

# Internal Audit

## 2023/24 Plan

### DRAFT



**South Holland  
District Council  
February 2023**

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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 days. Our fees have been increased to align with the costs or resources provided in carrying out the work, and reflect the rates included within the current agreement.

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

In Appendices A to E we provide for you information details of:

- Auditable Activities
- How the draft plan achieves the requirements of the Board 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 is the best time 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 – Key sources of information



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

- Key reports
- Performance and 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 notified to Internal Audit as soon as possible to avoid abortive time being spent on audits and for us to reallocate resources.

The Council's Internal Audit Plan is **175 Days**. The core team who will be delivering your Internal Audit plan are:

### Head of Internal Audit

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We will also be using other Seniors and Auditors from our Team to support the completion of the plan.

## 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
<b>Financial Governance</b>	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 Board with a key element of their assurance that the Council has effective arrangements for the proper administration of its financial affairs.
<b>Governance &amp; Risk</b>	Providing assurance that key governance controls are in place and are operating effectively. These cross-cutting audits focus on the Council's second line of assurance - corporate rather than service level systems.
<b>Critical Activities</b>	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.
<b>Project Assurance</b>	We have selected several projects this year to provide assurance around the successful delivery.

Area	Reason for inclusion
<b>ICT</b>	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.
<b>Follow Up</b>	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.
<b>Consultancy Assurance</b>	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 – Internal Audit Plan

Our current planned audits are listed below.

Key, **Black** means we have recorded no overall assurance for this area.

**RAG** applies to all other areas; the Internal Audit Risk column RAG is not a reflection of assurance for the client it is our own internal scoring for the area.

Audit Area	Assurance Sought	Internal Audit Risk	Assurance Map RAG Rating	Strategic Risk Register	Corporate Priority	Management Request
<b>Financial Governance / Critical Activities</b>						
Finance Systems <b>SELCP</b>	In agreement with S151 officer agree key areas for financial system reviews.	Black	Black	✓	✓	
Counter Fraud	Support the Councils through targeted counter fraud work on process, reporting, risks and investigations.	Black	Black	✓	✓	
Leisure	A medium rated risk has been raised in the strategic risk register relating to the financial risk exposure and service delivery issues for the Parkwood Leisure Provision for which the Audit will evaluate the Council's approach to mitigating these risks. Deferred from 22/23 plan.	Black	Black	✓	✓	✓
Recruitment & Retention <b>SELCP</b>	A key area of risk nationally and for SELCP, we will provide assurance on the approach taken and the controls in place to manage. The review will focus on people and the retention of skills within each Council and alignment plans across the three.	Black	Black	✓	✓	✓
<b>SELCP</b> Alignment Plans	Review the progress and delivery plans for closer alignment and realisation of efficiencies through planned alignment of key processes, strategies and constitutions.	Black	Black	✓	✓	✓
Disaster Recovery	A risk has been raised in the Corporate Risk Register relating to Technology Infrastructure Failure. An audit of Disaster Recovery will provide assurance that in the event of an incident the Council is able to respond quickly in line with expectations. Deferred from 22/23 plan.	Black	Black		✓	✓
<b>Governance &amp; Risk</b>						
Strategic Risk Register Review <b>SELCP</b>	Provide assurance on the key strategic risks facing the partnership and that mitigating controls are robust and effective.	Black	Black	✓	✓	
Good Governance <b>SELCP</b>	To continue with our corporate governance work by providing assurance and support through interviews, surveys, benchmarking and testing the	Black	Black	✓	✓	✓



Audit Area	Assurance Sought	Internal Audit Risk	Assurance Map RAG Rating	Strategic Risk Register	Corporate Priority	Management Request
	Council against CIPFA Good Governance standards and Framework.					
Decision Making <b>SELCP</b>	Review the process and system for key decisions to follow in line with agreed constitutions and governance structures.			✓	✓	
Project and Programmes						
Towns Fund and Levelling up Projects <b>SELCP</b>	Review the governance, risks and delivery of these key high value programmes of work for the Councils.			✓	✓	✓
Peer Review Action Plan <b>SELCP</b>	Provide advice and support on the monitoring and implementation of the Peer review action plan and associated action plans.			✓	✓	
Uniform Implementation	Provide independent assurance that this key project will be delivered on time and budget.				✓	✓
ICT						
Cyber Security – Business Ready <b>SELCP</b>	We propose to review one of the key weaknesses in any cyber security system, people. The review will look at training, guidance and how reported incidents are managed.			✓	✓	
ICT Area to be agreed	From the ICT Assurance map agree key areas of focus for ICT reviews.					
Follow up						
Follow ups inc Health and Safety and Private Sector Housing DFGs.	To provide management with assurance that actions from previous key audits have been implemented and this has led to improved outcomes.			✓	✓	
Combined Assurance						
Combined Assurance	Updating the assurance map and completing the Combined Assurance report.			✓	✓	

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

<b>Grand Total</b>	<b>Total Days</b>
<b>Internal Audit</b>	<b>175</b>
<b>Fees</b>	<b>£61,250</b>

## Audit Details

Most of the audits are based on a joint audit combining PSPS, ELDC and BBC as well as SHDC where possible, which will allow a much greater coverage and ensure that the assurances and opinions are the same for all clients using the same systems.

It will also mean that all parties will benefit from a larger review but at a cost of less audit days or charges.

## Areas considered but not included amongst others

Audit Area	Assurance Sought	Internal Audit Risk	Assurance Map RAG Rating	Strategic Risk Register	Corporate Priority	Management Request
Markets	Provide assurance on management of markets, previous audit in 19/20 gave Limited assurance.	Yellow	Yellow		✓	✓
Car Parking	Review the controls for car park income collection, previous audit in 19/20 gave limited assurance.	Yellow	Yellow			✓
Transformation Programme	Not audited in the last six years. Provide assurance on approach, alignment within SELCP and progress and benefits delivered by the programme.	Red	Yellow		✓	✓
Housing rents and management	Not reviewed since 2017/18, provide assurance on process and controls.	Red	Yellow		✓	✓
Data Protection and Corporate Compliance	Review the effectiveness of data protection systems and people and ensure training and proactive work is in place to mitigate the risks.	Red	Yellow	✓	✓	✓
Safeguarding	Review plans and provide assurance on the increased demand and the need to align services across the partnership for effective working.	Red	Yellow		✓	✓
Housing right to buy	Not audited in last six years, assess impact and management of right to buy legislation on the Council.	Yellow	Yellow		✓	✓
Business Continuity	Ensure plans are developed, tested and that there is effective partnership working and support from County Council.	Red	Yellow	✓	✓	✓
Welland Homes	Review and provide assurance on the governance and outcomes for Welland Homes	Yellow	Yellow		✓	✓



Audit Area	Assurance Sought	Internal Audit Risk	Assurance Map RAG Rating	Strategic Risk Register	Corporate Priority	Management Request
Delivery Unit Team	No recent audit review, assess risk and outcomes of the unit.					
Corporate Health and Safety	Previous limited assurance review 20/21, review progress and assess assurance on this service.					

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# 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 programmes.
- 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

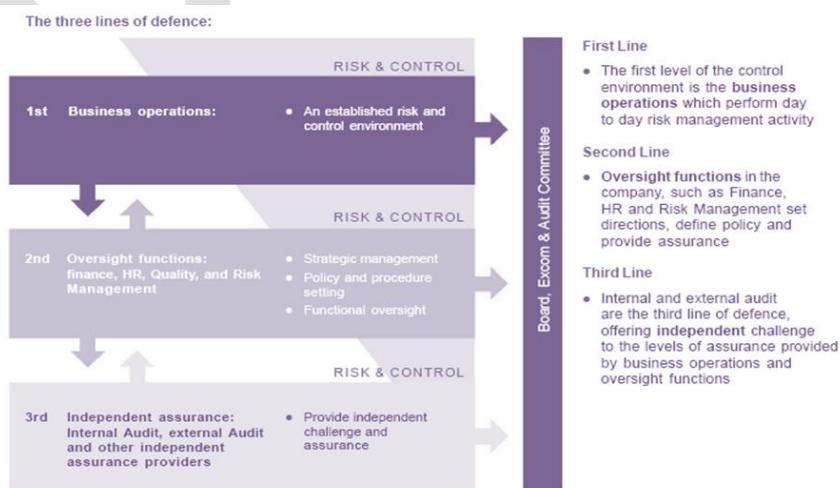
It is important that the Internal Audit function focusses its work on what matters most to you – providing insight, assurance and added value to the Council. Whilst we have a plan in place this is flexible and may be changed during the year enabling greater flexibility and responsiveness – ensuring each piece of work is the right one, delivered at the right time. The plan is therefore more 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 to 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**.



Our Internal Audit Strategy also seeks to co-ordinate our work with other assurance providers where we can. In particular we liaise with External Audit to ensure the Council gets the most out of its combined audit resource – keeping audit fees low.

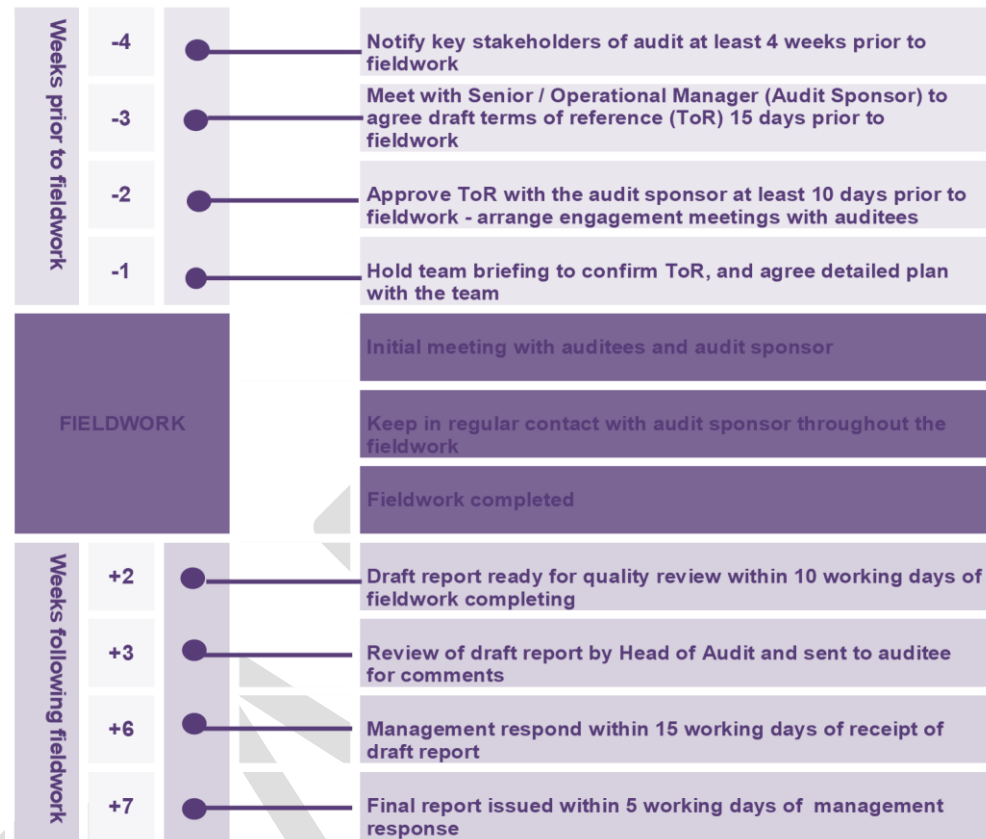
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# Appendix C – Working Protocols

Our approach to delivering of internal audit work is based on a clear protocol detailed in the Audit Charter. How this works in practice is set out at the bottom.

Our performance is monitored by the Board and the Head of Corporate Services - measured against 3 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.

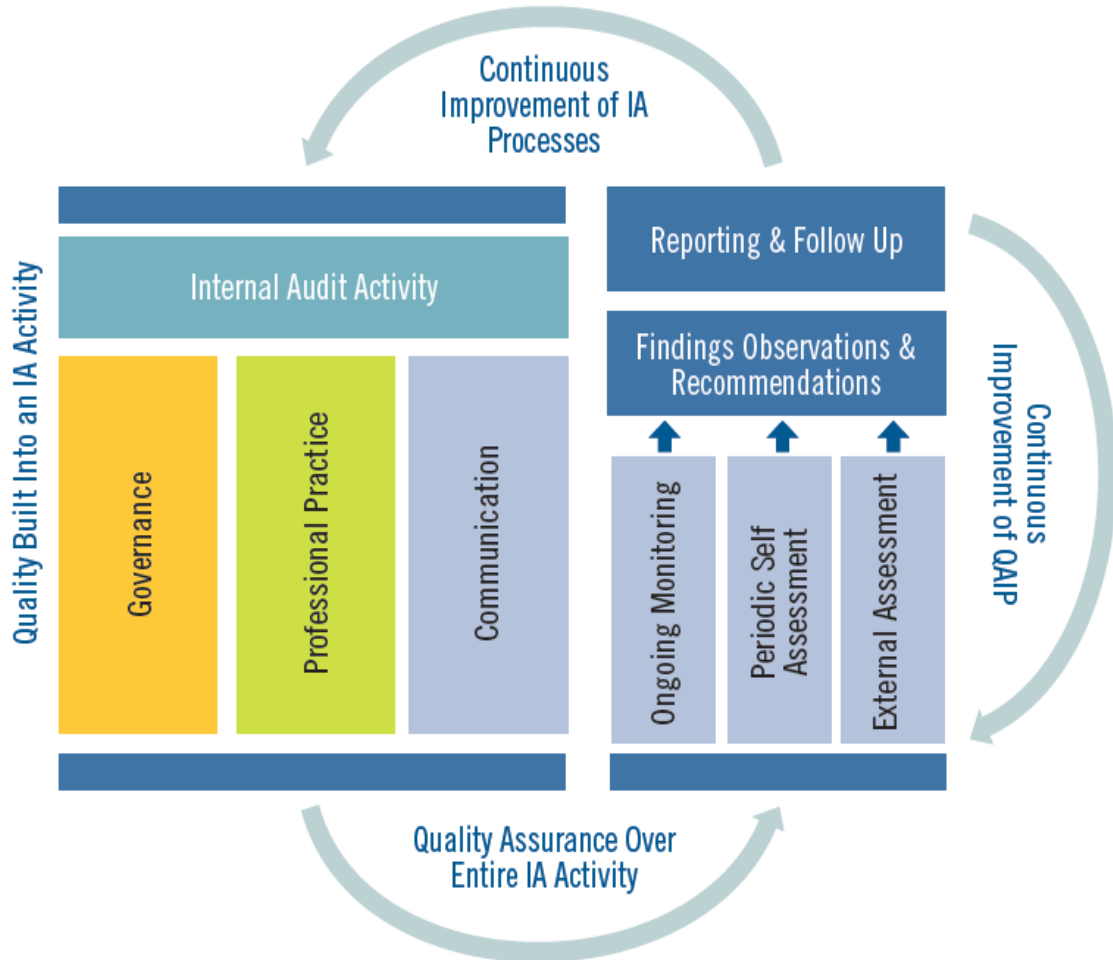
Our Quality Assurance Improvement Programme incorporates both the internal (self) and external assessments – this is a mandatory requirement and the Head of Audit reports annually on the results and areas for improvement. Our internal assessments must

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

We use a number of 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



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