



# **North Lincolnshire Council**

## **Interim Audit Report 2021-22**

### **Month 8**

## **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 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 course of the 2021/22 audit which could impact on the annual opinion; and
- providing assurance of Internal Audit's compliance with Public Sector Internal Audit Standards (PSIAS)

## **Delivery of the audit plan**

On 8 April 2021 the Audit Committee formally approved the 2021/22 audit plan consisting of 1145 days. The Head of Audit and Assurance confirmed that, based on the risks identified, there were sufficient resources available to deliver the Audit Plan by 31 May 2022, but it was also recognised that resourcing remained a risk, and in response the delivery of the plan would be monitored on a monthly basis, and where appropriate the audit programme would be reprioritised to meet changing audit resourcing needs and risks.

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". A summary of the revisions to the plan, together with the days charged is shown on the table below. As shown as of 30 November 2021 there has been a reduction in the budgeted days on the area of the plan covering strategic risks, operational risks and governance, to reflect adjustments to assignment budgets and the deferral of a planned audit on contaminated land to 2022/23.

***Days charged against the revised audit plan as of 30 November 2021***

| <b>Area</b>  | <b>Planned days</b> | <b>Revised days</b> | <b>Actual days</b> |
|--|---------------------|---------------------|--------------------|
| Strategic risks, operational risks, and governance | 460                 | 435                 | 164                |
| Financial systems                                  | 145                 | 145                 | 60                 |
| ICT  | 50                  | 50                  | 43                 |
| Procurement and contract management                | 25                  | 20                  | 8                  |
| Grants   | 60                  | 102                 | 85                 |
| Schools  | 100                 | 100                 | 58                 |
| Follow up  | 35                  | 35                  | 16                 |
| Fraud and investigation                            | 80                  | 80                  | 42                 |
| Advisory   | 70                  | 70                  | 42                 |
| Audit Management                                   | 75                  | 75                  | 50                 |
| Contingency  | 45                  | 33                  |                    |
| Total  | 1145                | 1145                | 568                |

As of 30 November 2021 568, days had been charged against the audit plan. This compares to the anticipated 573 days at this point in the audit cycle. Whilst this a pleasing position to be in at this time of year (particularly when taking account of the level of contingency which is currently available), and it is anticipated that sufficient work will be carried out to provide a reliable audit opinion on the Council's control environment by 31 May 2021, risks to the delivery of the plan remain including:

- the time charged to the 2021/22 plan includes 45 days for uncompleted work carried forward from the 2021/22 plan, which thus creates a resource pressure;
- some of the resources available will be required in April and May 2022 for setting up 2022/23 audit assignments;
- the availability of audit staff- although the internal audit team have been fortunate that it has been able operate at full capacity for most of the year there is a risk that this could be subject to change due to staff turnover or incidences of long term sickness;
- Grant certification- there has been considerable work this year on grant certification resulting in audit resources having to be to be diverted to this area, both in the original plan and the revised plan. Although some of this work is related to COVID related grants, there appears to be a growing trend that government departments are expecting internal audit certification of the use of grant funding in general , and therefore there is a possibility that further additional time may be required in 2021/22;

- the need to review the audit programme in relation to public health following the appointment of the Interim Director of the Audit Public Health which could also lead to a revision of the plan; and
- staff within services being available to ensure that planned audits are completed promptly so that the number of audits outstanding as of 31 May 2022 is minimised- the audit team has been having regular discussion with Heads of Service about the progress of audit work in their area, and where appropriate identifying those areas where progress has been slower than anticipated.

Advisory and other support work is an important part of audit's work. A summary of such work carried out is shown on Appendix 1.

### **Audit reports**

A summary of audit reports issued since June 2021 is shown in Appendix 2. They include a number of audits which were largely carried out as part of the 2020/21 audit plan but were reported in 2021/22 and therefore will be considered as part of the 2021/22 opinion. Two reports have received limited assurance, but neither are anticipated to impact on the year-end audit opinion. In relation to both these reports will be subject to follow-up audits either later in 2021/22 or early 2022/23, and Members should seek assurance that the issues identified have been addressed.

### **Quality**

As reported in previous year Internal Audit has a Quality and Assurance Improvement Programme (QAIP), which is reviewed annually. No significant amendments to the QAIP have been identified

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. As previously reported the outcome of the external inspection held in March 2018 was 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. The next external review is scheduled for early 2023.

During 2021/22 a number of 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 team meetings;
- updating of the Audit Manual which provides guidance to staff on how to carry out their work and using virtual team meetings to talk about the various sections of the manual- the sections on assignment planning and the approach to counter fraud have been recently updated;

- annually reviewing the audit charter, which establishes the internal audit activity's position within the organisation, including the head of internal audit's reporting lines, access to records, people and property, and the scope of its activities- an updated charter will be brought to the April Audit Committee alongside the Audit plan 2022/23;
- having a system in place to regularly remind managers of their agreed audit actions and to ask for updates on their implementation;
- monitoring the % of respondents to post audit questionnaires who thought that an audit was carried out well - as of 30 November 2021 this was 100% (although based on a small number of returns);
- monitoring the % of respondents to post audit questionnaires who thought that an audit added value - as of 30 November 2021 this was 100% (although based on a small number of returns)
- monitoring the timeliness of the completion of audits- as of 30 November 2021 73% of audits had been issued in draft by the date agreed in the terms of reference, whilst 60% were issued in final within 20 working days of the issue of the draft.

Further quality assurance activities to be carried out in 2021/22 will be reported in the Annual Head of Audit Report and Opinion.

## **Appendix 1: Summary of advisory work provided by Internal Audit in 2020/21**

- 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
- The certification of grants in relation to Covid-19, transport, highways, and troubled families
- Providing considerable advice and support, where appropriate, on the design of systems in relation to Covid related Business Support Grants
- As part of audit's work on financial systems providing support and challenge to the Financial Project Board tasked with implementing the new financial system
- Co-ordinating the production of the Audit Committee Annual Report 200/21
- Providing a training session to Audit Committee Members on the role of the committee, governance, internal control, and the role of Internal Audit
- Working with HR in relation to the consideration of organisational culture indicators
- Working with Heads of Service in the development of a "Guide to the Control Environment" which is intended allow managers to have an enhanced understanding of the importance Internal Control and their responsibilities related to it
- Providing a training session to the Head of Service Group in relation to governance and internal control
- Membership of the "Growing the Economy group"
- Membership of the "Adults Transformation group"
- Responding to various accounting, and human resources and information governance queries
- As part of audit's probity and fraud work co-ordinating the council's response to the National Fraud Initiative
- As part of audit's probity and fraud work supporting investigations into allegations of fraud or financial misconduct

**Appendix 2: Completed Audit work contributing to the 21/22 audit opinion as of 23 December 2021**

| <b>Audit Assignment</b>   | <b>Assurance</b>    | <b>Residual Risk</b> | <b>Comments</b> |
|---|---------------------|----------------------|-----------------|
| <b>Delivery of strategic and operational outcomes and good governance</b>                   |                     |                      |                 |
| Blue Badges   | <b>Substantial</b>  | <b>Low</b>           |                 |
| Child Exploitation  | <b>Substantial</b>  | <b>Low</b>           |                 |
| Child Protection Case Conferences in North Lincolnshire (in the plan as Independent Review) | <b>Substantial</b>  | <b>Low</b>           |                 |
| Children's Direct Payments  | <b>Satisfactory</b> | <b>Low</b>           |                 |
| Children to Adults Transitions  | <b>Substantial</b>  | <b>Low</b>           |                 |
| Complaints  | <b>Satisfactory</b> | <b>Low</b>           |                 |
| Demand Management-Prevention Strategy   | <b>Substantial</b>  | <b>Low</b>           |                 |
| Educational Visits  | <b>Satisfactory</b> | <b>Low</b>           |                 |
| Highways  | <b>Satisfactory</b> | <b>Medium</b>        |                 |
| HR Data Migration and Data Quality  | <b>Substantial</b>  | <b>Low</b>           |                 |
| Looked After Children-Fostering and Connected Persons                                       | <b>Substantial</b>  | <b>Low</b>           |                 |

| <b>Audit Assignment</b>             | <b>Assurance</b>    | <b>Residual Risk</b> | <b>Comments</b>  |
|-------------------------------------|---------------------|----------------------|--|
| Section 17- Children In Need        | <b>Substantial</b>  | <b>Low</b>           |  |
| <b>Financial systems</b>            |                     |                      |  |
| LTB- Initial work                   | <b>Substantial</b>  | <b>Medium</b>        |  |
| <b>ICT</b>                          |                     |                      |  |
| Cloud Computing                     | <b>Limited</b>      | <b>Medium</b>        | At the time of the audit the Council had outstanding work to do to comply with the 14 National Cyber Security Centre (NCSC) cloud security principles. The Council has documented specified requirements, but this has not been reviewed since 2015. Work is in progress to seek assurance from suppliers of Cloud services regarding controls in place. |
| Implementation - HR- Payroll system | <b>Satisfactory</b> | <b>Low</b>           |  |
| <b>Procurement</b>                  |                     |                      | We provide an opinion on procurement arrangements by a mixture of a review of overall arrangements and reviewing a sample of procurement exercises. The review of a sample of procurement exercises has not been completed but as shown below we could provide "substantial assurance" on the council's overall procurement arrangements.                |
| Overall arrangements                | <b>Substantial</b>  | <b>Medium</b>        |  |



| Audit Assignment                        | Assurance           | Residual Risk | Comments   |
|---|---------------------|---------------|--|
| <b>Grants</b>                           |                     |               | We have been increasingly required to certify grant claims and in 2021/22 this has taken up substantially more time than in previous years. This has included Covid grants (e.g. community testing, public transport support) as well as various non-covid related highways and environmental grants. In addition, although audit is not required to directly provide certification for returns on things such business grants, infection control fund, emergency assistance and Covid winter grants we have carried out work to provide assurance in these areas. We have identified no significant areas of concern in carrying out our work in this area, but when appropriate have reported areas where controls could be improved to the relevant services. |
| <b>Probity and Counter Fraud audits</b> |                     |               |  |
| Leisure and Golf Memberships            | <b>Satisfactory</b> | <b>Low</b>    |  |
| Mobile Phones                           | <b>Satisfactory</b> | <b>Low</b>    |  |
| <b>Schools</b>                          |                     |               |  |
| Crosby Primary                          | <b>Satisfactory</b> | <b>Low</b>    |  |
| Belton All Saints Primary               | <b>Satisfactory</b> | <b>Low</b>    |  |

| <b>Audit Assignment</b>    | <b>Assurance</b>    | <b>Residual Risk</b> | <b>Comments</b>   |
|----------------------------|---------------------|----------------------|---|
| Enderby Road Infant School | <b>Limited</b>      | <b>Medium</b>        | Some weaknesses were noted in the control environment across a wide range of financial management / governance areas; individually these would not be of concern but due to the number of findings, limited assurance was provided. |
| Killingholme Primary       | <b>Satisfactory</b> | <b>Low</b>           |   |

### Key to control effectiveness:

| <b>Effectiveness</b>          | <b>Action Level</b>  |
|-------------------------------|--|
| <b>Substantial Assurance</b>  | Strong controls support achievement of the business objectives.                        |
| <b>Satisfactory Assurance</b> | Controls support the business objectives, but some improvements should be made.        |
| <b>Limited Assurance</b>      | Controls provide some support for business objectives, but improvements are essential. |
| <b>No Assurance</b>           | Controls do not support the achievement of business objectives.                        |

### Key for residual risk rating

| <b>Priority Level</b> | <b>Action Level</b>  |
|-----------------------|--|
| <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.   |