

# **North Lincolnshire Council**

## **Interim Audit Report 2023-24**

### **Month 9**

## **Introduction**

The purpose of this briefing paper is to keep the Audit Committee Members informed in relation to the delivery of the audit plan, in particular:

- providing assurance that sufficient work will be carried out to provide a reliable risk based annual opinion on the effectiveness of the control environment.
- bringing to the Committee's attention any issues identified during the 2023-24 audit which could impact on the annual opinion: and
- providing an update on the activities which have occurred during 2023-24 in relation to quality improvement, and to ensure Internal Audit's continued compliance with Public Sector Internal Audit Standards (PSIAS).

## **Delivery of the Audit Plan**

At the meeting of the Audit Committee held on 15 March 2023, the Head of Audit and Assurance presented the outline Internal Audit Plan 2023-24. The report provided an outline of the audit priorities and activities for 2023/24, how it will be delivered and resourced, a commentary on the methodology for its compilation, and assurance on compliance with auditing standards. The total audit days identified in the plan was 1100 days, but Members of the Committee were informed that it is subject to regular review and amendment to take account of changes in the Council's risk profiles and priorities, and the level of audit resources available.

According to PSIAS 2010 "the chief audit executive must review and adjust the plan, as necessary, in response to changes in the organisation's business, risks, operations, programmes, systems, and controls". An update to the audit plan, providing further detail of the planned audit work, was provided to the Committee on 6 October 2023. It was reported that the delivery of the Audit Plan would be very challenging during due to various factors including:

- a key senior member of the team retired in August 2023;
- there has been greater than anticipated levels of sickness during the summer which has impacted on resources;
- due to the difficulties discussed in 2022-23 in setting up and completing audits caused, in part, by management restructures, a greater number of assignments have been carried forward from 2022-23 than originally anticipated;
- further changes in senior management personnel potentially impacting on the delivery of the audit plan; and
- in previous years due to year-end backlogs, we have delayed the production of the annual HOIA report beyond the target completion date of 31 May. This, however, has limited the time for consultation with senior officer's prior it to being considered by the Audit Committee, and therefore moving forward any work not reported by

31 May will not be included in the 2023-24 HOIA report, potentially reducing the number of assignments referred to in it.

It was reported to the Audit Committee that a number of actions were being put in place to ensure that sufficient work would be carried out by 31 May to provide a reliable year end opinion on the Council's control environment. This included the reprioritisation of audit assignments dependent on their relative importance to the Council's control environment, holding discussions with Assistant Directors to emphasise the importance of audits being delivered to schedule, increasing emphasis on the use of data analytics to obtain assurance more efficiently, and limiting the acceptance of requests for advisory work.

A breakdown of the revised budget because of the plan is shown on the table below. This generated an increased contingency of 204 days. As most of this contingency will not be required, and in any event that resources will not be available, the target planned days has been reduced to 900 days. The main adjustments to the plan are as shown below:

- A reduction in the estimated days required for strategic and operational risks. This is due to changes in the risk profile meaning that some audits identified at the planning stage can be re-prioritised and will be best carried out in 2023-24 or we can place reliance on the outcome of inspections, such as the inspection of adult services which was reported as "good". A summary of these changes is shown on Appendix 1.
- By focussing on those areas of greatest risk and continued use of data analytics, we are projecting less resource will be required in proving assurance on the fundamental financial systems than in the original plan.
- Financial systems - we are still completing all audits, but we have adopted a more risk assessed approach of looking at analytical review to gain high level assurance, and testing exceptions, changes to control and where there were issues last year.
- Schools – we have reduced the number of visits as we are not required to audit them every three years, whilst the number of schools for audit has gradually decreased due to confederation and some schools becoming Academies – in 2024/25 we will look to apply an approach similar to that of financial systems and use more local information to risk assess those that require a visit.
- In August 2023 we reported the outcome of our review of overall procurement arrangements, initially carried out as part of the 2022-23 audit. This provided "satisfactory" assurance and so there was no need carry out a further detailed audit in 2023-24.
- Based on the requests for advisory work up to month 9, we have reduced our forecast for the level of resource required for the rest of the financial year.

The revised plan, if delivered, will provide sufficient coverage to provide a reliable, risk-based, standards compliant opinion on the Council's control environment, subject to the risks identified below.

**Table1: Revised Plan and days charged as of 31 December 2023**

Area	Planned days as at 31 March 2023	Planned days as at 30 September 2023	Planned Days at 31 December 2023	Actual Days as at 31 December
Strategic risk/ operational risk/ governance	430	547	402	179
2022-23 work carried forward from 1 July 2023				27
Financial systems	135	123	105	38
ICT	45	43	46	11
Procurement and contract management	25	25	13	2
Schools	90	90	52	38
Grant Certification	60	38	42	32
Advisory	50	31	26	9
Follow up	40	40	40	19
Probity and Counter Fraud	75	70	65	49
Management time	75	75	75	58
Contingency	75	18	34	
Total	1100	1100	900	462

As of 31 December 2023, 462 days had been charged against the audit plan. This was against the original target of 672 days for this point in the audit cycle, or 525 when taking account of the reduction in planned days.

Since the previous update to the committee the resources available to audit have further been reduced due to two resignations in quarter three, as well as one further long-term sickness. Consequently, there remains a gap in the revised plan and the resources available to complete it by the target date of 31 May 2024. A number of mitigating actions are being put in place to reduce this gap.

These include:

- successfully securing a new ICT audit partner and agreeing a programme of work with them by 31 May 2024;
- looking at the temporary recruitment of staff; and
- engaging with other audit providers to establish whether they have any spare capacity.

We are focusing our work on those areas which will have greatest impact on the audit opinion (e.g., financial risks, strategic risks, areas of known significant operational risk, and the key components of the governance framework) but there may be areas where we may need to provide a “limited” scope opinion. For example, each year the audit programme includes testing of a small number of contracts to confirm whether the Council’s capital procedure rules (CPRs) and contract monitoring arrangements are being followed in practice. Due to other priorities this work may not take place in 2023-24 and if this was the case, though the overall opinion would not be affected, we would report that these areas of work had not been completed.

We will provide a further update at the next Audit Committee.

### **Audit work carried out.**

A summary of audit reports issued since June 2023 is shown in Appendix 2. They include a number of audits which were largely carried out as part of the 2022-23 audit plan but were reported in 2023-24 and therefore will be considered as part of the 2023-24 opinion. 3 reports have received limited assurance, these were:

- Depot - Security of Assets
- Devolution of grass cutting to town and parish councils
- Tree safety

We have also carried out work in relation to the certification of grants, including:

- Outbreak Fund Management Fund (COMF)
- Local Transport Plan and Potholes
- Supporting Families
- Bus Services Operators Grant
- Household Support Fund
- Greens Homes Grant Phase 3
- Changing Places Grant
- Household Support Fund 3
- Housing Upgrade Grant 2
- Multiply Ring Fenced Spending
- SCITT Partnership 1 & 2

Internal Audit also follows up the implementation of previously agreed actions. This work is carried out as follows:

- sending out quarterly reminders to managers to remind them of their agreed actions and seeking confirmation as to whether they have been implemented. In 2023-24 the audit software was enhanced, and we are in the process of using it to implement a new system to allow action owners to update progress on actions themselves, and also improved reporting capabilities; and
- carrying out specific follow up audits - as of 31 December 2023, of 36 actions checked, 22 had been implemented.

### **Quality Assurance**

As reported in previous years, Internal Audit has a Quality and Assurance Improvement Programme (QAIP). This is subject to regular review, and an update of it will be brought to the March 2024 Audit Committee alongside the 2024-25 audit plan and the updated Audit Charter.

An important element of the standards is that every five years audit teams are subject to an external inspection to assess compliance with the Public Sector Internal Audit Standards. The external Inspection was carried out in November 2023 by the Chartered Institute of Public Finance and Accountancy (CIPFA), and initial feedback was received in late December 2023. This confirmed that “the internal audit function for North and North East Lincolnshire Council generally conforms to the Public Sector Internal Audit Standards”, where ‘Generally conforms’ is the top rating available. Feedback on the draft report has been provided and it is anticipated that the final report will be issued by 31 January 2024, and will be presented to the Committee at its March 2024 meeting.

During 2023-24 several quality review measures have been carried out to ensure compliance with the standards, including the following:

- continuing to ensure that all audit work is subject to supervision and review, with any emerging issues being discussed at monthly team meetings.
- regularly updating the Audit Manual which provides guidance to staff on how to carry out their work and team meetings to talk about the various sections of the manual.
- reminding team members of the Code of Ethics, including the consideration of ethical dilemmas at team meetings.
- monitoring the % of respondents to post audit questionnaires who thought that an audit was carried out well - as of 31 December 2023 this was 100%.
- monitoring the % of respondents to post audit questionnaires who thought that an audit added value - as of 31 December 2023 this was 100%.
- monitoring the timeliness of the completion of audits- as of 31 December 2023, against a target of 90%

- 48% of audits had been issued in draft by the date agreed in the terms of reference, compared to 74 for the 2022-23 outturn; and
- 76% were issued in final within 20 working days of the issue of the draft, compared to 75% for the 2022-23 outturn.

Further quality assurance and improvement activities to be carried out during the remainder of 2023-24 will be reported in the Annual Head of Audit Report and Opinion.

**Appendix 1: summary of changes to the audit plan relating to strategic and operational risks at 31/12/23**

**Audits deferred or reduced scope**

<b>Assignment</b>	<b>Summary of planned work</b>	<b>Director</b>	<b>Reason for change</b>
Adults Data Quality and performance management	To provide assurance that quality data is in place to inform returns and demonstrate performance and outcomes achieved	Adults and Health	Deferred to 2024-25 given that a new AD has recently appointed, and after discussions with the Interim Director of Adults and Health, Continuing Health Care was added to the plan as seen as a greater need
Asset Management - tech forge	Assurance on the systems for effective recording of assets at their correct values	Outcomes	Not seen as a priority as area subject to annual external audit
Leisure Centres, Libraries and Hubs Safety & Safeguarding	Assurance on the arrangements for safety and safeguarding, including actions taken to minimise the risk of harm to customers, visitors and staff and damage to the council's reputation	Communities	After discussions with ADs not seen as a priority and would be better to incorporate into a Council wide audit in 24/25
Customer Contact Centre	Assurance on the new system and the efficient use of centres	Communities	This is a new service to be integrated into Community Enablement and in which a new manager role is being established. Agreed to carry out in early 2024/25 once the service has been established and the new manager has been in post.
Early years	Assurance on systems in place for delivering the early years offer crosscutting all services - potentially feed into hub service and fresh start	Children and families	After discussions with the AD this was no longer considered a significant risk
<b>Assignment</b>	<b>Summary of planned work</b>	<b>Director</b>	<b>Reason for change</b>



Economy	Assurance for the delivery of the Council's economic strategy	Communities	Audit on the Economic strategy completed in August 2023-24 and to be reported in the 2023-24 opinion, and so audit to be undertaken in 2024-25 to provide time to test its embeddedness
Empty homes & housing enforcement	Assurance on delivery of the Council's approach to empty homes and arrangements for ensuring housing stock meets decent standards under legislation, including steps to bring long term empty homes back into use and the use of external funding	Communities	After discussions with the relevant Assistant Director, it was agreed to defer this to early 2024-25.
Independent Advocacy Service	Assurance on the delivery of the newly commissioned service	Adults and Health	Replaced by Continuing Health Care as agreed with the Interim Director that it is a bigger risk
Organisational Development	Assurance on the delivery of the Council's approach to organisational development	Outcomes	New Assistant Director appointed in Autumn, and new Chief Executive to join the Council in February 2024. Therefore, it was agreed that the audit would be of greater value once an updated Organisational Development strategy was in place. Therefore, will carry out a short audit to review progress in April/ May, and carry out full audit in 2024-25.
Preparedness for SEND and Alternative Provision	Assurance on the arrangements being developed for a revised rated inspection regime of SEND and Alternative provision	Children and families	After discussions with the AD this was no longer considered a significant risk

<b>Assignment</b>	<b>Summary of planned work</b>	<b>Director</b>	<b>Reason for change</b>
Project management	Carry out an overview, including intelligence from other planned work where relevant, of the development of the Council's project management arrangements	Outcomes	Project management arrangements still in development and therefore a full audit to be deferred until early 2024-25, but to obtain an update in April/ May to inform the 2023-24 opinion
Regulation - environmental health - food safety	Assurance on arrangements for ensuring food safety across the borough, including meeting statutory requirements, operating the Food Hygiene Rating Scheme and investigating complaints	Communities	Where possible reliance will be based on the assessments carried out by the Food Standards Agency
Section 106 agreements	Assurance that s106 developer contributions are applied fairly and used for the intended purpose	Communities	It was agreed to defer to early 2024-25 as there are already two audits in the 2023-24 in the plan related to planning
SEND	TBC after review of revised SEND inspection framework	Children and families	Deferred to 2024-25 after discussions with Director of Children and Families
Strategic housing	Assurance on the arrangements in place to ensure the delivery of the council's housing strategy, including the use of external funding	Communities	The Council is the process of adopting a new Housing Strategy and so it was agreed to defer to 2024-25 to review how it has been implemented
Waste disposal	Assurance on the arrangements for waste disposal, including contract management, environmental responsibilities and VFM	Communities	Deferred to early 2024-25 to take account that some of the contracts are currently being renewed

**New Audits or widened scope**

<b>Assignment</b>	<b>Summary of planned work</b>	<b>Director</b>	<b>Reason for change</b>
Continuing Health Care	Application of the toolkit and guidance for the referral to health of packages of care that could potentially be health funded	Adults and Health	added 12/12 after discussion with the relevant AD
ASC deferred payments	Assurance that those wishing to defer payment of care do so through robust arrangements that secure the charge for the council and payment is prompt	Outcomes	Increased budget to reflect issues identified
ASC financial assessment and capital deprivation	Provide assurance on the processes in place to ensure that all clients are financially assessed for their contribution to care and that such charges are collected systems are robust and would highlight capital deprivation	Outcomes	Increased budget to reflect issues identified
Tree Safety	Assurance that arrangements are in place to manage the risk from falling trees or branches or hazards from tree roots	Outcomes	Increased budget to reflect issues identified

**Audits deferred from the previous year and added to the 2023-24 plan (as reported on 6 October 2023)**

<b>Assignment</b>	<b>Summary of planned work</b>	<b>Director</b>	<b>Reason for change</b>
Baths Hall & Plowright Theatre)	Assurance on the operation of the venues following transfer in-house from the external management company	Communities	Deferred from 2022-23
Commercial Assets / Estates)	Assurance on the maintenance of the commercial portfolio, purchases / disposals, leasing arrangements and charging process. To include consideration of any issues coming out of public reports from other councils	Communities	Deferred from 2022-23
Event Planning	Assurance on the effectiveness of arrangements for managing potential risks around events, including the role of the Event Safety Advisory Group (ESAG)	Communities	Deferred from 2022-23
Neighbourhood Services - Devolution of verge cutting and public rights of way)	Assurance on how any potential risks resulting from the devolution of verge cutting and public rights of way to town and parish councils are being managed	Communities	Deferred from 2022-23

**Appendix 2: Summary of Completed Audit work as of 31 December 2023**

See attachment.