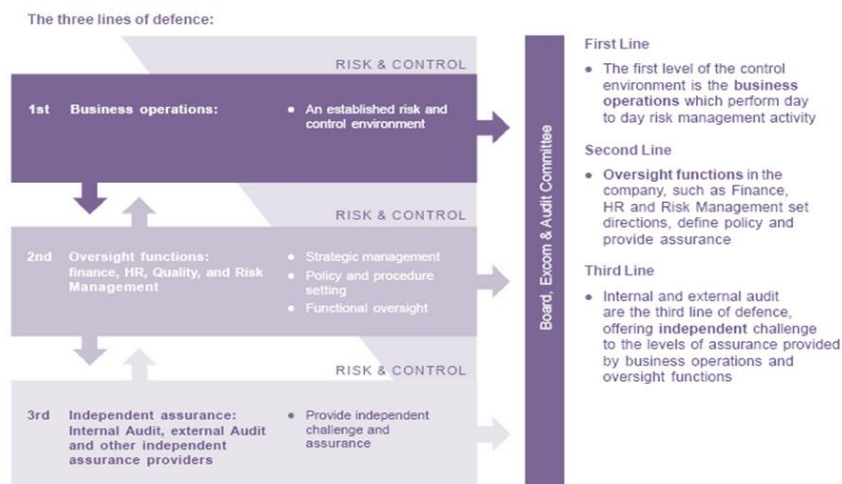


Figure 2 – The three lines of defence

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

