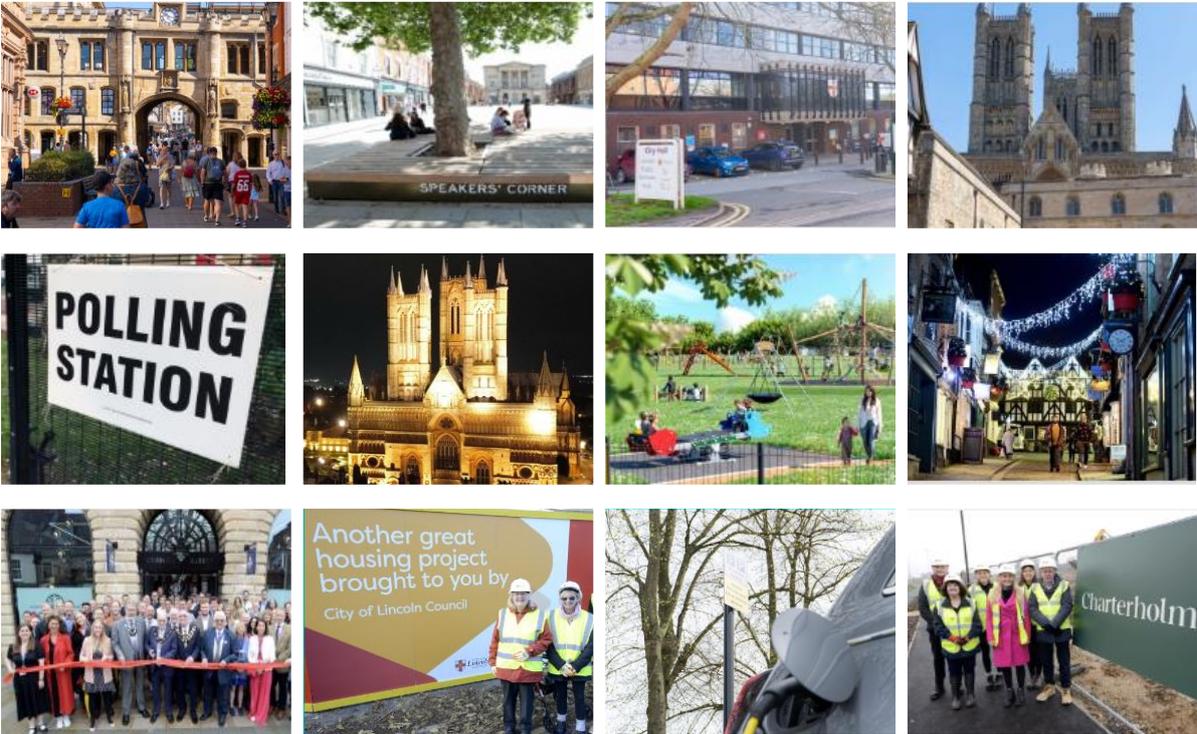




Internal Audit Strategy 2025/26



Mission Statement

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



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Consultation	The draft strategy has been prepared and stakeholders have been consulted including the S151, Management Team and the Audit Committee.
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Approved	CMT 04/03/ 2025 Audit Committee 25/03/25??
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Revision	Originator of change	Date of change	Change description



Introduction

The Public Sector Internal Audit standards 2024* (Standards) require that Internal Audit prepare a strategy which outlines how it supports the strategic objectives and success of the Council and aligns with the expectations of senior management, the Audit Committee and any other key stakeholders (Standard Principle 9).

This strategy provides the foundation for the provision of an effective Internal Audit service which supports senior management and members in meeting the Vision and Strategic Priorities for the Council:-

Together, let's deliver Lincoln's ambitious future



The Internal Audit service within the Council has undergone a significant number of changes since 2021/22 resulting in a new team for 2024/25. In addition to changes in staffing there has also been a number of other significant changes with the loss of the Audit software previously shared with the County Council and the recent dissolution of the Assurance Lincolnshire partnership which provided support to the City Council's Internal Audit Team. Whilst this has presented many challenges it has also provided the opportunity to review the service, tailoring it to the way the Council now operates and requirements of senior management, improving visibility and aligning with the changes to the Standards from April 2025.

A number of changes have already been made improving the visibility of the service, refining the engagement document (Terms of Reference) and reporting. The area of greatest improvement is the process for the implementation of audit recommendations where a new protocol was drawn up and has management and Committee support to ensure it is adhered to.

This strategy sets out how the service will continue to review and refine the processes in place to ensure that it continues to meet the expectations of the key stakeholders and support them in achieving the Council's priorities. It will be reviewed at least every three years or following any significant changes to ensure that it is kept up to date with the Council's priorities.

*The Public Sector Standards comprise of the Global Internal Audit Standards 2024 and the Chartered Institute of Public Finance (CIPFA) Public Sector Application Note.



Vision and Strategic Objectives

The vision of the Internal Audit Service is:

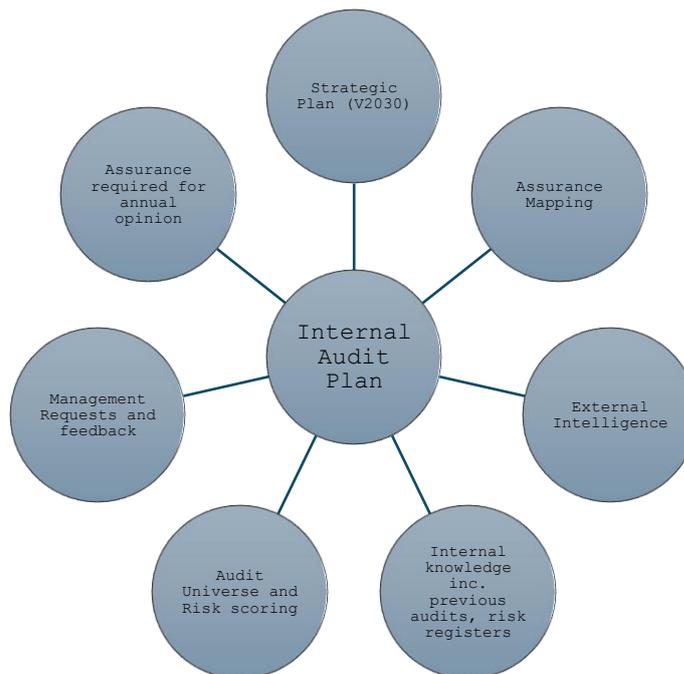
Internal Audit will provide value-added audits and advisory services with objectivity, fairness, openness, and in accordance with the highest professional and ethical standards.

The strategic objectives which underpin the vision are as follows:-

- Provide Members and Management with independent, risk-based and objective assurance, advice and foresight.
- Comply with the Standards and other regulations relating to the Internal Audit Service.
- Maintain an Internal Audit Team which demonstrates integrity, honesty and professional courage and behaves in an ethical and professional manner.
- Ensure processes, skills and knowledge are kept up to date supporting continuous improvement.

Audit Planning and Delivery

The Internal Audit Plan is developed using various sources including assurance mapping work, external intelligence, local knowledge and meetings held with the Corporate Leadership Team. A risk scoring model is also used to identify and prioritise potential areas. The key sources of information that help inform the plan are:-





The plan is driven by the Council's priorities, key risks and critical service areas as identified through the assurance mapping process. It is aligned to work with other assurance providers wherever possible to ensure the best use of Internal Audit resource by minimising duplication of effort and enhancing the value added.

Draft Internal Audit Plans are shared with the Senior managers for their input and review prior to being presented for approval by the Corporate Management Team and the Audit Committee.

Once approved the plan continues to be monitored to ensure that it covers the most relevant areas, with a full revised plan being drafted and approved after six months. Changes made to the plan at any point are agreed with relevant parties and formally communicated to Senior managers and the Audit Committee within the progress reports.

In previous years the plan has focussed on risk based audits with some key control, follow-up, project and IT audits. The reduced capacity within the team due to the recent vacancies has reduced the amount of Internal audit coverage over the past three to four years and, together with a recent event, has led to a change in the audit plan for 2025/26 onwards. Future audit plans will comprise of the following:-

- Traditional risk based audits – cover the key risks areas for the Council and are usually of 8-15 days in length.
- Health Check audits – high level self assessment question and evidence reviews of due diligence areas which were previously subject to key control audits. Where issues are identified and on a cyclical basis these are escalated to a full risk based audit. These are usually 1-2 days in length but will initially be longer as the process is developed.
- Targeted Checks 'spot checks' – these are short 2-5 days audits focussed on specific processes which could be within one activity or Council wide. These include checking specific risk mitigation actions are in place, specific assurance processes are in place or that a process within an activity is working as it should. These are designed to provide a quick insight into the risk and control environment over a wider range of areas.
- Project audits – review of the governance, control and risk elements within key projects. These can be completed as gateway reviews where reviews are carried out at intervals within a project or a one off review. The length will be dependent on the project complexity.
- IT audits - use the risk based approach but require more specialist skills. Some will be undertaken by general auditors which have the necessary skills and other more complex and technical by a specialist IT auditor.
- Follow-up Audits – these are conducted within 12 months of the issue of a Limited or Low assurance report to ensure that there have been improvements made.
- Consultancy reviews – these are undertaken by request and include providing pre-inspection advice and supporting management with service improvements.



Following the completion of the audits management are asked to confirm that the agreed actions have been implemented. To support this, quarterly spot checks are carried out of a sample of implemented actions to ensure that they have been implemented and the weakness identified has been mitigated. This is reported to the Corporate Management Team and the Audit Committee periodically.

The Internal Audit Plan document sets out the focus, resources and coverage for the year as well as the alignment with the Council's priorities and Strategic risks.

Annual Report

An annual report is produced which includes the annual opinion of the adequacy and effectiveness of the Council's framework of governance, risk and control. This is presented to the Corporate Management Team and the Audit Committee.

The opinion is based on a number of things:-

- The Internal Audit work carried out during the year
- The results of the assurance mapping work including any third party assurance
- Follow-up of management action taken to implement the agreed actions for the individual audits.
- Any other intelligence relating to the Council's framework of governance, risk and control.

Performance

Performance of the Internal Audit Team is measured using a number of performance indicators:-

- Plan completion
- Audits completed within 2 months
- Draft report issued within 10 days
- Management response received within 10 days
- Final report issued within 5 days
- Customer satisfaction overall score

All of the indicators are reported to the Corporate Management Team and the Audit Committee periodically throughout the year and within the Annual report. The plan completion indicator is also monitored as part of the strategic performance indicators and reported to the Performance Scrutiny Committee periodically. These will be discussed further with the Corporate Management Team and the Audit Committee to ensure that they reflect their expectations together with the targets for the year.



Customer satisfaction questionnaires are sent to auditees at the end of each audit (engagement). These will be amended to reflect the new feedback requirements within the standards.

Internal quality processes are in place which ensure that every audit is reviewed and checked to ensure that it complies with our methodologies and the Standards and all findings are supported by sufficient evidence. A Quality and Improvement Plan (QAIP) is in place which includes the actions required to meet this strategy alongside any other actions to improve the service. This is monitored and updated, with progress reported to the Corporate Management Team and the Audit Committee annually.

Resources

During 2024/25 the team was fully staffed from July and changes to the structure have incorporated a career graded role to improve the succession planning and recruitment potential for the team.

The Team currently comprises of an Audit Manager, Principal and Auditor all of which are full time. The Audit Manager and Principal are both experienced and qualified to Chartered level (CIPFA and IIA) with the Auditor required to achieve qualified status to progress through the career grade. All levels of staff complete the audits which are allocated based on individual skills and knowledge.

The team is supported by specialist IT auditors which conduct the audits within this area. There is currently a contract in place until September 2026 with the option to extend for a further year. There is also a contract in place with a general audit contractor until May 2026, to provide days as and when required. This was used to provide support whilst there were vacancies and other capacity shortfalls.

The service previously provided days to Assurance Lincolnshire under the partnership agreement. This ceased following the recruitment difficulties experienced by the service and has not been reinstated. Whilst this increased the days available for audit work, the removal of the audit software, dissolution of the partnership and the requirements of the Standards have increased the workload of the Audit Manager diverting them away from the completion of audits. The appointment of an inexperienced Auditor has also reduced the time available of the Principal and Auditor as they are trained. This is likely to continue in the short term but in the longer term the plan is to increase the days for audit and proactive fraud work and review opportunities for raising income.

The financial resources of the Internal Audit service are agreed through the Council's budget setting process following consultation with the Audit Manager and S151 Officer. Any issues with the financial resources are raised with the Corporate Management Team and the Audit Committee.



Training and Development

Training and development has currently been completed through the recruitment and retention process, appraisals and 1-2-1 meetings. This will now be formalised further through the development of a skills analysis for all roles and a training and development plan produced annually and monitored to comply with the standards.

Continual Professional Development (CPD) records are currently maintained and further work will be carried out to ensure that the training plans support the CPD requirements of the Standards as well as those required by the professional bodies.