

## NORTH LINCOLNSHIRE COUNCIL

### AUDIT COMMITTEE

#### HEAD OF INTERNAL AUDIT ANNUAL REPORT AND OPINION 2019-20

#### 1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 This report provides an opinion on the adequacy and effectiveness of the council's internal control environment based upon work carried out by Internal Audit in accordance with the approved 2019/20 audit plan. It also considers the effectiveness of the audit service. This provides the Audit Committee with an important source of assurance when considering the Annual Governance Statement.
- 1.2 The Internal Audit Annual report complies with the Public Sector Internal Audit Standards (PSIAS) and The Accounts and Audit Regulations 2015.

#### 2. BACKGROUND INFORMATION

- 2.1 The requirement for Internal Audit is supported by statute in the Accounts and Audit Regulations 2015 and the Local Government Act 1972. The Accounts and Audit Regulations state that a *"relevant body must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into public sector internal audit standards for guidance"*
- 2.2 Internal Audit operates in accordance with the Public Sector Internal Audit Standards (PSIAS) which defines the way in which the Internal Audit Service should be established and undertake its functions. The PSIAS define internal audit as:  
  
*"an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes."*

- 2.3 As set out in the standards there is a requirement under PSIAS 2450 that the Chief Audit Executive must provide an annual report to the Audit and Governance Committee, timed to support the Annual Governance Statement. This must include:
- an annual internal audit opinion on the overall adequacy and effectiveness of the organisation's governance, risk, and control framework (i.e. the control environment).
  - a summary of the audit work from which the opinion is derived (including reliance placed on work by other assurance bodies); and
  - a statement on conformance with the PSIAS and the results of the internal audit Quality Assurance and Improvement Programme.
- 2.4 A copy of the Annual Report and Opinion is attached, and its main findings are summarised below.
- 2.5 Section 2 of the Annual Report refers to the work carried out from which the audit opinion is derived, and shows the work carried out compare to the Audit Plan. Due to the impact of COVID-19 on re-prioritising audit resources to support the emergency, a small number of audit assignments were not completed by 30 June 2020. However, the report concludes that sufficient work was carried out to support the opinion, whilst the outstanding work will be reported in 2020/21. Should any significant issues arise between the date of this report and the issue of the final Annual Governance (AGS) statement then they will be considered for inclusion in it.
- 2.6 As referred to in Section 3 based on the work carried out by internal audit satisfactory assurance could be provided on the Council's governance, risk, and control framework, with a small number of areas identified for further development.
- 2.7 As referred to in Section 4 the Audit Team complies with the standards in all material respects and has effective arrangements in place for monitoring quality. Working with clients to improve the timeliness of audit reporting and the implementation of agreed actions has again been highlighted as an area for further development.

### **3. OPTIONS FOR CONSIDERATION**

- 3.1 The Committee is asked to consider whether Internal Audit's Annual Report provides sufficient assurance on the adequacy of the council's internal control environment in 2019/20. Members may wish to ask questions and seek clarification, as necessary.

#### **4. ANALYSIS OF OPTIONS**

4.1 The Internal Audit Annual Report and Opinion 2019/20/19 complies with professional guidance available and is designed to provide this Committee with the assurance required.

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

5.1 Internal audit recommendations enhance internal control over the use of the council's resources.

#### **6. OTHER RELEVANT IMPLICATIONS (e.g. CRIME AND DISORDER, EQUALITIES, COUNCIL PLAN, ENVIRONMENTAL, RISK etc.)**

6.1 Section 3 of the report provides a commentary of on the Council's approach to risk management. No significant issues of concern were reported in addition a risk assessment is carried out as part of most audit assignments. These are shown on Appendix 2 of the report.

#### **7. OUTCOMES OF INTEGRATED IMPACT ASSESSMENT (IF APPLICABLE)**

7.1 An Integrated Impact Assessment is not required.

#### **8. OUTCOMES OF CONSULTATION AND CONFLICTS OF INTERESTS DECLARED**

8.1 The audit plan is derived is subject to consultation with the Audit Committee and Senior Management. The scope of individual assignments is subject to consultation with management, whilst the outcome of such assignments is subject to discussion.

8.2 The Head of Audit and Assurance also has responsibilities around the maintenance of the risk management process though not the risks themselves. To maintain independence, he has therefore placed reliance on the audit of risk management commissioned from Lincolnshire County Council in 2018/19 and the work of the Strategic Lead for Risk and Governance. Audit team members are asked to complete declaration forms on annual basis. If any potential conflicts are identified, then they are not allocated assignments related to the potential conflict of interest.

## **9. RECOMMENDATIONS**

- 9.1 That the Audit Committee considers the assurance provided by the Internal Audit Annual Report for 2019/20 on the adequacy and effectiveness of the council's internal control environment, and to take account of the content of this report when considering the Annual Governance Statement.

### **DIRECTOR OF GOVERNANCE AND PARTNERSHIPS**

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Date: 7 July 2020

#### **Background Papers used in the preparation of this report:**

Internal Audit Plan 2019/20 (April 2020)  
Internal Audit Interim Report (January 2020)

**North  
Lincolnshire  
Council**

[www.northlincs.gov.uk](http://www.northlincs.gov.uk)

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**NORTHERN LINCOLNSHIRE  
BUSINESS CONNECT**

# **Head of Internal Audit Annual Report and Opinion 2019/20**

## **North Lincolnshire Council**

**Peter Hanmer  
Head of Audit and Assurance  
July 2020**

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# 1 Introduction

1.1 The requirement for Internal Audit is supported by statute in the Accounts and Audit Regulations 2015 and the Local Government Act 1972. The Accounts and Audit Regulations state that a *“relevant body must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into public sector internal audit standards for guidance”*.

1.2 Internal Audit operates in accordance with the Public Sector Internal Audit Standards (PSIAS) which define the way in which the Internal Audit Service should be established and undertake its functions. The PSIAS define internal audit as:

*“an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.”*

1.3 As set out in the standards there is a requirement under PSIAS 2450 that the Chief Audit Executive must provide an annual report which must:

- take into account the strategies, objectives and risks of the organisation and the expectations of senior management, the Audit and Governance Committee and other stakeholders;
- be supported by sufficient, reliable, relevant and useful information;
- include an annual internal audit opinion and report that can be used by the organisation to inform its governance statement;
- include an opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control; and
- include a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.

1.4 This report provides a summary for each of these areas. At North Lincolnshire Council, the Head of Audit and Assurance carries out the functions of the Chief Audit Executive as defined in the standards.

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## **2 Audit work from which the opinion is derived**

- 2.1 Internal Audit carried out its work in accordance with its 2019/20 plan, which was approved by the Audit Committee on 27 April 2018. This described how it was compiled, taking into account the Council's strategies, objectives and risks. The scope of Internal Audit activity is clearly set out in each audit assignment specification and report.
- 2.2 As laid out in the audit plan the work of Internal Audit is split into a number of key areas. It is critical that in forming an opinion on the overall control environment, the Annual Plan is designed to ensure that specific assurance is provided for each of these areas all of which can potentially feed into the annual governance statement:
- strategic and operational risks relating to the delivery of the Council's strategic outcomes and/ or a key part of the Council's Code of Governance;
  - 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. human resources, ICT, 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 member's contribution to the Council's approach to counter fraud.
- 2.3 During 2019/20 the audit plan was subject to regular review. As new risks emerged that required audit coverage they were added to the plan, whilst other areas were either taken out because of reduced level of risk due to changing circumstances, or where there had been internal or external reviews either carried out or pending. On 22 January 2020, the Audit Committee was informed of the amendments to the plan, which are re-shown on Appendix1, but the total planned days stayed unchanged at 1190.

2.4 The position at 31 May is shown on the table below.

***Days charged against the audit plan as at 31 May 2020***

	<b>Planned days</b>	<b>Revised days</b>	<b>Actual days</b>
Strategic and operational risk/ governance	540	580	513
Financial systems	130	130	131
ICT	60	60	49
Procurement and Commissioning	35	35	23
Grant Certification	25	15	11
Schools	100	100	83
Follow up	40	40	41
Fraud, probity, and investigation	75	75	66
Advisory	50	50	39
Management time	75	75	80
Contingency	60	30	
<b>Total</b>	<b>1190</b>	<b>1190</b>	<b>1037</b>

2.5 Overall, as at 31 May audit delivered a total of 1037 days compared to the plan of 1190, a difference of 153 days, although as at 30 June 2020 the time charged had increased to 1061 days. The predominant reason was the impact of covid-19. As at 31 March 2020 in terms of time charged 85% of the audit plan had been completed, which was on target completion dates. but subsequently covid-19 has had an impact on the completion of the audit plan for the following reasons:

- for a number of key services their focus, particularly in April and May, has been understandably on dealing with the Council's response and this has impacted the completion of audit work in these areas.
- audit resource was prioritised on areas to support the Council's response to COVID-19, such as the distribution of Business Grants where audit has played a key role in advising on the design of the controls and carrying out the necessary compliance checks, as well supporting managers in designing control frameworks other activities such as the shielding hubs, adult social care payments, and support to suppliers (most of which time has been recorded against the 2020/21 audit plan); and
- two schools' audits scheduled for late March and early April were postponed because of the partial closure of schools.

Furthermore, the variance between budgeted and actual days can also be explained by an number of audits not requiring the anticipated the budget (and consequently the revised contingency was not required), and a planned ICT audit on ICT funding being postponed at the request of the client.

- 2.6 A summary of the audit work to support the opinion is shown on Appendix 2. For most audits we provide two opinions as shown below; one relates to the overall control effectiveness, whilst the other relates to the residual risk exposure. Against a planned target of 90, at 30 June 2020, 80 audits had been completed. We derive our overall opinion on the control framework by considering the outcome of individual audits. Typically, those areas where the assurance on the control environment is “limited”, and the residual risk is at least “medium” will be considered for specific reference in the overall opinion on the Council’s overall control environment, with particular focus on those areas which are critical to the Council’s financial management and governance arrangements, including the potential impact of any weaknesses identified.

### Overall Control Effectiveness

<b>Substantial</b>	Strong controls support achievement of the business objectives.
<b>Satisfactory</b>	Controls support business objectives, but some improvements should be made.
<b>Limited</b>	Controls provide some support for business objectives, but improvements are essential.
<b>None</b>	Controls do not support the achievement of business objectives.

### Residual Risk Exposure

Priority Level	Action Level
<b>High</b>	Significant possibility for substantial financial, service, reputational or personal safety issue (including the non-achievement of strategic outcomes). Action must be taken to mitigate the risk.
<b>Medium</b>	Potential for financial, service, reputational or personal safety issue (including the non-achievement of strategic outcomes). Depending on risk appetite, action should be taken to either mitigate the risk or accept that an event could occur and manage its impact.
<b>Low</b>	Risk is being suitably managed based on current knowledge. Should be regularly reviewed and monitored.

2.7 In forming our overall opinion, we also take into account of the following:

- As shown on Appendix 2, here were some audits where we found that new process or systems were in development and therefore we were not able to provide an opinion in 2019/20 but instead have provided a short commentary on the current position. Where appropriate we have taken this work into account when assessing the Council's control environment.
- Where appropriate other sources of assurance, such as work by external audit, other inspectorates and peer reviews, or internal reviews carried out within the Council. For example we have considered the outcome of the LGA peer review follow up which reported in September 2019 that *"impressive progress' has been made in implementing the vision for the future shape of the organisation. The team reported that they had seen a 'huge visible difference in the Council'.*
- As listed at Appendix 4, Internal Audit has carried out advisory work for the Council and where appropriate we have considered any issues arising from this work.
- As part of the wider Audit and Assurance Team, Internal Audit makes a significant contribution to the delivery of the Council's approach to anti-fraud and corruption. This was reported in the Annual Fraud Report 2019/20 which was reported to the Audit Committee on 28 May 2020. There were no issues identified in the report that requires specific reference in the annual audit opinion.

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## 3 Chief Audit Executive Annual Opinion 2019/20

- 3.1 The overall opinion for each of the three areas of the control environment is shown below. This opinion is subject to the limitation of scope and statement of responsibilities laid out in Appendix 4. It is based on work reported by Internal Audit up to 30 June 2020.

### Control Framework

Overall, we can provide **satisfactory assurance** on the effectiveness of the Council's control framework in relation to 2019/20 as highlighted on

the list of audits shown on Appendix 2 2019/20 has seen further developments in the Council's control environment including.

- improvement around the control environment relating to adult social care finance.
- further implementation of the Council's outcome framework to support its organisational development objectives; and
- development of a new of capital programme framework, although it requires to be fully implemented in 2020/21.

We have, however, identified scope of areas of improvement, such as:

- **Commercial Estates:** Our audit identified issues around the operation of Commercial Estates particularly around action planning, records management and potential duplication due to operating two separate management systems. However, we acknowledge that the team was working towards improving the service and these issues are being addressed.
- **Continuing Health Care:** There is scope to improve the processes around continuing Health care to ensure that where care has a significant health related component that it is considered promptly by the CCG and the appropriate funding adjustments made for the Council and client. Relevant staff are aware of this and are putting in place the required processes.
- **Fleet Management:** The Council has recognised that there has been a need to develop the control environment relating to fleet management. There have been major changes in the service area as they have been through a complete restructure including staff and building change. Our audit identified areas requiring action, but we anticipate these will be implemented once the revised approach is embedded.

We were able to provide substantial assurance in relation to the audits of those systems which support the annual financial statements those statements. However, it is recognised by the Council that efficiencies will be generated by the adoption of updated financial and human resources systems. The target implementation dates are April 2021 for Payroll/ Human Resources and September 2021 for Finance. It is important that sufficient focus is provided to ensure that these target are met, and that sufficient work is carried out around the design of the new systems to ensure that the anticipated efficiencies will be delivered and at the same time ensuring that they will produce accurate and reliable information

## **Governance**

3.4 Our audit programme is designed around the Council's Code of Governance which was based on the principles designed by CIPFA/SOLACE. Overall, we can provide **satisfactory assurance** in relation to its governance arrangements and the processes which support them, and from our work and other sources (such as the LGA peer review follow up) we are not aware of any material governance failures occurring in 2019/20. In particular, via the Assurance Group, it continues to develop effective mechanisms to obtain assurance on the effectiveness of the governance arrangements, including Director assurance statements, identification of key measures to demonstrate good governance, and reviewing the outcomes of external inspections. It has also developed a revised community engagement framework which is due to be fully operational in 2020/21. Key priorities around the further development of governance arrangements should include:

- ensuring the planned review of the design and operation of its approach to scrutiny is conducted.
- publicising the revised partnership protocol developed in 2019/20; and
- in implementing the recovery plan relating to the impact of Covid-19, ensuring that sufficient focus is placed around effective systems of internal control

## **Risk Management**

3.5 As reported in 2018/19 an audit carried out on our behalf by Lincolnshire County Council's Assurance team provided **substantial** assurance in relation to the Council's risk management arrangements. The key issue identified for further improvement was to further develop the strategic risk register. During 2019/20 the strategic risks were reviewed regularly to assess the triggers, impacts and controls. In addition, a review of the Council's operational risk registers is carried by the Strategic Lead Risk and Governance twice a year. The latest review identified that 83% of the risks had been reviewed by services.

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# **4 Quality Assurance Arrangements**

4.1 A quality assurance process is in place to ensure that work is carried out to Public Sector Internal Audit Standards (PSIAS) and that the opinions provided for individual assignments are supported by sufficient evidence. On 26 January 2017 the team's Quality and Assurance Improvement Programme (QAIP) was presented to the Audit Committee and remains in

operation. Under the standards the annual report is obliged to report on the outcome of, and any issues arising from, the QAIP

- 4.2 An important element of the standards is that every five years audit teams are subject to an external inspection in order to assess compliance with the Public Sector Internal Audit Standards, and where appropriate identify area for further development. As reported in the 2017/18 Head of Internal Audit Report an inspection was carried out in March 2018, and the report was issued in May 2018. Its overall conclusion was that:

“It is our overall conclusion that the internal audit function for North Lincolnshire Council generally conforms with the Public Sector Internal Audit Standards”

- 4.3 ‘Generally conforms’ is the top rating available, and is defined as:

*“the internal audit activity has a charter, policies, and processes that are judged to be in conformance with the standards. There may be opportunities for improvement, but these do not represent situations where the internal audit activity has not implemented the Standards, the Code of Ethics or is not achieving their stated objectives”.*

- 4.4 The report identified a small number of actions designed to further enhance the impact of Internal Audit and the implementation of these actions were carried out during 2018/19, in particular the updating the Audit Manual which lays out the team’s processes and practices. In 2019/20 we have continued to monitor the effectiveness of the implementation of the actions from the review, and as a result have further updated the audit manual in relation to documenting systems and processes, reporting and follow up.

- 4.5 Other sources of evidence for the QAIP included:

- a review carried out by the Head of Audit and Assurance of a sample of audit reports; the review found that the reports were compliant with the team’s quality standards and processes, but in some cases there was scope to make them more impactful, and further guidance has been built into the manual in relation to this;
- the annual self-assessment against the standards (Appendix 5).
- Self-assessment against the five principles contained in the updated CIPFA document “The Role of the Head of Internal Audit” (2019). (Appendix 6) demonstrates that we comply with each of the principles; although there is scope to further promote the importance of internal audit, governance and internal control throughout the organisation, increase visibility of audit with management teams, and

be involved earlier in providing support and advice on governance and internal control issues around major projects.

- Self-assessment against the internal audit principles introduced in January 2017 (Appendix 7).
- Every assignment is subject to supervision and any common issues identified are discussed at team meetings and where appropriate have contributed to the update of the audit manual.
- The post-audit customer satisfaction questionnaires found that of those questionnaires returned, 100% of respondents indicated that they were satisfied with the way the audits were conducted and 94% felt that the audits added value.
- Monitoring performance against key indicators (Appendix 8). They demonstrate that audit operates efficiently and effectively and has good customer satisfaction although working with officers to ensuring audits are completed in a timely manner as possible remains a key priority, whilst there is also scope to work with managers improve the implementation of agreed actions and the reporting of them.

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## **5 Closing Remarks**

- 5.1 We would like to take this opportunity to thank Members, Management and Staff for their continued support as we carry out audit work during a period of continued significant organisational change. We will strive to continue to provide an effective and supportive internal audit service as the Council deals with the challenges it faces in the future.

# Appendix 1: Changes to the audit plan relating to strategic and operational risks as reported to the Audit Committee in January 2020

## *Additions to the 2019/20 audit plan*

<b>Assignment</b>	<b>Comments</b>
Educational Standards	Carried forward from 2018/19
Capital programme	Carried forward from 2018/19
Leisure – safety and safeguarding	Carried forward from 2018/19
Role of DASS	Carried forward from 2018/19
SEND- governance arrangements	Carried forward from 2018/19
Domestic Violence	Completion carried forward from 2018/19
Role of the Director of Public Health	Completion carried forward from 2018/19
Heritage Assets	Completion carried forward from 2018/19
Training budgets	Completion carried forward from 2018/19
Waste management- Trade Waste	Completion carried forward from 2018/19
Adult Finance Transformation	Additional audit resource identified with the service to support the introduction of enhanced controls

***Assignments removed from the plan or scope reduced***

<b>Assignment</b>	<b>Comments</b>
Customer Services	The Council has been enhancing its arrangements for customer engagement and therefore it was agreed that it would be too early to carry out a full audit in 2019/20. Instead audit assessed the progress in developing the new arrangements, with the view that a full audit of those arrangements will be carried out in 2020/21
Partnerships	As the Council's Partnership's Protocol was under development in 2019/20, it was felt it was too early to carry out an audit of compliance with the protocol. Instead audit provided comment and advice on the draft protocol, with the view of carrying out a full audit in 2020/21
Community Wardens	The main work currently carried out by Community Wardens is parking enforcement; this was included in the audit of Car Parking, which has been completed. Methods of enforcement for other issues such as littering and dog fouling and countering anti-social behaviour are being considered and an audit would not add value at this time.
Grant certification	Estimate of time required reduced based on certification work requested up to 31 December 2019

## **Appendix 2: Summary of Audit work supporting the Audit opinion**

See separate attachment

## **Appendix 3: Summary of advisory work provided by Internal Audit in 2019/20**

- Preparing a report for the Audit Committee examining the potential advantages and disadvantages of including co-opted Members
- Advice on the development of the updated partnership protocol
- Certification of grant claims relating to troubled families, highways, bus subsidies and disabled facilities
- Membership of the Workwell Stakeholder Group
- Supporting the development of internal control and performance management arrangements within Northern Lincolnshire Business Connect
- At the request of the service manager, carrying out an assessment at a care facility of the implementation of actions resulting from a Care Quality commission review carried out in 2017/18
- Providing advice to the Adult Social Care Financing Transformation Board in relation to expected financial controls, including the processes related to Direct Payments
- Advice on security data breaches
- Advice and support to Schools Finance and Governing Bodies Service e.g. revision of school funds manual
- Advice and support to individual schools relating to finance, governance etc.
- Advice on controls for income collection within the Music Support Service
- Providing support and assurance on the Council's submission regarding the NHS IT Governance toolkit
- Preparing the Audit Committee Annual Report 2019/20
- Advice on the governance arrangements of the Greater Lincolnshire LEP
- Via membership of CIPFA's Better Governance Forum, inform relevant managers of national developments and emerging issues relating to internal control and governance which may impact upon their duties

## **Appendix 4: Limitations of Scope and Responsibilities**

Internal Audit has prepared the Annual Report and undertaken a programme of work agreed by the Council's senior management and approved by the Audit and Governance Committee subject to the limitations outlined below:

### **Opinion**

The Opinion is based, primarily on work undertaken as part of the agreed 2019/20 Audit Plan. Each audit assignment undertaken addressed the control objectives agreed with the relevant, responsible managers.

There may be weaknesses in the system of internal control that we are not aware of because they did not form part of our programme of work or were not brought to our attention. As a consequence, the Audit Committee should be aware that the opinion might have differed if our programme of work, or the scope of individual assignments was extended, or other relevant matters were brought to our attention.

### **Internal Control**

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgement in decision making; human error; control processes being deliberately circumvented by employees and others; management overriding controls and unforeseeable circumstances.

### **Future Periods**

Our assessment of the Council's control framework is based on completed audit work up to 30<sup>th</sup> June 2020. In a small number of cases the finalisation of audits has been delayed due to the impact of COVID-19, and the outcome of this work will be considered for the 2020/21 audit opinion. However, given that the final Annual Governance Statement will be produced at a later date in 2019/ than July 2020 then any significant issues reported by internal audit between 30<sup>th</sup> June 2020 and the date of the final Annual governance Statement will be considered for inclusion.

This historic evaluation of effectiveness may not be relevant to future periods due to the risk that:

- the design of controls may become inadequate because of changes in operating environment, law, regulatory requirements or other factors; and
- the degree of compliance with policies and procedures may deteriorate.

### **Responsibilities of Management and Internal Audit**

It is the responsibility of management to develop and maintain sound systems of risk management; internal control and governance; and for the prevention or detection of irregularities and fraud. Internal Audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

Internal Audit endeavours to plan its work so that there is a reasonable expectation that significant control weaknesses will be detected. If weaknesses are detected, additional work is undertaken to identify any consequent fraud or irregularities. However, Internal Audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected, and our work should not be relied upon to disclose all fraud or other irregularities that might exist.

## Appendix 5: Comparison of Audit Approach against the Public Sector Internal Audit Standards

Conformance with the PSIAS and the Local Government Application Note Standards/Requirements	Evaluation/Comments
<b>Code of Ethics</b>	Requirement met - referred to in the audit charter and communicated to all audit staff. Team members were asked to confirm they have read and understood annually- last request February 2020
<b>Attribute Standards</b>	
1.Purpose, Authority and Responsibility	Requirement met and defined in the audit charter
2.Independence and Objectivity	Requirements met and defined in the audit charter. Potential conflicts are appropriately managed
3.Proficiency and Due Professional Care	Requirements met and defined in the audit charter
4.Quality Assurance and Improvement Programme	Requirements met - Quality Assurance and Improvement Programme in place, and the outcome of the annual review of the programme included in the Head of Audit annual report. Five yearly external inspection carried out in 2017/18.
<b>Performance Standards</b>	
1.Managing the Internal Audit Activity	Requirements met
2. Nature of Work	Requirements met
2. Engagement Planning	Requirements met
3. Performing the audit engagement	Requirements met - methodologies in relation to evidence gathering and sampling regularly reviewed. All assignments are subject to review
4. Communicating Results	Requirements met - the report template is subject to at least annual review to ensure that reports are clear, insightful and promote improvements. Review of reporting carried out in 2019/20.
5. Monitoring Progress	Requirements met. Follow up arrangements have been further updated in 19/20 and regular reminders sent out to managers although potential to report the findings of these more effectively
6. Communicating the Acceptance of Risks	Requirements met

## Appendix 6: Comparison of Audit Approach against the 5 key principles contained in “The Role of the Head of Internal Audit” (2016)

Principle	How Compliance is demonstrated
<p>championing best practice in governance, objectively assessing the adequacy of governance and management of existing risks, commenting on responses to emerging risks and proposed developments;</p>	<ul style="list-style-type: none"> <li>• Promotes good governance and conduct e.g. facilitates the production of the code of governance and the Annual Governance Statement, lead officer on the update of the council’s anti-fraud and corruption framework,</li> <li>• Promotes the role of internal audit via the “Audit offer” and accompanying “frequently asked questions”</li> <li>• Promotes good governance and internal control through the role on the assurance group, although scope to extend this throughout the organisation</li> <li>• The audit plan is based upon the Council’s strategic risk register, the Council’s governance arrangements and the systems of internal control.</li> <li>• HOIA reports on the adequacy of such arrangements both individually and in aggregate via the annual Head of Internal Audit Report.</li> <li>• Provides commentary on emerging risks both to the Audit Committee and the Assurance Board.</li> <li>• Whilst ensuring it remains management’s responsibility, facilitates the embedding of effective risk management throughout the Council.</li> <li>• Provides comment on proposed developments, although scope for involvement at an earlier stage</li> </ul>
<p>giving an objective and evidence-based opinion on all aspects of governance, risk management and internal control</p>	<ul style="list-style-type: none"> <li>• The Audit Charter, laying out the role and responsibilities of internal audit, is updated and approved annual by the Audit Committee</li> <li>• Process in place for providing independent assurance for those areas where HAA has managerial responsibilities</li> <li>• Audit plan aligned to the Council’s strategic aims</li> <li>• Producing an evidence based annual internal audit opinion on the organisation’s control environment.</li> <li>• Risk based approach to developing the audit plan, and for carting out audit assignments</li> <li>• Seeks assurance on the Council’s key partnerships</li> </ul>

	<ul style="list-style-type: none"> <li>• Where applicable, seeks to rely on assurance provided by external audit and inspectorates</li> </ul>
<b>Principle</b>	<b>How Compliance is demonstrated</b>
The HIA in a public service organisation must be a senior manager with regular and open engagement across the organisation, particularly with the Leadership Team and with the Audit Committee	<ul style="list-style-type: none"> <li>• Member of the Director of Governance and Partnership Management Team</li> <li>• Monthly 1 to 1 meeting with the Director of Governance and Partnerships</li> <li>• Consults with the Strategic Leadership Team on the content of the audit plan</li> <li>• Meets with members of the leadership team, although scope to meet more regularly</li> <li>• Member of the NLBC management team.</li> <li>• Member of the Council's Assurance Group chaired by the Chief Executive</li> <li>• Reports to the Audit Committee in own name</li> <li>• Supports the Audit Committee in assessing its own effectiveness</li> <li>• As laid out in the Audit Charter unfettered access to documentation and staff</li> </ul>
The HIA in a public service organisation must lead and direct an internal audit service that is resourced to be fit for purpose.	<ul style="list-style-type: none"> <li>• Sufficient resource and staff mix in place in 2019/20 to deliver a PSIAS compliant Internal Audit Plan and to provide sufficient evidence in relation to the Council's control environment and key risks to support the Head of Internal Audit opinion statement.</li> <li>• Quality assurance and improvement programme in place, including key performance indicators which are reported upon annually</li> <li>• Staff development programme in place. In the process of enhancing this to continue to ensure that they have adequate skills to meet the changing requirements and expectations of audit</li> <li>• Keeps up to date with developments in governance, risk management, control and internal auditing through professional memberships and membership of CIPFA's Better Governance Forum, including networking with other HIAs (including membership of CIPFA's national Audit Special Interest Group). Learns from them and implements improvements where appropriate</li> </ul>
The HIA in a public service organisation must	CIPFA Member since 1993 and ICAS Member since 2017. Chartered Member of the Institute of Internal Audit (CMIIA) and Qualification in Audit Leadership (QIAL).

be professionally qualified and suitably experienced	Also, up to date "Continuing Professional Development" (CPD), 31 years of internal and external audit experience, 18 years of which at senior level, and has carried out the Head of Internal Audit role at NELC since April 2008.
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## Appendix 7: Comparison of Audit Approach against the 11 principles as laid down in the audit standards)

Principle	How comply?
Demonstrates integrity	The code of ethics, including integrity, is included in the audit charter. Team members are asked annually to confirm that they have read and understood the code of ethics. Lat update February 2020
Demonstrates competence and due professional care	The code of ethics, including competence, is included in the audit charter. Team members are asked annually to confirm that they have read and understood the code of ethics. The required levels of competence and experience are laid out in each job description, and training needs are considered in regular 1 to 1 meetings. There is a Quality Assurance and Improvement Programme in place to ensure that professional care is maintained.
Is objective and free from undue influence (independent)	The code of ethics, including independence, is included in the audit charter. Team members are asked annually confirm that they have read and understood the code of ethics, and annually declare any interests which could impact on their independence. The HAA has responsibilities for risk, counter fraud and insurance as well as audit and is a member of the shared service management team. To preserve independence audits in these areas are carried out by other audit organisations.
Aligns with the strategies, objectives, and risks of the organisation	A strategic council wide approach, as opposed to a service based one, is used to prioritise work and compile the audit plan. The Council Plan, the Council's strategic outcomes, the strategic risk register and the operational risk registers are key components compiling the audit plan. The key components of an effective control environment, and the risks to it, are also considered.
Is appropriately positioned and adequately resourced	The HAA sits on the CFOs' management teams at both councils as well as the shared service management team. HAA has unfettered accesses to the CFO, Chief Executive and audit committee at both Councils. Also sits on both Council's Assurance Boards. When compiling the plan the level of resource available is compared to the resource required to provide a reliable

	and standards compliant opinion. Although the finalisation of audit work was impacted during April and May 2020 due to Covid-19, sufficient work was carried out to provide a reliable audit opinion
Demonstrates quality and continuous improvement	A Quality Assurance and Improvement Programme is in place, and the team had a successful five yearly external inspection of its processes. All assignments are subject to supervision and review, and the overall arrangements are subject to annual self-assessments. Quality issues are discussed at each monthly team meeting and any relevant issues arising are included in the improvement plan. The Audit Manual is subject to regular update as issues arise.
Communicates effectively	The team has a report template which meets the requirements of the audit standards. Reports are subject to regular review and update, and any common issues are included in the quality improvement plan. Team members are provided with guidance on effective reporting and this updated regularly following on from internal quality reviews and feedback from clients.
Provides risk-based assurance	The overall plan and individual assignments are prioritised depending on risk. When considering the work programme for individual assignments team members consider the inherent impact of each of the five key areas of an effective control environment on the area, the local and national risk related to it, and the completeness of the risk register
Is insightful, proactive, and future-focused	Auditors are encouraged to ensure their reports are insightful, relevant and include agreed actions which add value. Following feedback from the external inspection the reporting template was enhanced in 2018/19, and guidance has been provided to Team Members on effective reporting. Both the overall audit plan and the design of individual assignments take accounts of future developments and risks to the organisation, and are subject to consultation with relevant officers. The team keeps a library of future developments to ensure that future issues (both nationally and locally) are picked up through membership of various bodies (Cipfa, BGF, IIA) and considered for audit programmes where appropriate. Team meetings ensure that service, development and cultural issues and changes are discussed, and training is delivered where required.

<p>Promotes organisational improvement</p>	<p>The audit team promotes organisational improvement in the a number of ways including:</p> <ul style="list-style-type: none"><li>- Aligning the audit programme to the strategic objectives of the council</li><li>- Shares emerging good practice with management</li><li>- Ensuring assignments are based on key risks, and reports have meaningful actions which add value</li><li>- Provide advisory work to support the development of an effective control environment</li><li>- Carry out follow up work to provide assurance that actions are being implemented and improvements made</li></ul>
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## Appendix 8: Key Performance Indicators 2018/19

	Annual target	Outturn	Variance	Comments
<b>What did we do?</b>				
Actual outturn forecast v budgeted outturn (shared service combined)	£522K	£526K	+£4K	
Audit days delivered as at 31/5/20	1190	1037	-153	Reduction in the time charged due to the impact of Covid-19. Completion of the audit plan was temporarily suspended with resources focused on supporting the emergency
Audit days delivered as at 31/3/20	1010	1008	-2	As at 31 March 2020 on target to complete plan by 31/5/2020 but impacted by Covid-19- see above comments
Number of audits completed by 30 June 2020	90	80	-10	Variance primarily due to the impact of covid-19 in completing and finalising some audits by 30 June 2020, whilst two school visits scheduled for March 2020 were deferred to the Autumn terms

% of audits issued in final within 20 working days of the issue of the draft	90%	49%	-41%	In part this has been impacted by the impact of Covid-19 which led to a delay in finalising reports, but here still requires a need to reduce the time to reduce the time to finalise audits. The escalation policy has been in 19/20 been enhanced but requires further promotion and enforcement
<b>How well did we do it?</b>				
Did we carry out the audit well? (customer satisfaction questionnaires)	90%	100%	+10%	Shows very good customer satisfaction
Chargeable time days per employee excluding HOIA compared to CIPFA average	177	171	-6	Variance primarily due to extended support for 2 apprentices and also the impact of the last two weeks of March which impacted o the ability of auditors to proceed with some planned work.
% of audits issued in draft by the agreed date	90%	51%	-39%	Variance caused by a number of factors such as audits taking longer than expected, audit team needing to be more proactive in resetting due dates, and impact of audits carried forward from previous years

<b>Did we add value?</b>				
Did we add value? (customer satisfaction questionnaires)	90%	94%	+4%	Demonstrates very good customer satisfaction and how audit adds value
% agreed actions implemented by the agreed date	70%	58%	-12%	Scope to improve the % of agreed actions implemented. Reminder and monitoring process have been further enhanced.

**Audit work contributing to the 19/20 audit opinion**

<b>Audit Assignment</b>	<b>Director</b>	<b>Assurance</b>	<b>Residual Risk</b>	<b>Comments</b>
<b>Governance, Strategic Risks and operational risks</b>				
Air Quality	Director of Operations	<b>Substantial</b>	<b>Low</b>	
Adoption	Director of Children and Community Resilience	<b>Substantial</b>	<b>Low</b>	
Adults safeguarding	Director of Adults and Wellbeing			in progress
ASC Finance - follow up , including ditct payments and capital deprivation	Director of Adults and Wellbeing and Director of Governance and partnerships	<b>Satisfactory</b>	<b>Medium</b>	
ASC Continuing Health Care	Director of Adults and Wellbeing	<b>Limited</b>	<b>Medium</b>	
ASC resources and personal budgets	Director of adults and wellbeing and Director of Governance and partnerships	<b>Satisfactory</b>	<b>Low</b>	
Capital programme	Director of Governance and Partnerships	<b>Substantial</b>	<b>Medium</b>	This looked at the new arrangements for the initialisation process - opinion is on the design.
Car Parking	Director of Operations	<b>Satisfactory</b>	<b>Medium</b>	
Care Assessments				in progress
Child protection	Director of Children and Community Resilience	<b>Substantial</b>	<b>Low</b>	
Children's Public Law	Director of Children and Community Resilience	<b>Substantial</b>	<b>Low</b>	
Commercial estates	Director of operations	<b>Limited</b>	<b>Medium</b>	
Domestic Abuse	Director of Children and Community Resilience	<b>Satisfactory</b>	<b>Medium</b>	
Performance management and DQ	Director of Governance and	<b>Substantial</b>	<b>Low</b>	
Economy	Director of Business Support			Completion of the audit deferred until 2020/21 due to the Council requiring to reases its approach to the economy due to the impact of Covid-19
Education Standards	Director of Learning , Skills and Culture	<b>Substantial</b>	<b>Low</b>	
Energy management				in progress
Fixed Assets	Director of operations	<b>Substantial</b>	<b>Low</b>	
Healthy Lifestyles	Director of Public Health			in progress
Heritage Assets Responsibilities	Director of Operations	<b>Satisfactory</b>	<b>Medium</b>	
High Needs Assessments	Director of Children and Community Resilience			in progress
HR Casual Workers Taylor Review	Director of Business Support			Briefing note completed as advisory work to support in advance of the Taylor review report being published

Audit Assignment	Director	Assurance	Residual Risk	Comments
HR Minimum Wage	Director of Business Development			A HRMC compliance review in December 2017 identified some non-compliance with the National Minimum Wage Act 1998. Following an advisory piece of work, assurance could be given that adequate procedures are in place to ensure that when a salary sacrifice arrangement is put in place compliance with the National Minimum Wage and National Living Wage is maintained.
Integrated Impact Assessments	Director of Governance and Partnerships	Satisfactory	Medium	
Leisure- commercial viability	Director of Learning, Skills and Culture			
Leisure- safety and safeguarding	Director of Learning, Skills and Culture			
Licensing	Director of Operations/ Director of Governance & partnerships	Satisfactory	Medium	
Managing Peoples affairs	Director of Adults and Wellbeing	Satisfactory	Medium	
Organisational development	Director of Business Development			in progress
Partnership protocol	Director of Governance and Partnerships			Audit reviewed the process for refreshing the Partnership Protocol in December 2019. It reviewed the draft document and suggested some areas for development
Planning for School Places	Director of Operations (Deputy CEO acting)	Substantial	Low	
Registrars	Director of Business Development	Satisfactory	Low	
Resource Allocation and Personal Budgets	Director of adults and wellbeing	Satisfactory	Low	
Role of DASS	Director of adult and wellbeing	Substantial	Low	
Role of Director of Public Health	Director of Public Health	Substantial	Low	
Scrutiny	Director of Governance and partnerships			We planned to carry out an audit of the Council's response to the House of Commons Communities and Local Government Committee report and associated recommendations on the Effectiveness of Local Authority Overview and Scrutiny Committees. In late 2019 the Director of Governance and partnerships presented a report to the scrutiny governance panel and recommended that a review be carried out of the scrutiny function with the national report being the starting point. We have delayed our work, therefore, until the review is carried out which is anticipated to be in the 2020/21 scrutiny workplan.
Security Centre	Director of Children and Community Resilience	Satisfactory	Low	
Special Educational Needs Disability (SEND- governance arrangements)	Director of Learning, Skills and Culture			
Skills & Employability	Director of Business Development and Director of Learning, Skills and Culture	Satisfactory	Low	

Audit Assignment	Director	Assurance	Residual Risk	Comments
Trade Waste	Director of Operations (Deputy CEO acting)	Satisfactory	Medium	
Town Centre management	Director of Governance and partnerships			in progress
Training	Director of Business Development	Satisfactory	Medium	
Waste Services Administrative Processes	Director of Operations (Deputy CEO acting)	Satisfactory	Low	
Youth Offending	Director of Children and Community Resilience	Satisfactory	Low	
<b>Financial systems</b>				
Creditors	Director of Governance and Partnerships	Substantial	Low	
Debtors	Director of Governance and Partnerships	Substantial	Medium	
e-financials	Director of Governance and Partnerships	Substantial	low	
Financial compliance	Director of Governance and Partnerships	Satisfactory	Low	
Income receipting	Director of Governance and Partnerships	Substantial	Low	
Local taxation and benefits	Director of Governance and Partnerships	Substantial	low	
Payroll	Director of Business Development	Satisfactory	Low	
Treasury management	Director of Governance and Partnerships	Substantial	low	
<b>ICT</b>				
CareFirst	Governance & Partnerships	Satisfactory	Low	
Firewall Security and Management Controls	Governance & Partnerships	Substantial	low	
Human Resources, Payroll and Finance systems resilience	Governance & Partnerships			in progress
ICT Project Management	Governance & Partnerships	Satisfactory	Low	
Network Device Security and Management Controls	Director of Governance and Partnerships	Satisfactory	Low	
Server Operational Management Controls	Governance & Partnerships	Substantial	low	
<b>Procurement</b>				
Construction framework	Director of Operations	Substantial	Low	
Review of procurement exercise	Director of Governance and Partnerships	Satisfactory	Low	In 2019/20 we instigated a programme of reviewing a sample of procurements to check compliance with the council's Contract Procedure Rules (CPRs). No significant concerns were identified
<b>Follow up</b>				
Apprenticeship levy	Director of Business Development	Satisfactory	Medium	
Attendance management	Director of Business Development			

Audit Assignment	Director	Assurance	Residual Risk	Comments
Community Meals	Director of Business Development	Satisfactory	Low	
Critical Assets Fleet	Deputy Chief Exec	Limited	Medium	
Freedom of Information	Director of Governance and partnerships			in progress
Highways and LTP	Director of Operations	Satisfactory	Medium	
Social media	Director of Business Development	Satisfactory	Medium	
<b>Schools</b>				
Althorpe and Keadby Primary	Director of Learning , Skills and Culture	Satisfactory	Low	
Baysgarth	Director of Learning , Skills and Culture	Satisfactory	Low	
Berkeley Primary	Director of Learning , Skills and Culture	Satisfactory	Low	
Broughton Primary	Director of Learning , Skills and Culture	Satisfactory	Low	
Bushfield Road Infants	Director of Learning , Skills and Culture	Satisfactory	Low	
Castledyke primary	Director of Learning , Skills and Culture	Satisfactory	Low	
Darley Centre	Director of Learning , Skills and Culture	Satisfactory	Medium	
Frodingham Infants	Director of Learning , Skills and Culture	Satisfactory	Low	
Luddington and Garthorpe	Director of Learning , Skills and Culture	Satisfactory	Low	
Scunthorpe C of E Primary	Director of Learning , Skills and Culture	Satisfactory	Medium	
St Hugh's	Director of Learning , Skills and Culture	Satisfactory	Low	
The Grange primary	Director of Learning , Skills and Culture	Satisfactory	Low	
WrootTravis Primary	Director of Learning , Skills and Culture	Satisfactory	Low	
<b>Probity audits</b>				
20:21 Income		Satisfactory	Low	
Car Loans for Foster Carers		Satisfactory	Low	
Church Square House Imprest		Satisfactory	Low	
Councillors Allowances		Substantial	Low	
Normanby Hall Income		Substantial	Low	