



City of Lincoln Council



Progress Report – March 2019

| | |
|--|------------|
| Introduction | 1 |
| Key Messages | 1 |
| Internal Audit work completed January – March | 1-3 |
| Other Significant Work | 3 |
| Audits in Progress | 4 |
| Audit Recommendations | 5-7 |
| Performance Information | 8 |
| Other matters of interest | 8-9 |
| Appendices | |
| Appendix 1 – Details of Limited or Low Assurance Reports | 10 |
| Appendix 2 – Internal Audit Plan & Schedule 2018/19 | 11-14 |
| Appendix 3 – Assurance Definitions | 15 |
| Appendix 4 – Performance Details | 16 |

Contact Details:

John Scott
Audit Manager



For all your assurance needs

City Hall, Beaumont Fee, Lincoln, LN1 1DD

☎: 01522 553692 📧 john.scott@lincoln.gov.uk

Introduction

1. The purpose of this report is to:
 - Advise of progress made with the Audit Plan
 - Provide details of the audit work undertaken since the last progress report.
 - Provide details of the current position with agreed management actions in respect of previously issued reports
 - Raise any other matters that may be relevant to the Audit Committee role

Key Messages

2. The 2018/19 audit plan is progressing well; at the end of February 84% has been completed of the revised plan, which is on target. The Plan is attached at Appendix 2 and shows progress to date.
3. Committee will be given an update on audit reports reaching one year old which have outstanding recommendations – see section 10 for a summary and a separate report for the details.

Internal Audit reports completed January - March

4. The following final reports have been issued since the last progress report;

| High Assurance | Substantial Assurance | Limited Assurance | Low Assurance | Consultancy / Advice |
|---------------------|-----------------------|-------------------|---------------|----------------------|
| Bank (key controls) | Council House Sales | None | None | None |

Note: The Audit Committee should note that the assurance expressed is at the time of issue of the report but before the full implementation of the agreed management action plan. Definitions levels are shown in Appendix 4.

Below are summaries of the audit reports issued.

Bank – High Assurance

We found that the expected controls are in place, and operating as expected, to manage the key risks when processing electronic income.

We did not identify any areas requiring improvement.

Council House Sales – Substantial Assurance

Under the Right to Buy (RTB) scheme, secure tenants of Local Authority Housing have the legal right to buy their home at a price lower than the full market value. The qualifying period to be eligible for the RTB scheme is 3 years and the amount of discount depends on the length of the tenancy. The maximum discount is currently £80,900 and the maximum percentage discount is set at 70%.

This audit gives independent assurance that the sale of council houses is being administered in accordance with legislation and income from the RTB sales is being correctly accounted for.

We are able to award Substantial assurance based on our findings. Processing Right to Buy (RTB) applications involves three teams; Finance & Leasehold, Property Services & Legal, each have a specific role to play in processing the application. We found;

- The Finance & Leasehold Team have a comprehensive procedure manual which documents the RTB process including liaison with other departments and updates to I.T. systems.
- Legislative requirements are incorporated into procedures; key dates are monitored to ensure compliance.
- Discount levels are correctly updated each year and maximum discounts have not been exceeded.
- Right to Buy applications are made on the correct form
- Key checks include:-
 - Tenancy dates are verified and eligibility established
 - Tenant signature is genuine
 - Consent is obtained when a joint tenant does not wish to purchase
- Cost floor information is obtained and assessed for each RTB application.
- Valuations and discount calculation are carried out by Property Services; the discounted price is checked by two other members of the team.
- Property records on Universal Housing are updated to show a pending RTB application to ensure only essential repairs are carried out. The record is updated following the sale.
- A process is in place to ensure any debts/ rent owing to the Council are cleared prior to completion.
- Sales are not completed until all money due is received into the authorities bank account.
- A covenant is put on the property to offer it back to the Council if it is placed for sale within ten years of completion.

- The reconciliation of RTB income is undertaken as part of quarterly submissions to HMCLG; RTB income is monitored to identify potential repayments to central government.

We identified some areas of improvement to further strengthen the controls already in place;

- The introduction of a process (a spreadsheet) to record and calculate the qualifying years. From a sample of 5 discount calculations we found that for one RTB application the number of years had been incorrectly calculated (10 years instead of 11) which resulted in the incorrect discount being awarded (correct discount was £35,340 discount given to the applicant was £34,200). Testing was extended and a further sample of 112 applications confirmed that all discounts had been correctly calculated.
- Additional guidance points to be documented in respect of calculating qualifying periods for overlapping tenancies and joint applications where the tenancy that attracts the higher rate of discount should be used.

Other Significant Work

5. Updates on other significant work;

Audit Plan 2019/20

A Draft Plan was considered by Audit Committee in February and a Final Plan is presented in a separate report.

Combined Assurance Map

The Combined Assurance report has been considered by CMT and is presented in a separate report.

De Wint Court

Internal Audit continue to provide project risk management support for the feasibility group.

Counter Fraud

The following work is complete or underway;

- National Fraud Initiative – the required data sets have been submitted and matches received and work has commenced on their review.
- Housing Tenancy Fraud – a data matching review is being arranged and results are due March 2019
- Counter Fraud training – training has been obtained through the Assurance Lincolnshire partnership and has been rolled out to all staff and members

- Updated the Counter Fraud Strategy and the Anti-Money Laundering Policy - approved by Audit Committee 11 December 2018 and Executive 7 January 2019.
- Updating the corporate Fraud Risk Register – updated December 2018 and presented to Audit committee with the Counter Fraud Strategy.
- Counter fraud health check will be completed – this may roll over into the early part of 19/20

Northamptonshire County Council – governance and financial issues

Due to the delay by the Government in issuing financial resilience guidance the report will be presented to the next meeting.

Private Sector Housing HMO Licensing & Hazards – Follow Up

Further system implementation delays and staff shortages have resulted in this detailed testing on completed recommendations being postponed. It will now be undertaken during 2019/20 and will be reported once it is completed.

Audits in Progress

6. The following audits are in progress;

- Values & Culture – report being produced
- Health & Safety (Housing Fire risk) – report being produced
- Fees & Charges VFM – fieldwork in progress
- Community Infrastructure Levy / S106 agreements – fieldwork in progress
- Procurement – fieldwork in progress
- Vision 2020 project management – fieldwork in progress
- Partnership governance – fieldwork in progress
- Information governance / GDPR – fieldwork in progress
- Business Rates Growth Policy – fieldwork in progress
- Emerging Legislation – fieldwork in progress

Audit Recommendations

7. There is a formal process for tracking Internal Audit recommendations; they are recorded on a monitoring spreadsheet which management can record progress updates on at any time. Performance DMT's and Portfolio Holders monitor progress quarterly. On a monthly basis Internal Audit monitor recommendations becoming due. Prior to each Audit committee Internal Audit will obtain a status report and review progress with management.

Internal Audit undertake formal follow up on all High priority recommendations and all recommendations made in audits where the overall assurance is Limited or Low; evidence of implementation will be requested and examined.

There are no audits to report reaching one year old where recommendations are still outstanding.

An outstanding recommendation from the Boutham Park Refurbishment audit in 2017/18 was reported in February but the service manager responsible was unable to attend at that time;

| Revised Due Date | Agreed Action & Priority | Status | Service Manager comments |
|-------------------------|---|-------------------------------------|---|
| 31/03/2019 | Partnership Agreement to be signed (Medium) | In progress. 6mth extension agreed. | We made good progress on agreeing the terms of the revised Partnership Agreement with Linkage. There are just a few details to finalise which neither party envisages causing any problems. The delay has been purely down to the lack of staff resource to deal with this within the service. The Boutham Park project has been without a dedicated Project Manager for almost a year now, and this task is one of many that are having to be covered by the Community Services Manager as Caretaker Project Manager, alongside 'business as usual'. We are aware of the need to sign off the revised agreement and doing our best to prioritise this by the end of the year, and certainly by the formal closedown date of the delivery phase of the Boutham Park Restoration project (late February). In the meantime, we have a Partnership Agreement which fulfils the needs for the project at the current stage. (Community Services Manager) |

The table below shows a summary of all audits where recommendations are overdue / extended, implemented and not yet due.

Recommendations Update (at 12th March 2019)

| Audit Area | Date | Assurance | No of Recs | Implemented | Outstanding (extended or overdue) | Not Yet Due | Comments / Progress since previous Committee |
|-----------------------------|-----------|-------------|----------------|----------------|---|----------------|---|
| 2015/16 | | | | | | | |
| ICT Mobile Devices | Mar 16 | Substantial | 6 (1 High) | 4 | 2 (1 High) | | Both due May 2019 |
| 2017/18 | | | | | | | |
| Responsive Repairs | Jun 17 | Substantial | 6 | 5 | 1 | | Due March 2020 |
| Boultham Park Refurbishment | Jun 17 | High | 2 | 1 | 1 | | Due March 2019 |
| IT Disaster Recovery | Oct 17 | Substantial | 18 | 17 | 1 | | 6 completed Remaining rec due June 2019 |
| IT Applications | Nov 17 | Substantial | 6 | 5 | 1 | | Extended to June 2019 |
| Tenancy Services | Jan 18 | Substantial | 10 (3 High) | 2 (1 High) | 8 (2 High) | | 8 recs extended by 3mths |
| Procurement | Apr 18 | Substantial | 6 (1 High) | 6 (1 High) | | | 1 completed. All now implemented. |
| HMO Licensing and Hazards | Jun 18 | Limited | 20 (5 High) | 14 (3 High) | 6 (2 High) | | Due May & June 2019 |
| Housing Investment | Jun 18 | Substantial | 23 (4 High) | 8 | 10 (1 High) | 5 (2 High) | Under review with Manager – some extensions to May 2019 |

| Audit Area | Date | Assurance | No of Recs | Implemented | Outstanding (extended or overdue) | Not Yet Due | Comments / Progress since previous Committee |
|-----------------------------|-------------|------------------|-------------------|--------------------|--|------------------------|---|
| Council Tax | Jul 18 | Substantial | 6 | 5 | 1 | | Extended rec is due to be completed by target date (March 2019) |
| 2018/19 | | | | | | | |
| Risk Management | Jul 18 | Substantial | 8 | 7 | 1 | | Due May 2019 |
| Sincil Bank Regeneration | Aug 18 | Substantial | 10 (1 High) | 9 (1 High) | 1 | | Extended rec is due to be completed by target date (March 2019) |
| Commercialisation | Oct 18 | Substantial | 4 (1 High) | 1 (1 High) | 3 | | 3 recs extended by 3 months (to June 2019) |
| IT Applications | Oct 18 | Limited | 8 (2 High) | | 2 (2 High) | 6 | Extended to August 2019 |
| Malware / Anti- virus | Nov 18 | Substantial | 9 (5 High) | 5 (2 High) | 2 (1 High) | 2 (2 High) | 1 completed 2 recs extended by 3 months to June 2019 |
| Transport Hub | Dec 18 | Substantial | 2 | | | 2 | Both due March 2019 |
| Council House Sales | Feb 19 | Substantial | 3 (1 High) | | | 3 (1 High) | |

Performance Information

8. Our performance is measured against a range of indicators and is shown at Appendix 4. There are no concerns in any areas.

Other matters of interest

Appendix 1 – Details of Limited / Low Assurance Reports

There are none.

Appendix 2 – Audit Plan Schedule

| Area | Indicative Scope | Planned Start Date | Actual Start Date | Final Report Issued | Current Status / Assurance Opinion |
|--|--|--------------------|-------------------|---|--|
| Chief Executive - Critical Activities | | | | | |
| Human Resources (10) | Workbased learning – financial and operational risks | Q3-4 | | <i>Moved to 19/20 due to changes in the service (AC advised Dec 18)</i> | |
| Human Resources (3) | Attendance management follow up | Q4 | Feb | | Draft report – Substantial assurance |
| Human Resources (10) | Recruitment process | Q4 | | <i>Moved to 19/20 at the request of management (AC advised Feb 19)</i> | |
| Commercial Property & Business Support (10) | Commercial property & workspace income | Q3 | Oct | Jan | Completed – High assurance |
| Business Strategy (Vision 2020) (10) | Management of key projects | Q4 | Mar | | In progress |
| Partnerships (10) | Governance and effectiveness. | Q4 | Mar | | In progress |
| Commercialisation (10) | Review of strategy / projects | Q2-3 | July | Oct | Completed – Substantial assurance |
| Housing and Regeneration - Critical Activities | | | | | |
| Housing Allocations / Choice Based Lettings (10) | Migration of data Data accuracy | N/A | | Used for risk management support to Working Groups – Completed | |
| <i>Housing Voids, Aids & Adaptations, Rechargeable repairs</i> | <i>Management arrangements</i> | <i>TBA</i> | | <i>Potential audit but no spare time. Included in 19/20 Plan</i> | |
| Council house sales (5) | Sales / discounts and income. | Q3 | Oct | Feb | Completed – Substantial assurance |
| New Build / Housing Company (10) | Contracts and links to the housing company | TBA | | Used for risk management support to the De Wint Court project group | |
| Health and Safety (10) | Housing fire risk - governance arrangements | Q3 | Sept | | Report being produced. Delayed due to Client |
| Communities & Environment - Critical Activities | | | | | |
| Planning (10) | Community Infrastructure Levy & S106. Local plan delivery and monitoring. | Q4 | Feb | | In progress Assurance on the Local Plan will be taken from work by NKDC & WLDC. |

| Area | Indicative Scope | Planned Start Date | Actual Start Date | Final Report Issued | Current Status / Assurance Opinion |
|---|---|--------------------|-------------------|---------------------|---|
| Private Sector Housing (5) | DFG / Arrangements for the new Heating scheme | Q2 | N/A | | Background work has found that the audit is no longer required. The days will be used for existing audits (AC advised Dec 18). Some advice work was completed in February on PSH. |
| Major Developments - Critical Activities | | | | | |
| Growth (10) | Economic & Growth agenda - strategies, investment, partnerships, infrastructure. | N/A | | | Moved to 19/20 as the strategies are being developed during 18/19. The days will be used for the Values & Culture review (AC advised Sept 18) |
| Transport Hub (8) | Closedown of works and final account | Q2-3 | Sept | Dec | Completed – Substantial assurance |
| Chief Executive - Financial & Governance | | | | | |
| Benefits (10) | Universal Credit roll out incl Housing impact. | Q4 | | | Initial research completed for an audit in 19/20. |
| Counter Fraud (20) | Liaise with the Lincolnshire Counter fraud partnership, undertake a Counter fraud healthcheck, engage with NFI, build on work from Fraud risk assessment, and continue to roll out the fraud e-learning training. | Q1-Q4 | | | In progress; <ul style="list-style-type: none"> NFI data submitted. Housing Tenancy Fraud review organized Fraud e-learning training rolled out to staff and members |
| NNDR (5) | Business Rates Growth Policy/Reliefs | Q4 | Feb | | In progress |
| Bank (5) | Banking arrangement key controls | Q3 | Nov | Feb | Completed – High assurance |
| Procurement (10) | Review of frameworks & OJEU procurement plus social value policy. | Q4 | Feb | | In progress |
| City Lottery (3) | Governance arrangements | Q2 | Aug | Oct | Completed – Advice work No significant issues |
| Governance (10) | The Council's cultural framework | Q1 | May | | Report being produced |
| Governance (5) | Governance key controls for annual assurance. | Q1 | April | May | Completed – no issues. |
| Risk Management (5) | Council's risk management arrangements | Q1 | April | July | Completed – Substantial assurance |

| Area | Indicative Scope | Planned Start Date | Actual Start Date | Final Report Issued | Current Status / Assurance Opinion |
|-------------------------------|---|--------------------|-------------------|---------------------|--|
| Information Governance (10) | General Data Protection Regulations | Q4 | Mar | | In progress |
| ICT Audit (30) | Applications | Q1 | July | Oct | Completed – Limited assurance |
| | Cyber risks | Q2-3 | Sept | Nov | Completed – Substantial assurance |
| | ICT Strategy implementation & ICT project / programme management | Q3 | | | Moved to 19/20 – Strategy delayed (AC advised Dec 18) |
| | Extended ICT Assurance mapping | | | | Replaces ICT Strategy. |
| IT DR/Business Continuity (3) | Follow up of the Business Continuity Group actions from the 2017/18 IT DR audit | Q4 | | | BC group working through previous audit Follow up review 19/20 |
| Western Growth (15) | To review project management arrangements | Q1-4 | | | Progress is being monitored and work will be undertaken at the appropriate time. |
| Programmes and Projects (13) | Sincil Bank Regeneration | Q1 | June | Aug | Completed – Substantial assurance |
| | Review of project / programme governance arrangements, incl SPIT replacement | Q4 | | | Not being undertaken as Policy are undertaking a similar review. |
| Consultancy / VFM (10) | Fees & Charges review | Q3-4 | Sept | | In progress |
| Emerging Legislation (2) | Arrangements for forthcoming legislation | Q4 | Feb | | In progress |
| Other work | | | | | |
| Audit follow up work (10) | Assurance that actions from previous key audits have been implemented | Q1-Q4 | Q1-4 | | Progress information is provided to every Audit committee |
| Combined Assurance (10) | Update the integrated assurance map | Q3/4 | Nov | Mar | Completed. To Audit cttee April 19 |

| Area | Indicative Scope | Planned Start Date | Actual Start Date | Final Report Issued | Current Status / Assurance Opinion |
|--|---|---------------------------|--------------------------|----------------------------|---|
| Contingency and Emerging risks (30) | Contingency for any brought forward work and emerging risks | Q1-Q4 | | | Part used for completion of 17/18 audits. |
| Advice and liaison, management, reactive investigations (35) | As area | Q1-Q4 | | | Ongoing |
| Annual Internal Audit Report (3) | As area | Q1 | April | May | Completed. To Audit cttee June 18 |
| Audit Committee –(20) | Audit Committee support | Q1-Q4 | | | Ongoing |
| Housing Benefit Subsidy (50) | Testing on behalf of External Audit | Q1-2 | May | July | Completed |
| Review IA Strategy and Planning – (5) | New Plan for 2019/20 | Q4 | Dec | Mar | Completed. To Audit cttee April 19. |

Appendix 3- Assurance Definitions¹

| | |
|-------------------------------------|---|
| <p>High Assurance</p> | <p>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.</p> <p>The risk of the activity not achieving its objectives or outcomes is low. Controls have been evaluated as adequate, appropriate and are operating effectively.</p> |
| <p>Substantial Assurance</p> | <p>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.</p> <p>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.</p> |
| <p>Limited Assurance</p> | <p>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.</p> <p>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.</p> |
| <p>Low Assurance</p> | <p>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.</p> <p>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.</p> |

¹ These definitions are used as a means of measuring or judging the results and impact of matters identified in the audit. The assurance opinion is based on information and evidence which came to our attention during the audit. Our work cannot provide absolute assurance that material errors, loss or fraud do not exist.

Appendix 4 - Performance Details 2018/19 Planned Work

| Performance Indicator | Annual Target | Profiled Target | Actual |
|---|------------------------------------|---|---|
| Percentage of plan completed. | 100% | 25% end June 50% end Sept 75% end Dec 100% end Mar | 84% at end of February |
| Percentage of key financial systems completed. | 100% | 100% end Mar | 100% (1 due & completed) |
| Percentage of recommendations agreed. | 100% | 100% | 100% (41 out of 41) |
| Percentage of High priority recommendations due implemented. | 100% or escalated | 100% or escalated | 60% (5 due and 3 implemented) |
| <p>Timescales:</p> <p>Draft report issued within 10 working days of completing audit.</p> <p>Final report issued within 5 working days of closure meeting / receipt of management responses.</p> <p>Period taken to complete audit –within 3 months from fieldwork commencing to the issue of the draft report.</p> <p><i>NB – Not all completed work is included within the timescales, e.g. non assurance work / where no formal report is issued such as benefit subsidy; fraud work etc.</i></p> | <p>100%</p> <p>100%</p> <p>80%</p> | <p>100%</p> <p>100%</p> <p>80%</p> | <p>89% (8 out of 9)</p> <p>100% (9 out of 9)</p> <p>78% (7 out of 9)</p> |
| <p>Client Feedback on Audit (average)</p> <p><i>NB – feedback is generally only obtained for formal assurance work although sometimes it may be obtained for other types of work.</i></p> | Good to excellent | Good to excellent | <p>Good to excellent.</p> <p>Average score – 31 out of 32.</p> <p>(7 issued and 6 returned)</p> |

