

Internal Audit

2021/22 Plan



**Newark and Sherwood
District Council**

January 2021

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The Planning Process

Introduction

This report sets out the Internal Audit Plan as at 1st April 2021. 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. This remains the same as last year – 323 days. Our fees remain 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 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 using various sources including our external intelligence, local knowledge and the meetings held with Directors and the Senior Leadership Team as a whole. **Figure 1** shows the key sources of information that has helped inform 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 Head of Internal Audit annual opinion on governance, risk and control.
- **Time**– when it will happen (this will determine when the best time to do the Audit is).

Figure 1 – Key sources of information



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, other sources of intelligence will include:-

- Committee reports
- Pentana 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 various auditees and Directors. 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 **323 Days**. The core team who will be delivering your Internal Audit plan are:

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

Audit Focus for 2021/22

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

The impact of Covid on the public sector has been unprecedented, we will be carrying out some assurance work in this area during the last quarter of 2020/21 and depending on the outcome of that work further work may be required during 2021/22. Our plans remain flexible to take account of these changing and emerging risks.

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.

Area	Reason for inclusion
Financial Governance	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.
Governance & Risk	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.
Critical Activities	Our discussions with Directors identified some critical activities where a potential audit would provide independent

Area	Reason for inclusion
	assurance over the effectiveness of risk management, control and governance processes. There is a particular focus on those relating to the services transferred back in-house and their integration back into the Council as well as those affected by the current climate.
Project Assurance	There are a number of critical projects identified by the Council. Projects have been flagged as a key area for 2021/22. There has been a significant change in the way projects are managed within the Council and therefore a review of the process has been requested by management rather than specific projects.
ICT	Technology and associated threats and opportunities continue to evolve at a pace. The effectiveness of ICT has a significant 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. We are currently carrying out a detailed review of all ICT areas throughout our client base and will be drawing up a separate ICT Audit plan to ensure that our audit resources are used effectively at each client.
Follow Up	We will carry out follow up audits throughout the year to provide assurance that a sample of identified control improvements have been effectively implemented and the risks mitigated. Working with management we also track the implementation

Area	Reason for inclusion
	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 January 2022.
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.

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 2021/22

Our proposed planned audits are listed below.

Audit Area	Assurance Sought	Internal Audit Risk Assessment	Assurance Map RAG Rating	Strategic Risk Register	Corporate Priority	Management Request
Financial Governance						
Key Control Testing	Delivery of key control testing to enable Head of Internal Audit to form an opinion on the Council's financial control environment.	N/A	N/A			
Housing Benefits	To provide assurance that Housing benefit is paid accurately and promptly to eligible applicants and changes in circumstances are actioned correctly.	A	G			
Value for Money	To provide assurance that the Council takes all reasonable steps to achieve Value for Money in the delivery of its services.					
Governance and Risk						
Strategic Risk – Financial Resilience	To provide assurance that the risk has been appropriately rated and reviewed and that the mitigating actions listed are currently in place and working effectively.	R		✓		
Company Governance (Arkwood and Active4Today)	Review of the governance arrangements in place ensuring that there is sufficient oversight and risk management processes in place.	R		✓	✓	
Community Lottery	Review of the governance arrangements in place for the running of the community lottery to ensure that they are sound protecting the Council and participants.					✓
Critical Activities						
Digital Strategy	There is a strategy in place which covers the appropriate areas and is supported with an action plan and investment strategy.					✓
Newark Civil War Museum and Palace Theatre	To provide independent assurance around the VFM work and delivery capacity assessment being undertaken by Finance staff.	R	A		✓	✓
Grounds Maintenance and Cleansing Services	To provide assurance over the revised arrangements in place ensuring that issues previously identified have been addressed.	R	G		✓	✓

Audit Area	Assurance Sought	Internal Audit Risk Assessment	Assurance Map RAG Rating	Strategic Risk Register	Corporate Priority	Management Request
Strategic Asset Management	To provide assurance over the arrangements in place for the operational management of the Council's land and buildings and the maintenance /improvement thereof.	R	A		✓	✓
Climate Change Emergency	Following the declaration of a climate emergency the Council has plans in place for action to be taken by itself and within the District.	R	A		✓	
Customer Services	To provide assurance on the effectiveness, impact and success of the revised arrangements following the integration of Newark and Sherwood Homes staff into one customer services team.	R	A			✓
Contract management - General	There are effective arrangements in place which ensure that all contracts are recorded, allocated to contract managers and there are processes in place which ensure that they are managed effectively. The risks around contracts including supply chain failure, Modern slavery, data sharing etc. are identified and actions taken to mitigate the risks.	A	A	✓		✓
Health and Safety	To provide assurance that the arrangements in place for Health and Safety are effective and meet legislative requirements. To follow-up the actions made within the previous report.	R	A		✓	✓
Landlord Compliance	To ensure that those areas of compliance not previously reviewed are in place and ensure that all relevant legislation is adhered to. Follow-up on those areas of compliance (gas, electricity etc) previously reviewed to ensure that the actions agreed have been implemented.	R	A		✓	✓
Care line	To provide assurance that there are effective arrangements in place for the management and delivery of the Careline service and that all items of equipment are logged and accounted for.	A	A		✓	✓
Workforce Planning	To ensure that there are arrangements in place to ensure that there are sufficient skilled staff in place to enable effective service provision.	R	A	✓		

Audit Area	Assurance Sought	Internal Audit Risk Assessment	Assurance Map RAG Rating	Strategic Risk Register	Corporate Priority	Management Request
Project Assurance						
Project Strategy	To provide assurance over the newly formed Corporate Property and Strategy Business Unit's capacity to deliver key projects ensuring clear triage between Asset and Estates, Corporate Property and Strategy Delivery and Economic Development.	R	G			✓
ICT						
Physical and Environmental Security	Looking at the security of Castle House, satellite locations (Brunel drive cited as a concern), the Beacon and locations where any off-site back-ups are stored.	G	A			
Further audit to be confirmed on completion of the ICT Audit Plan.						
Follow-up						
Follow-ups	Follow-up of recommendations made for the progress report and on a sample basis.					✓
Combined Assurance						
Combined Assurance	Updating the assurance map and completing the Combined Assurance report.			✓		✓
Other/Consultancy						
Gilstrap	Independent Examination of the Gilstrap accounts in accordance with S145 of the Charities Act 2011.					✓
Mansfield Crematorium	Completion of the audit of the Mansfield Crematorium Accounts					✓
Social Housing White Paper	To provide an independent review of the requirements of the Social Housing White Paper and the current and planned processes in place to identify any gaps.					✓
Policies and procedures	To provide an independent review of the integration of the key policies and procedures from Newark and Sherwood Homes into those of the Council.					✓
Days		285				

Non-Audit	
Advice and liaison	
Annual Report	
Audit Committee	
Review IA Strategy and Planning	
Days	38

Grand Total	Total
Internal Audit Days	323
Fee	£95,285

Appendix B –Areas not included in the current plan

Auditable Areas	Assurance Sought	Internal Audit Risk Assessment	Assurance Map RAG Rating	Strategic Risk Register	Corporate Priority	Management Request
Critical Activities						
Town Fund	Consultancy piece of advisory work on the proposed governance design.					✓
Waste Collection		R	G		✓	
Planning Decisions	To provide assurance that the planning decision making process is compliant with legislation and local procedures and decisions are issued correctly and promptly.		A			✓
Corporate Planning	Plan in place which is embedded and to which the activities and the performance of services and staff are linked.	R	A			
Block Inspections	Block inspections – need to evidence the inspections and identified and remedial measures put in place.	R	G		✓	✓
Economic Development	Review of the strategy in place and the considerations of the changing environment.	R	A		✓	
Commercialisation - Waste	Processes in place linked to community plan and comply with policies and processes.	R			✓	
Performance	Review of the revised performance indicators and the link with the Community Plan and management.	R	G			

These are the areas which are not on the plan but are important.

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**.

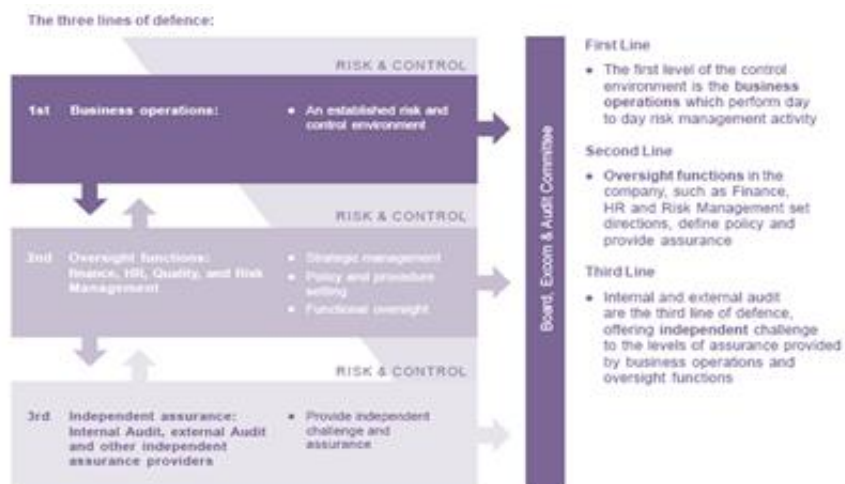


Figure 2 – The three lines of defence

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 in 2019 following the planned revision of the CIPFA Local Government Application Note.

