

NORTH LINCOLNSHIRE COUNCIL

AUDIT COMMITTEE

INTERNAL AUDIT REPORT, INCLUDING THE 2024-25 AUDIT PLAN

1. OBJECT AND KEY POINTS IN THIS REPORT

1.1 This report provides the Audit Committee with the following updates:

- progress on the delivery of the 2023/24 audit plan;
- the outcome of audits completed since 1 January 2024;
- the 2024/25 Internal Audit Plan;
- the updated Internal Audit Charter;
- the outcome of the External Audit Assessment (EQA) carried out in November 2023 and reported in February 2024;
- the Audit Strategy; and
- the Quality Assurance and Improvement Programme (QAIP).

2. BACKGROUND INFORMATION

Delivery of 2023-24 Audit Plan

2.1 As explained in the Interim Audit Report, presented to the Audit Committee on 24 January 2024, subject to amendments to the 2023-24 plan there would be sufficient work carried out to provide a reliable audit opinion, but there was a risk that the Head of Audit and Assurance may need to issue a “limitation of scope” opinion if not enough of the remaining plan was completed by 30 June 2024.

2.2 As of 29 February 2024, 565 audit days (63%) had been delivered. Although there remains a risk of a “limitation of scope” opinion this has reduced due to the following factors:

- all remaining work has been allocated and has been matched to the team’s resourcing profile;
- the ICT audit support is now in place and the ICT audits are now progressing;
- additional audit resource has been agreed and will be beginning in early May; and

- since the previous Audit Committee, the time planned for a review of Public Health Governance Arrangements will no longer be required as this will be subject to a peer review during 2024-5, and the planned audit on “Green futures” will be deferred into 2024-25 as the council acknowledges it requires further work in this area.
- 2.3 However, Quarter 1 will remain challenging, and Audit will be ensuring its resources are monitored so that work is completed to agreed timescales and time budgets, as well as working closely with the services regarding the delivery of the outstanding audits.

Work Completed Since 1 January 2024

- 2.4 Appendix 1 shows the work completed since 1 January 2024 up to 27 March 2024. Four areas have been provided with “Limited” assurance:
- Adult Social Care Deferred Payments
 - Adult Social Care Financial Assessments and Capital Deprivation
 - Contaminated Land
 - Human Resources- Induction

Audit Plan 2024/25

- 2.5 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. A requirement of the regulations is that Internal audit must consider Public Sector Internal Auditing Standards (PSIAS) and guidance when carrying out its work. This includes presenting an Audit Plan to the Audit Committee and regularly reviewing it.
- 2.6 The current version of the Internal Audit Plan 2024-25 as of 28 March 2024 is shown on Appendix 2. This provides Members with an update on the methodology for compiling the plan, progress on its compilation, an outline of the audit priorities and activities for 2024-25, the emerging themes from the planning process, how it will be delivered and resourced, and assurance on compliance with auditing standards. It also discusses the potential risks in the resources available to deliver the anticipated work and this will need to be kept under review throughout 2024-25.
- 2.7 As referred to in the Audit Plan there is some outstanding planning work to be carried out, and an updated version of it, including a breakdown of planned assignments included in the section referred to as “strategic risk/ operational risk/ governance”, will be provided to the July meeting of the Audit Committee.

Audit Charter

- 2.8 The standards also require an Audit Charter to be reviewed and presented to the Audit Committee annually. The Charter defines the scope of Internal Audit activities, its purpose, its authority, and its responsibilities, and is shown in Appendix 3. The Charter was reviewed as part of the EQA and found to be compliant and in line with good practice. The only change from the previous version is to define consulting activities more clearly.

External Quality Assessment (EQA)

- 2.9 It is a requirement of the standards for audit to be subject to an External Quality Assessment every five years. In November 2023 the Chartered Institute of Public Finance and Accountancy (CIPFA) carried out the EQA and reported the results in February 2024. The outcome of the Assessment is shown on Appendix 4, and it is pleasing to note that overall, the Council received the highest possible score “generally conforms”, and for each of the individual sections of the standards.
- 2.10 A number of areas for development have been identified in the report. These will be developed into an action plan which will be presented to the Audit Committee as part of the Quality and Assurance and Improvement Plan (QAIP) referred to below.

Audit Strategy

- 2.11 It is a requirement of the Standards that Internal Audit produces a medium/ long term strategy. This has been reviewed and is shown on Appendix 4. Actions which have been already implemented to achieve the strategy include:
- as part of the ongoing review of the Audit and Assurance structure the job descriptions are being reviewed to ensure that they reflect the needs of the team;
 - reviewing audit processes and upgrading the audit software to improve efficiency and effectiveness;
 - having a facilitated training day in March 2024 with audit staff, counter fraud staff, and accountancy staff on the development of data analytics; and
 - as referred to in the Audit Plan and EQA there will be a review of key performance indicators so that performance can be measured more efficiently and effectively.

Quality Assurance and Improvement Programme (QAIP)

2.12 It is a requirement of the standards for Internal Audit to have a documented Quality Assurance and Improvement Programme (QAIP), for it be reviewed regularly, the outcome of the review of quality to be reported annually in the Head of Internal Audit Annual Report and Opinion, and where appropriate an improvement plan to be developed. A copy of the QAIP is shown on Appendix 5. It has been subject to review but only minor changes were required, whilst the outcome of the review of quality will be reported to the Audit Committee in July, together with an improvement plan, which will incorporate actions identified in the EQA.

3. OPTIONS FOR CONSIDERATION

3.1 In its role as the body charged with governance the Audit Committee is asked to consider the progress against the delivery of the audit plan, the content of future audit plan, consider issues arising from audit work, and the audit team's processes to ensure quality. .

4. ANALYSIS OF OPTIONS

4.1 It is a requirement of the PSIAS for the Audit Committee to receive updates on progress against the delivery of the current audit plan, and to consider the future audit plan.

5. FINANCIAL AND OTHER RESOURCE IMPLICATIONS (e.g. LEGAL, HR, PROPERTY, IT, COMMUNICATIONS etc.)

5.1 In order to ensure that sufficient coverage is carried out to provide a reliable, risk-based opinion on the Council's control environment, additional temporary resources may be required.

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

6.1 The work of audit plan contributes to the Council's approach to risk management by identifying and testing the design and operation of controls to mitigate risk. In addition, most audit assignments provide an opinion on the prevailing residual risk. The report has identified risks in relation to the delivery of both the 2023-24 and 2024-25 plans due to potential resourcing issues which will need to be managed carefully throughout 2024-25.

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 It is a requirement of the Internal Audit Code of Ethics that auditors need to declare any potential relationships or interests which could potentially impair independence. If any potential conflicts are identified, then they are not allocated assignments related to them.

9. **RECOMMENDATIONS**

9.1 That the Audit Committee is asked to consider the following:

- note the progress in delivering the 2023-24 audit plan;
- consider the outcome of audit reports issued since 1 January 2024;
- provide comment, if appropriate, on the outline audit plan for 2024-25;
- note the outcome of the EQA; and
- note and provide comment on the audit strategy and the QAIP.

DIRECTOR: OUTCOMES

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Background Papers used in the preparation of this report

Internal Audit Plan 2023/24 (March 2023)