



Internal Audit Progress Report – October 2024

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

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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 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 Council that these arrangements are in place and operating effectively.

The 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 new Global Internal Audit Standards come into effect from April 2025. These will replace the current Public Sector Internal Audit Standards. The standards provide a framework for internal audit and ensure that internal auditors have a clear understanding and comply to high standards of professionalism and ethics.

The Standards provide an updated structure arrangement under five domains, 15 Principles and 52 Standards.

We are reviewing the requirements of the new standards, to ensure our internal audit service remains aligned with the objective of the standards. As we develop our services, our internal audit reports and charter will be updated and we will provide updates and training to audit committees and senior management. Reflecting the increased emphasis in the standards on the working relationship of internal audit, audit committee and senior management.

In compliance to the Standards, Lincolnshire Internal Audit will continue to undergo an external quality assessment (EQA) every five years. Our next EQA is due to take place in 2027.

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 Members 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.

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.

Internal quality assurance checks are undertaken at multiple points during all assurance and advisory reviews. This culminates in the Head of Audit signs off each audit report prior to its release. This provides consistency of assurance rating and robustness in the assurance the committee can take from the assurance levels awarded.

Performance Dashboard

Figure 1

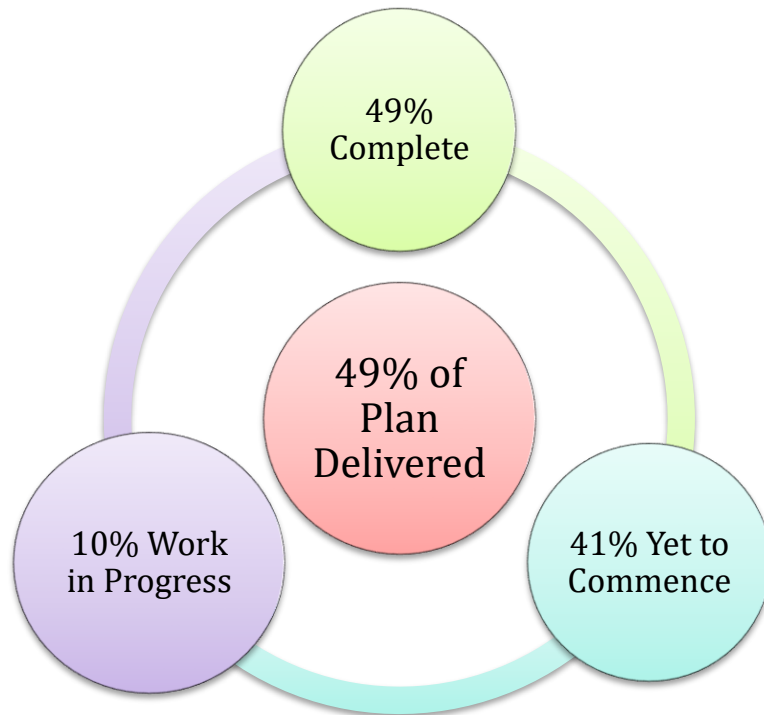


Figure 1 shows the completion of the 2024/25 internal audit plan to date. The audit team is continuing their journey to provide high-quality assurance work which has its roots in evidential based testing, triangulated discussion, strong quality oversight and developmental support. Individual auditors are developing ownership of their own development needs to encourage self-reflection and improve knowledge of improvement areas and the sharing of strengths and skills within the wider audit team.

The 2024/25 audit strategy will build upon ownership of self-development and accountability for efficiency, effective planning, and delivery of their work. Line managers have had sufficient training to fully understand their supervision roles for each audit and for delivery against key milestones agreed during the planning stage. The audit manager is responsible for the effective and timely delivery of all audit plans across the service.

Feedback is an essential aspect of the audit programme and feeds into our internal quality assurance process. The format for feedback has been revised for 2024/25 to provide greater clarity on behaviours and actions of auditors from a client perspective and naturally supports the effective use of resources and conformance evidence with the new Global Internal Audit Standards.

Since the last progress report in March 24, eight audits have been delivered. All the scheduled quarter one audits have been delivered and all quarter two work is in progress.

Feedback received in 2024/25 is used by the audit managers to consider training needs and the value in where resource was allocated.

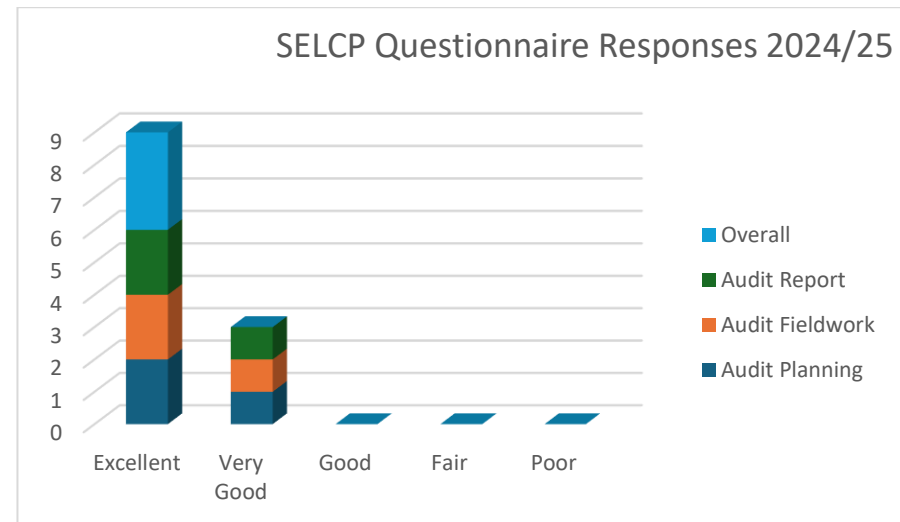
It is our expectation that feedback will enable managers to identify quality issues throughout the end-to-end audit process. It should identify specific development needs for officers as well as highlight overall improvements and efficiencies. As a result of reviewing lessons learned and reflecting on continuous improvement of the service, the Internal Audit team have introduced an updated and digital feedback survey for all audits completed in 2024/25.

Questions have been developed which focus on the quality of the planning and scoping, the quality of audit fieldwork including organisation, approach, observations, and the quality of the reporting process from findings through to closure.

This will enable internal audit managers to develop and improve the audit processes, increase operational efficiency, and support officers to deliver on their individual development plans.

Figure 2 shows the feedback received from officers for work completed for all completed 2024/25 assignments. 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



We have received five feedback responses for the five completed 2024/25 audits. Performance management, treasury management, procurement card follow up, PSPSL SLA's and governance consultation received excellent to very good responses.

As part of our QA process any lower scoring responses will be discussed with the feedback provider and lessons learned applied to the audit approach and process.

Update on Internal Audit Activity

Throughout the year, there has been a focus on quality improvement from the perspectives of staff skill and knowledge, processes, and development.

2023/24 saw a drive to retain the rights attributes, skills, and knowledge within the audit team. Recruitment processes were amended with interviews, testing and feedback being delivered in a different way. Expectations for areas of delivery and responsibility for each tier of the audit team were reset and communicated to each level with the provision of training.

The audit team has reached a desired point of stability with investment and support in place for the staff currently in post who have demonstrated their engagement with revised audit processes and expectations.

An increased level of scrutiny has been delivered in a positive and supportive manner to aid development, self-ownership, and a desire to be part of a developing team. The audit manager has introduced a suite of audit tools and templates which effectively supported these delivery and oversight improvements. These will be fully utilised and reported upon throughout 2024/25.

Eight audits have been completed since our last progress report update in March 24., Details of all work completed is detailed below in the analysis of audit reviews section.

We provided support and advisory services on the councils refresh of its counter fraud policies. Helping the council to update polices in line with best practice and counter fraud standards.

Internal audit completed a consultancy review of the governance assurance questionnaire completed by assistant directors. The questionnaire and process were designed to engage Assistant Directors (AD's) in reviewing and documenting that certain corporate good governance indicators, such as IT access, business continuity plans, risk and finance are functioning as expected.

Audit testing and discussions with a sample of ADs found that as a cohort they lacked clarity on the overall purpose and usefulness of the questionnaires. The current questions and yes/no answer format placed a limit on how much information was presented to SLT and so impacted on the form's usefulness to senior management oversight.

Five medium actions were agreed including, refreshing the questions to promote detailed, accurate responses and specifically target governance aims, focusing on identifying gaps in oversight or fundamental governance requirements.

We regularly report on whether agreed management actions from audits have been implemented by the agreed implementation date. There are no high priority overdue findings to report.

There are two medium priority findings which are overdue. The oldest implementation date is May 2024. Details of all overdue actions are recorded in Appendix 1.

Analysis of Audit Reviews

The table below shows the audits completed since March 2024 along with details of the position of actions as of 31 August 2024.

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Total Management Actions	Not Accepted	Not Yet Due	Completed				
								High	Medium	Low	Critical
2023/2024 Audits											
Budget Setting	May 2024	S151 Officer	Adequate	3	0	3	0	0	3	0	0
Financial Resilience (BBC and SHDC)	May 2024	S151 Officer	Substantial	1	0	1	0	0	1	0	0
2024/2025 Audits											
Governance Consultation	July 2024	S151 Officer	n/a	6	0	6	0	0	5	1	0
Performance Management	July 2024	AD, Corporate	Adequate	9	0	9	0	0	8	1	0
Counter Fraud Policies	June 2024	AD, Governance	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Procurement Card Follow Up	August 2024	SLT	Adequate	1	0	1	0	0	1	0	0
SLA's – SELCP and PSPS	September 2024	S151 Officer	Adequate	5	0	5	0	0	3	2	0
Treasury Management	September 2024	S151 Officer	Substantial	1	0	1	0	0	0	1	0
TOTAL				26	0	26	0	0	21	5	0

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

The table below provides a summary of the limited or no assurance reports published since the last progress report. It also contains any management updates and progress made since the report was issued. There are none to report.

Executive Summaries of ‘Substantial’ or ‘Adequate’ Assurance Opinions

The table below provides a summary of the substantial or adequate assurance reports published since the last progress report.

Audit Review Title: Budget Setting					
Audit Sponsor	Assurance Opinion/ Equivalent	Management Actions			
section 151 officer	Adequate	Low 0	Medium 3	High 0	Critical 0
Summary of Key Observations:					
<p>The control environment for budget setting operated effectively in the period tested. The councils in the partnership (BBC, SHDC and ELDC) have set a balanced budget for the 2024/25 financial year amidst inflationary pressures. The budgets have been approved at the full council meetings.</p> <p>The finance support team co-ordinated the budget setting process and ensured that adequate support was provided to the budget holders in setting financial targets and priorities.</p> <p>We have identified two medium findings with related recommendations to improve the controls in the budget setting process on training and risk management ownership.</p>					

Audit Review Title: Financial Resilience					
Audit Sponsor	Assurance Opinion/ Equivalent	Management Actions			
Section 151 officer	Substantial	Low 0	Medium 1	High 0	Critical 0
<p>Summary of Key Observations:</p> <p>The purpose of this review was to provide independent assurance that the strategic risk covering the Council's financial sustainability and resilience has been assessed appropriately and that there are robust mitigating controls and actions in place to manage the risk effectively.</p> <p>The review found effective process and controls in place including the following:</p> <ul style="list-style-type: none"> • Medium term financial strategies covering the next five years with clear explanations on the assumptions made. • Partnership delivery plan – The Partnership Delivery Plan includes deliverables specifically related to relieving budget pressures for the South & East Lincolnshire Councils Partnership. • Sound levels of reserves have been forecast over the next five years. There are no plans to use contributions from reserves to balance the budget. <p>Internal audit were able to obtain additional assurance from the latest available reports from external auditors. The external audit standards require external audit to report any concerns over financial stability. No concerns had been identified to date that required them to make a recommendation.</p> <p>One medium risk finding that will improve the timeliness of escalating significant budget pressures to the Section 151 officer was agreed. Earlier reporting of budget pressures will improve the S151 officers' oversight and ability to instigate remedial actions to mitigate anticipated overspends.</p>					

Audit Review Title Performance Management					
Audit Sponsor	Assurance Opinion/ Equivalent	Management Actions			
Assistant Director Corporate	Adequate	Low 1	Medium 5	High 3	Critical 0
<p>Summary of Key Observations:</p> <p>Internal Audit found that the measures in the performance management framework for the 23/24 and 24/25 years aligns with the SMART principle of goal setting. The measures are clear, measurable, achievable relevant and are time-bound goals.</p> <p>The performance management system is documented, understood by officers and an effective system for recording performance information exists. Performance data was efficiently collated and made available for review, scrutiny and provision of corrective measures to address areas of underperformance.</p> <p>Six findings in total comprising of two high rated, three medium rated and one low risk rated findings were identified and nine management actions have been suggested to improve the controls for the associated risks. The high risk rated findings are outlined below.</p> <ul style="list-style-type: none"> • Formal procedure to verify the accuracy and authenticity of reported performance data is not in place. • Significant risk relating to the KPI on processing planning application which was a near miss from the national target was not highlighted. 					

Audit Review Title: P- Card follow up					
Audit Sponsor	Assurance Opinion/ Equivalent	Management Actions			
SLT	Adequate	Low 0	Medium 1	High 0	Critical 0
<p>Summary of Key Observations:</p> <p>Internal audit confirmed that following the p-card assignment in January 2024 the councils’ and PSPS acted decisively to jointly address management actions and implement strong governance improvements for p-cards.</p> <p>This included a full review of cardholder expenditure limits and re-training, PSPS assuming responsibility for all p-card management and administration, and implementation of a new p-card management system (LCCDM). These three provisions have improved the councils’ ability to control p-card activities by:</p> <ul style="list-style-type: none"> • Directing compliance with clear training. • Centralising and regularising processes, bringing all three councils into alignment. • Preventing or detecting non-compliance and fraud through LCCDM controls and outputs. <p>There were 14 management actions that were due to be implemented by 31 March 2024. The follow up review found that management actions had been completed and had significantly reduced the risk of fraud, error and loss of reclaimable VAT monies.</p> <p>The follow up review identified one medium risk recommendation that will further strengthen p-card management process: Ensure all p-card procedures are documented and incorporate agreed reporting and escalation requirements.</p>					

Audit Review Title SLAs SELCP & PPSL					
Audit Sponsor	Assurance Opinion/ Equivalent	Management Actions			
Section 151 officer	Adequate	Low 2	Medium 3	High 0	Critical 0
<p>Summary of Key Observations:</p> <p>The purpose of the audit was to provide independent assurance that there are effective processes in place to review and agree the annual SLAs and KPIs. These are a vital element of supporting effective joint working, managing resources and the achievement of agreed corporate outcomes across the Councils and PPS.</p> <p>Internal audit confirmed there are processes and policies in place that support effective monitoring and delivery of the expected outcomes set out in the SLA's and supporting KPI's. There are robust governance processes in place for liaison and reporting to senior management.</p> <p>The audit found that there is an effective documented escalation process which provide the councils and PPS with a process to support resolving operational issues.</p> <p>The review identified three medium level recommendations that will strengthen processes. The findings relate to improved communications, documented process for additional midyear new projects and agreeing SLAs on time.</p>					

Audit Review Title Treasury Management					
Audit Sponsor	Assurance Opinion/ Equivalent	Management Actions			
DCX Section 151 officer	Substantial	Low 1	Medium 0	High 0	Critical 0
<p>Summary of Key Observations:</p> <p>The internal audit of the council’s treasury management function has provided a substantial level of assurance over the internal controls and processes tested. The review found that investment decisions were operated within the financial limits and other specific criteria approved in the treasury strategy for the three councils. There is a set borrowing position and testing confirmed compliance.</p> <p>There is adequate resource to manage treasury activities and appropriate cover is available while the recruitment for a vacant position is in progress. Internal Audit confirmed that treasury staff have received relevant training, and this is communicated to the respective audit committees on a regular basis.</p> <p>A comprehensive record of investment activities is maintained and updated regularly while there is adequate segregation of duties in making investment decisions in alignment with the delegation of authority provisions.</p> <p>The review identified one low level recommendation that will strengthen the treasury process. To provide consistency and to mitigate against staff turnover impacting on service delivery in cash flow operations, documented processes/procedures should be completed and regularly reviewed.</p>					

Planning and Resourcing

For 2024/25 we currently have sufficient resource in place to deliver the plan agreed for 2024/25, as agreed by the Committee in March 2024. The table below shows delivery progress for the audit assignments planned for the whole year of 2024/25. Whilst there is an indicative plan agreed, we retain a flexible approach to regularly reviewing our plan to ensure we can respond adequately to the council’s risk needs and profile should that change mid-year. Any changes or amendments will be shared with the committee along with risk-based rationale and any arising implications.

There has been one addition to the audit plan. Through discussion with the S151 officer, we have identified risks within the insurance function and have included an audit in Q3 to assess the controls and governance for insurance tendering processes and staff capacity and capability to manage the service.

Work Plan 2024/25.

Audit Review	Audit Sponsor	Scoping	Audit Objective	Fieldwork	Draft Report	Final Report	Assurance Opinion or Equivalent
ASSURANCE WORK 2024/2025							
Q1 - PSPS SLAs and Performance	Senior Leadership Team (SLT)	✓	✓	✓	✓	✓	Adequate
Q1 - Performance Management	SLT	✓	✓	✓	✓	✓	Adequate
Q1 - Control Testing -AD’s governance questionnaire	SLT	✓	✓	✓	✓	✓	Consultancy
Q1 - Update CF policies	SLT	✓	✓	✓	N/A	N/A	Advisory
Q2 – Finance systems – Treasury Management.	SLT	✓	✓	✓	✓	✓	Substantial
Q2 – Finance systems – Housing Benefits	SLT	✓	✓	✓			

Q2 – Finance systems – Bank Reconciliations.	SLT	✓	✓	✓	✓		
Q2 – P-Card Follow Up	SLT	✓	✓	✓	✓	✓	Adequate
Q2 - Budget Monitoring	SLT	✓	✓	✓			
Q2 – Insurance - NEW	SLT	✓	✓	✓	✓		
Q3 - Capital Programme / Towns Fund	SLT						
Q3 - Follow Up Payroll Reconciliation	SLT						
Q3 - Transformation	SLT						
Q3 - Combined Assurance	SLT						Assurance Report to Audit Committee
Q1/4 - Management Time	SLT						Not Applicable
Q4 - Capacity Aims and Priority	SLT						
Q4 – ICT Areas to be agreed.	SLT						Meeting booked with ICT manager.

Overdue Medium and Low priority actions

Audit Review	Audit Sponsor	Priority	Agreed Action	Owner	Original Due Date	Current Due Date	Comments
SELCP Budget Setting 2023-24	SLT	Medium	A training for the Finance staff involved in the budget setting process has been scheduled for May 21, 2024. Going forward, training shall be conducted on an ad-hoc basis to accommodate new members of staff.	Samantha Knowles	31/5/2024	31/08/2024	Samantha Knowles. Verbal Update received. Action completed, audit to test and confirm before removing as completed.
SELCP Budget Setting 2023-24	SLT	Medium	Training be arranged for budget managers and senior managers. This will be incorporated as part of the budget timetable for 2025/26.	Samantha Knowles	31/08/2024	31/08/2024 New date requested 31/10/2024	Samantha Knowles. Under review but not implemented. New date to be agreed.