

Internal Audit Progress Report – July 2023

The Head of Internal Audit is required to provide a written status report to Senior Management and the Board, summarising internal audit activity.

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If applicable:	
Appendix 1 – Overdue high priority actions	N/A
Appendix 2 – Overdue medium/low priority actions.....	N/A

Role of Internal Audit

The requirement for an internal audit function in local governance is detailed within the Accounts and Audit (England) Regulations 2015, which states that a relevant body must:

'Undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards and guidance.'

The standards for 'proper practices'; are laid down in the Public Sector Internal Audit Standards [the Standards -updated 2017].

The role of internal audit is best summarised through its definition within the Standards, as 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'.

The County Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Country Council that these arrangements are in place and operating effectively.

The County Council's response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisation's objectives.

The Purpose of the Report

In accordance with the proper internal audit practices (Public Sector Internal Audit Standards), and the Internal Audit Charter, the Head of Internal Audit is required to provide a written status report to Senior Management and the Board summarising:

- the status of live internal audit reports.
- an update on progress against the internal audit plan.
- a summary of internal audit performance, planning and resourcing issues; and
- a summary of significant issues that impact of the Head of Internal Audits annual opinion.

From June 2023, internal audit reviews culminate in a revised opinion rating on the assurance that can be placed on the effectiveness of the framework of risk management, control and governance designed to support the achievement of management objectives of the service area under review. Assurance opinions are categorised as follows:

- Substantial** A reliable system of governance, risk management and control exist, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
- Adequate** There is a generally reliable system of governance, risk management and control in place. Some issues of non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.

- Limited** Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
- No** Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control are inadequate to effectively manage risks in the achievement of the objectives for the area audited.

This is a change to the assurance categorisation used during 2022/2023.

The revised ratings align with terminology widely used across the public sector. They also provide greater less subjective definitions and improved understanding for areas of non-compliance or in monitoring the work required for any fundamental deficiency identified.

Performance Dashboard

Figure 1

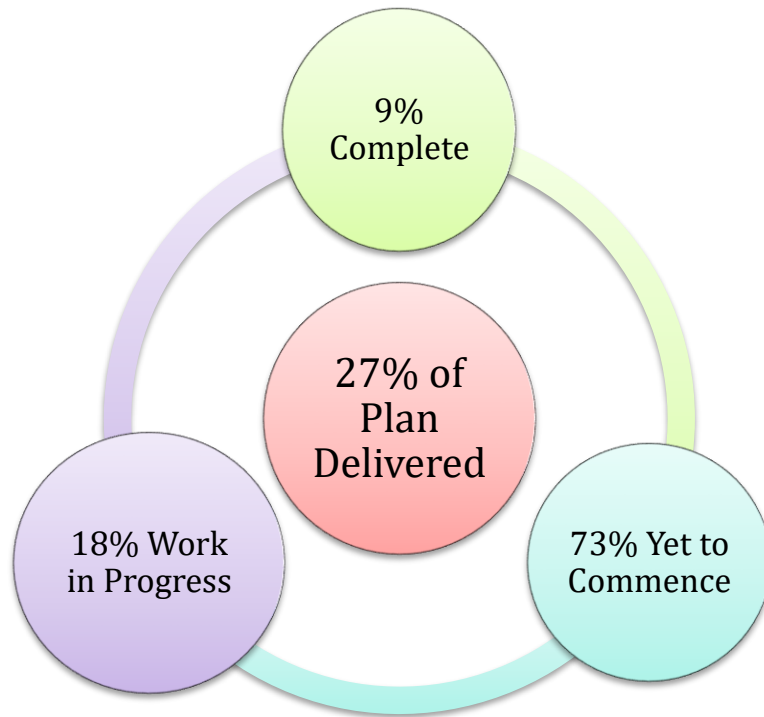


Figure 1 shows the completion of the internal audit plan to date. The team has been introduced to individually planning audit reviews to support timely delivery and reporting. Line managers are involved in the oversight of delivery plans for each audit and responsible for delivery on milestone agreed during the planning stage. The audit managers are responsible for the effective and timely delivery of their audit plans across the service.

Figure 2 shows an example of the feedback received from all clients for work completed. There is an expectation that all clients will provide feedback on their audit experience with the team. The results of audit feedback will be used by managers in developing team and individual improvements as well as to inform training requirements and quality learning across the entire audit team.

Figure 2



Update on Internal Audit Activity

Since January 2023, the incoming Head of Internal Audit has undertaken an evaluation of the resource levels, audit delivery/understanding skills and organisation routines. Several developments have arisen because of this evaluation. These have been staged into the audit strategy for the coming three years. Year one, 2023/2024, includes the development and delivery of essential training. This development programme was designed to improve audit seniors and officers understanding for each topic of internal audit, as shown in figure three.

Most of the training has been designed and delivered by the Head of Internal Audit directly. The delivery of this essential work resulted in a pause to the internal audit work across all clients, including Lincolnshire County Council. Internal audit assurance work recommenced from 1st June 2023 with revised routines and processes in place for the seven areas of internal audit shown in figure three.

An improvement strategy for the current year has been shared and understood across the team. Initial feedback from much of the IA team has reported as being received with welcome enthusiasm. Audit colleagues are now turning their attention to delivering internal audit reviews using the revised methodology, communications, timescales, reporting and quality assurance.

Audit managers will take ownership for the quality assurance, sufficiency and timely delivery of each audit review. The final



Figure 3

assurance rating will be awarded by the Head of Internal Audit to ensure consistency and validity in the decision.

The improvement journey will continue throughout 2023/2024 and be developed further in subsequent years. Details will follow annually.

A review of available resources identified a lack of capacity to provide adequate delivery. Changes to the leadership team from 1st August, will support more effective and specialist delivery throughout risk management, counter fraud and internal audit. A recruitment campaign has been approved and is underway to further investment in the team and provide sufficient delivery resource, to meet statutory obligations. Recruitment of internal audit professionals continues to be a challenge with experienced auditors and IT specialists being in high demand with significantly less

numbers entering the professional pipeline. The recruitment priority is to the LCC team.

Investment in attribute recruitment is a sensible progress route which requires significant input from leaders to develop their knowledge, confidence and experience. Currently the team has a lower number of qualified auditors than would be expected, resulting in this being a key area for future development and investment.

Executive Summaries of ‘Limited’ or ‘No’ Assurance Opinions

This section will share the number of limited or no assurance reports published since the last progress report. As there are no reports published with this assurance rating, the table below is an example only.

Audit Review Title: EXAMPLE GREEN MASTER PLAN			
Audit Sponsor	Assurance Opinion	Management Actions	
Executive Director of Place	Adequate	Low 6	Medium 1
Summary of Key Observations:			
The review was undertaken following a recent thematic audit and focused on the operation of the XXXXXXXX. This section will outline a summary of the observations and include any management updates and progress agreed at the time of publication.			

Audit Review Title: EXAMPLE CORONARY SERVICES			
Audit Sponsor	Assurance Opinion	Management Actions	
Executive Director of Adult Care and Community Wellbeing	Limited	Low 4	Medium 10
Summary of Key Observations:			
As part of the internal audit plan for 2023/24, audit have undertaken a review of the processes in place to XXXXXXXX. This section will outline a summary of the observations and include any management updates and progress agreed at the time of publication.			

Planning and Resourcing

Due to the continuing challenges and uncertainties, presented by the pandemic and the recruitment of internal audit professionals, initial planning for 2023/2024 will focus on delivery from an indicative plan which can be delivered with the current resource. This will enable the plan to respond to any successful recruitment and develop as the benefits of the training programme are realised. Details of recruitment, resource impacts and utilisation of resources will be shared in this section.

Quarter 1 work has mainly focused on resetting the requirements, expectations and sharing internal audit training across the team. Several audit reviews scheduled for 2022/2023 had not been delivered because of the reduced resource availability. As the internal audit plans develop through the next three years, the work programme will contain an overview of all work delivered and its stage in delivery.

Section 7 shares an update on the delivery programme for Council audits. This will include audit assignments from 2022/23 and into 2023/2024. The report will hold a maximum of two years of internal audit work to allow the progress and delivery to be monitored. As there has been a change to the assurance ratings applied to assurance work from 2023/2024, the equivalent updated rating has been included for 2022/2023.

Rolling Work Plan

Audit Review	Audit Sponsor	Scoping	Audit Objective	Fieldwork	Draft Report	Final Report	Assurance Opinion or Equivalent
ASSURANCE WORK 2022/2023							
Capital Project Decision Making Process	Executive Director Resources	✓	✓	✓	27/02/2023	03/04/2023	Substantial/Adequate
Allocation of COVID Business Grants	Executive Director Resources	✓	✓	✓	02/03/2023	06/03/2023	Substantial/Adequate
Good Governance	Executive Director Resources	✓	✓	✓	23/06/2023		Substantial/Adequate
Low Value Highways Insurance Claims	Executive Director Resources	✓	✓	✓	26/10/2022	21/11/2022	Substantial/Adequate

Adults Financial Assessments	Executive Director Adult Care & Community Wellbeing	✓	✓	✓	27/03/2023	25/05/2023	Substantial/Adequate
Corporate Plan and Success Framework	Chief Executive Officer	✓	✓	✓	27/03/2023	17/04/2023	Substantial/Adequate
ICT Microsoft Office 365 Security	Executive Director Resources	✓	✓	✓	28/10/2022	08/12/2022	Substantial/Adequate
Insurance	Executive Director Resources	✓	✓	✓	31/03/2023	04/04/2023	High/Substantial
Debtors	Executive Director Resources	✓	✓	✓	04/05/2023		Substantial/Adequate
Bank Reconciliations	Executive Director Resources	✓	✓	✓	06/03/2023	10/04/2023	Substantial/Adequate
GRANT WORK 2022/2023							
Supporting Families 1	Executive Director Resources						Complete
Substance Misuse Grant	Executive Director Resources						Complete
Bus Services Operator Grant	Executive Director Resources						Complete
Supporting Families 2	Executive Director Resources						Complete
Supporting Families 3	Executive Director Resources						Complete

Audit Review	Audit Sponsor	Scoping	Audit Objective	Fieldwork	Draft Report	Final Report	Assurance Opinion or Equivalent
ASSURANCE WORK 2023/2024							
Green Master Plan	Executive Director Place	✓	✓	✓	✓		Adequate
Home School Transport	Executive Director Place	✓	✓	In Progress			
Supporting Families 1	Executive Director Resources	✓	✓	✓	✓	✓	Adequate