

NORTH LINCOLNSHIRE COUNCIL

AUDIT COMMITTEE

INTERNAL AUDIT PLAN 2019-20

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 To consider and approve the Internal Audit Plan for 2019/20.

2. BACKGROUND INFORMATION

- 2.1 The Accounts and Audit Regulations 2015 require the Council to ensure there are sound systems of internal control and to undertake effective internal audit to evaluate the effectiveness of its risk management, control and governance processes. Internal audit must take into account Public Sector Internal Auditing Standards (PSIAS) and guidance.
- 2.2 The PSIAS requires that an Internal Audit Plan is agreed by the Audit Committee annually. The Audit Plan must be risk-based and take into account the organisation's risk management framework and reflect changes in the organisation's business, risks, operations, programmes, systems and controls. The plan also confirms the resources required and available to support a reliable year-end audit opinion.
- 2.3 The Audit Charter, approved by the Audit Committee in January 2019, defines the purpose, authority and responsibility of internal audit and defines the scope of internal audit activities. The attached Audit Plan prepared by the Head of Audit and Assurance provides Members with an outline of the Audit Plan, a commentary on the methodology used for compiling the plan, and assurance on compliance with auditing standards.

3. OPTIONS FOR CONSIDERATION

Option 1

- 3.1 To consider whether the Internal Audit Plan will provide sufficient assurance in 2019/20.
- 3.2 To approve the Internal Audit Plan for 2019/20

4. ANALYSIS OF OPTIONS

- 4.1 The Audit Plan meets the requirements of the Public Sector Internal Audit Standards (PSIAS).
- 4.2 The Head of Internal Audit and Assurance is satisfied that he has sufficient resources for the delivery of the plan and that it will provide a reliable year-end annual audit opinion on the council's control environment.

5. RESOURCE IMPLICATIONS (FINANCIAL, STAFFING, PROPERTY, IT)

- 5.1 The plan will be delivered from existing resources within the council's internal audit service which is provided through the Northern Lincolnshire Business Connect. The resource allocation is based upon assumptions about the design and operation of systems and processes; the co-operation of council staff with the audit process and estimated vacancy and absence rates. The resource allocation will be reviewed periodically to take account any changes in assumptions and the extent of emerging risks.

6. OUTCOMES OF INTEGRATED IMPACT ASSESSMENT (IF APPLICABLE)

- 6.1 An Integrated Impact Assessment is not required.

7. OUTCOMES OF CONSULTATION AND CONFLICTS OF INTERESTS DECLARED

- 7.1 The plan has been subject to consultation discussion with members of the Council's Leadership team.
- 7.2 The Head of Audit and Assurance has responsibilities for risk management and counter fraud. As referred to in the Audit Plan another audit provider will be asked to carry out an audit in these areas to prevent a potential conflict of interest. In addition at the beginning of each year audit team members, in line with the audit of code of conduct are required to declare any close relationships which could impact on the delivery of particular audit assignment. If relevant such assignments are allocated to other members of the team.

8. RECOMMENDATIONS

That the Audit Committee:

- 8.1 Considers whether the Internal Audit Plan for 2019/20 provides the Committee with sufficient level of assurance to fulfil its role; and

8.2 Approves the Internal Audit Plan for 2019/20.

DIRECTOR: GOVERNANCE AND PARTNERSHIPS

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Background Papers used in the preparation of this report:

Public Sector Internal Audit Standards
The Accounts and Audit Regulations 2015
The Audit Charter- January 2019



North Lincolnshire Council

Internal Audit Plan 2019/20

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1. INTRODUCTION

- 1.1 As recognised in the Accounts and Audit Regulations 2015 Internal Audit is a key part of the Council's control environment. Its primary objective is to provide an independent and objective opinion and advice on the Council's control environment, which comprise the systems of risk management, internal control and governance. The Audit Charter (which was last approved by the Audit Committee in January 2019) defines the mission of internal audit *"To enhance and protect organisational value by providing risk-based and objective assurance, advice, and insight"*.
- 1.2 As laid out in paragraph 6.1 of the Charter the Head of Audit and Assurance is responsible for *"developing an annual Audit Plan based on an understanding of the organisation's strategies, key business objectives, associated risks and risk management processes, and adjust the plan in response to the organisation's business, risk, operations, programmes, systems and controls"*.
- 1.3 The Audit Plan lays out Internal Audit's priorities and work programme for 2019/20. It has been compiled to ensure that it:
- Meets the requirements of the Public Sector Internal Audit Standards (summarised in Appendix 1);
 - Provides sufficient evidence to support a reliable year-end Audit Opinion on the Council's control environment; and
 - Adds value to the Council by providing assurance on the underlying processes and governance arrangements to support the achievement of strategic outcomes and value for money (VfM).

2. COMPILATION OF THE AUDIT PLAN

- 2.1 As required by the Standards, the 2019/20 Audit Plan has been developed on a risk based approach. We have developed planning processes to ensure as far as possible that Audit resources are prioritised to where the need is greatest, and where potentially Audit could provide most value. In compiling the plan we have ensured that the requirements laid down in the standards have been met.
- 2.2 At the heart of the approach to Internal Audit is the "3 lines of defence model" where:
- the first line of defence is the control environment operated by managers in individual services;
 - the second line of defence includes the oversight functions such as Finance, HR, Procurement, Legal Services, "Client side management" who provide advice, direction and support to individual services; and
 - the third line of defence, such as Internal Audit, External Audit and other external assurance providers which offer independent challenge to business functions.

The more developed the first and second lines of defence are then the greater the reliance that can be placed on the assurances obtained by services rather than via direct Internal Audit work.

2.3 The plan is divided into a number of components to reflect the various inter-related elements for which the audit team provide assurance:

- Strategic and operational risks relating to the delivery of the Council's strategic priorities and outcomes and its Annual Governance Statement;
- The key financial systems to support the S151 Officer's statement provided as part of the Annual Statement of Accounts in relation to the reliability of the systems supporting the accounts;
- Other key areas which support the Council's control environment e.g. ICT, commissioning and procurement;
- Providing assurance on the control environment within maintained schools; and
- Work such as providing advice and support, the mandatory certification of external grants claims, and audit team contribution to the Council's approach to counter fraud.

2.4 In relation to strategic and operational risks we not only review the risk register as a key source of intelligence, but also take account of the Council's Code of Corporate Governance, the Council's strategic priorities outcomes, and discussions with individual directors. Work has been prioritised on those areas where the impact on the control environment is potentially greatest; and/or there is a risk of control failure; or there was relatively little cumulative knowledge about the design and operation of the system/ service. A summary of those factors which are taken into account is shown on Appendix 2. The outcome of this work was shared with the Strategic Leadership Team for collective review and comment. This resulted in the programme of audits identified in Appendix 3. During the course of 2019/20 this programme may be subject to amendment due to factors such as changing priorities, emerging risks, or identifying other sources of assurance on which reliance can be placed.

2.5 The audit team also carry out work in relation to fraud and financial misconduct. This work involves carrying out proactive audits on those systems designed to prevent fraud and corruption where there is a potential risk, including substantive testing, investigations into allegations of financial misconduct, and co-ordinating the council's approach to the National Fraud Initiative. The audit team work closely with the Council's fraud team, which is also part of Audit and Assurance, and the results of such work are reported in the Annual Fraud Report. As reported in the Annual Fraud Report elsewhere on this agenda a council-wide fraud risk assessment was carried out in 2018/19, which helped prioritise anti-fraud work.

2.6 We also use our expertise in control, risk, governance and VfM to support change programmes, major commissioning and procurement exercises and the implementation of new systems, and areas where Directors may seek specific assurances. Indeed this is an area where we will continue to enhance the role of Internal Audit in the future as providing support at an early stage can prevent control weaknesses arising from the outset.

2.7 The table below shows the resources allocated to the main areas of internal audit activity:

Area	Planned days	
Strategic and operational risk/ governance	540	Summary of proposed work shown at Appendix 3
Financial systems	130	Provide assurance on the design and operation of the fundamental financial systems
ICT	60	Provide assurance on the Council's process for ICT and Information Governance
Commissioning and Procurement	35	Provide assurance on the Council's approach to commissioning and procurement, including testing of a sample of procurement exercises
Grant Certification	25	Mandatory certification of grant claims
Schools	100	Provide assurance on the control environment within maintained schools via a cyclical programme of school audits
Follow up	40	Includes sending reminders to managers about their outstanding actions, and receiving their responses
Fraud and investigation	75	Proactive and reactive work to support the Council's approach to anti-fraud and corruption
Advisory	50	
Management time	75	Includes Audit Planning, monitoring, liaison with the Audit Committee and senior management
Contingency	60	
Total	1190	

The days assigned to particular areas of the plan will be subject to regular review, and any significant changes to the allocations will be reported to future meetings of the Audit Committee. As well as testing the controls in place we will aim to add value by identifying notable practice, where possible, and where appropriate use techniques such as facilitated workshops and analytical review.

3 RESOURCES TO DELIVER THE AUDIT PLAN

- 3.1 The Standards require the 'Chief Audit Executive' to be satisfied that he or she has sufficient resources available to deliver the plan and be able to provide an opinion on the control environment and discharge their other responsibilities. In addition, under the CIPFA statement "The Role of the Head of Internal Audit" the Head of Internal Audit must "lead and direct an Internal Audit service that is resourced to be fit for purpose".
- 3.2 Based on the risks identified we can confirm that there are sufficient resources available to deliver the Audit Plan as laid out in section 2. This conclusion is based on:
- An assessment of resources available to the team as at 1 April 2019 - this includes being prudent on the potential impact of long-term sickness and unfilled vacancies that may arise given the relatively small size of the team;
 - That at 1 April 2019, due to successful recruitment to vacant posts and the procurement of additional specialist ICT audit, the team will be at full staffing complement; and
 - The anticipated backlog at 31 May 2019 to complete the 2018/19 plan being lower than the previous year.
- 3.3 It is recognised, however, that resourcing is a risk, and in response we will monitor the delivery of the plan on a monthly basis, and will reprioritise the audit programme on a risk basis should issues arise regarding the level of resources available. We will report any significant changes to the plan, particularly any reductions to the overall days, to the Audit Committee.

4 REPORTING AND MONITORING ARRANGEMENTS

- 4.1 For most assignments, excluding advisory work and grant certification, we will provide a report with an overall opinion on the control environment ("substantial", "satisfactory", "limited", "none") and the residual risk. There will be some areas, due to particular circumstances, where it may not be appropriate to issue a full report and/or an opinion, although in such cases a short commentary will be provided in the Annual Head of Internal Audit Report and Opinion.
- 4.2 A summary of completed audit work will be included in the Annual Report, and this will inform the overall opinion on the control environment. Interim reports will be presented to the Audit Committee during the year, on progress in achieving the annual plan, and any significant amendments to it.

4.3 As part of its Quality Assurance and Improvement Programme (QAIP) Internal audit has a number of performance indicators based on the three principles of Outcome Based Accountability:

- “what did we do?”;
- how well did we do it?; and
- how did we add value

Appendix 1: Confirmation of compliance with Public Sector Internal Auditing Standards (PSIAS) requirements

PSIAS Requirement	How we demonstrate compliance
<p>The Head of Internal Audit (HOIA) must establish risk-based plans to determine the priorities of the Internal Audit activity, consistent with the organisation's goals. (PSIAS 2010)</p>	<p>The plan is based on the Council's strategic objectives and its Code of Corporate Governance. Those activities with the greatest impact on the achievement of strategic objectives are given greatest priority.</p>
<p>The risk-based plan must take into account the requirement to produce an annual Internal Audit opinion and the assurance framework. (PSIAS 2010 public sector requirement)</p>	<p>The Audit Plan has been designed to ensure that there is sufficient evidence to provide a reliable year end opinion in relation to risk, governance and internal control.</p>
<p>The plan must incorporate or be linked to a high-level statement of how the Internal Audit service will be delivered, developed in accordance with the Internal Audit Charter and how it links to the organisational objectives and priorities. (PSIAS 2010 public sector requirement)</p>	<p>The Audit Charter, updated in January 2019, lays out the key objectives of internal audit, the methodology used to develop the plan and its links to organisational objectives and priorities.</p>
<p>The risk-based plan must explain how Internal Audit's resource requirements have been assessed. (PSIAS 2030 public sector requirement)</p>	<p>This is included in the Audit Plan.</p>
<p>The internal audit plan of engagements must be based on a documented risk assessment, undertaken at least annually. The input of senior management and the board must be considered in this process.</p>	<p>The plan is based on an assessment methodology laid out in Appendix 2 of this document, and has been discussed with the Senior Leadership Team.</p>

Appendix 2: Internal Audit Planning Risk Assessment Methodology

The Council's activities/ functions are prioritised based on the likelihood of a significant control failure and its impact on the control environment.

Impact on the control environment

Areas of high priority exhibit at least one of the following:

- Has a significant impact on the achievement of stated strategic outcomes;
- Has a material impact on the Financial Statements;
- Has a material impact on the governance arrangements of the Council, is an integral part of the Code of Corporate Governance, and impacts on the Annual Governance Statement;
- Is intended to mitigate a significant strategic risk;
- Has a significant impact on ensuring that the Council operates within applicable laws and regulations and/or prevents significant reputational risk;
- Significant inherent risk of fraud or the loss of assets;
- Significant Safeguarding implications;
- Failure of the function that may potentially lead to:
 1. a significant financial loss;
 2. a detrimental impact to service users; or
 3. an adverse effect on the Council's reputation.

Areas of low priority exhibit most of the following:

- The activity does not significantly contribute to the achievement of strategic outcomes;
- The activity is relatively small in value, and would not have a material impact on the Financial Statements;
- The activity does not have a material impact on the governance arrangements of the Council;
- The activity does not have a significantly impact on the Council's strategic or operational risks;
- The activity does not have significant impact on applicable laws and regulation and/or does not have a significant reputational risk;
- Low inherent risk of fraud or the misappropriation of assets;
- Limited direct Safeguarding implications;
- Failure of the function would not lead to:
 1. a significant financial loss;
 2. a detrimental impact to service users; or
 3. an adverse effect on the Council's reputation

Appendix 3: Detailed Audit Plan 2019/20

See attachment

APPENDIX 3

	Brief Outline	Leadership Team Member	Original days
Strategic and operational risks/ code of governance			540
Adoption	Provide assurance that adoption arrangements meet government requirements for regional arrangements	Children & Community Resilience	
Adult Social Care Resource Allocation & Personal Budgets	Provide assurance that the model for determining personal budgets is asset based and applied consistently	Adults & Wellbeing	
Adults Finance Transformation	Overview and support on redesigned services and assurance that issues previously identified have been addressed	Governance & Partnerships	
Adults Safeguarding Referrals	Provide assurance that revised policy and processes are sufficient to provide statutory responsibilities	Adults & Wellbeing	
Air Quality	Provide assurance on the reliability of the Council's data related to air quality and the actions in place to improve it in areas below target	Operations	
Car Parking	Provide assurance on the council's approach to car parking including the setting of charges, collection of income, and the collection of fines	Operations	
Care Assessments	Provide assurance that policy and practice is Care Act Compliant	Adults & Wellbeing	
Care leavers	Provide assurance on the arrangements for support when looked after children leave home based settings	Children & Community Resilience	
Child Death Overview Panel (joint with NELC)	Provide assurance that legislative changes have been adopted through revised arrangements	Children & Community Resilience	
Child Protection	Provide assurance that legislative requirements are being met through current policy and practice	Children & Community Resilience	

Children's Safeguarding	Provide assurance on the governance arrangements of the new multi agency arrangements in meeting legislative requirements as an early adopter	Children & Community Resilience	
Commercial Estates	Provide assurance on the review of the council's approach to commercial estates due to be undertaken in early 2019/20	Business Development	
Community Wardens	Provide assurance on the application of best practice through current arrangements	Operations	
Continuing Healthcare	Provide assurance that system changes following external support are effective in identifying when costs should be jointly funded or funded by the NHS	Adults & Wellbeing	
Customer Services	Provide assurance on the effectiveness of the council's updated approach to customer engagement including the setting and monitoring of performance standards	Governance & Partnerships	
Data Quality & Performance Management	Building on support work carried out by audit in 2018/19 provide assurance on the developing performance management arrangements for identifying and addressing performance below standards set and ensuring data quality	Governance & Partnerships	
Decision Making Process / Integrated Impact Assessments	Provide assurance on compliance with the Council's decision making processes and its approach to integrated impact assessments	Governance & Partnerships	
Direct Payments	Provide assurance that payment and checking processes reflect counter fraud best practice. Approach to Direct Payments is not covered by transformation work on finance	Adults & Wellbeing	
Economy, housing and infrastructure strategies	Provide assurance on the controls in place designed to deliver the strategies	Business Development	

Energy Management	Provide assurance on the Council's overall approach to energy management, including the effectiveness of arrangements designed to reduce costs and consumption	Operations	
Financial Compliance	Ad hoc checks on spend for compliance to the Finance Manual requirements to obtain assurance on the operation of the financial control environment and effective/ efficient use of resources	Governance & Partnerships	
Financial Sustainability	Maintain "a watching brief" on the arrangements for setting, and monitoring the delivery of, the medium term financial plan	Governance & Partnerships	
Fixed Assets	Provide assurance on the council's fixed assets register in relation to its completeness, the accuracy and timeliness of asset valuations, and the calculation of capital charges	Governance & Partnerships	
Health & Social Care Integration	Overview and support on journey to integrated services	Adults & Wellbeing	
Healthy Lifestyles	Provide assurance on the arrangements for improving health via smoking cessation, weight management & increasing activity.	Public Health	
High Needs Assessments	Provide assurance on compliance with the requirements of the High Needs grant	Learning, Skills & Culture	
Legal Services - Children's Public Law	Provide assurance on the effectiveness of processes for preparing robust cases for court and responding to court requests for information	Governance & Partnerships/ Children & Community Resilience	
Leisure Service	As part of an ongoing programme provide assurance on those aspects of the leisure service of greatest risk	Learning, Skills & Culture	

Licencing	Provide assurance on the cross council approach to licencing, including compliance with statutory requirements and whether efficient and effective arrangements are in place	Operations/ Governance & partnerships	
Managing People's Affairs	Provide assurance that policy and procedure meets OPG requirements	Adults & Wellbeing	
Partnership Working	Provide assurance on the effectiveness of governance arrangements for partnerships	Governance & Partnerships	
Planning for Schools Places	Provide assurance on the cross council working to ensure that the area will have sufficient school places to meet anticipated population changes	Learning, Skills & Culture/ Operations	
Registrars	Provide assurance on the effectiveness of the arrangements in relation to the registrar service , particularly compliance with legislative responsibilities and data protection given that the service will be re-locating in early 2019/20	Business Development	
Scrutiny	Provide assurance on the effectiveness of the council's scrutiny arrangements particularly in relation to recommended good practice	Governance & Partnerships	
Security Centre	Provide assurance on the security centre's compliance with legislative and regulatory requirements as well the commercial processes being developed	Children & Community Resilience	
Skills & Employability	Provide assurance on the delivery of the council strategic outcomes relating to skills and employability	Learning, Skills & Culture	

Town Centre Management	Provide assurance on the governance arrangements related to the delivery of the town centre management project	Business Development	
Transformation	Maintain a watching brief on the transformation programme as a whole and provide advice and support when required	Deputy Chief Executive	
Transition of CAHMS to adult mental health	Provide assurance on the processes for transitioning adolescents from CCG led services to LA services	Children & Community Resilience	
Waste Management	As part of an ongoing programme provide assurance on those aspects of the waste service at greatest risk including commercial waste	Operations	
Workforce Development	Provide assurance on the design and operation of those Human Resources processes supporting the Council's ambitions related to workforce development	Business Development	
Youth Offending Service	Provide assurance that legislative requirements are being met through current policy and practice	Children & Community Resilience	
Financial systems			130
ICT			60
Commissioning and Procurement			35
Schools			100
Advisory work			50

Grants			25
Follow up			40
Fraud and investigation			75
Audit Management			75
Contingency			60
Total			1190