

Internal Audit

2022/23 Plan



Newark and Sherwood District Council

March 2022

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The Planning Process

Introduction

This report sets out the Internal Audit Plan as at 1st April 2022. 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. The plan is amended throughout the year to reflect changing assurance needs.

Our audit plan delivers assurance within agreed resources. The number of days included in the plan is currently **285 days**.

Our agile approach to planning details audits required to be undertaken at a given point in time in order of priority – based on risk, significance and requirements to enable a robust Head of Internal Audit opinion. There are a number of ‘must do’ audits which are essential to the Head of Internal Audit opinion. We update our plan during the year – to reflect changing risk and assurance needs.

We are then able to use our audit planning tool and our ‘call off’ list of high priority audit areas to target our assurance – working within agreed resources. This approach has the benefit of enabling greater flexibility and responsiveness – ensuring each piece of work is the right one, delivered at the right time. The plan becomes more dynamic and responsive – essential for an effective Internal Audit service.

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

- Auditable Activities
- How the draft plan achieves the requirements of the Audit and Accounts Committee and Head of Internal Audit
- Our Working Protocols and Performance
- Our Quality Assurance Framework

Developing the plan

The internal audit plan has been developed from the Council's Assurance Map – which was updated in March 2022 with input from Management. **Figure 1** shows other key sources of information that has helped inform the plan.

We have prioritised our audit work taking account 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.

Figure 1 – Key sources of information



- **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 Head of Internal Audit annual 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.

The primary source of business intelligence will be the regular liaison meetings between our team and the nominated liaison contact, liaisons at the directorate meetings and other sources of intelligence including:-

- Committee reports
- Performance and Risk Management assurances
- Key stakeholders
- Horizon scanning

Delivery and Focus

Delivering the Plan

The audit plan has been developed to enable us to respond to changes during the year. 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 based on risk, priority and requirements for the Head of Internal Audit opinion.

An audit schedule will be drawn up following liaison with the various auditees and Directors. It is 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 **285 Days**.

The core team who will be delivering your Internal Audit plan are:

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Audit Focus for 2022/23

In the following table we provide information on key audit areas and the rationale for their inclusion in the audit strategy and plan.

| Area | Reason for inclusion |
|------------------------------|--|
| Financial Governance | <p>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 Section 151 Officer with a key element of his assurance that the Council has effective arrangements for the proper administration of its financial affairs.</p> <p>This will include work on the key financial controls and Levelling Up Fund.</p> |
| Governance & Risk | <p>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. Areas included:</p> <ul style="list-style-type: none">• Governance Review |

| Area | Reason for inclusion |
|----------------------------|---|
| | <ul style="list-style-type: none"> Information Governance |
| Critical Activities | The combined assurance work undertaken in 2021/22 identified some critical activities where a potential audit would provide independent assurance over the effectiveness of risk management, control and governance processes. |
| Project Assurance | <p>There are a number of critical projects identified by the Council. We have selected one to seek to provide assurance around the successful delivery (on-time – within budget – deliverables achieved and benefits realised).</p> <ul style="list-style-type: none"> Delivery of Newark Towns Fund programmes Storage Area Network |
| ICT | 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 controls comply with industry best practice and are operating effectively. Audits planned come from previous year assessments and our awareness of current ICT risks. |
| Follow Up | We will carry out a follow up audits throughout the year to provide assurance that a sample of identified control improvements have been |

| Area | Reason for inclusion |
|--------------------------------------|---|
| | effectively implemented and the risks mitigated. |
| | Working with management we also track the implementation of agreed management actions for all audit reports issued. |
| Combined Assurance | Working with management we co-ordinate the levels of assurance across the Council's critical activities, key risks, projects and partnerships – producing a Combined Assurance Status report in March 2023. |
| Consultancy Assurance | 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. |
| | Appendix A outlines the various audits to be undertaken within each area. Appendix B contains those areas which we have not been able to include in the plan but management may wish to consider whether they should be included. |
| 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

These are the audits with the highest priorities. We have also included fundamental must do areas which will help inform the Head of Internal Audit opinion. Audits will be undertaken in priority order subject to agreement with the client over scheduling and and where applicable availability of specialist staff e.g ICT audits.

| Audit Area | Assurance Sought | Internal Audit Risk Assessment | Assurance Map RAG Rating | Strategic Risk Register | Corporate Priority | Management Request |
|---|--|--------------------------------|--------------------------|-------------------------|--------------------|--------------------|
| Financial Governance | | | | | | |
| Key Control Testing (Must do) | Delivery of key control testing to enable Head of Internal Audit to form an opinion on the Council's financial control environment. | | | | ✓ | |
| Treasury Management | Provide assurance on the Council's Treasury Management processes and controls around borrowing, investment and cash flow. | A | A | | ✓ | |
| Information Governance & Personal Data Breaches (Must Do) | There are effective processes in place for the management of information throughout the Council. | A | A | ✓ | ✓ | ✓ |
| Governance Review (Health check) (Must Do) | To provide assurance around the governance arrangements within the council compared to the Centre for Governance and Scrutiny's seven Characteristics of good governance. | | A | | ✓ | |
| Growth Infrastructure Risk (must do) | To provide assurance that the risk management arrangements are effective in facilitating the provision of local infrastructure to ensure growth within the district meet agreed plans and corporate priorities. | | R | | ✓ | |
| Company Governance (Arkwood and Active4Today) (must do) | Review of the Company governance arrangements for Arkwood Developments, Active4Today and the integrated Southwell Leisure Centre ensuring that there is sufficient oversight and risk management processes in place. | A | | ✓ | ✓ | ✓ |
| Critical Activities | | | | | | |
| Planning Applications (Decision Making) (must do) | To provide independent assurance that the decision-making arrangement for planning applications are clear and comply with legislation and local policies and procedures and decisions are issued | A | A | | ✓ | ✓ |

| Audit Area | Assurance Sought | Internal Audit Risk Assessment | Assurance Map RAG Rating | Strategic Risk Register | Corporate Priority | Management Request |
|--|--|--------------------------------|--------------------------|-------------------------|--------------------|--------------------|
| | correctly and promptly. | | | | | |
| Workforce planning (must do) | To give assurance that the Council's workforce plans / strategies are effective in meeting the changing needs of the Council and the demographic and skills of staff. | | A | ✓ | ✓ | |
| Performance Management (must do) | To provide assurance around the performance of the identified Community Plan Key Performance Indicators. | A | A | | ✓ | |
| Responsive Repairs | To give assurance on the effectiveness of the arrangements and processes in place to ensure there is a comprehensive responsive repair service of the Council's housing stock which meet customer needs and carried out within the laid down timescales. | | A | | ✓ | |
| Resettlement Co-Ordination | To give assurance that the Council has put in place sufficient and effective support arrangements for the resettlement of vulnerable persons including refugees which are delivered in a co-ordinated way with other key partners. | A | A | | ✓ | |
| Project Assurance | | | | | | |
| Levelling-up and Newark Town Funds (must do) | To give independent assurance that the governance arrangements and assurance processes supporting the delivery of the Newark Towns Fund and Levelling Up projects are in place and operating effectively. Note that until recently, the government has delegated governance arrangements of the Towns Funds to the s151 Officers. | | A | | ✓ | |
| SAN/Hosts Refresh (must do) | To provide assurance around the effectiveness of the Council's Storage Area Network (SAN) and hosting arrangements in place to support data recovery and Business Continuity. | | R | | ✓ | |
| ICT | | | | | | |
| ICT Applications (must do) | To provide a high-level assurance that key applications including Concerto, Apex, TopTix, Asset 4000 and Pentana | R | R | | ✓ | |

| Audit Area | Assurance Sought | Internal Audit Risk Assessment | Assurance Map RAG Rating | Strategic Risk Register | Corporate Priority | Management Request |
|---|---|--------------------------------|--------------------------|-------------------------|--------------------|--------------------|
| | Risk are operating effectively. | | | | | |
| iTrent HR / Payroll System | To provide assurance on the effectiveness of the security arrangements, data migration and the general system operation for the new iTrent HR/Payroll system which replaces Selima HR/Payroll. | | | | ✓ | |
| Virus Protection / Malware | To provide independent opinion on the adequacy and effectiveness of the control environment with regards to Antivirus and Malware. | | A | | ✓ | |
| Follow-up | | | | | | |
| Follow-ups (must do) | 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 | Completing the integrated assurance mapping process for the Council by helping to map assurance against critical activities and key risks. Helping co-ordinate the development of the annual status report. | | | | ✓ | ✓ |
| Grant Certification and Other Financial Audits | | | | | | |
| Contain Outbreak Management Fund (COMF) grant | To provide certified assurance that the use of COMF grant related to the Covid-19 Test and Trace complies with the relevant grant terms and conditions. | | | | | ✓ |
| Mansfield Crematorium | Completion of the audit of the Mansfield Crematorium Accounts | | | | | ✓ |
| Gilstrap | Independent Examination of the Gilstrap accounts in accordance with S145 of the Charities Act 2011. | | | | | ✓ |
| Days | | | 245 | | | |

| Non-Audit | |
|---------------------------------|-----------|
| Advice and Liaison | |
| Annual Report | |
| Audit Committee | |
| Action Tracker | |
| Review IA Strategy and Planning | |
| Directorate Meetings | |
| Training / Workshops | |
| Days | 40 |

| Grand Total | Total |
|----------------------------|----------------|
| Internal Audit Days | 285 |
| Fee | £99,750 |

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Appendix B –Areas not included in the current plan

| Auditable Areas | Assurance Sought (indicative) | Internal Audit Risk Assessment | Assurance Map RAG Rating | Strategic Risk Register | Corporate Priority | Management Request |
|--|--|--------------------------------|--------------------------|-------------------------|--------------------|--------------------|
| Critical Activities | | | | | | |
| Corporate Policy | There are processes in place to ensure the Council identifies new legislation and incorporates it into its own relevant policies and procedures. | | A | | ✓ | |
| Assurance functions | To provide independent opinion as to the effectiveness of the corporate assurance arrangements in place. | A | A | | ✓ | |
| Running Electoral Registration and Elections | To provide assurance that the Council discharges its obligations in providing effective Electoral Services to its Citizens. | | A | | ✓ | |
| Humanitarian Assistance Response Team (HART) | To provide assurance around the services provided by HART to support the residents of Newark throughout the pandemic and any future planned support arrangements beyond the pandemic. | | A | | ✓ | |
| Resettlement Co-Ordination | To give assurance that the Council has put in place sufficient and effective support arrangements for the resettlement of vulnerable persons including refugees which are delivered in a co-ordinated way with other key partners. | A | A | | ✓ | |
| Covid 19 Response & Recovery | To provide assurance that the Council continues to implement measures to contain ongoing Covid outbreak within its office establishments to ensure improved staff safety during the return to office. | | A | | ✓ | |
| Housing Stores & procurement | To give assurance on the effectiveness of the Housing Services' stores operational management. | A | A | | ✓ | |

| | | | | | | |
|--|--|---|---|--|---|--|
| HRA Self Financing Business Plan (30 year) | To provide assurance on the Council's arrangements for ensuring the HRA Self Financing Business Plan continues to remain sustainable. | A | A | | ✓ | |
| Inputting and processing of housing applications | To examine the systems and controls in place for assessing, approving and prioritising applications to the Housing Register, and resulting lettings, in order to ensure that decisions taken are in accordance with Council policy and statutory guidance | | A | | ✓ | |
| Estate walk abouts | To provide assurance that the walkabouts and the block inspections are evidenced and remedial measures are put in place where necessary. | | A | | ✓ | |
| Asset register & Asset valuation | To ensure the Council has robust arrangements for correctly recording, maintaining and accounting for all Property, Plant and Equipment to support Financial Reporting. | | A | | ✓ | |
| Capital programme | The capital programme is appropriately approved, monitored, financed and reported. | A | A | | ✓ | |
| Food safety | To provide assurance that the authority has effective procedures in place to ensure food premises are compliant with Food Safety Legislation. | | A | | ✓ | |
| CCTV | To provide assurance that the CCTV Service provision is well managed covering:- <ul style="list-style-type: none"> • Management arrangements • Service planning and monitoring including future planning • Regulatory compliance • Business continuity • Staff • Assets • Contractors • Stakeholders • Partnership working • Operational arrangements including collection and control of images and recording and reporting of incidences | A | A | | ✓ | |
| User Education Awareness (ICT) | To give assurance on the effectiveness of the Council's arrangements for the systematic | | A | | ✓ | |

| | | | | | | |
|------------------|--|---|---|--|---|---|
| | delivery of awareness training programmes that deliver security expertise and security-conscious culture. | | | | | |
| ICT Help Desk | To provide assurance that service requests generated by users are effectively captured, tracked and follow agreed and standardised resolution timeframes. The review will also consider the system's ability to track ICT assets owned and maintained by the Council. | | A | | ✓ | |
| Digital Strategy | There is a strategy in place which covers the appropriate areas and is supported with an action plan and investment strategy. This covers a review of the digital council strategy, associated action and investment plans. | | | | ✓ | ✓ |
| VAT | To give independent assurance that VAT: <ul style="list-style-type: none"> • Is accounted for correctly • returns are processed accurately and timely • records are maintained and specialist advice is sought when required. | A | A | | ✓ | |

These are the areas which are not on the proposed delivery plan (Appendix A) but are important to the overall assurance framework of the Council.

Appendix C – 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 activities – seeking to provide an annual 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, your key risks and critical service areas identified as part of the Combined Assurance Map.

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**.

The three lines of defence:

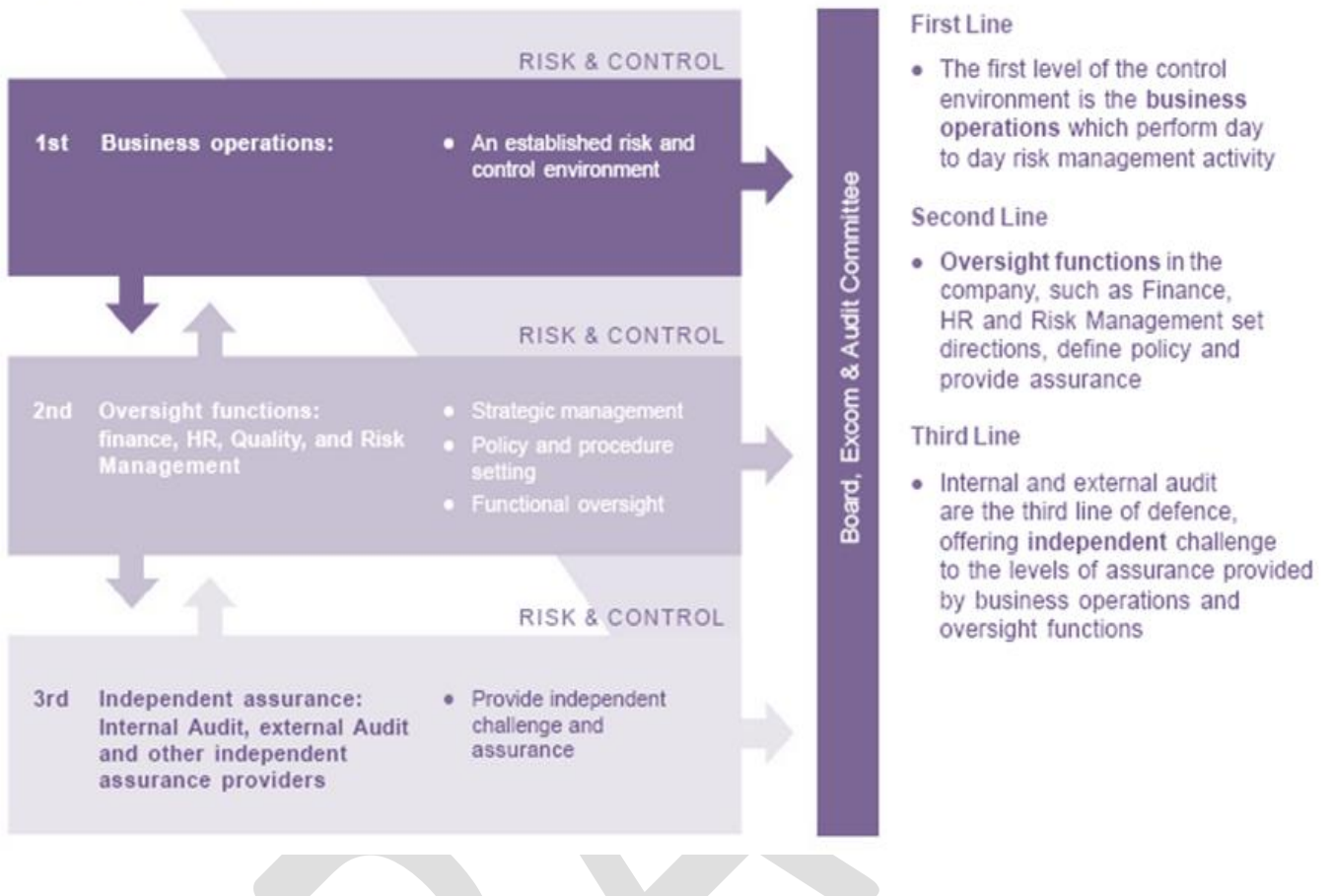


Figure 2 – The three lines of defence

Figure 3 shows the overall assurance levels on the Council's critical activities as at March 2022.

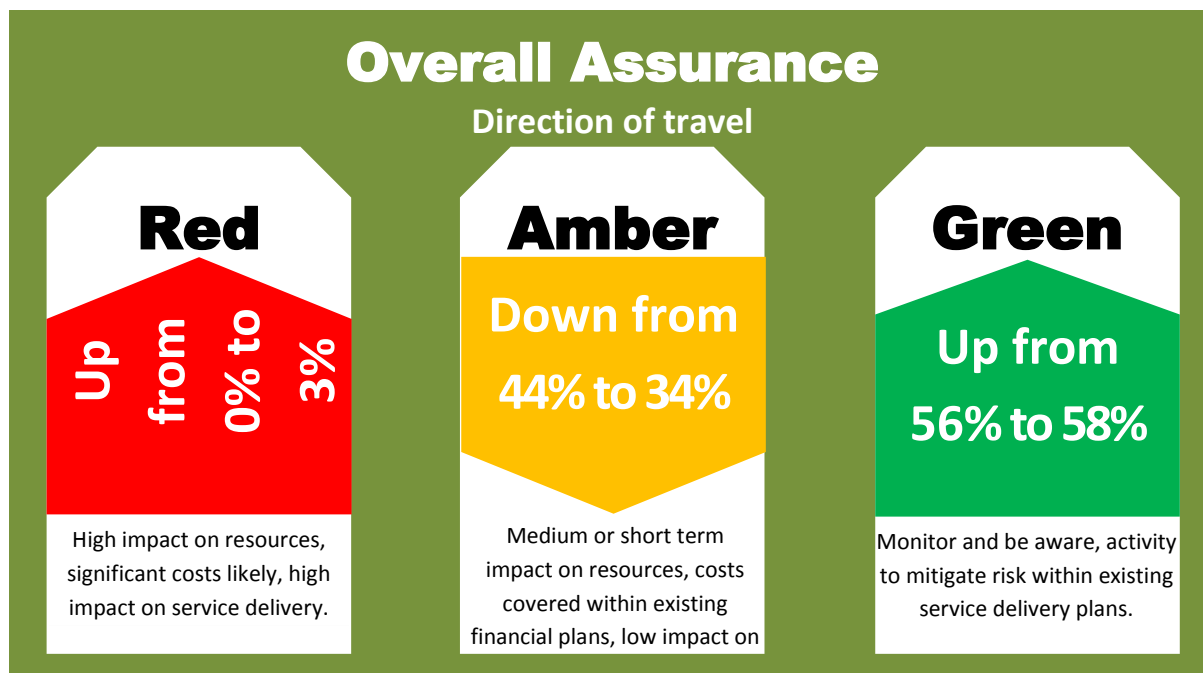


Figure 3 – Overall Assurance Status

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.

Appendix D – 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 Section 151 Officer and the Audit Committee - 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 quarterly updates to evaluate progress and discuss activities and priorities for the next quarter.
- For individual audit engagements we hold planning meetings in person (our preference) by phone 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.

| | | | |
|--------------------------|------|---|--|
| Weeks prior to fieldwork | -4 | ← | Notify key stakeholders of audit at least 4 weeks prior to fieldwork |
| | -0-4 | ← | Meet with Director or Business Manager (Audit Sponsor) to agree draft terms of reference (TOR) and obtain approval |
| Fieldwork | | | Initial meeting with auditees and audit sponsor |
| | | | Keep in regular contact with audit sponsor throughout the fieldwork |
| | | | Fieldwork completed |
| Weeks after fieldwork | +2 | ← | Draft report ready for internal review within 10 working days of fieldwork completing |
| | +3 | ← | Internal review |
| | +4 | ← | Draft issued within 5 working days of review |
| | +7 | ← | Closure meeting and Management response within 15 days of receipt of draft report |
| | +9 | ← | CMT review of draft |
| | +10 | ← | Final report issued within 5 days of management response |

Appendix E – 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 – this was approved by the Audit & Accounts Committee and was reviewed and approved in 2021.

Quality Assurance and Improvement Program (QAIP) Framework

