

JUNE 2024

2024-2027

INTERNAL AUDIT ANNUAL PLAN AND THREE-YEAR STRATEGIC PLAN - DRAFT

SOUTH KESTEVEN DISTRICT COUNCIL



IDEAS | PEOPLE | TRUST

A woman with dark hair, wearing a tan trench coat, is smiling and looking up at a modern building with a grid of windows. She is holding a red umbrella. The image is partially obscured by a dark, semi-transparent overlay.

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AUDIT RISK ASSESSMENT



BACKGROUND

Our risk-based approach to internal audit uses South Kesteven District Council's own risk management process and risk register as a starting point for audit planning as this represents your own assessment of the risks to achieving your strategic objectives.

The extent to which we can rely on management's own perception of risk largely depends on the maturity and effectiveness of the Council's own risk management arrangements. In estimating the amount of audit resource required to address the most significant risks, we have also sought to confirm that senior management's own assessment of risk accurately reflects the Council's current risk profile.



PLANNED APPROACH TO INTERNAL AUDIT 2024/25

The indicative Internal Audit programme for 2024/25 is set out on pages 8 to 17. We met with the Corporate Management Team on 1 May 2024 in order to bring together a full draft plan to be presented to the Governance and Audit Committee meeting for formal review and approval. We will keep the programme under continuous review during the year and will introduce to the plan any significant areas of risk identified by management during that period.

The plan is set within the context of a multi-year approach to internal audit planning, such that all areas of key risks would be looked at over a three-year audit cycle. We have suggested future areas of focus as part of the three-year strategic internal audit plan, set out on pages 6 and 7.



INDIVIDUAL AUDITS

When we scope each review, we will reconsider the anticipated coverage to achieve the objectives established for the work and to complete it to a satisfactory standard in light of the control environment identified within the Council. Where revisions are required, we will obtain approval from the appropriate Director prior to commencing fieldwork.

In determining the timing of our individual audits, we will seek to agree a date which is convenient to the Council, and which ensures availability of key management and staff and takes account of any operational pressures being experienced.



VARIATIONS TO THE PLAN

We review the three-year strategic plan each year to ensure we remain aware of your ongoing risks and opportunities. Over the coming pages we have mapped your key risks along with the audit work we propose to undertake, demonstrating we are focussing on your most important issues.

As such, our strategic audit programme follows the risks identified during our planning processes and confirmed via discussions with the Directors. If these were to change, or emerging risks were to develop during this period, we would take stock and evaluate our coverage accordingly.

OUR NEXT GEN INTERNAL AUDIT APPROACH

Our new and innovative Next Gen approach to internal audit ensures you maximise the potential added value from BDO as your internal audit provider and the expertise we bring from our dedicated Public Sector Internal Audit team and wider BDO specialist teams.

The Next Gen approach has allowed us to move away from the traditional approach of compliance auditing, transitioning in to delivering a healthy mix of assurance that is forward looking, flexible and responsive and undertaken in partnership with yourselves. The key components to this approach are outlined below and underpin our proposed plan coverage:

Core assurance

Reviews of fundamental finance and operational systems to provide assurance that core controls and procedures are operating as intended.

Soft controls

Reviews seek to understand the true purpose behind control deficiencies and provide a route map to enhance their effectiveness.

Future focused assurance

Rather than wait for implementation and then comment on identified weaknesses, we will work with you in an upfront / real time way.

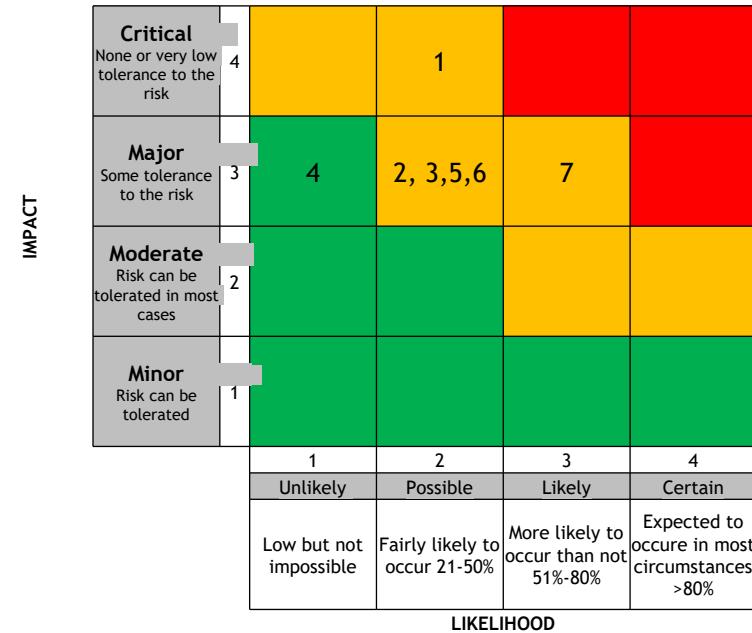
Flexible audit resource

Undertake proactive work across the Council, perhaps in preparation for regulatory reviews or change management programmes.



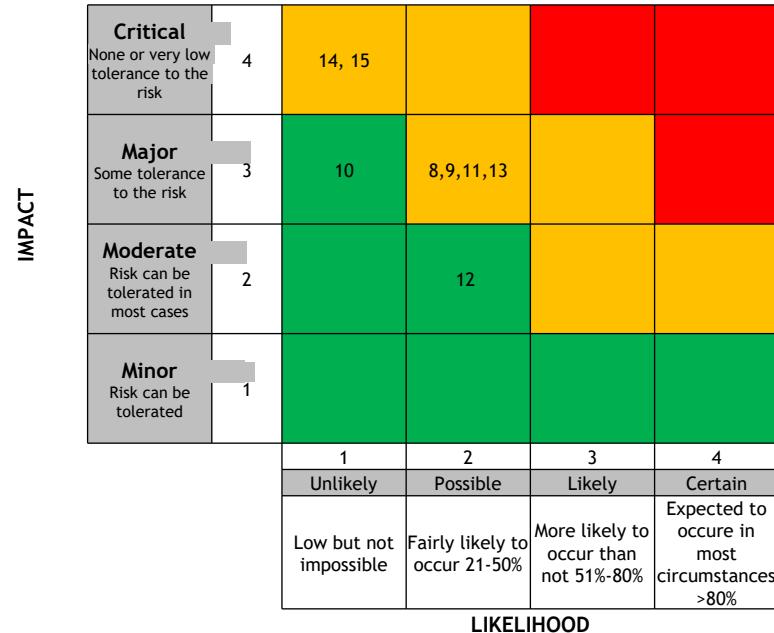
MAPPING YOUR STRATEGIC RISKS (1/2)

| Ref | Strategic Risks from your Strategic Risk Register (SRR) | Score |
|-----|--|-------|
| 1 | Successful/serious cyber security attack on the Council | 13 |
| 2 | Serious Safeguarding failure by the Council | 9 |
| 3 | Serious health, safety, and well-being failure by the Council | 9 |
| 4 | Ineffective financial management | 6 |
| 5 | Unable to maintain and build quality and consistency in service provision by the Council | 9 |
| 6 | Unable to maintain and build sufficient staffing capacity and capability | 9 |
| 7 | Failure to explore digital transformation of Council Services | 12 |



MAPPING YOUR STRATEGIC RISKS (2/2)

| Ref | Strategic Risks from your SRR | Score |
|-----|---|-------|
| 8 | Not maintaining and developing fruitful partnerships and collaborations | 9 |
| 9 | #TeamSK values/culture are not lived | 9 |
| 10 | Unable to meet requirements of new regulations and legislations affecting the Council | 6 |
| 11 | Not sufficiently engaging with and responding to climate change | 9 |
| 12 | Not effectively engaging with our key external stakeholders | 5 |
| 13 | Governance failure | 9 |
| 14 | Significant fraud/theft successfully committed against the Council | 10 |
| 15 | Unable to effectively respond to political priorities | 10 |



MAPPING YOUR SRR TO THE STRATEGIC PLAN (1/2)

| Ref | Strategic Risks from your SRR | 2024/25 | 2025/26 | 2026/27 |
|-----|--|---|---|---|
| 1 | Successful/serious cyber security attack on the Council | <ul style="list-style-type: none"> • Data Protection, FOI, EIR and Subject Access Request | <ul style="list-style-type: none"> • Cyber Security | • NA |
| 2 | Serious Safeguarding failure by the Council. | • NA | • NA | • Safeguarding |
| 3 | Serious health, safety, and well-being failure by the Council | <ul style="list-style-type: none"> • NA | • NA | • Corporate Health and Safety |
| 4 | Ineffective financial management | <ul style="list-style-type: none"> • Main Financial Systems • Council Tax and NNDR • Income generation | <ul style="list-style-type: none"> • Treasury Management • Account Payables • Account Receivables-Debtors • Housing Revenue Account | <ul style="list-style-type: none"> • Account Receivables-Debtors • Fixed Asset Register |
| 5 | Unable to maintain and build quality and consistency in service provision by the Council | <ul style="list-style-type: none"> • Homelessness • Business Continuity • Disaster Recovery | <ul style="list-style-type: none"> • Parking <p>and</p> | • Planning Service Review Action Plan |
| 6 | Unable to maintain and build sufficient staffing capacity and capability | <ul style="list-style-type: none"> • Staffing Capability | <ul style="list-style-type: none"> • Capacity <p>and</p> <ul style="list-style-type: none"> • Recruitment and Retention | <ul style="list-style-type: none"> • Sickness and management • Payroll |
| 7 | Failure to explore digital transformation of Council Services | <ul style="list-style-type: none"> • NA | <ul style="list-style-type: none"> • IT Strategy | • NA |

MAPPING YOUR SRR TO THE STRATEGIC PLAN (2/2)

| Ref | Strategic Risks from your SRR | 2024/25 | 2025/26 | 2026/27 |
|-----|---|---------------------------------------|---|---|
| 8 | Not maintaining and developing fruitful partnerships and collaborations | • NA | • NA | • NA |
| 9 | #TeamSK values/culture are not lived | • NA | • NA | • NA |
| 10 | Unable to meet requirements of new regulations and legislations affecting the Council | • NA | • NA | <ul style="list-style-type: none"> • Payroll • Housing Benefit • Housing Repairs |
| 11 | Not sufficiently engaging with and responding to climate change | • Social Housing Decarbonisation Fund | • Climate Plan | <ul style="list-style-type: none"> • Commercial Waste Services, Bins, Street Care and Recycling |
| 12 | Not effectively engaging with our key external stakeholders | • NA | • NA | • NA |
| 13 | Governance failure | • NA | <ul style="list-style-type: none"> • Governance and Performance Management | • NA |
| 14 | Significant fraud/theft successfully committed against the Council | • NA | <ul style="list-style-type: none"> • Counter Fraud and Whistleblowing | • NA |
| 15 | Unable to effectively respond to political priorities | | | |



INTERNAL AUDIT OPERATIONAL PLAN 2024/25 (2/8)

| Area | SRR | Days | Timing | Description of the Review | Reason for Inclusion |
|-----------------------------|-------------|------|--------|--|----------------------|
| Core Assurance | | | | | |
| Arts Council Grant | Council N/A | 15 | Q1 | Verify expenditure and income received from an Arts Council grant. This is a required review to provide independent to satisfy their grant conditions for the funds received by the assurance to the Arts Council as part of grant Council. | |
| Social Decarbonisation Fund | Housing 11 | 20 | Q2 | <p>To determine whether controls are operating in relation to the For prevention of financial loss as well as provide £7.26m Social Housing Decarbonisation Fund that has been assurance that the Council meets its objectives in allocated to upgrade the planned 300 social housing properties and relation to the climate matters to ensure a clean, whether energy efficiency targets have been met.</p> <ul style="list-style-type: none"> Inadequate project management leading to project delays, cost overruns and failure to meet decarbonisation targets. Non-alignment of Climate Change Action Strategy to corporate estate policies/procedures leading failed energy efficiency opportunities across sheltered and social housing properties. Ineffective controls which could lead to non-Compliance with the Social Housing Decarbonisation Fund requirements and regulation like eligibility criteria, funding conditions, and reporting requirements, leading to loss of subsequent funding opportunities. Insufficient tenant engagement and support throughout the SHDF retrofit process, including consultation, communication and support for vulnerable or hard to reach households. | |



INTERNAL AUDIT OPERATIONAL PLAN 2024/25 (2/8)

| Area | SRR | Days | Timing | Description of the Review | Reason for Inclusion |
|---|-----|------|--------|--|----------------------|
| Core Assurance | | | | | |
| Business Continuity and Disaster Recovery | 5 | 20 | Q3 | <p>High level review of the Council's emergency planning This is a standard review we include in our annual plan to provide and business continuity and disaster recovery us with assurance required to support our annual opinion.</p> <p>arrangements including:</p> <ul style="list-style-type: none"> Assessing the availability of a robust, and regularly tested business continuity plan for all critical services and functions. Assessing whether there is sufficient IT disaster recovery plans and the ability to restore critical systems, applications and data in the event of a cyber-attack. | |



INTERNAL AUDIT OPERATIONAL PLAN 2024/25 (3/8)

| Area | SRR | Days | Timing | Description of the Review | Reason for Inclusion |
|-----------------------|-----|------|--------|--|----------------------|
| Core Assurance | | | | | |
| Homelessness | 5 | 20 | Q3 | <p>We will review arrangements from policies Key service provided by the Council which requires an assurance procedures, applications, support and on-going review to determine control design and effectiveness. monitoring carried out by Housing Options in relation to homelessness, to assess whether:</p> <ul style="list-style-type: none"> • There is an adequate strategy in place to support homelessness prevention, and if it considers the impact of high housing costs or the availability of housing for temporary accommodation. • An adequate arrangement is in place to monitor the cost of temporary accommodation to prevent overspend of budgets. • Homelessness procedures are documented, communicated and available to managers and staff, and roles and responsibilities are clearly defined. This may lead to an unfair or inconsistent award of temporary accommodation, where a system is not in place. • There is effective reporting to senior officers and Members on homelessness. | |



INTERNAL AUDIT OPERATIONAL PLAN 2024/25 (1/8)

| Area | SRR | Days | Timing | Description of the Review | Reason for Inclusion |
|-------------------------------|-----|------|--------|---|----------------------|
| Core Assurance | | | | | |
| Main Financial Systems | 4 | 20 | Q4 | <p>Local authorities are required to maintain sufficient Assurance of main financial systems is critical to support our effective controls over their main financial systems Annual Opinion.</p> <p>to support effective management of resources.</p> <p>Financial controls play an important role in ensuring the accuracy of reporting, eliminating fraud, and protecting the organisation's resources, both physical and intangible. These internal control procedures processes at will be assessed through:</p> <p>A review of the Council's main financial systems covering budget setting and accounting to ensure the controls are set out and operating effectively.</p> <p>Looking at key risks like:</p> <ul style="list-style-type: none"> • Inadequate segregation of duties within the main financial systems, leading to an increased risk of fraud, error, or unauthorised transactions. • Weak access controls to financial systems, resulting in unauthorised access, data breaches, or manipulation of financial data. • Ineffective budget management and setting processes, resulting in overspending, underfunding, or misallocation of resources. | |



INTERNAL AUDIT OPERATIONAL PLAN 2024/25 (1/8)

| Area | SRR | Days | Timing | Description of the Review | Reason for Inclusion |
|-----------------------------|-----|------|--------|---|----------------------|
| Core Assurance | | | | | |
| Council Tax and NNDR | 4 | 15 | Q4 | <p>The Council is responsible for setting, billing, and The purpose of the audit is to provide assurance on the recovering council tax and NNDR within its efficiency and effectiveness of the Council's processes for jurisdiction. These revenue streams are crucial for billing, collecting and recovering council tax and NNDR to funding local services and ensuring the financial demonstrate its commitment to financial integrity. stability. The Council recently implemented an online portal to improve efficiency and accessibility of Council Tax management for residents.</p> <p>The audit aims to provide assurance on the effectiveness of procedures for setting, billing and recovering council tax, NNDR, and review the newly implemented council tax online portal to determine whether the portal has met its intended purpose of assisting residents manage council tax accounts. We will evaluate the risk of:</p> <ul style="list-style-type: none"> • Inaccurate billing or new properties missed, with annual demands raised not agreeing to the banding for the property. • System and procedures do not allow correct identification and recording of bill payer. • Failure to effectively identify and pursue outstanding debts leading to increased financial pressure on the Council. | |



INTERNAL AUDIT OPERATIONAL PLAN 2024/25 (3/8)

| Area | SRR | Days | Timing | Description of the Review | Reason for Inclusion |
|---|-----|------|--------|--|----------------------|
| Core Assurance | | | | | |
| Data Protection, FOI, EIR and Subject Access Request | 1 | 15 | Q4 | <p>Data protection and freedom of information (FOI) This is a standard review we include in our annual plan to are critical areas of compliance for councils as they provide assurance required to support our annual opinion. are responsible for managing significant amounts of personal and sensitive information about their residents and stakeholders. The audit will review the Council's data processing activities including the collection, storage, use and deletion of personal data, to ensure compliance with GDPR and the Data Protection Act 2018. It will also focus on Environmental Information Regulations compliance and Subject Access Requests by selecting and testing samples.</p> <ul style="list-style-type: none"> • Evaluating risk of data breaches, unauthorised access or misuse of personal data leading to financial penalties and reputational damage. • Failure to conduct data protection impact assessments when required leading to non-compliance to data protection legislation • Inadequate records management evident in a lack of a comprehensive data inventory or information asset register. • Failure to response to respond to FOI requests within the statutory time limit effectively. | |

INTERNAL AUDIT OPERATIONAL PLAN 2024/25 (5/8)

| Area | SRR | Days | Timing | Description of the Review | Reason for Inclusion |
|---|-----|------|--------|---|----------------------|
| Soft Controls | | | | | |
| Staffing Capacity and Capability | 6 | 20 | Q2 | <p>Apply the BDO toolkit which assesses the Council's Audit linked to Councils strategic risk numbers 6 and 9 of performance across a number of areas such as senior creating the right culture, capacity and capability. The Council direction and strategy, reporting, data capture, aim to ensure that these principles inform decision-making at networks and groups, listening to the organisation every level within the council, ensuring its strategically position and responding to feedback effectively. We will also to attract younger generation towards driving continuity of determine how the Council's long-term commitment process and the advancement of equality of opportunity for all, to equalities and continuous improvement will help and foster good relations with communities.</p> <p>mitigate risks like:</p> <ul style="list-style-type: none"> • Absence of a robust succession planning strategy to identify and develop future leaders. • Representation in leadership positions, not reflecting the wider workforce and community it serves. • Lack of a strategic plan to engage with and attract younger demographics through apprenticeship, graduate programs or targeted initiatives. • Absence of an inclusive workplace culture like employee resource groups, or other support networks for underrepresented groups, and younger demographics with evolving work preferences. | |



INTERNAL AUDIT OPERATIONAL PLAN 2024/25 (6/8)

| Area | SRR | Days | Timing | Description of the Review | Reason for Inclusion |
|----------------------------------|-----|------|--------|--|----------------------|
| Future Focussed Assurance | | | | | |
| Income Generation | 4 | 20 | Q3 | <p>Review plans and action to generate new income With increasing financial pressures, its crucial for the Council to channels and determine if these are sufficient to explore and optimise income generation opportunities to ensure meet the Council's target of becoming financially sustainable, by assessing risk of:</p> <ul style="list-style-type: none"> Service areas not reviewing fees and charges annually in advance of the financial year leading to insufficient uplifts being implemented and a failure to cover the costs of service provision. Grant opportunities not being identified leading to the Council failing to utilise external funding opportunities to deliver strategic projects. Lack of an overarching Corporate Charging Strategy which sets out clear requirements for calculating fees for services. | Corporate plan. |



INTERNAL AUDIT OPERATIONAL PLAN 2024/25 (7/8)

| Area | SRR Days | Timing | Description of the Review | Reason for Inclusion |
|--|----------|--------|---|---|
| Flexible Live Assurance - To be allocated during the year as required | | | | |
| Contingency/ Flexible resource | N/A 15 | All | Contingency days left to allocate to flexible work. | We have built in an allocation of flexible days into our plan to support the Council on emerging risks or projects during the year. |

INTERNAL AUDIT OPERATIONAL PLAN 2024/25 (8/8)

| Area | SRR | Days | Timing | Description of the Review | Reason for Inclusion |
|---------------------------------|---------|------------|-----------|---|---|
| Contract Management | | | | | |
| Planning / liaison / management | N/A | 8 | Q1 - Q4 | Creation of audit plan, meeting with Executive Directors | Effective contract management |
| Recommendation follow up | N/A | 7 | Q2 and Q4 | Assessment and reporting of status of implementation of recommendations raised | of Assurance for Council Management Team and Governance and Audit Committee |
| Governance and Audit Committee | N/A | 5 | Q1 - Q4 | Attendance at Governance and Audit Committee meetings, pre-meets and Governance and Audit Committee Chair liaison | Effective contract management |
| Summary | | | | | |
| Core assurance | Various | 125 | | | |
| Soft controls | Various | 20 | | | |
| Future focused | Various | 20 | | | |
| Flexible resource | | 15 | | | |
| Contract management | | 20 | | | |
| Total days | | 200 | | | |

APPENDIX I (1/5)

Internal Audit Charter - Role and Scope of Internal Audit

PURPOSE OF THIS CHARTER

This charter is a requirement of Public Sector Internal Audit Standards (PSIAS).

The charter formally defines internal audit's mission, purpose, authority and responsibility. It establishes internal audit's position within South Kesteven District Council (the Council) and defines the scope of internal audit activities.

Final approval resides with the Full Council (the Board), in practice the charter shall be reviewed and approved annually by management and by the Governance and Audit Committee on behalf of the Board of the Council.

INTERNAL AUDIT'S MISSION

Internal audit's mission is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

STANDARDS OF INTERNAL AUDIT PRACTICE

To fulfil its mission, internal audit will perform its work in accordance with PSIAS, which encompass the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF): Definition of Internal Auditing, Code of Ethics, and International Standards for the Professional Practice of Internal Auditing.

INTERNAL AUDIT DEFINITION AND ROLE

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Internal audit acts primarily to provide the Governance and Audit Committee with information necessary for it to fulfil its own responsibilities and duties. Implicit in internal audit's role is that it supports management to fulfil its own risk, control and compliance responsibilities. The range of work performed by internal audit is set out in PSIAS and not repeated here.

INTERNAL AUDIT'S SCOPE

The scope of internal audit activities includes all activities conducted by the Council. The Internal Audit Plan sets out those activities that have been identified as the subject of specific internal audit engagements.

The provision of assurance services is the primary role for internal audit in the UK public sector. This role requires the chief audit executive to provide an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control.

Assurance engagements involve the objective assessment of evidence to provide an independent opinion or conclusions regarding an entity, operation, function, process, system or other subject matter. The nature and scope of the assurance engagement are determined by internal audit.

Consulting engagements are advisory in nature and are generally performed at the specific request of management, with the aim of improving governance, risk management and control and contributing to the overall opinion. The nature and scope of consulting engagement are subject to agreement with management. When performing consulting services, internal audit should maintain objectivity and not assume management responsibility.

EFFECTIVE INTERNAL AUDIT

Our internal audit function is effective when:

- It achieves the purpose and responsibility included in the internal audit charter
- It conforms with the Standards
- Its individual members conform with the Code of Ethics and the Standards
- It considers trends and emerging issues that could impact the organisation.

APPENDIX I (2/5)

Internal Audit Charter - Role and Scope of Internal Audit

The internal audit activity adds value to the Council (and its stakeholders) when it considers strategies, objectives and risks, strives to offer ways to enhance governance, risk management and control processes and objectively provides relevant assurance.

We will agree with you an audit plan for a total number of days activity. Once agreed, we will turn this into a cash budget which we will work to, in order to ensure that you have certainty around the fees you will pay us.

INDEPENDENCE AND INTERNAL AUDIT'S POSITION WITHIN SOUTH KESTEVEN DISTRICT COUNCIL

To provide for internal audit's independence, its personnel and external partners report to the Head of Internal Audit, who reports functionally to the Governance and Audit Committee. The Head of Internal Audit has free and full access to the Chair of the Governance and Audit Committee. The Head of Internal Audit reports administratively to the Section 151 Officer who provides day-to-day oversight.

The appointment or removal of the Head of Internal Audit will be performed in accordance with established procedures and subject to the approval of the Chair of the Governance and Audit Committee.

The internal audit service will have an impartial, unbiased attitude and will avoid conflicts of interest. The internal audit service is not ordinarily authorised to perform any operational duties for the Council.

In the event that internal audit undertakes non-audit activities, safeguards will be agreed to ensure that independence or objectivity of the internal audit activity are not impaired. This might include a separate partner review of the work or a different team undertaking the work. Approval of the arrangements for such engagements will be sought from the Governance and Audit Committee prior to commencement.

In the event that internal audit provides assurance services where it had previously performed consulting services, an assessment will be undertaken to confirm that the nature of the consulting activity did not impair objectivity and safeguards will be put in place to manage individual objectivity when assigning resources to the engagement. Such safeguards will be communicated to the Governance and Audit Committee.

Internal audit must be free from interference in determining the scope of internal auditing, performing work and communicating results. Should any interference take place, internal audit will disclose this to the Governance and Audit Committee to discuss the implications.

INTERNAL AUDIT'S ROLE IN COUNTERING FRAUD, BRIBERY AND CORRUPTION

Management, not internal auditors are responsible for the prevention and detection of fraud, bribery and corruption. Auditors will, however, be alert in all their work to risks and exposures that could allow fraud or corruption as well as seeking to identify indications that fraud and corruption may have been occurring. Audit procedures alone, even when performed with due professional care, cannot guarantee that fraud and corruption will be detected. In the event that internal audit suspects a fraud, this will be referred to appropriate management in the first instance and then the Governance and Audit Committee.

ACCESS TO RECORDS AND CONFIDENTIALITY

There are no limitations to internal audit's right of access to the Council's officers, records, information, premises, or meetings which it considers necessary to fulfil its responsibilities.

When the auditors receive confidential information about your affairs it shall at all times be kept confidential, except as required by law or as provided for in regulatory, ethical or other professional pronouncements applicable. All information will be maintained in line with appropriate regulations, for example the Data Protection Act 2018.

APPENDIX I (3/5)

Internal Audit Charter - Role and Scope of Internal Audit

COORDINATION AND RELIANCE WITH OTHER ASSURANCE PROVIDERS

In co-ordinating activities internal audit may rely on the work of other assurance and consulting service providers.

A consistent approach is adopted for the basis of reliance and internal audit will consider the competency, objectivity, and due professional care of the assurance and consulting service providers. Due regard will be given to understanding of the scope, objectives and results of the work performed by other providers of assurance and consulting services.

Where reliance is placed upon the work of others, internal audit is still accountable and responsible for ensuring adequate support for conclusions and opinions reached by the internal audit activity.

INTERNAL AUDIT'S COMMITMENTS TO THE COUNCIL

Internal audit commits to the following:

- Working with management to improve risk management, controls and governance within the organisation
- Performing work in accordance with PSIAS

- Complying with the ethical requirements of PSIAS
- Dealing in a professional manner with the Council's staff, recognising their other commitments and pressures
- Raising issues as they are identified, so there are no surprises and providing practical recommendations
- Liaising with external audit and other regulators to maximise the assurance provided to the Council.
- Reporting honestly on performance against targets to the Governance and Audit Committee.

INTERNAL AUDIT PERFORMANCE MEASURES AND INDICATORS

The tables on the following pages contain some of the performance measures and indicators that are considered to have the most value in assessing the efficiency and effectiveness of internal audit.

The Governance and Audit Committee should approve the measures which will be reported to each meeting and / or annually as appropriate. In addition to those listed here we also report on additional measures as agreed with management and included in our Progress Report.

QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

As required by PSIAS, an external assessment of the service will be performed at least every five years. BDO also has an internal quality assurance review process in place, which takes place annually. This is performed by a separate team independent to the internal audit team.

The results of internal and external assessments will be communicated to the Governance and Audit Committee as part of the internal audit annual report, along with corrective action plans.

APPENDIX I (4/5)

Internal Audit Charter - Role and Scope of Internal Audit

TABLE ONE: PERFORMANCE MEASURES FOR INTERNAL AUDIT

| Measure / Indicator |
|--|
| Audit Coverage Annual Audit Plan delivered in line with timetable. Actual days are in accordance with Annual Audit Plan. |
| Relationships and customer satisfaction Customer satisfaction reports - overall score at average at least 3.5 / 5 for surveys issued at the end of each audit. Annual survey to Governance and Audit Committee to achieve score of at least 70%. External audit can rely on the work undertaken by internal audit (where planned). |
| Staffing and Training At least 60% input from qualified staff. |
| Audit Reporting Issuance of draft report within 3 weeks of fieldwork 'closing' meeting. Finalise internal audit report 1 week after management responses to report are received. 90% recommendations to be accepted by management. Information is presented in the format requested by the customer. |
| Audit Quality High quality documents produced by the auditor that are clear and concise and contain all the information requested. Positive result from any external review. |

MANAGEMENT AND STAFF COMMITMENTS TO INTERNAL AUDIT

The management and staff of South Kesteven District Council commit to the following:

- Providing unrestricted access to all of the Council's records, property, and personnel relevant to the performance of engagements
- Responding to internal audit requests and reports within the agreed timeframe and in a professional manner
- Implementing agreed recommendations within the agreed timeframe
- Being open to internal audit about risks and issues within the organisation
- Not requesting any service from internal audit that would impair its independence or objectivity
- Providing honest and constructive feedback on the performance of internal audit.

MANAGEMENT AND STAFF PERFORMANCE MEASURES AND INDICATORS

The three indicators on the following page are considered good practice performance measures but we go beyond this and report on a suite of measures as included in each Governance and Audit Committee Progress Report.

APPENDIX I (5/5)

Internal Audit Charter - Role and Scope of Internal Audit

TABLE TWO: PERFORMANCE MEASURES FOR MANAGEMENT AND STAFF

| Measure / Indicator |
|--|
| Response to Reports Audit sponsor to respond to terms of reference within one week of receipt and to draft reports within two weeks of receipt. |
| Implementation of recommendations Audit sponsor to implement all audit recommendations within the agreed timeframe. |
| Co-operation with internal audit Internal audit to confirm to each meeting of the Governance and Audit Committee whether appropriate co-operation has been provided by management and staff. |

BDO CONTACTS

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