

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

Assurance Lincolnshire Partnership

Final Report

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Internal QA: Policy and Technical, CIPFA.

4th 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 1st April 2013 (revised 2016 and 2017). All public sector internal audit services are required to measure how well they are conforming to the standards. This can be achieved through undertaking periodic self-assessments, external quality assessments, 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:

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

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

5.1 Mission Statement and Definition of Internal Audit

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

5.2 Core Principles for the Professional Practice of Internal Auditing

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

The 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

Fully Conforms	The internal audit service complies with the standards with only minor deviations. The relevant structures, policies, and procedures of the internal audit service, as well as the processes by which they are applied, at least comply with the requirements of the section in all material respects.
Partially Conforms	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.
Does Not Conform	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.

Action Priorities	Criteria
High priority	The internal audit service needs to rectify a significant issue of non-conformance with the standards. Remedial action to resolve the issue should be taken urgently.
Medium priority	The internal audit service needs to rectify a moderate issue of conformance with the standards. Remedial action to resolve the issue should be taken, ideally within six months.
Low priority	The internal audit service should consider rectifying a minor issue of conformance with the standards. Remedial action to resolve the issue should be considered but the issue is not urgent.
Advisory	These are issues identified during the 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

4th 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 reinterpreted of its contents. Accordingly, any reliance placed on the report, its contents, conclusions, any extract, reinterpreted, 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	31st March 2023

2. Consider increasing management capacity at the County Council element of the Partnership (Advisory)

Rationale	Agreed Action
<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"> • submitting budget development / pressure bid to support transition as we grow our own talent, succession plan and build resilience. • increasing management capacity whose focus will be on Quality Assurance and Workforce Development across the Partnership. • Working with LCC Finance Team to develop graduate scheme – building on existing apprenticeship programme. • Establish IT Auditor posts within structure. • Establish Performance & Development post within structure.
Action Responsibility	Head of Audit and Risk Management
Deadline	30th September 2022

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

Rationale	Agreed Action
<p>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>	<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>
Action Responsibility	Audit Managers
Deadline	31st March 2023

4. Consider increasing the in-house IT audit capacity (Advisory)	
Rationale	Agreed Action
<p>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>	<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>
Action Responsibility	<p>IT Post = Head of Internal Audit & Risk Management.</p> <p>Continuing professional development = Audit Managers</p>
Deadline	30th September 2023

5. Consider potential strategies to address recruitment issues (Advisory)

Rationale	Agreed Action
<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"> • Recruited 3 Audit Officers who will be undertaking IIA apprenticeships with career path to Senior Auditor. • CIPFA/IIA graduate scheme agreed with Director of Resources. To be implemented during 2022. • Renew Professional Practice Year with Universities • Set up new entrant apprenticeship for school and care leavers – moving to IIA Level 4 Apprenticeship (Audit Officer / Senior Auditor).
<p>Action Responsibility</p>	<p>Head of Internal Audit & Risk Management & Audit Manager.</p>
<p>Deadline</p>	<p>30th September 2022</p>