



City of Lincoln Council

Appendix A

Progress Report – July 2019



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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 almost complete. The outstanding audits are all at draft report stage and will be finalised as soon as possible - see section 7 for details.
3. The 2019/20 Audit Plan has been started - see section 7 for details.
4. There is 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 May - July

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

High Assurance	Substantial Assurance	Limited Assurance	Low Assurance	Consultancy / Advice
Emerging Legislation	Information Management & GDPR Procurement	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.

Emerging Legislation – High Assurance

Our review provides high assurance that the Council has effective mechanisms in place for identifying emerging legislation. We have given high assurance based on the management of risk and application of controls being effective

- All service managers regularly scan and review various resources to ensure that they are identifying emerging legislation
- Managers were aware of the legislation and regulations identified as part of this review
- Directorates have meetings where current or new legislation is discussed.
- Legal services provide an additional layer of scanning, support and information.
- A 'Horizon Scanning' Document is produced by the policy team and circulated to all AD's CMT/CLT and now Service Managers.

Information Management & GDPR – Substantial Assurance

The Data Protection Act 2018 replaced the previous 1988 Data Protection Act and on 25th May 2018 the EU General Data Protection Regulation (GDPR) became applicable. The Council has to be compliant with both pieces of legislation.

The purpose of the audit is to provide independent assurance on the work undertaken to implement the new legislation and the operation of the Council's Information Management Framework. The audit looked at;

- Compliance with specific regulatory requirements (i.e, identification and management of personal data, governance, policies & procedures, training, information sharing agreements, contracts, privacy notices, breach reporting mechanisms, Subject Access Requests, now referred to as Data Subject Requests)
- Roles and responsibilities (officers and Members)
- Monitoring and reporting

Processes for dealing with Freedom of Information requests was not examined in detail.

We have given an overall Substantial assurance on the arrangements as many aspects are in place and operating as expected. However, we have identified a number of improvements that are required to fully comply with the regulations.

We found that;

- The key roles of the Council's Information Management Framework are all fulfilling their responsibilities.
- The Council has a full range of IM Policies which were approved in 2018 and due for review in 2020.
- There is an IG-GDPR Action Plan which contains all of the work areas required to comply with the DPA 2018 and the GDPR. We have recommended that the Action Plan is replaced by a risk register so that key actions and other IM risks are given the appropriate attention. Some of the current key actions are;

- Data Protection Impact Assessments – IAO checklists are not highlighting any issues but the DPO is concerned that take up is low. This concern will be highlighted and communicated to IAOs
 - Contracts – a lot of work has been done to establish a comprehensive contracts register which has resulted in a significant number of contracts (100+) requiring review and negotiation to ensure GDPR compliance. Contracts relating to areas containing personal data have already been reviewed as a priority but using existing resources will take over a year to complete the remaining work. Additional administrative resources will be looked into.
 - Records Management and Retention & Disposal – retention & disposal schedules are in place but limited work is being done corporately regarding email storage, file storage, deleting data beyond retention, file naming, use of Authority Wide, etc. The profile of this area will be raised and a records management action plan produced.
 - Training – all staff and Members were required to have IM training every two years but this was recently changed to annually. As at March 2019 training had been delivered to 89%, with some still to be trained (it will never be 100% due to long term sickness and starters / leavers). The outstanding training has now been completed and a programme of annual refresher training is to commence shortly. Specific training for the SIRO is being arranged.
 - Record of Processing Activities. An asset register has been compiled and work is being undertaken to develop a more efficient process for maintaining and updating it.
- Progress on the Action Plan items is dependent on the DPO and the IAO's but the majority of the work relating to this area requires the DPO's expertise. Some additional resource was recently found to assist the DPO with administrative tasks but the officer has now left.
 - Information Asset Owners (service managers and team leaders) are a key part of the framework and are required to complete a checklist to enable the Data Protection Officer to assess compliance with the key elements of the data protection laws. Checklists were distributed to 46 IAO's in July 2018 for completion by September 2018 and five were outstanding at the end of March 2019, despite reminders. The DPO is working with the IG Board and the SIRO to complete this task and currently two remain outstanding.
 - The Council's website contains comprehensive Data Protection and Privacy Notice information.
 - A data breach notification process is in place and works well. Documentation is being retained in accordance with the required retention period.
 - A process is in place to respond to Subject Access Requests (Data Subject Requests) in the required timeframe (one month). Documentation should be retained for two years but this was not being applied consistently; this has now been addressed.

Further areas for improvement identified were;

- Access to network drives for internal movers needs to be reviewed. This has been highlighted to the Service Managers Forum for appropriate action across the authority.

- Roles and responsibilities. The IG Board is currently Assistant Directors only but the profile is to be raised to include Directors and the Chief Executive.

Procurement – Substantial Assurance

This review seeks to provide assurance on;

- Compliance with Contract Procedure Rules for procuring goods, services and works subject to OJEU procurement rules
- The use of frameworks to deliver procurements
- Delivery of the social value policy and its outcomes

We found that:

- Staff managing the procurements were aware of Contract Procedure Rules and all consulted the Procurement Manager to ensure they were following the correct procurement route.
- Staff were also aware of the supporting Social Value Policy, for the smaller contracts application of the Policy was not a major consideration, but for the larger contracts it was a feature of the specification.
- Of the five procurements through framework agreements, three made a direct purchase from the frameworks, which complies with Contract Procedure Rules. Depending on the type of framework being used it is also allowable to undertake a mini competition from the framework asking several suppliers to submit bids which can provide assurance of best price and quality. Two of the procurements followed this process. It is important that when using the framework process value for money continues to be a consideration.
- Justification and approval for all procurements was found to be in place.
- Where competition took place quality and price criteria were set to ensure the best mix of quality and effectiveness for the goods or services being purchased. There was evidence of an evaluation process taking place with adequate separation of duties.
- All relevant contracts reviewed were compliant with OJEU requirements.

We have made two recommendations to help strengthen control:

- Management review and sign off of specifications above an identified price level to help ensure requirements are clear leading to procurement of the right quality and type of goods or service
- Development of a uniform retention process for procurement records supported by an assurance process that records are retained in line with retention requirements and that contracts are lodged with Legal Services in line with Contract Procedure Rules

Other Significant Work

6. Updates on other significant work;

De Wint Court

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

Counter Fraud

An Annual Fraud report for 18/19 is being submitted to the Audit Committee in July 2019

The following work is currently underway for 2019/20;

- National Fraud Initiative 2019 – the data matches have been received and work has commenced on their review.
- Housing Tenancy Fraud – data matching results have been received and are being examined
- Counter Fraud training – training has been obtained through the Assurance Lincolnshire partnership and has been rolled out to all staff and members – this will continue
- Friends against scams project
- Money laundering risk assessment

Housing Benefit Subsidy testing

Detailed testing on 59 claims on behalf of the External Auditor is almost complete.

ICT Assurance mapping

This is an extension of our Combined Assurance work concentrating on ICT

Housing Allocations

We have completed some risk register work with officers on housing serious offenders.

Plan Amendment

The 2019/20 Plan includes an allocation of 10 days to complete 2018/19 audits however this work is taking longer than expected. The balance will likely come from postponing one or two planned audits. Plan changes will be discussed with the S151 Officer and brought back to the next Committee in September. In any case, we plan to do a detailed review of the audit plan in September.

Audits in Progress

7. The following 2018/19 audits are in progress;

- Values & Behaviours – nearing completion; further workshops to be completed
- Vision 2020 project management – report being agreed
- Partnership governance – in progress
- Boultham Park restoration – report being agreed
- Fire risk (high rise) – report being agreed

The following 2019/20 audits are in progress:

- Recruitment – fieldwork in progress
- Improvements to Sports Facilities - fieldwork in progress
- Housing Rents – being prepared

Audit Recommendations

8. 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.

9. A separate report is provided on outstanding audit recommendations

Performance Information

10. 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

11. The Surveillance Camera Commissioner has written to all local authorities to advise that they will be doing a survey of all authorities this year to check compliance (all CCTV systems). There is a SCC self-assessment available.

Committee on Standards in Public Life published a report on their review of standards arrangements in English local authorities. A report was taken to the Ethics and Engagement Committee in March 2019.

Appendix 1 – Details of Limited / Low Assurance Reports

There are none.

Appendix 2 – Audit Plan Schedule 2019/20

Area	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Current Status / Assurance Opinion
Chief Executive - Critical Activities					
Payroll	Risk Based Audit.	Q3			
Apprentice scheme	Financial arrangements	Q3-4			
Recruitment process	Internal promotions and external recruitment	Q1	June		In progress
Scrutiny	Scrutiny committee operation & training of Members	Q3			
Treasury Management	Investments & borrowing	Q2			
Efficiency Savings	Programme and project arrangements	Q2			
Housing and Regeneration - Critical Activities					
Housing Allocations	Accuracy & processing arrangements on the new IT system.	Q4			
Housing Allocations	New Build allocations process	Q2			
Homelessness	Implementation of the Homelessness Reduction Act	Q3			
Housing Repairs	Interaction between reactive repairs and planned maintenance	Q3			
Housing Strategy	Implementation of the Housing Strategy including links with Major Developments	Q4			
Rental income	Risk based audit, to include Universal Credit impacts.	Q2	July		Being prepared
Housing ASB	Advice work –budget	Q1	April	June	Completed
Communities & Environment - Critical Activities					
Performance Management	Operation of the new PM system.	Q4			
Community Safety	City Centre intervention, safeguarding & licensing	Q2-3			
Private Sector Housing follow up	Follow up of 17/18 HMO work plus Private Sector Housing in general	Q2			
Sport & Leisure pitches	Contract review	Q2	June		In progress

Major Developments - Critical Activities					
Growth & Regeneration	Strategies, investment, partnerships, infrastructure.	Q3-4			
Financial & Governance					
Welfare Reform	Universal Credit roll out & the provision of welfare advice	Q2-3			
Counter Fraud	Liaise with the Lincolnshire Counter fraud partnership	Q1-4			
Counter Fraud	Fraud Strategy Actions	Q1-4			In progress
Counter Fraud	Counter Fraud Health Check	TBA			
Counter Fraud	Tenancy Fraud (matches)	Q1-4			In progress
Counter Fraud	Friends Against Scams	Q1/2			In progress
Counter Fraud	Money Laundering risk assessment	TBA			In progress
Counter Fraud	6/12 month reports	TBA			12 month report July 19
Counter Fraud	Policy reviews	TBA			
Counter Fraud	Fraud Training (continuation)	Q1/2			In progress
Counter Fraud	NFI data matching	Q1-4			In progress
Counter Fraud	Fraud risk register update	Q3			
Counter Fraud	Identity fraud	Q2			
Governance and Risk					
Governance	Key controls for annual assurance	Q3			
Risk Management	Key controls for annual assurance	Q4			
Information Management & Technology					
ICT	Assurance mapping	Q1-2			In progress
ICT	Strategy, Leadership & Infrastructure Planning	TBC			
ICT	Project & programme management	TBC			
ICT	Code of Connection for 3 rd party suppliers	TBC			
ICT	Information security (incidents & business continuity/IT DR)	TBC			
Projects					
Western Growth	Programme governance / project management arrangements	Q2/3			
De Wint Court	Project & contract arrangements	Q1-4			Contract Audit Q3/4

Consultancy / VFM / No-opinion review					
Refuse & Recycling	Work being done to assess the future direction	TBC			
Brexit	Assist with risk & control issues as part of a working group	Q1-2			
Emerging legislation / policy	Preparation for new and emerging legislation / policy	Q1			Merged with work from 2018/19 Full Assurance
Other work					
Follow up work	Assurance that actions from previous audits have been implemented	Q1-4			AC report July 2018
Combined Assurance	Update the assurance map	Q3/4			
2018/19 audits	Completion of audits brought forward	Q1	April		Majority are at report agreement stage
Contingency	Contingency				
Advice & management, reactive investigations	As area	Q1-Q4			Ongoing
	Housing serious offenders - risk assessment	Q1	June	June	Completed
	De Wint - risk management support	Q1/2	April		Ongoing
Annual Internal Audit Report	Report for 2018/19	Q1	April	May	Completed. To Audit Cttee June 19
Audit Committee	Audit Committee support	Q1-Q4			Ongoing
IA Strategy and Plan	New Plan for 2020/21	Q4			
Housing Benefit Subsidy					
Detailed testing on behalf of External Audit	2018/19 Subsidy claim	Q1-2	May		In progress

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 2019/20 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	24%* *Contingencies used
Percentage of key financial systems completed.	100%	100% end Mar	No 2019/20 audits have been completed yet.
Percentage of recommendations agreed.	100%	100%	No 2019/20 audits have been completed yet.
Percentage of High priority recommendations due implemented.	100% or escalated	100% or escalated	No 2019/20 audits have been completed yet.
<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>	100%	100%	No 2019/20 audits have been completed yet.
<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	No 2019/20 audits have been completed yet.

