

NORTH LINCOLNSHIRE COUNCIL

AUDIT COMMITTEE

INTERNAL AUDIT CHARTER AND INTERNAL AUDIT PLAN 2022-23

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 To consider and approve the updated Internal Audit Charter.
- 1.2 To consider and approve the Internal Audit Plan 2022/23.

2. BACKGROUND INFORMATION

- 2.1 The Accounts and Audit Regulations 2015 require the Council to ensure there are sound systems of internal control and to undertake effective internal audit to evaluate the effectiveness of its risk management, control and governance processes. A requirement of the regulations is that Internal audit must consider Public Sector Internal Auditing Standards (PSIAS) and guidance when carrying out its work. Two key requirements of the PSIAS are:
 - The production of an Audit Charter, which is subject to annual review
 - An annual Internal Audit Plan which is agreed with the Audit Committee
- 2.2 The attached Audit Charter defines the scope of its activities, its purpose, its authority, and its responsibilities. It has been subject to review and has been updated to take account of changes to the reporting lines of the Head of Audit and Assurance and to enhance other areas of the charter such as role of managers in supporting internal audit activity.
- 2.3 The attached Internal Audit Plan 2023/23, prepared by the Head of Audit and Assurance, provides Members with an outline of the audit priorities and activities for 2022/23, how it will be delivered and resourced, a commentary on the methodology for its compilation, and assurance on compliance with auditing standards. As required by the PSIAS the plan must be risk-based and consider the organisation's risk management framework and reflect changes in the organisation's business, risks, operations, programmes, systems and controls. The plan also confirms the resources available and required to support a reliable year-end Audit opinion.

- 2.4 As of 11 March 2022, the section relating to strategic risks / operational risks / governance is subject to final discussion with senior management as well as further development so any risks raised through the completion of the Annual Governance Statement can be factored into the Plan. A final detailed plan will be shared with the Audit Committee later in the year.

3. OPTIONS FOR CONSIDERATION

- 3.1 In line with the PSIAS it is a requirement that the Audit Committee to considers and approves the Audit Charter
- 3.2 In line with the PSIAS it is a requirement for the Audit Committee to consider whether the Internal Audit plan has been produced on a proper basis and will provide sufficient assurance to form a reliable opinion on the Council's control environment.
- 3.3 The audit committee does not consider and approve the Audit Charter and the Audit Plan.

4. ANALYSIS OF OPTIONS

- 4.1 The Head of Assurance and Audit is satisfied that both the Audit Charter and the Audit Plan meets the requirements of the PSIAS, whilst Appendix 1 of the Plan demonstrates how the key requirements have been met.
- 4.2 The Head of Internal Audit and Assurance is satisfied that he has sufficient resources for the delivery of the plan and that it will provide a reliable year-end annual audit opinion on the council's control environment.
- 4.3 The Audit Committee in its role is entitled to make suggested changes to the Audit Charter and the Audit Plan. If neither are approved by the Committee, subject to any suggested amendments, then the Council would be in breach of the standards.

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

- 5.1 The plan will be delivered from existing resources within the council's internal audit service, which is provided through a Shared Service, as well as a third-party specialist IT Audit support. The resource allocation is based upon assumptions about the design and operation of systems and processes; the co-operation of council staff with the audit process; and estimated vacancy and absence rates. The resource allocation will be reviewed periodically to take account any changes in delivery and resources. Should the initial assumptions be subject to significant change then an update on the impact of any subsequent resourcing risks, and how they are being managed, will be reported to the Audit Committee.

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

- 6.1 The compilation of the audit plan is based on risk with those areas with the potential biggest risk to an effective control environment being prioritised. The achievement of the Council's strategic outcomes, its legislative and regulatory responsibilities and the Council's risk register are all considered when compiling the audit plan.

7. OUTCOMES OF INTEGRATED IMPACT ASSESSMENT (IF APPLICABLE)

- 7.1 An Integrated Impact Assessment is not required in this instance

8. OUTCOMES OF CONSULTATION AND CONFLICTS OF INTERESTS DECLARED

- 8.1 The plan is subject to consultation discussion with members of the Council's Leadership team and Heads of Service.
- 8.2 The Head of Audit and Assurance also has responsibility for risk management arrangements, insurance, and corporate counter fraud arrangements. Where applicable audits in these areas will be carried out by a third-party provider to prevent a potential conflict of interest. In addition, at the beginning of each year audit team members, in line with the audit of code of conduct are required to declare any close relationships which could impact on the delivery of one or more audit assignments. If relevant such assignments are provided by other members of the team.

9. RECOMMENDATIONS

- 9.1 That the Audit Committee:
- (i) considers whether the Internal Audit plan has been produced on a proper basis, and will provide sufficient assurance to form a reliable opinion on the Council's control environment
 - (ii) approves the Internal Audit Plan for 2022/23 subject to the finalisation of the section on strategic risk/ operational risk/ governance
 - (iii) approves the Internal Audit Charter

DIRECTOR OF GOVERNANCE AND COMMUNITIES

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Date: 11 March 2022

Background Papers used in the preparation of this report

Public Sector Internal Audit Standards
Accounts and Audit Regulations 2015