

Draft

Internal Audit

2023/24 Plan



SOUTH
KESTEVEN
DISTRICT
COUNCIL

South Kesteven District Council

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The Planning Process

Introduction

This report sets out the proposed Internal Audit Plan for 2023/2024. The plan details the activities to be audited and the indicative scope for each audit. The draft plan gives you an opportunity to comment on the plan and the priorities that we have established.

Our audit plan delivers assurance within agreed resources. For 2023/24 this is 142 days. Our fees have remained the same as 2022/23 with no increase for our service costs.

The plan is amended throughout the year to reflect changing assurance needs.

In Appendices A to D we provide for you details of:

- Auditable Activities
- How the draft plan achieves the requirements of Governance and Audit Committee and Head of Internal Audit
- Our Working Protocols and Performance
- Our Quality Assurance Framework

Developing the plan

We have prioritised our audit work taking account of the impact an activity will have on the Council if it fails. The criteria for determining priority are:

- **Significance** – how important is the activity to the Council in achieving its objectives, key plans and in managing its key risks. We look at both financial loss and strategic impact.
- **Sensitivity** – how much interest would there be if things went wrong and what would be the reputational and political impact.
- **Level of Assurance** – we assess the current level of assurance evaluating reliability and contribution to the audit opinion on governance, risk and control.

- **Time** – when it will happen (this will determine when the best time is to do the audit).

Updating the Plan

Through the year we will liaise with the Council and collect business intelligence that identifies emerging audits which could be included in the plan according to priority. Figure 1 identifies the key sources of this information.

Figure 1 – Key sources of information



The primary source of business intelligence will be the liaison meetings between our team and the Council's nominated liaison contact, other sources of intelligence will include:

- Key reports
- Performance
- Risk
- Key stakeholders

Delivery and Focus

Delivering the Plan

The audit plan has been developed to enable us to respond to changes during the year. Whilst every effort will be made to deliver the plan, we recognise that we need to be flexible and prepared to revise audit activity – responding to changing circumstances or emerging risks. The plan is therefore a statement of intent – our liaison meetings with senior management will enable us to firm up audit activity during the year.

The aim is to deliver the audits included in the plan in accordance with the schedule which will be devised once the plan is agreed. The schedule will be drawn up following liaison with the Council. Resources will then be allocated accordingly to the audits at the specified times. It is therefore important that any changes required to the audits, or the schedule are discussed with internal audit as soon as possible to avoid abortive time being spent on audits and for us to reallocate resources appropriate to our ability.

The Council's Internal Audit Plan is 142 days. The core team who will be delivering your Internal Audit plan are:

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Audit Focus for 2023/24

In the following table we provide information on key audit areas and the rationale for their inclusion in the audit strategy and plan.

Appendix A outlines the various audits to be undertaken within each area.

Area	Reason for inclusion
Financial Governance	Providing assurance that key financial controls are in place and operating effectively during the year across all areas of the Council. This work provides the Governance and Audit Committee with a key element of their assurance that the Council has effective arrangements for the proper administration of its financial affairs.
Governance & Risk	Providing assurance that key governance controls are in place and are operating effectively.
Critical Activities	Through liaison and risk assessment we have identified some critical activities where a potential audit would provide independent assurance over the effectiveness of risk management, control and governance processes.
Project Assurance	We have not selected any projects this year as a review of programme management was undertaken in 2022/23.

Area	Reason for inclusion
ICT	Technology and associated threats and opportunities continue to evolve at a pace. The effectiveness of ICT has a great impact on how well the Council works. We will seek to provide assurance that key general IT controls comply with industry best practice and are operating effectively.
Follow Up	We will carry out follow up audits throughout the year to provide assurance that samples of identified control improvements have been effectively implemented and the risks mitigated.
Consultancy Assurance	At the request of management, we undertake specific reviews where they may have some concern or are looking for some advice on a specific matter or around governance, risk and controls for a developing system. Such reviews are not normally given an audit opinion.

Annual Internal Audit Opinion

We are satisfied that the level and mix of resources - together with the areas covered in the plan - will enable the Head of Internal Audit to provide their annual internal audit opinion.

Appendix A – Draft Internal Audit Plan

Our current planned audits are listed below.

Audit Area	Assurance Sought
Financial Control	
<p>Key Control Testing:</p> <ul style="list-style-type: none"> • Areas to be agreed. 	<p>Delivery of key control testing to enable the Head of Internal Audit to form an opinion on the Council's financial control environment.</p> <p>Terms of Reference, which include scope and focus on key risks, will be determined with the appropriate senior manager.</p> <p>Links to the Strategic Risk Register ,1 Ensuring efficient and effective internal control/compliance</p>
Payroll	<p>Management request – The Council has brought payroll back in house – audit to be undertaken in Q3/4 to provide support and assurance that the service is being effectively managed.</p>
Critical Activities	
Asset Management	<p>Provide assurance on the Council's processes and systems to effectively manage its assets. Issue raised in assurance mapping by the Chief Finance Officer.</p> <p>Links to several strategic risks, including 1- Ensuring efficient and effective internal control/compliance, 3 - Supporting communities and 4 - Achieving future financial resilience.</p>
Recruitment and Retention	<p>Key issue raised by managers during the assurance mapping process, it is also a key national issue. We will provide assurance on the Council's approach to recruitment, succession planning and retention. To mitigate the risk of capacity and capability shortfalls to deliver the Council priorities.</p> <p>Links to Strategic Risk 5 - Creating the right culture, capacity and capability.</p>
Housing Income Management	<p>Management request</p> <p>Review of the governance and procedures in place to monitor, manage and report housing income. Postponed from the 22/23 plan.</p>
Section 106	<p>Management request – provide assurance on the management, oversight and controls for recording and delivering Section 106 monies.</p> <p>Links to Strategic Risk 1 - Ensuring efficient and effective internal control/compliance and 2 - Supporting communities.</p>
Operations	<p>Management request – Provide assurance on the compliance to the parts contract for vehicles to include operational aspects, contract management and financial management.</p>

Public Protection	Management request – Review and assess compliance with the Food Standards Agency requirements for food hygiene inspections and consistency of rating under the Food Hygiene Scheme.
Governance and Risk	
Risk Management	Test the mitigations in place to address key strategic and operational risks. To provide assurance that documented controls provide a robust level of control and assurance on the management of risk. Links to Strategic Risk 1 – Ensuring efficient and effective internal control/compliance.
Follow-ups	To provide management with assurance that actions from previous low and limited audits have been implemented and this has led to improved outcomes.
Combined Assurance / Continuous Assurance	Completing the integrated assurance mapping process for 2023/24 for the Council by helping to map assurance against critical activities and key risks. Helping co-ordinate the development of the annual status report.
ICT	
Cyber security	A key element and potential weakness in cyber security is people. Provide assurance on staff awareness, training, cyber culture and how the Council effectively manages the continuous risk of staff error or misunderstanding in regard to cyber threats and security. Links to Strategic Risk 7 - Ensuring robust security measures to protect the Council's data and assets from external threats.

Management Support Days	
Management	Advice and Liaison Annual Report Committee Attendance Review IA Strategy and Planning

Grand Total	Total Days
Internal Audit	138
Fees	£48,300

Other areas considered.

Audit Area	Assurance Sought
HRA Building Program	Assurance over the Housing Revenue Account building programme processes and procedures. Postponed from the 22/23 plan.
Depot Workshop and Fleet maintenance.	Highlighted as low assurance areas from assurance mapping. The Workshop Fleet risk links to Amber project assurance on new depot.
Sheltered Housing	Highlighted as low assurance areas from assurance mapping.
Building Control	Highlighted as low assurance areas from assurance mapping, to be included in the 24/25 audit plan.
Lincolnshire Business	Highlighted as low assurance areas from assurance mapping.
Climate Change	Review the Council's approach to the green agenda and climate change policies and outcomes.
Project Management	Review the Council's approach to project management and give assurance on the effective delivery of key projects.
Street Cleansing	Review change management and risks as the service moves internally to be under a new manager
Debtors	Provide assurance on the debtors' process and capacity to effectively manage the process.
Information Governance / Data Protection.	An amber strategic risk on data security and protection, review the Councils approach to Information Assurance and provide assurance on controls to mitigate the risk.
Parks in Grantham	Assess the management and future strategy for park usage, review risks and health and safety issues that may impact on park management and the Councils Green and Leisure policies.
Housing Services Allocations / Housing Register, Tenant Engagement & Housing Policy performance and systems (Technical) Rough sleeper initiative,	Several new systems and ways of working for the service, raised as amber assurance on the assurance map. Provide assurance on how the service is working to embed new systems while maintaining service standards and targets.

Audit Area	Assurance Sought
National Dispersal Scheme (Asylum crisis management)	
Housing Technical Services Compliance H&S, Staff Contract Management Asset & Data Collection.	Multiple areas under the service raised as amber assurance, key areas of H&S, statutory data collection, compliance with key legislation and introducing new ways of working. Review service approach to implementing changes and provide assurance on effective governance and delivery of service workings.
Economic Development	Provide assurance on the key risks to the economic development service, raised in the Assurance Mapping process. The risk is based on having adequate resource to ensure budget can be spent within set timescales and agreements, to benefit the residents of SKDC.
IT Disaster Recovery Linked with Business Continuity Audit	Links to SRR of robust security and protecting data and assets. To provide assurance over the Council's IT Disaster arrangements including its: <ul style="list-style-type: none"> • Critical Business Functions and Systems. • Disaster Recovery (DR) Process. • Disaster Risk Assessment. • Disaster Escalation and Emergency Action Procedure.

Appendix B – Head of Internal Audit's Opinion

Our work is carried out in conformance with the UK Public Sector Internal Audit Standards. These require that the scope of Internal Audit covers the whole range of the Council's activities – seeking to provide an internal audit opinion on the governance, risk and internal control environment of the Council which has been established to:

- Achieve strategic objectives.
- Ensure effective and efficient operational systems and programs.
- Safeguard assets and interests of all kinds (including risks that relate to work it undertakes through partnerships)
- Ensure the reliability and integrity of financial and operational information.
- Ensure economic, efficient and effective use of Council resources.
- Ensure compliance with established policies, procedures, laws, regulations, and contracts.

Our Internal Audit Strategy

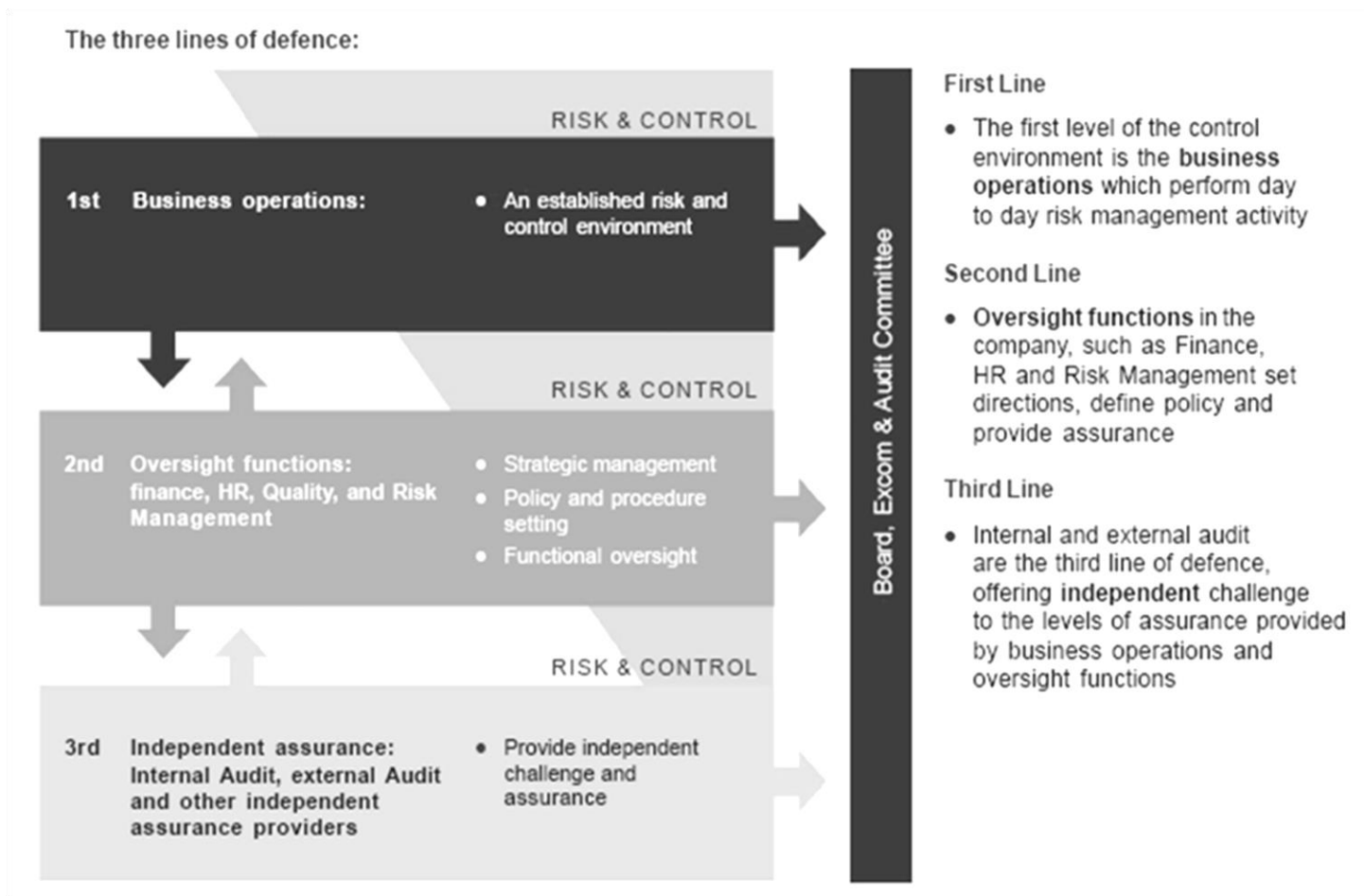
It is important that the Internal Audit function focuses its work on what matters most to you – providing insight, assurance and added value to the Council. Whilst we have a plan in place this is flexible and may be changed during the year enabling greater flexibility and responsiveness – ensuring each piece of work is the right one. The plan is therefore dynamic and responsive – essential for an effective Internal Audit service.

Our internal audit activity and plan has been driven by the Council's key objectives within the corporate plan and will be driven by your key risks and critical service areas.

We aim to align our work with other assurance functions seeking to look at different ways of leveraging assurance to help us to maximise the best use of the Internal Audit resource and other assurance functions in the Council.

By adopting this approach, it is possible to give the Council comfort that there is a comprehensive risk and assurance framework with no potential gaps. We are then able to use our audit planning tool to target resources. This will minimise duplication of effort through sharing and coordinating activities with management and other management oversight functions.

We have identified the level of assurances in place by using the "Three lines of assurance" model – See **Figure 2**.



Appendix C – Working Protocols

Our approach to delivering of internal audit work is set out below.

Our performance is monitored by the Governance and Audit Committee and Chief Finance Officer and measured against three key areas:

- Delivery of planned work.
- Timeliness (contemporary reporting).
- Quality and Impact of work (communicating results / added value).

Strong communication is fundamental to quality delivery and maintaining trusting relationships. We keep management informed in accordance with agreed protocols including:

- Agreeing potential audit work for the forthcoming year
- Providing regular updates to evaluate progress and discuss activities and priorities.
- For individual audit engagements we hold planning meetings in person (our preference), by phone, Microsoft Teams or email to discuss and agree the terms of reference and scope of our work.
- We keep you informed of key findings during the audit and upon conclusion we hold a debrief meeting in person to discuss our findings and any outstanding issues.
- We communicate the results of our audit work in a clear and concise way – securing management action where control improvements are needed.

Appendix D – Our Quality Assurance Framework

Quality is built into the way we operate. We have designed our processes and procedures to conform to best practice applicable to Internal Audit – in particular the UK Public Sector Internal Audit Standards and the CIPFA Local Government Application Note.

Our audit team offers a wide depth of knowledge and experience gained across different organisations. We promote excellence and quality through our audit process, application of our Quality Assurance Framework and our training and development programme.

Our Quality Assurance Improvement Programme incorporates both the internal (self) and external assessments – this is a mandatory requirement and the Head of Audit reports annually on the results and areas for improvement. Our internal assessments must

verify all aspects of internal audit activity – **The diagram below** shows how we structure our internal assessments to ensure appropriate coverage.

We use several ways to monitor our performance, respond to feedback and seek opportunities to improve. Evidence of the quality of our audits is gained through feedback from auditees and the results of supervision and quality assurance undertaken as part of our audit process.

Our Internal Audit Charter sets out the nature, role, responsibilities and authority of the Internal Audit service within the Council.

Quality Assurance and Improvement Program (QAIP) Framework

