

NORTH LINCOLNSHIRE COUNCIL

AUDIT COMMITTEE

INTERNAL AUDIT UPDATE (INCLUDING THE UPDATED AUDIT CHARTER)

1. OBJECT AND KEY POINTS IN THIS REPORT

1.1 This report provides:

- an update on Internal Audit activity up to 28 February 2018;
- an update on the outcome of the external inspection of Internal Audit carried out in March 2018.

2. BACKGROUND INFORMATION

2.1 It is a requirement of the PSIAS for the Audit Committee to receive regular updates on the activities of Internal Audit, in particular:

- providing assurance that sufficient work will be carried out to provide a reliable risk based annual opinion on the effectiveness of the control environment and any amendments to the audit plan;
- bringing to the Committee's attention any issues identified during the course of the 2017/18 audit which could impact on the annual opinion; and
- providing assurance on Internal Audit's compliance with Public Sector Internal Audit Standards (PSIAS).

2.2 The attached report on Appendix 1, prepared by the Head of Audit and Assurance, provides an update on the delivery of the audit plan up to 28 February 2018. Sufficient work should be carried out by 31 May 2018 to provide a reliable opinion on the Council's control environment, and shows a significantly improved position compared to that reported as at 30 November 2017.

2.3 The report also refers to the outcome of the recent five-yearly external inspection of internal audit. The draft report was issued on 4 April 2018. Its overall conclusion was that:

"It is our overall conclusion that the internal audit function for North Lincolnshire Council generally conforms with the Public Sector Internal Audit Standards".

The Committee should note that 'Generally conforms' is the top rating available.

3. OPTIONS FOR CONSIDERATION

3.1 In its role as the body charged with governance the Audit Committee is asked to consider the progress against the delivery of the audit plan and to receive assurance about the overall quality of Internal Audit's work.

4. ANALYSIS OF OPTIONS

4.1 It is a requirement of the PSIAS for the Audit Committee to receive updates on progress against the delivery of the audit plan, and to receive assurance about the overall quality of internal audit's work.

5. RESOURCE IMPLICATIONS (FINANCIAL, STAFFING, PROPERTY, IT)

5.1 There are no specific resource implications relating to this report.

6. OUTCOMES OF INTEGRATED IMPACT ASSESSMENT (IF APPLICABLE)

6.1 Not applicable.

7. OUTCOMES OF CONSULTATION AND CONFLICTS OF INTERESTS DECLARED

7.1 There are no conflicts of interest related to this report.

8. RECOMMENDATIONS

8.1 That the Audit Committee receives the Internal Audit progress report on Appendix 1.

DIRECTOR OF GOVERNANCE AND PARTNERSHIPS

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Background Papers used in the preparation of this report:

Audit Plan 2017/ 18 (April 2017, updated June 2017, January 2018)



North Lincolnshire Council

Internal Audit Plan 2017/18

Update Report - Month 11

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Introduction

The purpose of the briefing paper is to keep the Audit Committee Members informed in relation to the delivery of the audit plan, in particular:

- providing assurance that sufficient work will be carried to provide a reliable risk based annual opinion on the effectiveness of the control environment, including amendments to the audit plan;
- bringing to the Committee's attention any issues identified during the course of the 2017/18 audit which could impact on the annual opinion; and
- providing assurance on Internal Audit's compliance with Public Sector Internal Audit Standards (PSIAS).

Delivery of the audit plan

On 11 April 2017 the Audit and Governance Committee approved a plan consisting of 1250 days. According to PSIAS 2010 "the chief audit executive must review and adjust the plan, as necessary, in response to changes in the organisation's business, risks, operations, programmes, systems, and controls". As discussed at the January Audit Committee, amendments were made to the audit plan, reducing the target days to 1100 as shown in exhibit 1.

Exhibit 1: Days charged against the audit plan as at 28 February 2018

Area	Planned days	Revised days	Actual days
Strategic and operational risks	455	397	307
Financial systems	140	140	98
ICT	60	60	51
HR Systems and Processes	30	15	12
Procurement	15	28	29
Grants	30	30	29
Schools	100	80	72
Follow up	50	40	35
Fraud and investigation	125	100	54
Advisory	70	50	39
Audit Management	75	75	67
Contingency	100	85	
Total	1250	1100	793

As at 28 February 2018, 793 days had been charged against the revised audit plan. This compares to the anticipated 825 days at this point in the audit cycle. Progress has moved on significantly during recent months. The successful recruitment of two new team members and the engagement of a partner to work with us on the delivery of our ICT programme has helped to offset some of the resourcing issues experienced earlier in the year and we are on course to have carried out sufficient work to provide a reliable risk based annual opinion by June 2018.

Advisory and other support work is an important part of audit's work. A summary of such work carried out is shown on Appendix 1.

Audit reports

A summary of audit reports issued between 1 December 2017 and February 2018 is shown on Appendix 2. Three “Limited Assurance” reports have been issued in the period. For each of these action plans, including specific timescales, have been agreed, with specific timescales, and their implementation will be monitored

Quality

In January 2017 the committee received Internal Audit’s Quality and Assurance Improvement Programme (QAIP) and in July 2017 performance against the QAIP was reported in the Head of Internal Audit Annual Report. Having reviewed the QAIP we have not identified any amendments to the content of the QAIP that need to be brought to the Audit Committee’s attention, whilst the January 2018 update report provided an update of the quality assurance activities carried out in 2017/18.

An important element of the standards is that every five years audit teams are subject to an external inspection in order to assess compliance with the Public Sector Internal Audit Standards, and where appropriate identify area for further development. Following a competitive tender, the contract to carry out the inspection was awarded to “Thinking Audit”.

The inspection was carried out in March 2018, and the draft report was issued on 4 April 2018. Its overall conclusion was that:

“It is our overall conclusion that the internal audit function for North Lincolnshire Council generally conforms with the Public Sector Internal Audit Standards”

‘Generally conforms’ is the top rating available, and is defined as:

“the internal audit activity has a charter, policies, and processes that are judged to be in conformance with the standards. There may be opportunities for improvement, but these do not represent situations where the internal audit activity has not implemented the Standards, the Code of Ethics or is not achieving their stated objectives”.

The draft report has identified a small number of actions designed to further enhance the impact of Internal Audit and the implementation of these actions will be reported in future briefings.

Appendix 1: Advisory work carried out up to 28 February 2018

- Providing support to the BPR review of Adults Financial assessments
- Providing support to the preparation for the LGA peer challenge
- Providing assurance on the Eclipse system implementation
- Providing support to the Finance/ HR/ Payroll systems upgrade project
- Via membership of CIPFA's Better Governance Forum, inform relevant managers of national developments and emerging issues relating to internal control and governance which may impact upon their duties
- The certification of grants in relation to transport, highways and troubled families
- Representation on the Security Incident Group and provided advice on data breaches
- General requests for advice from services relating to the control environment in their specific area
- Provided support and challenge to the council's Commercialisation Board
- Membership of the Service Redesign Working party
- Providing challenge and assurance on the NHS Information Governance Toolkit submission
- Providing advice on income procedures with Licensing

Appendix 2: 2017/18 Audits issued in final as at 1 December 2017 to 28 February 2018

Key to control effectiveness:

Effectiveness	Action Level
Substantial Assurance	Strong controls support achievement of the business objectives.
Satisfactory Assurance	Controls support the business objectives, but some improvements should be made.
Limited Assurance	Controls provide some support for business objectives, but improvements are essential.
No Assurance	Controls do not support the achievement of business objectives.

Key for residual risk rating

Priority Level	Action Level
High	Significant possibility for substantial financial, service, reputational or personal safety issue (including the non-achievement of strategic outcomes). Action must be taken to mitigate the risk.
Medium	Potential for financial, service, reputational or personal safety issue (including the non-achievement of strategic outcomes). Depending on risk appetite, action should be taken to either mitigate the risk or accept that an event could occur and manage its impact.
Low	Risk is being suitably managed based on current knowledge. Should be regularly reviewed and monitored.

Follow up reports issued 1 December 2017 to 28 February 2018

	Original assurance level	Revised assurance level
Budgetary control	Satisfactory	Satisfactory
Community Meals	Limited	Limited

Final Reports issued 1 December 2017 to 28 February 2018

	Control effectiveness	Residual risk
Highways & Neighbourhood – budgetary control	Limited	Medium
Asset rationalisation & disposal	Substantial	Medium
Financial assessments- Adult Social Care	Limited	
Wootton Primary	Satisfactory	Low
Social Care provider development	Substantial	Medium
Fred Gough Secondary	Satisfactory	Low
Treasury management	Substantial	Low
Role of the Monitoring Officer	Substantial	Low
Special guardianships	Substantial	Medium
SEND Independent Provision	Satisfactory	Medium
Enderby Road Infant School	Satisfactory	Low
New Holland CofE/Methodist Primary School	Satisfactory	Medium
Public Health Grant, incl Sexual Health Contract	Satisfactory	Medium
Imprest - Youth Offending Service	Satisfactory	Low
Environmental Sustainability	Satisfactory	Low
Humber Social Work Training Partnership	n/a	n/a