

# **AUDIT AND GOVERNANCE COMMITTEE**

<b>DATE</b>	25 July 2024
<b>REPORT OF</b>	Peter Hanmer - Head of Audit and Assurance
<b>SUBJECT</b>	Head of Internal Audit Annual Report and Opinion 2023/24
<b>STATUS</b>	Open

## **CONTRIBUTION TO OUR AIMS**

An effective control framework, good governance and risk management is fundamental to the effective delivery of the Council's services and its strategic aims. Internal Audit supports this by providing assurance, challenge and advice on their design and operation. Furthermore, the Internal Audit programme is risk based with specific priority given to those systems and processes which support the delivery of the Council's strategic aims.

## **EXECUTIVE SUMMARY**

As set out in the Public Sector Internal Audit Standards (PSIAS) there is a requirement under PSIAS 2450 for the Chief Audit Executive to provide an annual report and opinion to the Audit and Governance Committee, timed to support the Annual Governance Statement. At North East Lincolnshire Council, the Head of Audit and Assurance conducts the functions of the Chief Audit Executive as defined in the standards.

As shown in section 3 of the Annual Report, "satisfactory" assurance has been provided on the overall arrangements for governance, risk and the internal control framework. Where applicable areas requiring further development being identified.

## **RECOMMENDATIONS**

It is recommended that as part of its role in reviewing the effectiveness of the Council's governance arrangements (including the content of the Annual Governance Statement), the Audit and Governance Committee considers and receives this report, including the control issues identified within it.

## **REASONS FOR DECISION**

It is a requirement of the Public Sector Internal Audit Standards (PSIAS) for the Chief Audit Executive to produce an Annual Report incorporating his/ her opinion on the design and operation of the control environment.

## **1. BACKGROUND AND ISSUES**

As set out in the Public Sector Internal Audit standards (PSIAS), there is a requirement under PSIAS 2450, for the Chief Audit Executive to provide an annual report to the Audit and Governance Committee, timed to support the Annual Governance Statement. This must include:

- an annual opinion on the overall adequacy and effectiveness of the organisation's governance, risk and control framework (i.e., the control environment).
- a summary of the audit work from which the opinion is derived (including reliance placed on work by other assurance bodies); and
- a statement on conformance with the PSIAS and the results of the internal audit Quality Assurance and Improvement Programme

The Head of Internal Audit Annual Report and Opinion is attached. The key points identified in the 2023/24 Head of Internal Annual report and opinion are as follows:

- Section 2 of the Annual Report refers to the work conducted from which the audit opinion is derived, and shows the work conducted compared to the Audit Plan. In February 2024 the Head of Audit and Assurance informed the Committee that due to resourcing issues within the team and some audits having to be deferred that there was risk of a "limitation of scope" opinion. As of 30 June, however, although he planned target for chargeable days was lower than that for the revised plan, sufficient work was conducted to provide a reliable opinion on the Council's control environment. As shown in the report, eight assignments are still in progress but in most cases close to completion. Most assignments were provided with either "substantial" or "satisfactory assurance", and for the small number that were "limited" progress has been or is being made to rectify the control or governance issues identified. For the reasons described in the report it is was difficult to carry out all the planned work in Children's Services with other sources of assurance used where possible.
- Section 3 refers to the Head of Internal Audit Opinion. Satisfactory assurance has been provided taking account of the Council as a whole, although it refers to the work still required to embed an effective control environment with Children's Services, and the recognised need to embed the governance arrangements relating to the partnership with the Humber and North Yorkshire Integrated Care Board (ICB).
- Section 4 refers to quality assurance arrangements. Internal Audit complies with auditing standards and has arrangements in place for monitoring quality. This has been highlighted by the successful five yearly External Quality Assessment which reported in February 2024. It continues to work with services to improve the timeliness of audit reporting, although this has been impacted in part of Internal Audit's resourcing issues during the year.

## **2. RISKS AND OPPORTUNITIES**

The Head of Internal Audit's Annual Report and Opinions are a regulatory requirement and there is potential reputational risk if it was not produced or if did not provide sufficient assurance that Internal Audit carried out its responsibilities in line with the standards.

As well as individual audit assignments identifying specific areas of potential risk, it is a requirement to provide an overall opinion on the Council's risk management arrangements as shown in section 3 of the report.

### **3. OTHER OPTIONS CONSIDERED**

Not applicable. The production of this report is a requirement of the Public Sector Internal Audit Standards.

### **4. REPUTATION AND COMMUNICATIONS CONSIDERATIONS**

There are no specific reputation issues in relation to this report. The main messages relating to this report have been communicated with the Leadership Team, and the report will be publicised on the Council's intranet.

### **5. FINANCIAL CONSIDERATIONS**

One of the key aspects of internal audit work is to consider the Council's systems of financial control. This is considered not only in specific audits of its key financial systems, but in most other audit assignments.

### **6. CHILDREN AND YOUNG PEOPLE CONSIDERATIONS**

Audit assignments, and other sources of assurance, relating to Children's Services contribute to the overall opinion on the Council's control environment. Section 2 provides a summary of the development of internal control and governance frameworks within Children's Services.

### **7. CLIMATE CHANGE AND ENVIRONMENTAL IMPLICATIONS**

Climate change and the environment are included in audit's planning considerations. An audit around the Council's environmental strategies was carried out in 2023/24 and substantial assurance could be provided.

### **8. FINANCIAL IMPLICATIONS**

There are no direct financial implications arising from this report. However, the report provides assurance over the reliability of the systems supporting the financial information provided within the statement of accounts.

### **9. LEGAL IMPLICATIONS**

There are no specific legal implications associated with this report.

### **10. HUMAN RESOURCES IMPLICATIONS**

There are no direct specific human resources implications associated with this report.

### **11. WARD IMPLICATIONS**

The report covers issues affecting the whole operation of the council and therefore is relevant to all wards.

## **12. BACKGROUND PAPERS**

The Public Sector Internal Audit Standards 2017  
Internal Audit Plan 2023/24 (April 2023)  
Internal Audit Interim Report (February 2024)

## **13. CONTACT OFFICER(S)**

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Telephone: 01472 323799

**Peter Hanmer**  
**Head of Audit and Assurance**



# **North East Lincolnshire Council**

## **Head of Internal Audit Report and Opinion**

### **2023/24**

**Peter Hanmer**

**12 July 2024**

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## Background

- 1.1 The work of internal audit is governed by the Public Sector Internal Audit Standards (PSIAS) and the council's audit charter. These require the Head of Internal Audit to bring an annual report to the Audit and Governance Committee. The report must include an opinion on the adequacy and effectiveness of the council's framework of governance, risk management and control. The report should also include:
- a summary of work undertaken to support the opinion, including any reliance placed on the work of other assurance bodies
  - the opinion any qualifications to the opinion, together with the reasons for those qualifications (including any impairment to independence or objectivity)
  - an overall summary of internal audit performance and the results of the internal audit service's quality assurance and improvement programme, including a statement on conformance with the Public Sector Internal Audit Standards (PSIAS).

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## Audit work carried out in 2023/24

- 2.1 Throughout 2023/24 audit work has continued to be prioritised based on risk and the need to provide coverage of the council's framework of governance, risk management and control. This has seen audits drop out of the work programme and others added as risks and priorities have changed and as our understanding of key systems of internal control has developed.
- 2.2 A breakdown of resources required to deliver audit work is shown in the table below. In his Interim Report taken to the Audit Committee in January 2024, the Head of Audit and Assurance stated due to staff absences and vacancies the size of the audit plan would be reduced from 1100 to 900 days, and some audits were removed from the plan. The explanations for these changes as reported are re-shown in Appendix 1, and if applicable the reasons for their deferral have been considered when forming the opinion. In most cases this work has been included in the 2024/25 audit work programme.
- 2.3 In his Interim Report the Head of Audit and Assurance forecasts that sufficient work would be carried by 30 June 2024 to provide a reliable, standards compliant opinion, although there was a risk of a "limitation of scope" opinion. The resource input to deliver audit work compared to the revised plan is shown on table 1 below. Although a total of 701 days were delivered by 30 June 2024

compared to the revised forecast of 800, sufficient work will have been carried out to derive a reliable, standards compliant audit opinion.

**Table 1: Resources required to deliver audit work 2023/24**

Area	Planned days as of 20 April 2023	Planned days as of 13 July 2023	Planned days on 31 December 2023	Actual Days as of 30 June 2024
Strategic risk/ operational risk/ governance	415	441	364	293
2022/23 work carried forward from 1 July 2023				47
Financial systems	115	121	93	84
ICT	50	50	48	39
Procurement and contract management	20	20	20	12
Schools	10	10	12	12
Grant Certification	40	40	45	42
Advisory	60	51	30	32
Follow up	40	40	36	20
Probity and Counter Fraud	60	60	38	43
Management time	75	75	75	77
Contingency	15	24	39	
<b>Total</b>	<b>900</b>	<b>900</b>	<b>800</b>	<b>701</b>

2.4 The results of completed audit work have been reported to service managers and relevant chief officers during the year. In addition, summaries of all finalised audit reports have been presented to this committee as part of regular progress reporting.

2.5 A summary of internal audit work undertaken during the year and relevant to the opinion is contained in appendix 2. At the time of writing 8 audits which started in 2023/24 are ongoing due to some slippage in delivery of the work programme. We anticipate that the outcome of these audits will be reported to the next meeting of the Audit Committee, and where applicable will be considered for the 2024/25 audit opinion. It is estimated that approximately 37 audit days (excluding work to be completed by additional third-party audit support) will be required to complete this work.

### **Other Assurance Providers**

2.6 In forming our opinion we also take account, where relevant, of work carried out by other assurance providers. For 2023/24 we have taken account of the following outcomes from the work of external inspectorates:

- **Local Government Association (LGA) Peer Challenge follow up visit (November 2023)-** It concluded that the *council has made significant progress and can evidence progress on the range of recommendations made in the Corporate Peer Challenge of March 2023. Over the last 8 months members and officers appear to have grown in confidence and focus and are increasingly optimistic about the future and the council's role in delivering improvement for communities*
- **Adult Social Care Peer Review** -this identified areas of strength in the integrated arrangements but more attention needs to be given to the capacity in joint commission to further strengthen the arrangement. Strong and stable leadership is apparent but needs to be firmly established under the new s75 arrangements with the ICB.
- **OFSTED Visits-** During 2023/24 there were 3 OFSTED visits to the council. These are referred to in Paragraphs 2.7 to 2.9
- **Public Health Nursing CQC:** A “good” rating was received. Inspectors noted staff’s “compassion and kindness” and the “good care” towards children, young people and families.
- **Looked After Children “Front Door”:** As part of an ongoing model of sector led improvement across Yorkshire and Humber, a Front Door Health check was undertaken in March 2024, led by system leaders across the region. The feedback from this was positive, highlighting the developments made to practice and systems.

## **Children’s Services**

- 2.7 Since Children’s Services was assessed as Inadequate by OFSTED in November 2021 it has been subject to considerable external oversight and change. In August 2022, Lincolnshire Sector Led Improvement Partnership (SLIP) support commenced and a DfE Commissioner was identified. New governance arrangements were established, including the Transformation Meeting and Tactical Improvement Board, which were overseen via the Continuous Improvement Board. At that time, taking into account the status of Children’s Services improvement journey, most of Children’s Services key governance and internal control systems were acknowledged to not be fit for purpose
- 2.8 While this was a priority area of focus, as a result of this period of change and developing processes, it was acknowledged that the operating environment had not been conducive for audit to carry out a full audit programme. However, as well as drawing conclusions from the work we did carry out, we also took into account of the level of progress in developing the new processes and reports from external inspectors and the DfE, and through council and partnership governance and reporting arrangements.
- 2.9 During 2023/24 and early 2024/25 there is evidence that governance and internal control within Children Services is moving in positive direction. A



significant feature of this is that since December 2024, there has been a specific focus on recruiting a permanent, experienced leadership team, after which there has been considerable work carried out to strengthen, further develop and implement revised assurance arrangements. This work is led by the Assistant Director Children's Assurance Evaluation and Partnership and through dedicated posts in the team, who have been recruited to provide additional capacity.

- 2.10 As a result of progress made, which is reflected in the feedback from recent OFSTED visits, the decision was taken by the DfE to stand down the Tactical Improvement Board which demonstrated their confidence in the new leadership team to drive forward further progress against the identified priorities in the improvement plan. In addition, there has also been an agreement between NELC, Lincolnshire SLIP and the DfE, that Lincolnshire SLIP support would cease, demonstrating the DfE's confidence in the ability of the Council to manage its own governance arrangements relating to Children's Services improvement journey.
- 2.11 However, we are not yet able to provide satisfactory assurance on the control environment within Children's Services. While it progress has been made, the new Children's Services leadership team recognises that there is ongoing work to further refine, refresh and develop the assurance framework. As part of this, whilst the outcomes of the internal audits which were carried out showed improvement in the design and operation of the processes, remains work remains work to do on developing the practice, systems and processes across the internal audit programme areas of focus and , those deferred in 2023/24 will be subject to internal audit in 2024/25,

### **Counter Fraud**

- 2.12 As well as the specific counter fraud carried out by the audit team shown within Appendix 2 and its co-ordination role in support of the National Fraud Initiative (NFI), Audit and Assurance has a dedicated Counter Fraud Team. The collective outcome of counter fraud work is summarised in the Annual Fraud Report, which was reported to the Audit Committee on 18 April 2024. There were no issues identified within it that would adversely affect the audit opinion.

[Annual Fraud Report 2023-24](#)

### **Follow up work**

- 2.13 All actions agreed with services resulting from internal audit work are followed up to ensure that issues are addressed. Currently this is a manual process where an email is sent out asking for confirmation from the action owner that the action has been completed. If the action has not been completed the implementation date may be revised.
- 2.14 Where a limited opinion has been issued in an audit area, or where an audit has been revisited within 3 years of the previous report, agreed actions will be

retested directly by audit. Actions found not to be implemented will be reported again if still applicable.

- 2.15 A breakdown of the outcome of the current position regarding the implementation of actions as of 8 June 2024 is shown in Table 2. This shows a generally positive position in relation to the follow up of actions, particularly those related to 2022/23.

**Table 2: Breakdown of the Implementation of Audit Actions from 2021/22 onwards**

	<b>21/22</b>		<b>22/23</b>		<b>23/24</b>	
<b>Number of Actions</b>	108	%	209	%	128	%
<b>Open Actions</b>						
Agreed action but not yet implemented	1	0.93	24	11.48	93*	73.66
<b>Closed actions</b>						
Manager confirmed implemented	24	22.22	129	61.72	12	9.38
Implementation confirmed following direct audit testing	33	30.56	37	17.77	19	1.48
Reported again following direct audit testing	38	35.18	14	6.67	2	1.56
Manager accepts risk	0		1	0.48	2	1.56
<b>Other</b>						
No response from the manager after three reminders	11	10.19	4	1.91	0	0.00

(\*please note that many 2023/24 actions will not have passed their due date)

- 2.16 From August 2024 a new automated action tracking system will be introduced by Audit. It will provide each report owner with a business licence to gain access to the system, and once their actions fall due for completion, they will be sent an automatic alert asking them to provide an update. Reminder updates will be issued monthly. Relevant training and support will be put in place by Audit. As well as improving the efficiency of the follow up process this should make the reporting of implementation easier.

### **Grant Certification**

- 2.17 We undertook a great deal of work around grant certification during 2023-24. Although no major control issues with any grants were identified, we did report to management examples of where the quality of supporting evidence presented could be improved, and where the notification that audit certification was required could have been more prompt.

### **Advisory Support**

- 2.18 We have also continued to promote good governance, provide advice and support, and make recommendations to management to help improve controls. We have met with the Chief Executive, Chief Finance Officer, Monitoring Officer, directorate senior management teams and other officers on a regular

basis to help identify and address governance issues and concerns, and to ensure audit work has remained targeted towards key areas. Where applicable we also support project groups and monitoring boards to provide advice and support on governance and control issues, as well as carrying out advisory assignments when requested. Appendix 3 shows examples of such work.

### **Statement of Independence**

- 2.19 The Head of Audit and Assurance has no operational responsibilities for any financial systems, including system development and installation. He does, however, have responsibilities for the management of the court fraud and insurance/ risk teams. The potential conflict of independence is managed by ensuring that any cyclical audits carried out in these areas are carried out by third party internal assurance provider.
- 2.20 The Head of Internal Audit is free from interference, although has due regard for the Authority's key objectives and risks and consults with Members and Officers charged with governance, when setting the priorities of the annual audit plan, for example; in determining the scope and objectives of work to be carried out and in performing the work and communicating the results of each audit assignment. There must be and is no compromise on the ability of Internal Audit to provide an independent assurance on the control framework.
- 2.21 The Internal Audit team has free and unfettered access to the Section 151 Officer, Chief Executive, Monitoring Officer, the Leader of the Council and the Chair of the Audit Committee.

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## Head of Internal Audit Annual Opinion 2023-24

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3.1 The overall opinion on risk management, control and governance is shown below. When considering the opinion readers should note the following:

- This opinion is based solely upon the areas taken into consideration and it is not affected by any specific impairments or scope limitations
- Assurance can never be absolute, neither can Internal Audit's work be designed to identify or address all weaknesses that might exist
- Responsibility for maintaining adequate and appropriate systems of governance, risk management and internal control resides with the Council's management and not Internal Audit.

### **Risk Management**

- 3.2 The Head of Audit and Assurance also has responsibilities, through his line management of the Strategic Lead (Risk and Governance) for the co-ordination of the Council's risk management framework. Her annual report is a source of assurance for the annual audit opinion. In order to manage the potential conflict of interest around risk management, the Head of Audit and Assurance periodically engages a third party to provide independent assurance on it. As previously reported in 2021/22 Zurich Municipal ((ZM) carried out a health check of risk management arrangements. Overall, there were no areas of significant concerns, but areas for potential further development were identified. A further independent review of risk management arrangements to support the Head of Internal Audit Opinion is scheduled as part of the 2024/25 Audit Plan.
- 3.3 As part of its work Audit ensures that it maintains its knowledge in relation to risk management. During 2023/24 work has continued in working with senior management to review the council's appetite, and it is intended that the risk protocol will be updated by the Council in Autumn 2024. As part of this process ZM were asked to carry out a review of the current protocol and found that in relation to its design and content there were no significant gaps compared to expected processes.
- 3.4 During 2023/24 there has been continued work to refresh the strategic risk register and to align it more clearly to risk appetite and strategic outcomes as defined in the Council Plan. The register continues to be considered at least bi-annually by the Audit Committee, and risk management training was provided on it.
- 3.5 A further source of assurance is that when carrying out audit assignments auditors consider the extent to which operational risk registers are maintained within services. This work found that the use of risk registers continues to mixed throughout the Council, and this was in line with the Strategic Lead for Risk and Governance's finding that as at June 2024 about half of the operational risks had not been reviewed and updated by the expected timetables.

- 3.6 Based on the work referred to above we can provide **satisfactory** assurance on the Council's risk management arrangements, subject to the need, in some areas, for the operational risk registers to be kept up to date.

## **Control**

- 3.7 Overall, except for Children's Services for the reasons explained in section 2, we can provide **satisfactory** assurance on the effectiveness of the Council's control framework based on the work we have carried out as shown on Appendix 1. Apart from a small number of exception, all audit assignments were provided with at least satisfactory assurance, and for those limited assurance assignments actions have been implemented promptly to mitigate the control weaknesses identified.
- 3.8 In relation to the design and operation of the key financial systems which support the Council's Annual Statements of Accounts, and the reliability of the information produced by them, we can provide **satisfactory** assurance based upon the work audit has completed, particularly around the design of key systems. Though some control gaps were identified in relation to bank reconciliations and access controls they are subsequently being addressed.

## **Governance**

- 3.9 Our audit programme is designed, in part, around the council's Code of Governance and on a cyclical basis we include audits specifically related to the governance framework. Based on the work carried out, and our cumulative knowledge of the design and operation of the governance framework, we can provide **satisfactory** assurance on the council's governance arrangements, although it is recognised that there is work to do in fully implementing the revised adult social care partnership arrangements with the Integrated Care Board as has been highlighted in the peer review and the outcome of some of our audit work.

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## Quality Assurance Arrangements

- 4.1 In order to comply with Public Sector Internal Audit Standards (PSIAS) the Head of Internal Audit is required to develop and maintain an ongoing quality assurance and improvement programme (QAIP). The objective of the QAIP is to ensure that working practices continue to conform to professional standards. The results of the QAIP are reported to the Audit Committee each year as part of the annual report. The QAIP consists of various elements, including:
- maintenance of a detailed audit procedures manual and standard operating practices
  - ongoing performance monitoring of internal audit activity regular customer feedback
  - training plans and associated training and development activities; and periodic self-assessments of internal audit working practices (to evaluate conformance to the standards)

The outcome of QAIP activities is shown on Appendix 4.

- 4.2 As per the standards, external assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. The most recent external assessment of internal audit's working practices was undertaken in November 2023 by the Chartered Institute of Public Finance and Accountancy (CIFPA) This concluded that internal audit activity generally conforms to the PSIAS (the highest possible score and, overall, the findings were very positive. The accompanying report was shared with the Audit Committee on 10 April 2024, and an action plan is being developed to implement potential improvements identified in the assessment.
- 4.3 The Internal Audit Charter sets out how internal audit at the Council will be provided in accordance with the PSIAS. The Charter is reviewed by the Head of Audit and Assurance on an annual basis and any proposed changes are brought to the Audit Committee. As reported to the Audit Committee on 10 April 2024 only minor changes were required.
- 4.4 The PSIAS are based on the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF). New IIA professional standards were published in January 2024 and will apply from 9 January 2025. The UK Public Sector Internal Audit Standards Advisory Board (IASAB) is currently reviewing the implications for the PSIAS. Any subsequent changes to the UK's PSIAS will be subject to consultation and will apply from 1 April 2025.

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## Closing Remarks

- 5.1 We would like to take this opportunity to thank Members, Management and Staff for their continued support as we conduct audit work during a period of continued significant organisational change. We will strive to continue to provide an effective and supportive internal audit service as the council deals with the challenges it faces in the future.

## Appendix 1: Audit work deferred January 2024

Assignment	Outline Scope	Director	Reason for Amendment
Care assessments and reviews	Assurance that individuals with a care need are subject to asset-based assessment that results in a care plan, which is subject to review at appropriate intervals	Adults	This area is being subject to a peer review in January 2024 and therefore we will rely on the outcome of this review, and then consider what additional work is required by audit in 2024/25.
Community Asset Transfers	Assurance on the Council's arrangements for managing risk related to community asset transfers	Resources	After discussion with the relevant Assistant Director was not considered a significant risk as relatively few transfers have occurred in 23 /24. However, may increase because of the asset rationalisation review, and so will pick up in part as the audit of that, and be included in 24/25 audit plan depending on the number of community assets transfers.
New Operating Model	Assurance on the delivery of the New Operating Model, particularly performance management framework, data quality / data insights and digital strategy / digital inclusion, all of which underpin the Council Plan	Resources	Some areas of the new operating model are in the plan already or have been subject to audit in 23/24 (e.g., community engagement, project management, procurement, council plan) whilst the Assistant Director will be providing the Audit Committee with an overview in January.



Assignment	Outline Scope	Director	Reason for Amendment
Planning	Assurance on the arrangements for managing and approving planning applications and ensuring compliance with legislation and local policy	Economy and Environment	Merged with the Section 106 audit including focus on the development of the new plan as at the current time considered a bigger immediate risk than the operational side of planning.
Role of key officers- Principal Social Worker - Adults	Assurance that the role of the Principal Social Worker is being effectively delivered across all settings and in accordance with best practice	Adults	Will in part be covered by the peer review, and for 2023/24 focus will be providing assurance on the new Section 75 arrangements and how the Director of Adults is able to discharge their duties via it.
School Nursing	Provide assurance on the control environment relating to the school nursing service	Public Health	The Children Health Service, including school nursing, was subject to an OFSTED review in August 2023 and was reported as "good". In addition, the commissioning arrangement for school nursing are being reviewed and should be complete by the end of the financial year. Therefore, we can place reliance on the OFSTED report, and it has been agreed that we will do the audit in the new year of the revised commissioning arrangements.
SHIPP	Assurance on the approach to encourage businesses to locate to the estate, including marketing and provision of support, thereby improving the economy and maximising business rates income	Economy and Environment	The arrangements for SHIPP will be changing with the recent announcement of the sale of a substantial proportion of land related to it to a third party.

Assignment	Outline Scope	Director	Reason for Amendment
Single point of access and hospital team	Assurance on the triage process for assessing care needs promptly particularly in relation to hospital discharge	Adults	Currently being reviewed by the DHSC who are currently working with the local hospital. Therefore, not an appropriate time to carry out an audit review, and we will await the outcome of this work.
Supported families	Assurance that all work with families is captured and there is an effective link to being able to claim payment by results for supporting families' outcomes realised	Children's	Delayed due to some sickness issues with the relevant team, and software issues in implementing the new criteria for supported families. Assurance can be received from our mandatory audits of the grant return to central government.
SEND - preparedness for new inspection framework	Assurance on the processes in place for preparing for an inspection under the revised framework	Children's	lower risk audit
Transitions	Assurance on the effectiveness of partnership arrangements in place relating to the seamless transition of young persons from children's social care to adult social care	Children's / Adults	Deferred as new Childrens Director in post and both Childrens and Adults subject to external reviews in quarter 4
Waste disposal	Assurance on the arrangements for waste disposal, including contract management, environmental responsibilities and VFM	Economy and Environment	Contract arrangements have been under review during 2023/ 24 and therefore agreed to defer to early 2024/25 when revised arrangements are in place

## **Appendix 2: Summary of Audit work supporting the Audit opinion**

See separate attachment

### **Appendix 3: Summary of advisory work provided by Internal Audit in 2023/24**

- 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.
- Co-ordinating the production of the Audit and Governance Committee's annual report
- Providing advice and support to the Audit Committee in relation to the latest guidance from CIPFA regarding the operation of Audit Committees
- Involvement in council-wide reviews about organisational culture
- Providing training to management teams on good governance and internal control
- Providing training to Children's Services senior managers on their responsibilities in relation to the control environment
- Representation on the Business Development Group responsible for evaluating business cases.
- Representation on the Information Security and Assurance Board, including advice and support on the investigation of potential breaches.
- Representation on the Major Projects Group
- Representation on the Policy and Procedures Stakeholders Group, and where appropriate providing advice and support on the design of new Human Resources policies from a governance and internal control perspective.
- Advice and support on the review of the Council's transparency of data arrangements

## **Appendix 4: Quality Assurance and Improvement Programme (QAIP) 2024**

### **Background Ongoing Quality Arrangements**

Internal Audit maintains appropriate ongoing quality assurance arrangements designed to ensure that internal audit work is undertaken in accordance with relevant professional standards (specifically the Public Sector Internal Audit Standards). On 18 April 2024, following a review, an updated QAIP was taken to the Audit Committee.

### **Quality Assurance and Improvement Programme**

In line with the standards in total there are three key requirements of the QAIP, as follows:

- Ongoing monitoring of the performance of the internal audit activity. This refers to the day-to-day supervision, review and measurement of internal audit activity that is built into policies and routine procedures.
- Periodic self-assessments (or assessments by other persons within the organisation with sufficient knowledge of internal audit practices) to assess conformance with the International Professional Practices Framework (IPPF) that includes the Definition of Internal Auditing, the Code of Ethics and the International Standards.
- External assessments of conformance to the IPPF once every five years by a qualified, independent assessor or assessment team from outside the organisation. External assessments can be in the form of a full external assessment, or a self-assessment with independent external validation.

### **Ongoing Monitoring of Performance**

Throughout 2023/24 Internal Audit has maintained, monitored and promoted performance standards via various activities such as:

- the requirement for all audit staff to conform to the Code of Ethics and to confirm their understanding of them
- the requirement for all audit staff to complete annual declarations of interest
- the job descriptions and role profiles for each internal audit post have been subject to comprehensive review in 2024 to ensure they are fit for purpose
- continued regular 1:2:1 meeting to monitor progress with audit engagements
- conducting regular performance meetings
- the upgrading of the team's audit management software
- all assignments have been subject to quality review by an experienced supervisor
- post audit questionnaires (customer satisfaction surveys) have been issued following each audit engagement which show good levels of satisfaction - as of

31 May 2025 out of the 21 questionnaires returned 20 (95%) said that the audit was carried out well and added value

- the introduction of a competency framework to allow auditors to self-assess their skills – this will be further developed in 24/25
- the development of an updated internal audit strategy which was shared with the Audit Committee on 10 April 2024
- ongoing training programmes for audit staff, including data analytics training for staff in March 2024
- performance indicators continue to monitor the timeliness of audit delivery. As shown in table 3 this is area which still requires improvement
- Regular participation by The Head of Audit and Assurance and other members of the Internal Audit team in various professional networks and events

**Table 3: Audit Timeliness**

Indicator	Target	Position as of 31 May 2024	Comment
% of audits issued in draft by the agreed date	90%	48%	Performance below target and lower than 22/23 (73%). This has been impacted by the team's resourcing challenges during 2023/24
% of audits issued in final within 20 working days of the issue of the draft	90%	62%	Performance below target but better than 22/23 (49%)

### Periodic Self-Assessment

The Head of Audit and Assurance carried out a self-assessment against the requirements of the PSISAs on an annual basis. Due to the external quality assessment which took place in November 2023 and reported in January 2024 (as discussed below), only a light touch self-assessment was subsequently carried out. This concluded that there had been no detrimental changes to the design and operation of the Audit Team's quality standards.

The Head of Audit and Assurance also carries out an annual self-assessment against the five requirements of the five **key principles contained in the CIPFA document "The Role of the Head of Internal Audit" (2019)**

- Championing best practice in governance, objectively assessing the adequacy of governance and management of existing risks, commenting on responses to emerging risks and proposed developments

- Giving an objective and evidence-based opinion on all aspects of governance, risk management and internal control
- The HIA in a public service organisation must be a senior manager with regular and open engagement across the organisation, particularly with the Leadership Team and with the Audit Committee
- The HIA in a public service organisation must lead and direct an internal audit service that is resourced to be fit for purpose.
- The HIA in a public service organisation must be professionally qualified and suitably experienced

We are satisfied that each of these give principles is successfully met. However, resourcing has been a challenge in 2023/24 due to staff absences and vacancies, and although sufficient work has been carried out to deliver a reliable riskbased opinion, by prioritising work and bringing in additional support where applicable this is something which is being kept under regular review, starting with a review of team structure and job roles which was carried out in the first half of 20224.

### **External Quality Assessment**

As noted above, the PSIAS require the Head of Internal Audit to arrange for an external assessment to be conducted at least once every five years to ensure the continued application of professional standards. The assessment is intended to provide an independent and objective opinion on the quality of internal audit practices. An external assessment of the shared internal audit working practices was undertaken in November 2023 Ray Gard, an approved reviewer for the Chartered Institute of Public Finance and Accountancy (CIPFA). The report concluded that internal audit activity 'generally conforms' to the PSIAS in all eleven areas of the standards.

A copy of the external assessment report was reported to the committee on 17 April 2024. It identified some areas for improvement, and at the time of writing an action plan has been developed to implement those improvements. The key areas identified for development are

- more formal recording of team members' Continuing Personal Development (CPD) and training plans;
- greater rotation of audit areas amongst the team;
- enhancements to the QAIP process, particularly action planning; and
- timelier "cold" reviews of completed audit files.

### **Improvement Action Plan**

Although the audit team meets the standards it operates in an ever-evolving environment and therefore it essential that its practices and skills keep up to date with changing developments. At the time of writing a new improvement plan is being worked upon based on the following:

- the team's updated strategy 2024-27
- the outcome of the External Quality Assessment
- the outcome of the review of the team's structure and job descriptions
- improvement required to improve the timeliness of audit the work
- the implementation of the new standards

The Audit Committee will receive regular update on the implementation of the improvement plan.

### **Overall Conformance with PSIAS (Opinion of the Head of Internal Audit)**

Based on the results of the quality assurance process I consider that the service generally conforms to the Public Sector Internal Audit Standards, including the Code of Ethics and the Standards



# Appendix1: Summary of Completed Audit work up to 6 July 2024

Audit Assignments 2023/24	Director	Assurance	Residual Risk	Comments
Delivery of strategic outcomes and good governance				
Adult Complaints and LGO Decisions	Adult Services	Limited	Medium	The management of Adult Social Care complaints is carried out on the Council's behalf by the Humber and North Yorkshire Integrated Care Board. The audit identified that the complaints policies and procedures are not consistently applied by partners, and systems need to be introduced to ensure a central record of all complaints is determined and that the DASS has oversight of all complaints. Work is subsequently taking place to address these issues.
Adults Safeguarding	Adult Services	Satisfactory	Medium	
Carers	Adults	Satisfactory	Low	
Casual Workers	Resources	Satisfactory	Low	
Childrens commissioning (external placements)	Children's Services	Limited	High	Although limited assurance was provided due to the level of external placements, considerable work has been carried on to improve the control environment around external

<b>Audit Assignments 2023/24</b>	<b>Director</b>	<b>Assurance</b>	<b>Residual Risk</b>	<b>Comments</b>
Council Plan/Performance	Resources	Substantial	Low	
Deprivation of Liberties	Adult Services	Satisfactory	High	we have assessed the residual risk as high. We have made this judgement because although a satisfactory control environment is in place and work is in place to further develop arrangements, although this is restricted by a lack of capacity, there remains underlying inherent reputational and financial risks, and risk for individuals human rights if cases are not dealt with correctly, there are capacity issues. This is in line with the risk related to DOLS that is on the Council's strategic risk register.
Discharge of Mental Health Responsibilities	Adults	Limited	Medium	Although the necessary functions relating to mental health are being fulfilled, improvements in relation to embedding policy have been identified. The main issue within the service, as highlighted as part of the audit, is the shortage of Approved Mental Health Professionals (AMHP's). This is in line with issues that have been reported nationally, and actions are being taken to mitigate this.
Domestic Abuse Act	Children's Services	Satisfactory	Medium	
Environmental Sustainability	Economy, Environment and Infrastructure	Substantial	Medium	
Fleet Management	Economy, Environment and Infrastructure	Satisfactory	Medium	

<b>Audit Assignments 2023/24</b>	<b>Director</b>	<b>Assurance</b>	<b>Residual Risk</b>	<b>Comments</b>
Fostering and Adoption Panels	Childrens Services	<b>Satisfactory</b>	<b>Low</b>	
Freedom of Information	Resources	<b>Substantial</b>	<b>Low</b>	
Freeport- AB Governance arrangements (Draft)	Resources	<b>Substantial</b>	<b>Medium</b>	
Freshney Place- Governance Arrangements (Draft)	Resources	<b>Substantial</b>	<b>Medium</b>	
Grimsby Town Centre Regeneration	Economy, Environment and Infrastructure	<b>Substantial</b>	<b>Medium</b>	
Health Inequalities Risk Management	Public Health	<b>Substantial</b>	<b>Low</b>	
Housing enforcement	Environment, Economy and Infrastructure	<b>Satisfactory</b>	<b>Medium</b>	
Housing Grants	Environment, Economy and Resources	<b>Satisfactory</b>	<b>Medium</b>	
Housing Related Support	Environment, Economy and	<b>Satisfactory</b>	<b>Medium</b>	
Leisure and Libraries	Environment, Economy and	<b>Satisfactory</b>	<b>Medium</b>	

<b>Audit Assignments 2023/24</b>	<b>Director</b>	<b>Assurance</b>	<b>Residual Risk</b>	<b>Comments</b>
Local Plan (Draft)	Economy, Environment and Infrastructure	Substantial	Medium	
Planning For School Places	Childrens Services	Satisfactory	Low	
Project Management	Resources	Satisfactory	Medium	
Project Management Office	Environment, Economy and	Satisfactory	Medium	
Public Health Grant	Public Health	Satisfactory	Low	We initially provided limited assurance because although the council complied with the requirements of the public
Public Law Outline	Childrens Services	Satisfactory	Medium	
Recruitment (Draft)	Resources	Substantial	Low	
Safeguarding Children Partnership	Childrens Services	Satisfactory	Medium	
Sexual Health (joint with NLC)	Public Health	Substantial	Low	

<b>Audit Assignments 2023/24</b>	<b>Director</b>	<b>Assurance</b>	<b>Residual Risk</b>	<b>Comments</b>
Skills - Governance arrangements	Environment, Economy and Infrastructure	<b>Satisfactory</b>	<b>Medium</b>	
Taxi Licencing	Environment, Economy and Resources	<b>Satisfactory</b>	<b>Low</b>	
Tree Safety	Economy, Environment and Infrastructure	<b>Satisfactory</b>	<b>Medium</b>	
<b>Financial systems</b>				
Budget Monitoring	Resources	<b>Satisfactory</b>	<b>Medium</b>	
Bank Reconciliation	Resources	<b>Satisfactory</b>	<b>Medium</b>	We initially provided limited assurance due to formal supervision of reconciliations not being in place. A new process has subsequently been put in place
Budget Monitoring	Resources	<b>Satisfactory</b>	<b>Medium</b>	
Debtors and Write offs	Resources	<b>Low</b>	<b>Low</b>	
Duplicate Payments	Resources	<b>Substantial</b>	<b>Low</b>	
LT&B	Resources	<b>Satisfactory</b>	<b>Medium</b>	
LT&B initial	Resources	<b>Substantial</b>	<b>Medium</b>	
Payroll	Resources	<b>Substantial</b>	<b>Low</b>	
Treasury Management	Resources	<b>Substantial</b>	<b>Low</b>	
Unit 4 - follow up	Resources	<b>Satisfactory</b>	<b>low</b>	
Unit4 Access Controls	Resources	<b>Limited</b>	<b>Medium</b>	Some potential gaps to access controls on the new system were identified. These are currently being addressed

Audit Assignments 2023/24	Director	Assurance	Residual Risk	Comments
<b>ICT</b>				
Cloud Computing Follow Up	Resources	Substantial	Medium	
ICT Strategies	Resources	Satisfactory	Low	
Information Governance (Microsoft 360)	Resources	Satisfactory	Low	
Inventory Management	Resources	Satisfactory	Low	
<b>Procurement and contract and contract monitoring</b>				
Central Procurement Arrangements	Resources	Satisfactory	Medium	We have assessed the residual risk as medium. We have made this judgement because there is potential for financial, service provision and reputational risks if procurements are not completed in line with the relevant guidance
<b>Follow up</b>				
Children's Homes - Financial Control	Childrens Services	Satisfactory	Medium	
Commercial Estates	Environment, Economy and Resources	Substantial	Medium	
<b>Probity and counter fraud</b>				
Supplier mandates	Resources	Substantial	low	
Print Unit Income	Resources	Substantial	Low	

Audit Assignments 2023/24	Director	Assurance	Residual Risk	Comments
Expenses and conflicts of interests	Resources	Satisfactory	Low	
Schools				
Scartho Infants	Childrens Services	Satisfactory	Medium	
Scartho Nursery	Childrens Services	Satisfactory	Medium	

Audit Assignments 2023/24	Director	Assurance	Residual Risk	Comments
Work ongoing at 6 July 2024				
Children Missing From Education/ Home Education	Childrens Services			
Cleethorpes regeneration	Economy, Environment and Infrastructure			
Energy Management	Economy, Environment and Infrastructure			
Heritage Assets	Economy, Environment and Infrastructure			
Homelessness / Housing the Vulnerable	Economy, Environment and Infrastructure			
Organisational Development	Resources			
Section 106 agreements	Economy, Environment and Infrastructure			
Traffic Regulation Orders	Economy, Environment and Infrastructure			