

Internal Audit Annual Report 2022/23



East Lindsey District Council

What we do best...

Innovative assurance services
Specialists in internal audit
Comprehensive risk management
Experts in countering fraud

...and what sets us apart

Unrivalled best value to our customers
**Existing strong regional public sector
partnership**
**Auditors with the knowledge and expertise to
get the job done**
**Already working extensively with the not for
profit and third sector**

Contents

Annual Opinion

Page 1

Governance
Risk
Internal Control
Financial Control

Our work

Page 14

Scope of Work
Restriction of Scope
Other Significant Work
Quality Assurance

Benchmarking

Page 17

Assurances
Key Performance Indicators

Appendices

Page 19

Details of Audits
Details of Audit Plan Changes
Benchmarking Data
Assurance Definitions
Glossary of Terms

Claire Goodenough- Head of Audit and Risk claire.goodenough@lincolnshire.gov.uk
Matt Waller – Audit Manager matthew.waller@lincolnshire.gov.uk
Stacey Richardson – Principal Auditor stacey.richardson@lincolnshire.gov.uk

This report has been prepared solely for the use of Members and Management of East Lindsey District Council. Details may be made available to specified external organisations, including external auditors, but otherwise the report should not be used or referred to in whole or in part without prior consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended for any other purpose.

The matters raised in this report are only those that came to our attention during the course of our work – there may be weaknesses in governance, risk management and the system of internal control that we are not aware of because they did not form part of our work programme, were excluded from the scope of individual audit engagements or were not brought to our attention. The opinion is based solely the work undertaken as part of the agreed internal audit plan.

Purpose of Annual Report

The purpose of the Annual Internal Audit Report is to meet the Head of Internal Audit annual reporting requirements set out in the Public Sector Internal Audit Standards (PSIAS) and the Accounts and Audit Regulations 2020. In particular:-

- Include an opinion on the overall adequacy of and effectiveness of the Council's governance, risk and control framework and therefore the extent to which the Council can rely on it;
- Inform how the plan was discharged and the overall outcomes of the work undertaken that supports the opinion;
- A statement on conformance with the PSIAS and the results of the internal audit quality assurance);
- Draw attention to any issues particularly relevant to the Annual Governance Statement

Introduction

For the twelve months ended 31 March 2023 the Council's arrangements for governance and internal control have maintained the general improvement that was reported in our 2021/22 Annual Opinion Report.

Being part of the three Council Partnership (South, East Lincolnshire Council Partnership) presents a set of governance challenges and opportunities for East Lindsey DC. To support this over the last 12 months the Council has maintained its monthly senior management governance group and strengthened its governance framework and structure.

These Governance focused meetings and structures reflect the need and importance of maintaining effective oversight and addressing strategic governance issues as they arise. Further work and review of the effectiveness of the SLT governance meetings is planned for 2023/24.

There are still challenges in aligning the Partnerships governance structures and controls, but work is in place to address both process and culture, led by the Senior leadership Team.









The risk management control framework has been strengthened with strategic risks being regularly reported and updated to members and the Senior leadership Team (SLT). The introduction of the partnership wide shared strategic risk register will further strengthen the oversight and management of key risks.

The opinion on financial control has decreased from adequate for 2021/22 to improvement needed for 2022/23. A key governance and financial control issue has been the capacity and capability of the Public Sector Partnership Services Ltd (PSPSL) to support the Councils ambitions and day to day financial service requirements.

SLT and PSPSL management have been working jointly to address service delivery concerns and recent recruitment completed in April 2023 has improved the PSPSL financial management resource.

Annual opinion

Based on the work we have undertaken and information from other sources of assurance, my opinion on the adequacy and effectiveness of the Council's arrangements for governance, risk management and control is:-

<p>Governance</p>  	<p>Performing Adequately– Some improvements identified over the Council's Governance, Risk and Control framework to manage medium risks across the Council.</p>
<p>Risk</p>  	<p>Performing Well – No concerns that significantly affect the governance, risk and control framework and successful delivery of the Council priorities.</p>
<p>Internal Control</p>  	<p>Performing Adequately– Some improvements identified over the Council's Governance, Risk and Control framework to manage medium risks across the Council.</p>
<p>Financial Control</p>  	<p>Improvement Needed – Improvement required to manage a significant governance issue or high risk in a specific business area or medium risk across the Council.</p>

Governance



"Achieving the Intended Outcomes While Acting in the Public Interest at all Times"

It is comprised of systems, processes, culture and values, by which the Council is directed and controlled and through which they account to, engage with, and where appropriate, lead their communities.

There are still challenges in aligning the Partnerships governance structures and controls, but work is in place to address both process and culture, led by the Senior Leadership Team (SLT).

Oversight and leadership are provided by SLT through the regular governance meeting, attended by Internal Audit. Plans are monitored to strengthen communication, alignment, policies, working relationships and clear targets are set and monitored.

The provision of financial services from Public Sector Partnership Services Ltd (PSPSL) was an area of focus for the Council throughout 2022/23 . A key failing for Councils identified from recent Public Interest reports is the lack of financial capacity and capability available to support Councils.

There has been some staff turnover within the financial service for PSPSL. The Council also needs to ensure its managers are fully engaged with the finance systems and processes. This has impacted on the overall financial governance and ability to consistently deliver timely financial support.

Actions have been taken to address the issues, including action plans monitored by the Senior Leadership Team and PSPSL and recent recruitment to strengthen the capacity and capability within the finance service.

The financial resource issue has impacted on

services across the partnership as evidenced through our Assurance Mapping feedback.

It has also highlighted a need to ensure that at a senior management level there are effective processes and mechanisms in place to jointly address capacity, capability and delivery issues between the Council and PSPSL.

We are recommending that actions to address financial capacity and capability are included in the AGS and results reported to the Audit and Governance Committee.

The Council approved a new Corporate Strategy 2020-30 in March 2020, which sets the direction for the next ten years. This Strategy details the Council's strategic aims and how these will be met.

Supporting this are Annual Delivery plans for the partnership. The end of year report has gone through the SLT and reports good achievements across a range of delivery tasks and projects. With **84%** of actions either complete or on track to be delivered on time.

Our work and attendance at SLT meetings has confirmed that progress has been made on management oversight and good governance. There is greater focus in the monitoring and reporting of completed activities & actions.

A refresh of the groups terms of reference and governance agenda is also due for 2023/24. ³

Governance



"Achieving the Intended Outcomes While Acting in the Public Interest at all Times"

It is comprised of systems, processes, culture and values, by which the Council is directed and controlled and through which they account to, engage with, and where appropriate, lead their communities.

Each year the Council is required to reflect on how its governance arrangements have worked – identifying any significant governance issues that it feels should be drawn to the attention of the public and report these in its Annual Governance Statement – in the interests of accountability and transparency.

The 2022/23 Annual Governance Statement (AGS) had not been finalised at the time of writing this report. The Audit & Governance Committee reviews the draft and final versions of the Annual Governance Statement.

Progress on implementing 2021/22 AGS actions should be regularly reported to the Audit and Governance committee. It is important that key governance issues reported in the AGS are monitored and implemented in this way.

Issues raised by Internal Audit 2021/22 identified the following recommendations for governance:

- Internal Audit suggested improvements over the Company's governance and oversight arrangements are considered and results reported to the Audit and Governance Committee.
- The 2 red assurance reports issued in year (Procurement and ICT Project management) are included in the AGS and progress is monitored and reported to the Audit and Governance Committee.

The External Audit Completion review, reported to Audit and Governance Committee in March 2023 raises one risk of significant weakness found when reviewing the accounts.

- Accounting and Governance Arrangements of INVEST East Lindsey Ltd. We are still to receive group accounts from the Council in respect of its wholly owned subsidiary company INVEST East Lindsey Ltd. We are also aware that the statutory accounts in respect of this company have been qualified by its external auditors in relation to non-compliance with the Companies Act 2006, in particular the duty to keep adequate accounting records. We believe the above issues present a risk of significant weakness in the Council's arrangements for Governance (how the body ensures that it makes informed decisions and properly manages its risks).

Further work and monitoring is required around the tracking and reporting of AGS actions and on the actions identified by External Audit.

We are recommending that significant governance issues raised in the Annual Governance Statement and External Audit actions are monitored and progress is regularly reported in an action plan to the Audit and Governance Committee.

Governance



"Achieving the Intended Outcomes While Acting in the Public Interest at all Times"

It is comprised of systems, processes, culture and values, by which the Council is directed and controlled and through which they account to, engage with, and where appropriate, lead their communities.

The Council's Combined Assurance report is a key element of its governance and assurance arrangements. It provides the Senior Leadership team & Audit and Governance Committee with better understanding on the assurances across all the Council's critical services, key risks, partnerships, and projects – identifying any areas for greater oversight, improvement and assurance gaps.

Overall, there is a positive realistic assurance picture for the Council but one that reflects the complex environment in which it operates – recognising that some areas will remain Amber.

This year's assessment of the level of assurance resulted in an increase of 2% of Red Assurance, to 3% a decrease in Amber Assurance from 47% to 46% and a decrease of 1% in Green assurance to 51%. Providing a realistic assessment which aligned with results of external and internal assurance work.

Red Assurance – **3%**

Amber Assurance – **46%**

Green Assurance – **51%**

In 2022 the Council organized a LGA Peer review. This was a useful exercise in gaining external views on how the Council and Partnership are working.

There were several actions and recommendations coming from this review. An action plan has been used to monitor progress against these actions and this is reported to SLT

on a monthly basis. All the actions are either complete or on track to be complete.

Considering all the above, our overall opinion of Governance is assessed as Performing Adequately.

Governance assurance



Assessed as Performing Adequately

Risk



Good risk management is part of the way we work. It is about taking the right risks when making decisions or where we need to encourage innovation in times of major change – balancing risk, quality, cost and affordability. This puts us in a stronger position to deliver our goals and provide excellent services.

The Council's risk management arrangements were assessed as Green assurance for 22/23, showing a positive change from the Amber Assurance agreed in 2021/22, through the combined assurance review.

There are established overarching structures and processes for identifying, assessing and managing risk which have remained effective for strategic risk reporting.

Strategic risks have recently been updated by SLT and presented to members for review and approval. The risks represent current and emerging risks for the Council. Work is also underway to develop a Partnership wide Strategic Risk register to better understand and monitor key risks. This will be reported to the June Governance and Audit Committee.

Further work is also planned with risk management professionals to review and update the Council's risk appetite, we will follow up on this work and report the results.

We have reviewed risk management arrangements across the Partnership and a Substantial level of assurance was given on risk management process and outcomes. The audit report will support Council risk officers in setting a new strategy for the Partnership.

Fraud risks have not been reported to the Audit and Governance Committee during 2022/23.

We've confirmed that a review of the Council's fraud risks and an update of the fraud risk register will take place during 2023/24 and be reported to the Audit and Governance Committee.

Fraud risk is prevalent across all Local Authorities and as part of good risk management practice a regular review of fraud risk and associated mitigations should be undertaken and subject to oversight at SLT and Audit & Governance Committee.

The above information helped inform the Head of Internal Audit opinion.

Risk Management assurance



Assessed as Performing Well

Internal Control



We take account of the outcome of our audit work during the 2022/2023 year. As our audit plans include different activities each year it is not unexpected that assurance varies. However the assurance levels still give insight into the Council's control environment.

Our opinion is based on a number of sources of intelligence including the outcome of our internal audit work, through the combined assurance work and other sources.

There were two areas where we gave a **Limited** assurance opinion this year - :

- Section 106
- ICT Project Management*

For the Section 106 review, this opinion was given due to gaps in the controls in place around the management and monitoring of Section 106 agreements. An action plan was agreed and all recommendations are tracked and reported to the audit committee.

The other area listed as limited is still in the process of being finalised.

There were no **Low** Assurance opinions.

Work completed and assurance given –

- Flood Management – High Assurance
- Housing Benefit Subsidy – High Assurance
- Payroll – Substantial Assurance
- Cloud Hosted Services – Substantial Assurance
- Contract Management – Substantial Assurance
- Risk Management – Substantial Assurance*
- ICT Systems Security – Substantial Assurance
- Key Controls – reported on page 8.
- Virus Protection & Malware – Substantial Assurance*
- Good Governance – Consultancy

*Indicative opinion

During the year we completed a follow up review to a 2021/22 Low Assurance report on Procurement.

Substantial assurance was given as progress has been made in addressing the issues identified and the PPSL Procurement service is now up and running. Providing in house procurement expertise and support.

During the year we have made 86 High/Medium recommendations for improvement. We are still awaiting a final response on the current position of some recommendations, Percentage to be finalised.

We continue to monitor all outstanding audit actions and full details are provided in the Internal Audit Progress report.

See appendix 1 for full details of audits completed during the year.

Our position as Internal Auditor across the SELCP and PPS allows us to work more effectively in our testing and reporting. Meaning we maintain a robust overview of systems and controls and are able to coordinate findings and issues efficiently.

Internal Control



We take account of the outcome of our audit work during the 2020/21 year. As our audit plans include different activities each year it is not unexpected that assurance varies. However the assurance levels still give insight into the Council's control environment.

Our annual Combined Assurance report to management and the Audit and Governance Committee reported a 1% increase in Red assurance to 3% overall and a 1% reduction in Green assurance to 51%, compared to 2021/22.

The red assurance areas for 22/23 were agreed with management and covers **Invest East Lindsey** and **Building Control**.

Governance on Invest East Lindsey is an issue which is being addressed, at the time of the Combined Assurance review in December 2022 there was low assurance on this area.

There is a key issue on capacity and market share of building control business within the service.

More detail can be found in the Combined Assurance report coming to the June committee.

The outcome of our internal audit work and the intelligence gathered through the combined assurance framework has helped inform the Head of Internal Audit's opinion on Internal Control.

Internal Control assurance



Assessed as
Performing Adequately

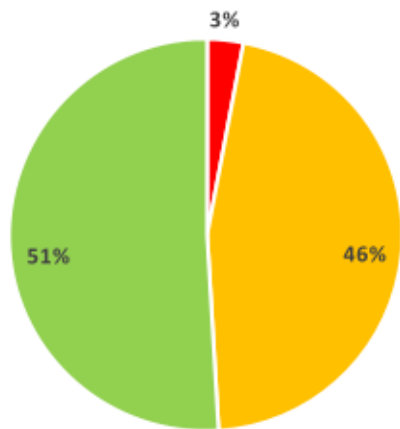
Internal Control



A Combined Assurance Status review has been produced this year collating information from each Assistant Director and Service Manager on the level of confidence they can provide on service delivery arrangements, management of risks, operation of controls and performance for their area of responsibility. This information provides key assurance evidence to support the Head of Internal Audit opinion.

Combined Assurance

Overall Assurance Status 22/23



■ Low (Red) ■ Medium (Amber) ■ High (Green)

We help co ordinate the Council’s assurance intelligence. The overall assurance status remains positive, with very little change. There has been a slight increase in Low (Red) levels of assurance, and these relate to two particular areas stated below.

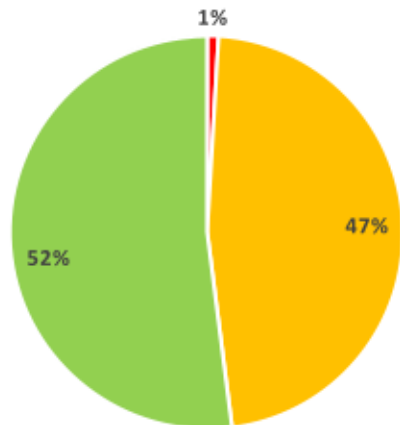
Communities

Building Control

Programme Delivery

Invest East Lindsey

Overall Assurance Status 21/22



■ Low (Red) ■ Medium (Amber) ■ High (Green)



Our audit plans include providing assurance over our key financial systems, the level of risk influences frequency.

Our work provides an important assurance element to support the External Auditor's opinion on the Council's Statement of Accounts.

PSPSL provide the Council with management and operational financial support. During 2022/23 some issues were highlighted through the Senior Leadership Team Governance meetings and from management through the Assurance Mapping process.

Key areas included a gap in capital accountancy expertise, staff turnover and the use of interim staff to cover vacancies, leading to a reduction in experience of delivering Local Government financial support.

Interim solutions have been implemented, it is now key that jointly, the Councils leadership team and PSPSL leadership team establish clear actions and solutions to support the service.

The Councils Senior leadership Team and PSPSL are working to address issues raised. An action plan is being developed, with input from both PSPSL and the Council, to ensure improvements are made in financial capacity and capability and that the Council and PSPSL are well supported in their ambitious goals and outcomes for the community.

Local Government as a whole is experiencing difficulties in recruiting to some hard to recruit to professions, including finance. PSPSL has recently completed a successful recruitment exercise and appointed two senior experienced finance managers to address the skills shortfall.

PSPSL have commissioned an independent review by CIPFA on their finance service and structure. The results of this will support wider corporate understanding on actions needed to strengthen financial services.

Improvements will be tracked through the SLT governance group and future assurance should be reported to the audit committee on how the issues are being addressed.

During the year we reviewed:

- Payroll – Substantial Assurance
- Key Controls Housing Benefits – Substantial Assurance*
- Key Controls Council Tax - Substantial Assurance*
- Key Controls NNDR – High Assurance
- Key Controls Journals – Substantial Assurance*
- Key Controls Control Account Reconciliations – Limited Assurance*
- Key Controls Accounts Receivable – Highlight report, no opinion.

*Indicative assurance opinion

Financial Control



Our audit plans include providing assurance over our key financial systems, the level of risk influences frequency.

Our work provides an important assurance element to support the External Auditor's opinion on the Council's Statement of Accounts.

In 2022/23 we were asked to review the payment process for the Council, when it pays out the annual parish precepts. After a major error had occurred which resulted in the incorrect payments being sent to parishes.

We reported back to the Council and made several recommendations to strengthen the controls and oversight for this process.

For 2023/24 a single precept payment of circa 300k was incorrectly posted to the wrong account. This represents a lack of financial oversight in an area that has previously gone through a review process.

External audit are finalising their 2021/22 work, they have raised one significant risk from the work relating to the Council and the Council company, Invest East Lindsey, as set out below.

'We are still to receive group accounts from the Council in respect of its wholly owned subsidiary company INVEST East Lindsey Ltd. We are also aware that the statutory accounts in respect of this company have been qualified by its external auditors in relation to non-compliance with the Companies Act 2006, in particular the duty to keep adequate accounting records.'

We have made recommendations to include this in the AGS on page 4 under the governance section.

Internal Audit are completing their review on Invest East Lindsey and the report will raise key issues on the need to strengthen governance, financial controls and compliance with best practice when the company was created.

Invest East Lindsey is rated red and low assurance on the current ELDC assurance map.

The outcome of our internal audit work and the intelligence gathered through other sources of assurance has helped inform the Head of Internal Audit's opinion on Financial Control.

The above information helped inform the Head of Internal Audit opinion

Financial Control assurance



Assessed as Improvement Needed

Our Work



The Council is responsible for establishing and maintaining risk management processes, control systems and governance arrangements. Internal Audit plays a vital role in providing *independent risk based and objective assurance* and *insight* on how these arrangements are working. Internal Audit forms part of the Council's assurance framework.

Scope of Work

Our risk based internal audit plan was prepared taking into account the critical activities and key risks to support the basis of my annual opinion. It has remained flexible to enable us to respond to emerging risks and maintain effective focus.

The Audit & Governance Committee approved the 2022/23 original audit plan of **170 days** in April 2022. Our revised audit plan is **164 days**. We have delivered **96%** of the revised plan and more details on the plan can be found in Appendix 1.

Restriction on Scope

In carrying out our work we identified no unexpected restrictions to the scope of our work.

There were changes made to the planned audits throughout the year. These included postponing Good Governance and Towns Fund work to 2023/24.

A review of Value for Money and the Finance system were cancelled in agreement with management. All changes to the audit plan are reported through the Audit and Governance committee.

I do not consider the restrictions and changes to the plan to have had an adverse effect on my ability to deliver my overall opinion. The combined assurance work undertaken in December helped in this regard.

We have not experienced any impairment to our independence or objectivity during the conduct and delivery of the Internal Audit Plan.

There have been some delays encountered in the provision of information through our work with the Council. This has impacted on our ability to deliver work in a timely way.

Through discussion and agreement with the Senior Leadership Team we have agreed a new working protocol to support effective and contemporary delivery of audit work.

Our Work



Internal Audit's role include advisory and related client service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organisation's governance, risk management and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation and training.

Other Significant Work

During the year we have completed testing of **Housing Benefit Subsidy** on behalf of Mazars. Our testing found one error and we awarded High Assurance based on detailed case testing. East Lindsey continues to show that Benefits are actioned in a timely and accurate way.

We produced a **Combined Assurance map** which maps all assurance across the Council using the 'three lines of assurance' model. This provided the Council with insight over the assurances present on its critical activities, key risks, projects and partnerships.

We have continued to support the Council's assurance framework through attending the Senior Leadership Teams monthly Governance meeting.

Over the last twelve months, meetings have been held regularly, supported by an agenda and

record of actions. Audit updates and issues can be raised along with an overview of governance actions, risk management updates and internal control updates.

Further governance work is planned for 2023/24 to include a review of recent Public Interest reports and lessons learned, to raise understanding and learning of key themes coming from other Local Authority governance failures.

Our Work



We recognise the importance of meeting customer expectations as well as conforming to the UK Public Sector Internal Audit Standards (PSIAS). We continually focus on delivering high quality audit to our clients – seeking opportunities to improve where we can.

Quality Assurance

Our commitment to quality begins with ensuring that we recruit develop and assign appropriately skilled and experienced people to undertake your audits.

Having skilled and effective people remains at the heart of our workforce strategy. The team has provision for 23 full time equivalent posts – established to deliver both the County Council and external contracts internal audit plans. As well as being fully compliant with the Public Sector Internal Audit Standards, after an independent review in December 2022, we are also refreshing our teams training and realigning the service to support improved audit quality and delivery.

During 2022/23 we have continued to build upon the strong focus on developing the next generation of audit and risk professionals. We have:

- Recruited new audit officers and seniors for our audit team.
- Enrolled them on an apprenticeship, working towards a professional audit qualification.
- Realigned our team's client coverage to strengthen client understanding.

Our audit practice includes ongoing quality reviews for all our assignments. These reviews examine all areas of the work undertaken, from initial planning through to completion and reporting. Key targets have been specified - that the assignment has been completed on time, within budget and to the required quality standard.

We are reassessing our approach to planning and understanding risk to improve the quality of our reports and timely delivery of our work.

All public sector internal audit services are required to measure how well they conform to the UK Public Sector Internal Audit Standards. An External Quality Assessment must be undertaken every 5 years – Assurance Lincolnshire's second external assessment was undertaken in February 2022. They concluded that:

“the Assurance Lincolnshire Partnership's self-assessment is accurate and as such we conclude that they FULLY CONFORM to the requirements of the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note”.

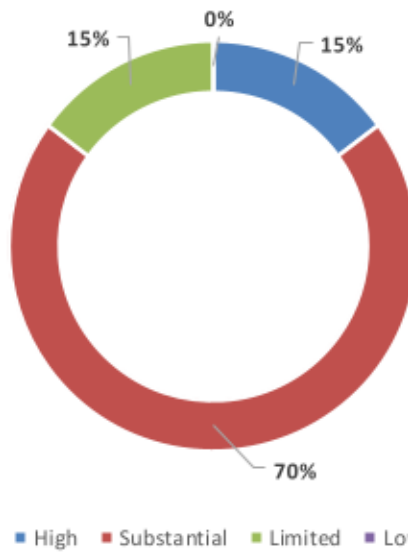
No significant improvement recommendations were made. The final report from the External Quality Assessment was shared with the Committee.



Our audit plan includes different activities each year – it is therefore not unexpected that these vary; however, the assurance levels do give an insight on the application of the Council's control environment and forms part of the evidence that helped inform the overall annual opinion.

Assurances

Summary of Assurances 22/23



Increase in High, Substantial and Limited reports this year



No low reports issued

Further details can be found at appendix 1 & 3

Benchmarking



Internal Audit's performance is measured against a range of indicators. The table at Appendix 4 shows our performance on key indicators at the end of the year. We are pleased to report a good level of achievement in delivery of the revised plan and the added value of our work.

Performance on Key Indicators

96%

**Of revised
plan delivered**

TBC

**of agreed
actions due
implemented**

60%

**Of key
financial
systems
delivered**

Further details can be found at appendix 1

Audit	Rating	Type of audit	Status				Total
				High	Medium	Advisory	
SELCP Flood Management	High Assurance	Risk Based	Complete	0	2	0	2
ELDC Good Governance	Consultancy	Consultancy	Complete	0	0	17	17
SELCP Key Controls - Revenues and Benefits	High NNDR	Risk Based	Draft report	0	2	2	4
SELCP Key Controls - Accountancy services - Control Account Reconciliations	Substantial Council Tax*	Risk Based	Draft report	6	6	0	12
SELCP Key Controls - Accountancy services - Journals	Limited*	Risk Based	Draft report	0	2	0	2
SELCP Key Controls Accounts Receivable	Substantial*	Risk Based	Draft report	0	2	0	2
Housing Benefit Subsidy	Consultancy	Consultancy	Draft report	2	0	5	7
SELCP Payroll	High Assurance	Risk Based	Complete	0	0	0	0
SELCP Cloud Hosted Services	Substantial	Risk Based	Complete	1	2	3	6
SELCP Risk Management	Substantial	Risk Based	Complete	0	16	1	17
SELCP ICT Systems Security	Substantial*	Risk Based	Draft report	0	8	2	10
ELDC Follow ups Procurement	Substantial*	Risk Based	Draft report	0	1	0	1
SELCP Virus protection and malware	Substantial	Risk Based	Complete	2	4	0	6
SELCP ICT Project Management	Substantial*	Risk Based	Draft report	0	5	0	5
SELCP Contract Management	Limited*	Risk Based	Draft report	2	6	0	8
ELDC Section 106	Substantial	Risk Based	Complete	0	12	3	15
	Limited	Risk Based	Complete	0	5	0	5
		Total		13	71	33	117

The original approved plan was 170 days – the revised plan was 164 days.

A small number of audits were removed from the original audit plan, and this was due to re-prioritising audit resources to those areas of highest risk.

Outlined below are the areas that have been removed from the original plan:

- Towns Fund
- Value for Money
- Finance System review
- Good Governance Phase 2.

During the year we were not requested to undertake any additional work.

The annual audit plan remains flexible with a process to postpone and change audits. This means we can adapt our plan and coverage to emerging risks but maintain control and transparency on changes which must be approved by management and the Audit & Governance Committee.

Performance on Key Indicators

Performance Indicator	Annual Target	Actual
Percentage of plan completed (based on revised plan)	100%	96%
Percentage of recommendations agreed	100%	100%
Percentage of recommendations implemented	100% or escalated	To be confirmed
Timescales:		
Draft Report issued within 10 days of completion	100%	56%
Final Report issued within 5 days of management response	100%	100%
Draft Report issued within 3 months of fieldwork commencing	80%	56%

High

Our critical review or assessment on the activity gives us a high level of confidence on service delivery arrangements, management of risks, and the operation of controls and / or performance.

The risk of the activity not achieving its objectives or outcomes is low. Controls have been evaluated as adequate, appropriate and are operating effectively.

Substantial

Our critical review or assessment on the activity gives us a substantial level of confidence (assurance) on service delivery arrangements, management of risks, and operation of controls and / or performance.

There are some improvements needed in the application of controls to manage risks. However, the controls have been evaluated as adequate, appropriate and operating sufficiently so that the risk of the activity not achieving its objectives is medium to low.

Limited

Our critical review or assessment on the activity gives us a limited level of confidence on service delivery arrangements, management of risks, and operation of controls and/or performance.

The controls to manage the key risks were found not always to be operating or are inadequate. Therefore, the controls evaluated are unlikely to give a reasonable level of confidence (assurance) that the risks are being managed effectively. It is unlikely that the activity will achieve its objectives.

Low

Our critical review or assessment on the activity identified significant concerns on service delivery arrangements, management of risks, and operation of controls and / or performance.

There are either gaps in the control framework managing the key risks or the controls have been evaluated as not adequate, appropriate or are not being effectively operated. Therefore the risk of the activity not achieving its objectives is high.

Significance

The relative importance of a matter within the context in which it is being considered, including quantitative and qualitative factors, such as magnitude, nature, effect, relevance and impact. Professional judgment assists internal auditors when evaluating the significance of matters within the context of the relevant objectives.

Head of Internal Audit Annual Opinion

The rating, conclusion and/or other description of results provided by the Head of Internal Audit addressing, at a broad level, governance, risk management and/or control processes of the organisation. An overall opinion is the professional judgement of the Head of Internal Audit based on the results of a number of individual engagements and other activities for a specific time interval.

Governance

Comprises the arrangements (including political, economic, social, environmental, administrative, legal and other arrangements) put in place to ensure that the outcomes for intended stakeholders are defined and achieved.

Risk

The possibility of an event occurring that will have an impact on the achievement of objectives. Risk is measured in terms of impact and likelihood.

Control

Any action taken by management, the board and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved. Management - plans, organises and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved.

Impairment

Impairment to organisational independence and individual objectivity may include personal conflict of interest, scope limitations, restrictions on access to records, personnel and properties and resource limitations (funding).