

Internal Audit Progress Report – February 2024

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

February 2024



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 - Appendix 1 – Overdue high priority actionsN/A
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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 on the Head of Internal Audits annual opinion.

Internal audit reviews culminate in an 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.

Performance Dashboard

Figure 1

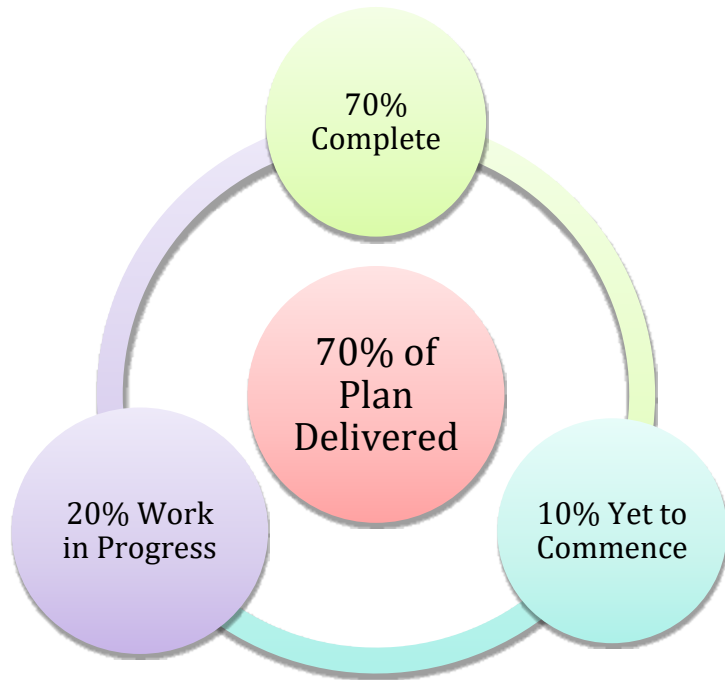
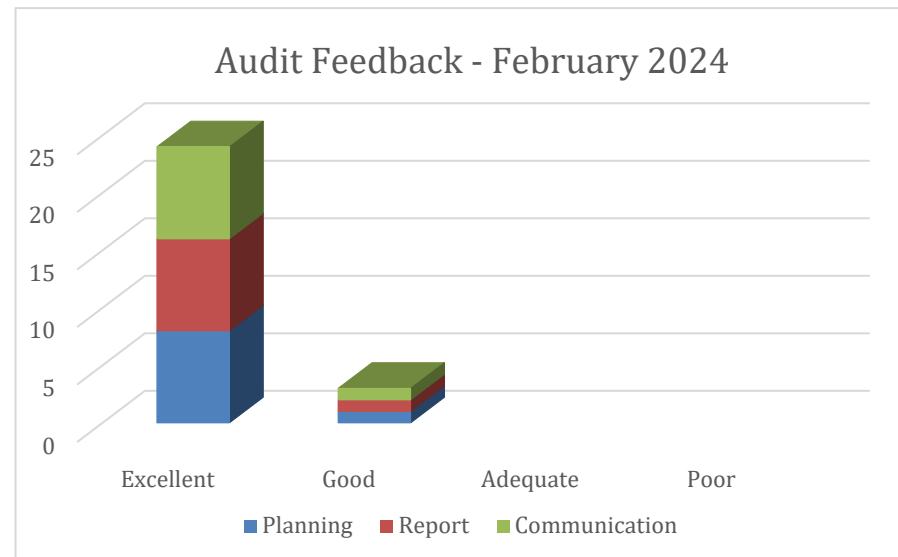


Figure 1 shows the completion of the agreed internal audit plan to date. The team has delivered their work with a key focus on individual planning to support timely delivery and reporting. Line managers understand their supervision roles for the oversight of delivery plans for each audit and understand their responsibility for delivering against milestones agreed during the planning stage. The audit manager is responsible for the effective and timely delivery of their audit plans across the service. Internal performance is monitored for these key development areas.

Figure 2 shows the feedback received for LCC’s completed audit work including consultancy and grants. There is an expectation that LCC (Lincolnshire County Council) colleagues will provide feedback on their audit experience with the team. Feedback has been provided for 100% of completed assignments to date.

Figure 2 – audit feedback for LCC



Client Feedback

Figure 3 shows the audit feedback for our schools and academies audit delivery. Feedback has been provided for 88% of completed assignments to date. Outstanding feedback is always followed up. The HIA engages with any feedback of adequate or below to ascertain the rationale and support the development of the auditor(s) involved in meeting expectations.

Figure 3 – audit feedback for Schools and Academies

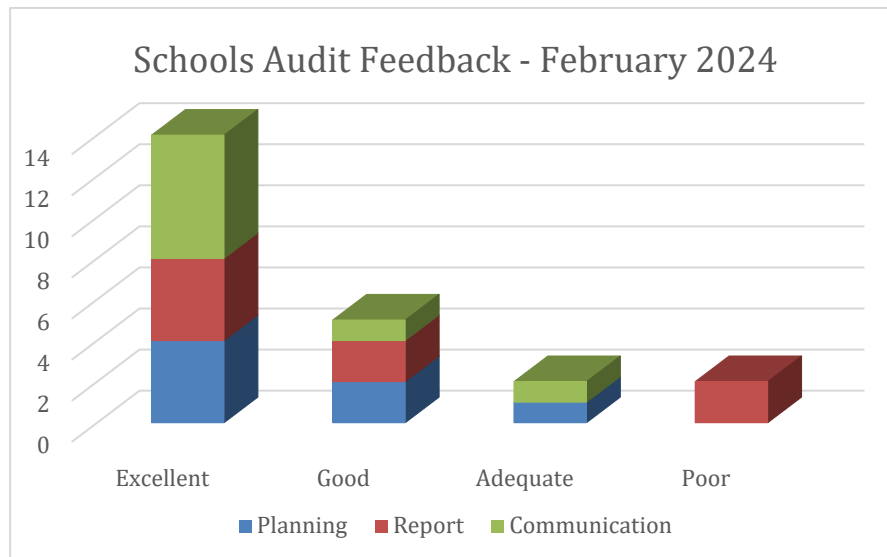
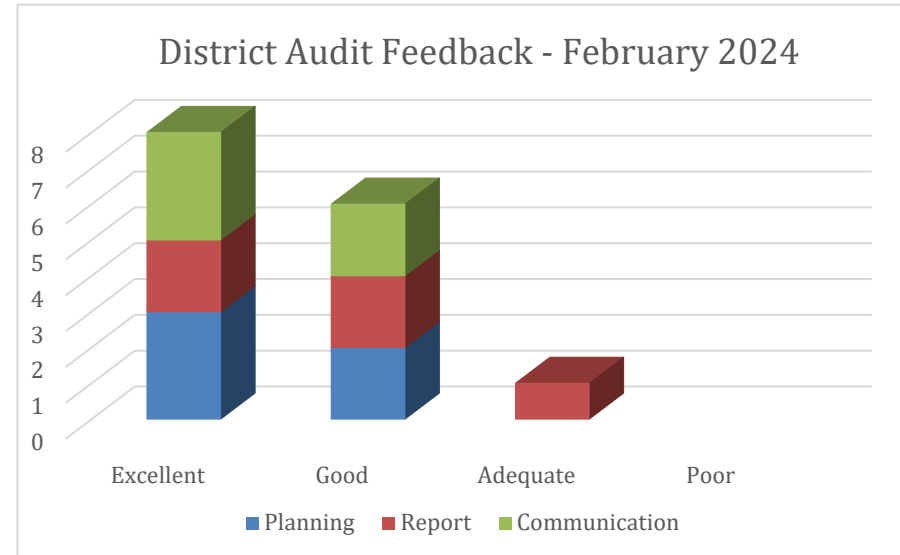


Figure 4 shows the audit feedback for all our district clients. Any outstanding feedback will be followed up in January 2024 by the audit managers.

Figure 4 - audit feedback for district clients



The results of audit feedback are used by managers in developing their team training needs and for improving aspects of quality assurance; by individuals for further learning improvements and by the Head of Audit to inform performance against expectation and value in the resources allocated.

Update on Internal Audit Activity

2023/24 has seen several changes in the development and support of the internal audit service. Training has been delivered to all senior and principal auditors to aid their understanding of the role they are delivering and to ascertain the point they have reached in their personal development journey.

Training delivered to senior and principal auditors has been largely successful with improvements seen in fieldwork, report writing, planning and timely delivery for most of the team. Where areas for development have been identified individual development programmes are being implemented to aid the required additional learning.

There has been some turnover of staff who have found the changes in delivery and quality a challenge. Recruitment continues to be a national challenge for the public sector with a recognised shortage of qualified and experienced internal auditors.

The service is currently carrying five audit vacancies, two at principal level, two covering the specialist area of IT and one audit officer (a development role). The current vacancy rate has not impacted upon the quality of delivery for LCC and will not impact upon our ability to deliver the agreed plan to inform the annual opinion and provision of control assurance in key areas.

Feedback on the quality and impact of LCC audit work carried out during 2023/24 has been wholly positive supporting the internal view from the Head of Audit.

To accommodate the challenges faced, 2024/25 will see a realignment of team skills to support the delivery of LCC's statutory obligations and greater efficiency required for the outsourced work delivered to our district partners.

LCC have not had any co-sourced work delivered to date and this is not anticipated for the remainder of this year. Maintaining our own quality team remains a priority and working with internal colleagues across each directorate to understand the risks being faced continues to be beneficial to the quality of the service delivered.

Analysis of 'live' Audit Reviews

The table below shows the audits completed in 2023/24 along with the assurance opinion and total number of management actions. Additional information including actions not accepted or overdue will be provided to the committee to show progress and impact following audits. In Quarter 4 the Internal Audit Manager will schedule follow up reviews to identify any actions which may be overdue and provide assurance to the committee on their deliverability.

Audit Review	Audit Plan Year	Report Date	Audit Sponsor	Assurance Opinion	Total Management Actions	Not Accepted	Not Yet Due	Follow up required	Completed
Green Master Plan	2023/24	Jul-23	Executive Director Place	Adequate	13	0	7	6	0
Home School Transport	2023/24	Nov-23	Executive Director Place	Adequate	9	0	4	5	0
Business Continuity & Emergency Planning	2023/24	Dec-23	Executive Director Adult Care and Community Wellbeing	Adequate	25	0	25	0	0
Sickness Absence Management	2023/24	Dec-23	Executive Director Resources	Adequate	13	0	13	0	0

Executive Summaries of 'Limited' or 'No' Assurance Opinions

There have been no reports with a limited or no assurance rating awarded to date.

Planning and Resourcing

Whilst recruitment of internal audit professionals continues to be a challenge, our focus has remained on delivering the internal audit plan with the available resources. Managerial oversight and reprioritising projects and some areas for development has enabled the team to focus on delivering the areas of assurance agreed by the Audit Committee in June 2023.

Assurance Plan Delivery

Since the previous progress report there has been adequate progress made against the agreed 2023/24 internal audit plan. Four audits are complete, three are in progress and all have commenced the fieldwork stage. It is anticipated that 100% of the plan will be completed by the end of Quarter 4 (March 2024).

Audit Review	Audit Sponsor	Scoping	Audit Objective	Fieldwork	Draft Report	Final Report	Assurance Opinion	Narrative (if relevant)
ASSURANCE WORK 2023/24								
Green Master Plan	Executive Director Place	✓	✓	✓	✓	✓	Adequate	
Home School Transport	Executive Director Place	✓	✓	✓	✓	✓	Adequate	
Business Continuity	Executive Director of Adult Care and Community Wellbeing	✓	✓	✓	✓	✓	Adequate	
Sickness Absence Management	Executive Director Resources	✓	✓	✓	✓	✓	Adequate	
Business World (Payroll)	Executive Director Resources	✓	✓	In Progress	In Progress	In Progress		
Business World (Key Controls)	Executive Director Resources	✓	✓	In Progress	In Progress	In Progress		
Coroners	Executive Director of Adult Care and Community Wellbeing	✓	✓	In Progress	In Progress	In Progress		

Consultancy Work Delivery

The internal audit plan allows some capacity for consultancy work. The internal audit scope was amended to refocus the work needed for the planned Social Work audit. Two additional assignments providing lessons learned have been completed and reported upon to date. Whilst this consultancy work does not provide an assurance rating, the Head of Internal Audit provides feedback and advises on the control environment to the audit sponsor.

Audit Review	Audit Sponsor	Scoping	Audit Objective	Fieldwork	Draft Report	Final Report	Assurance Opinion	Narrative (if relevant)
CONSULTANCY WORK 2023/24								
Social Work Short Calls	Deputy Chief Executive	✓	✓	✓	✓	✓		Moved from an assurance delivery to consultancy
Property (RAAC)	Assistant Director Corporate Property	✓	✓	✓	✓	✓		
Contracts	Executive Director Resources	✓	✓	In Progress	In Progress	In Progress		Moved from an assurance delivery to consultancy

Grant Work Delivery

Supporting Families Grant audits form part of the 2023/24 internal audit plan and historically other grant audits are requested at short notice by service areas, this year has been the same. The team have been accommodating and delivered additional grant work assignments. From 2024/25 the Internal Audit Manager will work with finance and service areas to identify, plan and schedule grant work assignments.

Audit Review	Audit Sponsor	Scoping	Audit Objective	Fieldwork	Draft Report	Final Report	Assessment Results
GRANT WORK 2023/24							
Supporting Families Q1	Executive Director of Adult Care and Community Wellbeing	✓	✓	✓	✓	✓	Sample of 35 phase 2 claims and 1 phase 3 claim assessed and met grant conditions prior to submission.
Supporting Families Q2	Executive Director of Adult Care and Community Wellbeing	✓	✓	✓	✓	✓	Sample of 10 phase 3 claims assessed. 9 met grant conditions and 1 required removal prior to submission.
Bus Services Operators Grant (BSOG)	Executive Director Place	✓	✓	✓	✓	✓	Sample of 20 transactions tested and all were found to have appropriate records of expenditure against grant conditions.
DfE Family Hubs	Executive Director of Children's Services	✓	✓	✓	✓	✓	Sample of 19 transactions tested and all were found to have appropriate records of expenditure against grant conditions.
Supporting Families Q3	Executive Director of Adult Care and Community Wellbeing	✓	✓	✓	✓	✓	Sample of 22 phase 3 claims assessed and met grant conditions prior to submission.
Supporting Families Q4	Executive Director of Adult Care and Community Wellbeing	In Progress	In Progress	In Progress	In Progress	In Progress	Due in March 2024