

## AUDIT COMMITTEE

**Tuesday, 17 December 2019**

**6.00 pm**

**Committee Room 1, City Hall**

Membership: Councillors Geoff Ellis (Chair), Laura McWilliams (Vice-Chair), Thomas Dyer, Gary Hewson, Ronald Hills, Jackie Kirk and Rebecca Longbottom

Substitute member(s): Councillors Pat Vaughan

Independent Member: Jane Nellist

Officers attending: Paul Berry, Democratic Services, Jaclyn Gibson, John Scott and Pat Jukes

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## A G E N D A

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2. Declarations of Interest	
Please note that, in accordance with the Members' Code of Conduct, when declaring interests members must disclose the existence and nature of the interest, and whether it is a disclosable pecuniary interest (DPI) or personal and/or pecuniary.	
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You are asked to resolve that the press and public be excluded from the meeting during the consideration of the following item(s) because it is likely that if members of the press or public were present, there would be disclosure of 'exempt information'

**SECTION B**

12. Annex B Fraud Risk Register 2019 PART B

**[Exempt Para 7]**

**117 - 128**

- Present:** Councillor Geoff Ellis (*in the Chair*)
- Councillors:** Thomas Dyer, Gary Hewson, Ronald Hills, Jackie Kirk, Rebecca Longbottom and Laura McWilliams
- Independent Member:** None.
- Apologies for Absence:** Jane Nellist

**21. Confirmation of Minutes - 17 September 2019 (To Follow)**

RESOLVED that the minutes of the meeting held on 17 September 2019 be confirmed.

**22. Change to Order of Business**

RESOLVED that the order of business be amended to run as follows:

1. Annual Governance Statement Monitoring
2. Information Management Update
3. Internal Audit Recommendation Follow Up
4. Annual Complaints Summary
5. Internal Audit Progress Report
6. Audit Committee Work Programme

**23. Declarations of Interest**

No declarations of interest were received.

**24. Annual Governance Statement Monitoring**

Pat Jukes, Business Manager, Corporate Policy:

- a. presented a progress update on those areas identified as 'significant governance issues' as set out in the 2018/19 Annual Governance Statement (AGS), which Audit Committee had a role to review
- b. stated that the report provided details of the monitoring arrangements for the significant internal control issues raised in the latest AGS, as detailed at Appendix A of the report
- c. advised that key actions would be reviewed by the Service Manager's Group and be overseen by Corporate Leadership Team as well as monitored by Audit Committee
- d. reported that just one significant issue IT Disaster Recovery Plan remained, which was now considered by the responsible officer to be red status
- e. confirmed that a plan of action to cover this issue had been agreed between the Emergency Plan Manager (LCC Emergency Planning Officer), the

Business Continuity Manager (Chief Finance Officer) and the IT Service Manager (Business Development and IT Manager)

- f. reported that the first stage had been completed to review the schedules within the current Business Community Plans to ensure they were still relevant
- g. advised that an exercise was currently underway to review critical services, extended until November 2019 due to some results still awaited
- h. advised that a procurement exercise was well underway on reviewing and updating the IT infrastructure as agreed at Executive on 29 September 2019, which would enhance Disaster Recovery significantly once the solution was implemented, hence full review of the IT Disaster Recovery plan would commence once the new infrastructure was in place
- i. reported that it had been agreed that alignment between the new IT Disaster Recovery plan and Business Continuity plan would be implemented by October 2020
- j. requested that members of Audit Committee give consideration to the content of the report.

RESOLVED that the content of the report be noted and monitoring arrangements be continued.

## **25. Information Management Update**

Sally Brooks, Data Protection Officer:

- a) presented a report to update Audit Committee on progress made with Information Management monitoring the councils compliance with data protection legislation including the General Data Protection Regulation (GDPR) and the Data Protection Act 2018 (DPA)
- b) reported specifically on the recent internal audit outcomes which awarded the Council Substantial Assurance for its Information Management and Information Governance arrangements
- c) highlighted that future update reports would be submitted to Audit Committee on a bi-annual basis, given the work completed and GDPR compliance now becoming business as usual for the council
- d) outlined a number of recommendations made for improvements by the Audit team which were currently outstanding as detailed at paragraph 2.5 of the report
- e) highlighted that these recommendations were not exhaustive for Information Management given continued monitoring of training, procedures, processes, guidance, policies, contracts, agreements and requests required along with reactive work due to the success of the awareness programme
- f) reported on further work recommended by the audit currently being completed in relation to contracts as detailed at paragraph 3 of the report

- g) advised that Information Governance had been removed from the Annual Governance Statement due to progress made in the implementation of GDPR, although it was still a watching item to be monitored by High Performing Services (HPS) Group
- h) requested that the report and outcome of the audit be noted by members.

Members welcomed progress being made in respect of the recommendations provided within the report.

RESOLVED that the content of the report and the audit outcome be noted.

## **26. Member Statement**

During the discussion of the following item, Minute No: 27, Councillor Laura Mc Williams requested it be noted in the interest of transparency that she worked for a letting agent. Her employer was not involved with Houses in Multiple Occupation (HIMO's) and the only element being discussed here was the legislation.

## **27. Internal Audit Recommendation Follow Up**

John Scott, Audit Manager:

- a) presented an update to Audit Committee on outstanding audit recommendations and recommendations over 12 months old, with the ability at the meeting to request managers to provide further feedback
- b) referred to Appendix A attached to his report which provided details of the relevant audits, outstanding recommendations/agreed actions and the current position/explanation from the service manager
- c) invited members' questions and comments.

Question: What were the reasons for extended deadlines, was this due to lack of staff?

Audit Manager Response: There were differing reasons including prioritisation, issues cropping up, and some recommendations taking longer than anticipated to complete. Members could ask relevant managers to attend Audit Committee to give greater context to any problem areas.

Comment: It had been hoped that the final recommendation to complete the Boutham Park Restoration Project would have been nearer completion, now extended to February 2020. There were lessons to be learnt moving forward with another contract soon to commence for the park. Some areas of the scheme on the ground had not realised their potential. It was important that projects were finalised before scheme managers moved on. Performance Scrutiny Committee would be asking for a Post Implementation Review (PIR) of the project.

Audit Manager Response: The problem here related to delay in the signing of the Partnership Agreement for Boutham Park Refurbishment Project. The relevant officer had previously attended Audit Committee to report on the reasoning behind the delay.

Chief Finance Officer Response: The audit had looked at specific parts of the Boultham Park project in relation to the partnership agreement only. A PIR would be completed on the whole project once finalised. It could be presented to Audit Committee if required. The Audit Team did not have the resources to complete a full audit of the entire scheme.

The Chief Finance Officer updated Audit Committee in relation to the outstanding audit recommendation in respect of the Code of Corporate Governance. She confirmed that there was an existing Asset Management Plan in place, however due to the vacant Property Services Manager post there was currently a lack of capacity for it to be updated. This task would be completed once the post was filled.

Simon Colburn, Assistant Director, Health and Environmental Services, updated Audit Committee in relation to the outstanding audit recommendation Houses in Multiple Occupation (HMO) Licensing and Hazards, covering the following main points:

- He was disappointed that the audit in June 2018 had only achieved limited assurance, however, at the time there had been a high turnover in staff together with changes in legislation which had involved extra workload
- The Health and Environment Enforcement Policy had been completely rewritten, due to go to Policy Scrutiny Committee on 8 October 2019. This policy brought together groups of different legislation and new enforcement to allow landlords to be fined directly.
- Investment in I.T infrastructure had been implemented to allow landlords to apply for HMO registration directly at the 'front end'.
- A new coding structure had been introduced so that different codes could be used to record hazards and categories, to enable monitoring and reporting to be undertaken.
- New performance measures were being introduced to form part of the performance management framework.

Members raised questions in relation to outstanding audit recommendations, particularly those over a year old, which received relevant responses as follows:

Question: Did dual registration of a normal house also as a HIMO have implications in terms of its administration?

Response: There was more impact on the planning team than his. There was improved information sharing between the two services with approximately an additional dozen applications from the Planning Section to come forward at the present time. He would double check this figure and report back to members accordingly.

Question: Were applications coming from letting agents as well as from landlords?

Response: There was a role for letting agents. The council was able to take action on whoever was responsible for allowing properties to fall into disrepair. This included letting agencies if they were responsible for checking the health and safety of the property. He added that his staff primarily focused on landlord properties with poor inspections, however this could be extended to letting agencies should a trend be identified.

Question: Were there enough staff on the ground now to cope with new legislation.

Response: There were currently 15 members of staff trained up to BTEC qualification level. On the whole the service was in a better position. Recruitment for a Team Leader was out for advertisement following which there would be a full complement of staff.

Comment: It would be useful to know why staff chose to move on.

Response: The service manager was currently carrying out a piece of work to make sure a satisfactory training matrix was in place for staff and that they felt valued. It may be that staff moved on to the private sector once qualified. The service was now in a better place.

John Scott, Audit Manager, asked and received confirmation from members that they had no questions to refer back to officers in respect of the outstanding Audit recommendation regarding Tenancy Services.

RESOLVED that updates on Audit Recommendations older than 12 months be noted.

## **28. Annual Complaints Summary Report 2018-19**

John Scott, Audit Manager, on behalf of Joanne Crookes, Customer Services Manager:

- a. presented the annual complaints report which included reference to the Annual Review of Local Authority Complaints issued by the Local Government and Social Care Ombudsman (LGSCO), and details of the decisions of the Housing Ombudsman
- b. reported also on the overall number of complaints received by the Council including response times and percentage of complaints upheld on a directorate basis for the full year 2018-2019
- c. highlighted the background to the council's complaints procedure at paragraph 2 of the report
- d. advised that there was no published time target for the handling of complaints, however, resolution times were recorded and reported to Departmental Management Teams (DMT's) and staff were encouraged to seek solutions at the first point of contact or otherwise resolve the issue at the earliest opportunity
- e. reported that the ongoing trend over the past four years of a reduction in the number of complaints received had continued again last year, as detailed at paragraph 3.3 of the report
- f. stated that there had been a slight increase in the amount of time taken for officers to respond to complaints at 7.6 days over all four directorates
- g. detailed further the breakdown of directorate complaints at paragraph 4 of the report
- h. highlighted that in 2018/19 the Local Government and Social Care Ombudsman (LGSCO) considered 11 new complaints and made decisions on 10 complaints about City of Lincoln Services; the number of complaints to the

Ombudsman were also decreasing with a steady reduction from a peak in 2015-16 of 27 complaints

- i. outlined the detail of the one complaint upheld as detailed at paragraph 6.1 of the report
- j. reported that three Housing Ombudsman Service complaints had been investigated during this period, the same number as in the previous year, of these one found no evidence of maladministration in decision making nonetheless a recommendation for compensation was made as detailed at paragraph 7.3 of the report, and the remaining two had not been upheld
- k. highlighted the trend in complaints as detailed at paragraph 8 of the report
- l. highlighted the number of compliments received from members of the public acknowledging professionalism of staff across all service areas
- m. invited members' questions and comments.

Members of Audit Committee discussed the content of the report in further detail.

Members asked whether average response times quoted within the report referred to acknowledgement of the complaint or providing an answer.

John Scott, Audit Manager, advised that average time to deal with a complaint included both its acknowledgement and providing the relevant response.

Members questioned the statement within the report that Major Developments did not receive a large number of complaints which was surprising.

Jaclyn Gibson, Chief Finance Officer, explained the reason for this being that the complaints were likely to come through the service areas when the developments were handed over e.g. any complaints regarding the bus station would come through community services.

Members congratulated the Customer Services Manager on the team's achievements in securing a reduction in the number of complaints yet again this year.

RESOLVED that the content of the 2018-2019 complaints report be noted.

## **29. Internal Audit Progress Report**

John Scott, Audit Manager:

- a. presented the Internal Audit Progress Report to Audit Committee, incorporating the overall position reached so far and summaries of the outcome of audits completed during the period July to August 2019, as detailed at Appendix A
- b. highlighted that Audit Committee held the responsibility for receiving a regular progress report from Internal Audit on the delivery of the Internal Audit Plan as a key requirement of public sector internal audit standards
- c. detailed the content of the report covering the following main areas:



- Progress Against the Plan
  - Summary of Audit Work
  - Implementation of Audit Recommendations
  - Current Areas of Interest Relevant to the Audit Committee
- d. highlighted one finalised audit review, Boultham Park Restoration, given substantial assurance at the time of the report, prior to full implementation of the agreed Management Action Plan
- e. advised on audit reports at draft stage as follows:
- Values and Behaviours
  - Project Management
  - Fire Risk
- f. reported on the following audits in progress:
- Partnership Governance
  - Recruitment
  - Housing Rents
- g. highlighted the following audits being prepared:
- Efficiency Savings
  - Western Growth
  - Economic Development
  - Private Sector Housing Follow Up
  - Sports Pitches Improvements
  - Treasury Management
- h. reported on other work ongoing in relation to:
- Housing Benefit Subsidy Testing - now completed
  - The Expenses claim for the European Election in May 2019 currently being checked
- i. highlighted details of audits postponed following agreement of the S151 Officer due to some 18/19 audits taking longer than expected:
- Welfare Reform-Universal Credit (some detailed work ongoing)
  - Apprentice Scheme - Financial Arrangements
  - Scrutiny - Operation and Management Training
- j. detailed other matters of interest including:
- Lincolnshire Audit Committee Forum
  - Brexit
  - Guidance for Audit Committees - Cloud Services
- k. highlighted performance against a range of indicators, with high achievement secured in respect of Audit KPI's to date
- l. detailed the contents of the Audit Plan Schedule at Appendix 4 of the report

m. requested members' consideration on the content of the report.

Members discussed the content of the report in further detail, asking questions as follows:

- Question: The audit of Boultham Park Project in part only in relation to Linkage Trust partnership agreement was difficult to assess without the fuller picture?
- Response: Officers had to be selective in their choice of Audit, the service did not have the resources to audit everything. The first audit of the Boultham Park Project concentrated on the partnership project and the second on the final account.
- Question: How long had it taken for officers to be asked to look at an audit of Western Growth Corridor? It was a longstanding project.
- Response: Officers were currently looking at governance risk in relation to the Western Growth Corridor project. Other elements would be audited during its lifespan.
- Question: Did the detailed work on Universal Credit (UC) include investigation of the problems experienced during preparatory work before it was introduced?
- Response: Auditors were looking at the impact of UC on rent payments and UC advice arrangements.
- Comment: There was a piece of work going through Housing Scrutiny Committee to allow tenants on Universal Credit moving address to have their information automatically updated on the Universal Credit system.
- Response: The Head of Shared Revenues and Benefits was looking at how to coordinate services to provide the best possible advice to customers.
- Comment: Members needed more information on the figures behind the Western Growth Corridor planning application moving forward.
- Question: Had any work been carried out in terms of Brexit on risk and the business rate base?
- Response: A report was currently being prepared on financial assumptions for the MTFS, including the business rate base. The retention of business rates had been deferred for another year which had a positive impact on the council.
- Question: Did we already use cloud services?
- Response: The 'cloud' was a term for using the internet to access systems and data stored outside an organisation's own premises. The council used some. Some local authorities were moving forward faster but there were risks involved and costs to take into account.
- Question: Why had scrutiny member training been deferred to quarter 1 2020/21?
- Response: This was purely down to a resource issue.

RESOLVED that the contents of the report and continuation of further monitoring arrangements be noted.

### **30. Audit Committee Work Programme**

RESOLVED that the work programme for 2019/20 be agreed.

**SUBJECT: EXTERNAL AUDIT – ANNUAL AUDIT LETTER**

**DIRECTORATE: CHIEF EXECUTIVE AND TOWN CLERK**

**REPORT AUTHOR: JACLYN GIBSON, CHIEF FINANCE OFFICER**

## **1. Purpose of Report**

- 1.1 To receive and comment on the Annual Audit Letter for 2018/19, attached as Appendix A.

## **2. Executive Summary**

- 2.1 The Annual Audit Letter summarises the outcome of the 2018/19 external audit of City of Lincoln Council.
- 2.2 The letter is addressed to Members, however it is also intended to communicate the key messages to external stakeholders, including members of the public and will be placed on the Council's website.
- 2.3 The annual audit itself covers the Statement of Accounts for 2018/19, the Value for Money (VFM) conclusion and other reporting responsibilities.
- 2.4 The report will be presented at the meeting by the Council's External Auditors, Mazars.

## **3. Strategic Priorities**

- 3.1 There are no direct implications for the Council's strategic priorities. The external audit of the Council's financial statements is a statutory requirement and as such contributes towards the fitness for purpose of the Council's governance arrangements.

## **4. Organisational Impacts**

- 4.1 Finance (including whole life costs where applicable)

The fee for 2018/19 was £36,332 (£47,185 in 2017/18), in addition Mazars have applied a fee variation to cover additional work required for; extended auditor reporting and requirements as a result of the Council being designated as a EU Public Interest Entity; review of actuarial impact on the pension liability arising from the McCloud and GMP legal cases; and discussion, review and testing of a prior period adjustment. These additional fees are estimated to be £6,750, bringing the total fee for 2019/19 to £43,082.

#### 4.2 Legal Implications including Procurement Rules

There are no direct legal implications. The External Auditor is required to satisfy themselves that the Council's accounts comply with statutory requirements and that proper practices have been observed in compiling them.

#### 4.3 Equality, Diversity and Human Rights

There are no equality, diversity or human rights implications arising as a direct result of this report.

### 5. Risk Implications

5.1 There are no specific risk implications arising as a direct result of this report. The Annual Audit report sets out the key risks, as identified by the External Auditor, relevant to the audit of the financial statements, the work that was carried out on those risks and their conclusions.

### 6. Recommendation

6.1 Audit Committee are asked to note and comment on the attached Annual Audit Letter.

**Is this a key decision?** No

**Do the exempt information categories apply?** No

**Does Rule 15 of the Scrutiny Procedure Rules (call-in and urgency) apply?** No

**How many appendices does the report contain?** One

**List of Background Papers:** None

**Lead Officer:** Jaclyn Gibson, Chief Finance Officer  
Telephone (01522) 873258

# Annual Audit Letter

City of Lincoln Council

Year ending 31 March 2019





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1. Executive summary
2. Audit of the financial statements
3. Value for Money conclusion
4. Other reporting responsibilities
5. Our fees
6. Forward look

Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies' issued by Public Sector Audit Appointments Ltd. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the Council and we take no responsibility to any member or officer in their individual capacity or to any third party.

Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.

# 1. EXECUTIVE SUMMARY

## Purpose of the Annual Audit Letter

Our Annual Audit Letter summarises the work we have undertaken as the auditor for City of Lincoln Council (the Council) for the year ended 31 March 2019. Although this letter is addressed to the Council, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (the NAO). The detailed sections of this letter provide details on those responsibilities, the work we have done to discharge them, and the key findings arising from our work. These are summarised below.

Area of responsibility	Summary
Audit of the financial statements	<p>Our auditor's report issued on 3 October 2019 included our opinion that the financial statements:</p> <ul style="list-style-type: none"><li>• give a true and fair view of the Council's financial position as at 31 March 2019 and of its expenditure and income for the year then ended; and</li><li>• have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19</li></ul>
Other information published alongside the audited financial statements	<p>Our auditor's report issued on 3 October 2019 included our opinion that:</p> <ul style="list-style-type: none"><li>• The other information in the Statement of Accounts is consistent with the audited financial statements.</li></ul>
Value for Money conclusion	<p>Our auditor's report concluded that we are satisfied that in all significant respects, the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.</p>
Reporting to the group auditor	<p>In line with group audit instructions issued by the NAO, on 3 October 2019 we reported to the group auditor in line with the requirements applicable to the Council's WGA return.</p>
Statutory reporting	<p>Our auditor's report confirmed that we did not use our powers under s24 of the 2014 Act to issue a report in the public interest or to make written recommendations to the Council.</p>

## 2. AUDIT OF THE FINANCIAL STATEMENTS

Opinion on the financial statements

Unqualified

### The scope of our audit and the results of our work

The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Council and whether they give a true and fair view of the Council's financial position as at 31 March 2019 and of its financial performance for the year then ended.

Our audit was conducted in accordance with the requirements of the Code of Audit Practice issued by the NAO, and International Standards on Auditing (ISAs). These require us to consider whether:

- the accounting policies are appropriate to the Council's circumstances and have been consistently applied and adequately disclosed;
- the significant accounting estimates made by management in the preparation of the financial statements are reasonable; and
- the overall presentation of the financial statements provides a true and fair view.

Our auditor's report, issued to the Council on 3 October 2019, stated that, in our view, the financial statements give a true and fair view of the Council's financial position as at 31 March 2019 and of its financial performance for the year then ended.

### Our approach to materiality

We apply the concept of materiality when planning and performing our audit, and when evaluating the effect of misstatements identified as part of our work. We consider the concept of materiality at numerous stages throughout the audit process, in particular when determining the nature, timing and extent of our audit procedures, and when evaluating the effect of uncorrected misstatements. An item is considered material if its misstatement or omission could reasonably be expected to influence the economic decisions of users of the financial statements.

Judgements about materiality are made in the light of surrounding circumstances and are affected by both qualitative and quantitative factors. As a result we have set materiality for the financial statements as a whole (financial statement materiality) and a lower level of materiality for specific items of account (specific materiality) due to the nature of these items or because they attract public interest. We also set a threshold for reporting identified misstatements to the Audit Committee. We call this our trivial threshold.

The table below provides details of the materiality levels applied in the audit of the financial statements for the year ended 31 March 2019:

Financial statement materiality	Our financial statement materiality is based on 1.5% of Gross Revenue Expenditure at a Surplus/Deficit on Provision if Services level.	£1,757,000
Trivial threshold	Our trivial threshold is based on 3% of financial statement materiality.	£53,000
Specific materiality	We have applied a lower level of materiality to the following areas of the accounts: - Officer's Emoluments - Officer's Remuneration Bandings - Members Allowances - Audit Fee	£110,000 £5,000 per individual officer £58,000 £14,000



## 2. AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

### Our response to significant risks

As part of our continuous planning procedures we considered whether there were risks of material misstatement in the Council's financial statements that required special audit consideration. We reported significant risks identified at the planning stage to the Audit Committee within our Audit Strategy Memorandum and provided details of how we responded to those risks in our Audit Completion Report. The table below outlines the identified significant risks, the work we carried out on those risks and our conclusions.

Identified significant risk	Our response	Our findings and conclusions
<p><b>Valuation of property, plant and equipment, investment properties and assets held for sale</b></p> <p>The financial statements contain material entries on the balance sheet as well as material disclosure notes in relation to the Council's holding of property, plant and equipment (PPE), investment properties and assets held for sale.</p> <p>The Council employs valuation experts to provide information on valuations, because there is a high degree of estimation uncertainty associated with the (re)valuations of PPE, investment properties and assets held for sale due to the significant judgements and number of variables involved.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>critically assessed the Council's arrangements for ensuring that PPE, investment property and assets held for sale valuations are reasonable;</li> <li>critically assessed the data provided by Gerald Eve (an expert commissioned by the NAO), as part of our challenge of the reasonableness of the valuations provided by the Council's valuers;</li> <li>consider the competence, skills and experience of the valuers and the instructions issued to the valuers; and</li> <li>where necessary, perform further audit procedures on individual assets to ensure the basis of valuations is appropriate.</li> </ul>	<p>Aside from a non-material classification error, there are no significant matters arising from our testing, and we have concluded that the Council's property, plant and equipment, investment properties and assets held for sale are materially fairly stated.</p>
<p><b>Valuation of net defined benefit liability</b></p> <p>The financial statements contain material accounting entries in respect of retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>critically evaluated the Council's arrangements (including relevant controls) for making estimates in relation to pension entries within the financial statements; and</li> <li>challenged the reasonableness of the Actuary's assumptions that underpin the relevant entries made in your financial statements, through the use of an expert commissioned by the National Audit Office.</li> </ul>	<p>We identified one non-material audit difference relating to the valuation of the liability as a result of two legal cases that impact on the Local Government Pension Scheme. Our overall conclusion was that the Council's Defined Benefit Pension Liability was materially fairly stated.</p>

## 2. AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Identified significant risk	Our response	Our findings and conclusions
<p><b>Management override of controls</b></p> <p>In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits</p>	<p>We addressed this risk through performing audit work over:</p> <ul style="list-style-type: none"> <li>• accounting estimates impacting on amounts included in the financial statements;</li> <li>• consideration of identified significant transactions outside the normal course of business; and</li> <li>• journals recorded in the general ledger and other adjustments made in preparation of the financial statements.</li> </ul>	<p>There are no significant matters arising from our work on the management override of controls.</p>
<p><b>Revenue recognition</b></p> <p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition although, based on the circumstances of each audit, this is rebuttable.</p> <p>Having considered the factors for revenue recognition and the Council's revenue streams, we have concluded that the risk lies in the year-end balance sheet and in particular the existence and accuracy of debtors, specifically those that relate to useable reserves, are material, subject to manual intervention and/or significant estimation.</p>	<p>We addressed this risk through performing audit work over:</p> <ul style="list-style-type: none"> <li>• evaluating the design and implementation of controls to mitigate the risk of material manual debtors being recognised in the wrong period;</li> <li>• testing material manual debtors to ensure that they are supported by sufficient and appropriate evidence and have been accounted for correctly;</li> <li>• testing from receipts pre and post year-end to ensure revenue has been posted to the correct period; and</li> <li>• testing material year end journals.</li> </ul>	<p>There are no significant matters arising from our work on revenue recognition.</p>
<p>This does not imply that we suspect actual or intended manipulation but that we continue to deliver our audit work with appropriate professional scepticism.</p>		

## 2. AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Identified significant risk	Our response	Our findings and conclusions
<p><b>Expenditure recognition</b></p> <p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council (FRC), which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. Again, based on the circumstances of each audit, this is rebuttable.</p> <p>Having considered the factors for expenditure recognition, we have concluded that the risk lies in the year end balance sheet and in particular the completeness and valuation of creditors, specifically those that are material, manually accrued and impact the Council's useable reserves.</p> <p>This does not imply that we suspect actual or intended manipulation but that we continue to deliver our audit work with appropriate professional scepticism.</p>	<p>We addressed this risk through performing audit work over:</p> <ul style="list-style-type: none"> <li>evaluating the design and implementation of controls to mitigate the risk of material manual accruals being recognised in the wrong period;</li> <li>testing material manual accruals to ensure that they are supported by sufficient and appropriate evidence and have been accounted for correctly;</li> <li>testing of payments around the year-end to provide assurance that there are no material unrecorded items of income and expenditure in the 2018/19 accounts; and</li> <li>testing material year end journals.</li> </ul>	<p>There are no significant matters arising from our work on expenditure recognition.</p>

## 2. AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

### Internal control recommendations

As part of our audit we considered the internal controls in place that are relevant to the preparation of the financial statements. We did this to design audit procedures that allow us to express our opinion on the financial statements, but this did not extend to us expressing an opinion on the effectiveness of internal controls. We identified the following deficiencies in internal control as part of our audit.

<b>Description of deficiency</b>	<p><u>Production of draft accounts and working papers</u></p> <p>The Council's finance team experienced turnover in several key posts during 2018/19. This resulted in a loss of detailed knowledge over particular aspects of the accounts production and ledger processes leading to increased pressure on staff time during the busy year-end period. Although the team managed to prepare a complete set of draft financial statements by the statutory deadline, which were received on 31 May 2019, these were of a standard that fell below our expectations.</p> <p>Given the pressures on staff the working papers provided in support of the financial statements were also found to be variable in quality and in some instances fell below the standard we would expect to see.</p>
<b>Potential effects</b>	<p>The presentation of imbalanced accounts and poor quality working papers can lead to inefficiencies for both the Council and auditors, as staff time is required to investigate, discuss and resolve issues and may, in certain circumstances, lead to delays in the audit timescales.</p>
<b>Recommendation</b>	<p>It is important that the Council takes the steps necessary to re-establish robust arrangements and staffing to support the 2019/20 year-end. Quality control procedures in respect of the accounts preparation process need to be strengthened and the Council, in its closedown procedures for 2019/20, should include sufficient time for a robust quality control process to be implemented.</p>
<b>Management response</b>	<p>Whilst it is acknowledged that improvements can be made for the future, the accounts were prepared using the same format and guidance as in previous years, which were deemed to be of an appropriate standard. All notes to the accounts and working papers will be reviewed for the forthcoming year end and time for quality checking will be built into the closedown timetable. It should be noted that all key positions are now filled.</p>

## 2. AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

<b>Description of deficiency</b>	<u>Incomplete Disclosures for Pension Fund Plan Assets</u> The Council relies on its actuary to provide it with the information necessary to meet CIPFA's Code of Practice disclosure requirements, including the accurate split of its pension fund plan assets into various classifications. Our audit has identified that the information provided by the actuary for this note is inaccurate and does not provide a full analysis for the Council to produce its accounts note accurately.
<b>Potential effects</b>	The Council's accounts may be materially misstated in respect of its disclosure requirements.
<b>Recommendation</b>	As part of its commissioning of actuarial services for future years the Council needs to ensure that it receives the information required for it to complete of the disclosure requirements completely and accurately.
<b>Management response</b>	In 2019/20 appropriate instructions will be given to the actuary to ensure that detailed information is provided on the split of fund assets to be included in the report provided.

<b>Description of deficiency</b>	<u>Investment Property Valuations</u> The Council is required to measure its investment properties at their fair value at the end of each reporting period. This fair value must reflect market conditions at the end of the reporting period and thus annual revaluations will be necessary unless the Council can demonstrate that the carrying value is not materially different from the fair value at that date.  Our testing has identified that the Council employs a rolling 5 year programme of valuations as at 1 April each year for its investment properties, supported by a material change review as at 31 March. This has resulted in 35 investment properties not being subject to a formal revaluation during the course of the year, and represents a departure from the stated accounting policy in respect of these assets.
<b>Potential effects</b>	The Council may not be able to demonstrate that its investment property valuations are in accordance with the requirements of CIPFA's Code of Practice.
<b>Recommendation</b>	The Council should ensure that all of its investment properties are subject to annual revaluation, ideally as at 31 March, to ensure that their fair values can be accurately determined at the end of each reporting period.
<b>Management response</b>	Instructions will be given to the valuer to ensure that all investment properties are valued on an annual basis going forward and a revised valuation date will be agreed with the valuer.

### 3. VALUE FOR MONEY CONCLUSION

Value for Money conclusion

Unqualified

#### Our approach to Value for Money

We are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our conclusion, and sets out the criterion and sub-criteria that we are required to consider.

The overall criterion is that, 'in all significant respects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.' To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:

- Informed decision making;
- Sustainable resource deployment; and
- Working with partners and other third parties.

The NAO's guidance requires us to carry out work to identify whether or not a risk to the Value for Money conclusion exists. Risk, in the context of our Value for Money work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Council being inadequate.

In our Audit Completion Report, we reported that we had identified no significant Value for Money risks and our auditor's report, issued to the Council on 3 October 2019 concluded that, in all significant respects, the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

## 4. OTHER REPORTING RESPONSIBILITIES

Exercise of statutory reporting powers	No matters to report
Completion of group audit reporting requirements	Below testing threshold
Other information published alongside the audited financial statements	Consistent

The NAO's Code of Audit Practice and the 2014 Act place wider reporting responsibilities on us, as the Council's external auditor. We set out below, the context of these reporting responsibilities and our findings for each.

### Matters on which we report by exception

The 2014 Act provides us with specific powers where matters come to our attention that, in our judgement, require reporting action to be taken. We have the power to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these statutory reporting powers.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We did not receive any such objections or questions.

### Reporting to the NAO in respect of Whole of Government Accounts consolidation data

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data. We submitted this information to the NAO on 3 October 2019.

### Other information published alongside the financial statements

The Code of Audit Practice requires us to consider whether information published alongside the financial statements is consistent with those statements and our knowledge and understanding of the Council. In our opinion, the other information in the Statement of Accounts is consistent with the audited financial statements.

## 5. OUR FEES

### Fees for work as the Council's auditor

We reported our proposed fees for the delivery of our work in the Audit Strategy Memorandum, presented to Audit Committee in March 2019.

We have completed our work for the 2018/19 financial year, but at the time of producing this report, we have not yet finalised our audit fees for the year. During 2018/19 we carried out additional audit work, resulting in proposed additional fees, in the following areas:

- Extended auditor reporting and review requirements as a result of the Council being designated as an EU Public Interest Entity - £5,000;
- Review of actuarial impact on defined benefit pension liability arising from the GMP and McCloud legal cases - £750; and
- Discussion, review and testing of the Council's prior period adjustment - £1,000

Whilst these additional fees have been approved by the Chief Finance Officer the fee variation also requires the approval of Public Sector Audit Appointments Limited, before it can be finalised.

For the 2018/19 financial year, we can confirm that our final fees are expected to be as follows:

Area of work	2018/19 proposed fee	2018/19 final fee
Delivery of audit work under the NAO Code of Audit Practice	£36,332	£43,082
Certification of Housing Benefit Subsidy Claim	£6,600	£6,600

### Fees for other work

Our assurance work on the Housing Benefit Subsidy Claim is a permitted service.

We undertook one non-audit engagement for the Council in the year relating to the Ministry of Housing Communities and Local Government's requirement for agreed upon procedures to be undertaken on the Council's 2017-2018 Pooling of Housing Capital Receipts return. Our fees for this work were £3,500.



## 6. FORWARD LOOK

### Audit Developments

#### *Code of Audit Practice*

The Code of Audit Practice sets out what local auditors of relevant local public bodies are required to do to fulfil their statutory responsibilities under the Local Audit and Accountability Act 2014. We have responded to the National Audit Office's consultation on the content of the Code (<https://www.nao.org.uk/code-audit-practice/about-code/>).

A new Code will be laid in Parliament in time for it to come in to force no later than 1 April 2020.

### Financial Resilience

#### *2019 Spending Round*

The Chancellor has announced a funding package of more than £3.5 billion for vital council services and this is the biggest year on year real terms increase in spending power for local government in a decade. This has provided councils with much of the funding certainty and stability needed for 2019/20 and will need to be incorporated into the Council's Medium Term Financial Planning processes.

Whilst the Council recognises that one of the key issues is the management of general reserves to a level that ensures it remains financially resilient and able to deliver sustainable services, it must ensure that it clarifies and quantifies how it will bridge any funding gap through planned expenditure reductions and/ or income generation schemes.

#### *Local Authority Financial Resilience Index*

CIPFA is moving forward with its financial resilience index, which it believes will be a barometer on which local authorities will be judged. We would expect the Council to have at least considered the index once it is formally released.

#### *Commercialisation*

The National Audit Office will be publishing a report on Commercialisation during 2019. Depending on the Council's appetite for Commercialisation, we would expect the Council to consider the outcome of the report and ensure any lessons learnt are incorporated into business practice.

Further, the UK Debt Management Office's Annual Report, published on 23 July 2019, reported that, as at 31 March 2019, the Public Works Loan Board's loan book was £78.3 billion with 1,308 new loans totalling £9.1 billion advanced during the year. As a result, we expect local authorities to clearly demonstrate:

- the value for money in the use of Public Works Loan Board funds to acquire commercial property; and
- the prudence of its arrangements for loan repayment through applying the updated Statutory Guidance on Minimum Revenue Provision in 2019/20, 2020/21 and beyond.

### Financial Reporting

#### *UK Local Government Annual Accounts*

The CIPFA/LASAAC Local Authority Code Board specifies the financial reporting requirements for UK local government. A consultation is underway to inform the direction and strategy for local government annual accounts. We will be submitting our response and suggest practitioners also voice their opinion.

#### *Lease accounting*

The implementation of IFRS 16 Leases in the Code is delayed until 1 April 2020. The Council will need a project plan to ensure the data analysis and evaluation of accounting entries is completed in good time to ensure any changes in both business practice and financial reporting are captured.

## 6. FORWARD LOOK (CONTINUED)

### Next year's audit and how we will work with the Council

We will focus our work on the risks that your challenges present to your financial statements and your ability to maintain proper arrangements for securing value for money.

In the coming year we will continue to support the Council by:

- continued liaison with the Council's Internal Auditors to minimise duplication of work;
- attending Audit Committee meetings and presenting an Audit Progress Report including updates on regional and national developments; and
- hosting events for staff, such as our Local Government Accounts workshop.

We will meet with the Council to identify any learning from the 2018/19 audit and will continue to share our insights from across local government and relevant knowledge from the wider public and private sector.

In terms of the technical challenges that officers face around the production of the statement of accounts, we will continue to work with them to share our knowledge of new accounting developments and we will be on hand to discuss any issues as and when they arise.

The Council has taken a positive and constructive approach to our audit and we wish to thank Members and officers for their support and co-operation during our audit.

## CONTACT

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**SUBJECT: INTERNAL AUDIT RECOMMENDATION FOLLOW UP**

**REPORT BY: JOHN SCOTT, AUDIT MANAGER**

**LEAD OFFICER: JOHN SCOTT, AUDIT MANAGER**

**1. Purpose of Report**

1.1 To present an update to Audit Committee, on outstanding recommendations and recommendations over 12 months old.

**2. Executive Summary**

2.1 This report provides members with more information on older audit recommendations with the ability at the meeting to request managers to provide further feedback.

**3. Background**

3.1 Audit recommendations are reviewed by Audit Committee with each progress report and members were concerned with the length of time some agreed actions were taking to implement. It was agreed that a separate report of recommendations older than 12 months would be provided and managers would attend for the very oldest reports.

**3.2 Audit Recommendations**

3.3 The attached Appendix (A) provides details of the relevant audits, outstanding recommendations / agreed actions and detailed current position / explanation from the service manager.

Depending on the response received Members may wish to receive further updates in future.

**4. Organisational Impacts** (nb. Finance, Legal and E & D sections below are mandatory, others to be completed only where there is an impact)

4.1 Finance (including whole life costs where applicable)

There are no direct financial implications arising as a result of this report.

4.2 Legal Implications including Procurement Rules

There are no direct legal implications arising as a result of this report.

4.3 Equality, Diversity & Human Rights (including the outcome of the EA attached, if required)

There are no direct E and D implications arising as a result of this report.

**5. Recommendation**

5.1 Audit Committee is asked to review the attached Appendix and review responses received both in writing and at the meeting.

**Key Decision** No

**Do the Exempt Information Categories Apply?** No

**Call in and Urgency:** Is the decision one to which Rule 15 of the Scrutiny Procedure Rules apply? No

**How many appendices does the report contain?** One

**List of Background Papers:**

**Lead Officer:** Audit Manager Telephone 873321



**City of Lincoln Council**  
**Appendix A**  
**Audit Recommendations**  
**December 2019**



## Recommendations Update (at September 2019)

Audit Area	Date	Assurance	No of Recs	Implemented	Outstanding (extended or overdue)	Not Yet Due	Comments / Progress since previous Committee
<b>2015/16</b>							
ICT Mobile Devices	Mar 16	Substantial	6 (1 High)	5 (1 High)	1		Extended to 31/03/2020 Officers previously attended Committee
<b>2017/18</b>							
Responsive Repairs	Jun 17	Substantial	6	5	1		Extended to March 2020 Officers previously attended Committee. Linked to software upgrade.
Boultham Park Refurbishment	Jun 17	High	2	1	1		Extended to February 2020 Officers previously attended Committee.
IT Disaster Recovery	Oct 17	Substantial	18	17	1		Due to proposed changes in infrastructure during 2019/20 and updated BCP's this will be moved to 31/03/2020. Note this is also being monitored as an AGS issue and be part of an AGS report in September.
Code of Corporate Governance	Oct 17	Substantial	6	5	1		Moved to Dec 2020 Asset management plan – delay partly due to Property Service Manager vacancy and other priorities.
IT Applications	Nov 17	Substantial	6	5	1		Extended to March 2020 Software (My info) contract/GDPR compliance Officers previously attended Committee
Audit Area	Date	Assurance	No of Recs	Implemented	Outstanding	Not Yet Due	Comments / Progress since previous Committee



					(extended or overdue)		
Tenancy Services	Jan 18	Substantial	10 (3 High)	3 (1 High)	7 (2 High)		Extended to 31 March 2020 Officers previously attended Committee. Attending again in December. See detailed report 6 are extended to March 2020 and 1 to December 2019.
HMO Licensing and Hazards	Jun 18	Limited	20 (5 High)	16 (2 High)	4 (3 High)		Audit Extended Follow up completed Actions extended to March 20
Housing Investment	Jun 18	Substantial	23 (4 High)	21 (4 High)	2		Actions nearing completion. 31/3/2020 See detailed report Officer will attend if necessary March/April 2020
<b>2018/19</b>							
Risk Management	Jul 18	Substantial	8	7	1		Extended March 2020 Linked to current work on partnerships 2e. Following completion of the Partnership register the BM&TL will undertake periodic reviews of the register to ensure (where appropriate) that risk registers are completed and reviewed on regular basis.
Commercialisation	Oct 18	Substantial	4 (1 High)	1 (1 High)	3		Extended to March 2020

							<p>1a Develop a high level strategy to provide a standard definition of commercialisation and support implementation across the Council</p> <p>1c. Organisational Development linked through inclusion of skills and competencies in the strategy</p> <p>1d. Strategy will be communicated and reinforced through the TFS programme</p>
IT Applications	Oct 18	Limited	8 (2 High)	1 (1 High)	7 (1 High)		<p>High - System administrator guidance. Draft prepared - to link into new security policies. Working to March 2020</p> <p>Other IT actions have been followed up in July (IA) and further follow up will take place December. Good progress in general.</p>
Malware / Anti-virus	Nov 18	Substantial	9 (5 High)	6 (3 High)	3 (2 High)		<p>A) Appropriate user training around IT security (including Malware) will be developed for induction and an annual update for all users. Some technical issues working to March 2020</p> <p>C) Removable media/ devices on Council hardware, device control software. Subject to review of removable media requirements and working to February 2020</p> <p>G) To ensure IT policies and guidance/procedures (sitting below the main IT security policy) are</p>

							appropriate and up to date officers will carry out a full review as some are overdue for review. Officers will also consider following a standard policy structure (e.g. ITIL). Policies now in draft and currently being reviewed – working to March 2020
Transport Hub	Dec 18	Substantial	2	1	1		Post implementation review  Working to Dec 19. – follows DFT monitoring and evaluation submission
Fees & Charges	Apr 19	Substantial	3			3	The template will be updated to reflect strategic priorities, when issued staff will be reminded to use the template for both new & revised fees.  Extended to 31/3/2020
Information management	June 19	Substantial	16 (3 High)	14(2 High)	2		Extended. DP training will be completed by March 2020 (High)  Assist IAOs to review access to their network drives March 2020
Procurement OJEU & Framework	July 19	Substantial	4	3	1		Ensure that the LPMM Checklist A and the PIR checklist include a prompt / requirement for 'lodging contracts with Legal'  End February 2020

Boultham Park	July 19	Substantial	2	1		1	<ul style="list-style-type: none"> <li>• Submission of the final account to HLF and claim for financial reimbursement – <i>some works still outstanding - final claim to follow</i></li> <li>• Approval of the draft project evaluation; <i>was revised and reissued. We're awaiting NLHF feedback and final sign off.</i></li> <li>• Award of green flag status - <i>completed</i></li> <li>• Sharing of information by partners of contract documentation – <i>some completed / will be completed post project</i></li> </ul> <p><i>Extended date 31/3/20</i></p>

## Officers attending

### Recommendations over 2 years old

Ref	Dir	Assist Dir	Audit	Revised Due Date	Agreed Action & Priority	Status	Service Manager comments
1	CX	CFO	Code of Corporate Governance	31/12/2019	Consider the need for a detailed Asset management Plan in light of the other investment and asset rationalization strategies (for example the commercial property investment strategy)	Extended	Moved to Dec 2020  Partly due to Property Service Manager vacancy and other priorities.
2	CX	BDIT	ICT Mobile devices	31/3/2020	Identify (mobile) IT assets not connected to network	Extended	New asset management software being installed
3	DHI	AD	Responsive Repairs	31/03/2020	Identify if current hand held devices used by operatives can take and submit photographs for each repair	Extended	Extended to March 2020 Officers previously attended Committee. Linked to software upgrade.
4	DCE	ADCSS	Boultham Park Refurbishment	28/02/2020	Revisions to Partnership Agreement with Linkage to be agreed by both parties and board and signed.	Extended	Extended to February 2020 Officers previously attended Committee.
5	CX	CFO	IT Disaster Recovery	31/03/2020	Ensure that the next BCP desktop exercise includes the IT DR plan	Extended	Due to proposed changes in infrastructure during 2019/20 and updated BCP's this will be moved to 31/03/2020. Note this is also being monitored as an AGS issue and be part of the AGS update report
7	DHI	BDIT	IT Applications	31/03/2020	Software (My info) contract/GDPR compliance		Extended to March 2020 Officers previously attended Committee

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## Recommendations over 1 year old

Ref	Dir	Assist Dir	Audit	Revised Due Date	Agreed Action & Priority	Status	Service Manager comments
1	DCE	AD-HES	HMO Licensing and Hazards	31/03/2020	<p>Work will be undertaken with the system administrator to reconfigure the IT system so that different codes can be used to record the hazard and category. This will enable monitoring and reporting to be undertaken.</p> <p>The original service request will be used and closed dates will be recorded</p>	Extended	<p>29 hazard codes have been created and are now being used within APP. Codes are used for Housing Standards Part 1 of Housing Act 2004. HMO's are inspected under Part 2 of the Housing Act 2004 and have additional requirements to Part 1 above.</p> <p>Within APP the coding structure is such that the scheduled date will record the date the Category 1 hazard was identified and the completed date will record the date that the Category 1 hazard was removed.</p> <p>These codes will be used as part of the private housing performance management framework.</p> <p>Testing shows some non-compliance with procedures – to address.</p>
2	DCE	AD-HES	HMO Licensing and Hazards	31/03/2020	Consider automating the process to report on and monitor conditions	Extended	Testing shows some non-compliance with procedures. To address. Status amended to Extended with a target date of March 20
3	DCE	AD-HES	HMO Licensing and Hazards	31/03/2020	Look into using the APP system to produce reports	Extended	Testing shows some non-compliance with procedures. To address. All APP

					on gas certificates due / overdue		data will be migrated to Verso and a new version of Verso (Jan 20) will automate this process. Status amended to Extended with a target date of March 2020
4	DCE	AD-HES	HMO Licensing and Hazards	31/03/2020	Remind staff of the need to ensure that the process for monitoring and reminding of licences expiring operates consistently.	Extended	Testing shows some non-compliance with procedures. To address. Status amended to Extended with a target date of March 20
5	DHI	AD-HIS	Housing Investment	31/03/2020	Add timescales to the existing Pro-contract programme milestones (Medium)	In progress	In progress -the software is being used but could be further utilised hence the work around additional milestones which will be set and delivered over the next few months. Project will be led by the Investment Team Leader.
6	DHI	AD-HIS	Housing Investment	31/03/2020	Review contractor cost data at least annually to identify any potential duplicates(Medium)	In progress	Previous reviews have taken place. Staff have the relevant data but require further training and support and this needs to be scheduled.
7	DHI	ADH	Tenancy Services	31/03/2020	Consider a permanent transfer of the voids team (or part of the voids team) to tenancy services which will provide a more coordinated approach	Extended	Options being considered. Extended to 31/3/2020
8	DHI	ADH	Tenancy Services	31/03/2020	Pre-tenancy process developed to make sure up front work smooths sustainability of the tenancy	Extended	Business case completed. Pre tenancy mapping underway.  Extend to March 2020

9	DHI	ADH	Tenancy Services	31/03/2018	Staff to log out of APP once information has been obtained	Completed	Communicated to staff, now working
10	DHI	ADH	Tenancy Services	31/03/2020	Look at general procedures and continue to review and update	Completed	Implemented new UC procedure for new tenants.  Ongoing reviews
11	DHI	ADH	Tenancy Services	31/03/2020	Service Standards which identify what the tenant can expect were produced in 2013, these also require review. The Resident Involvement Manager has been tasked with this review.	Extended	Awaiting update The Resident Involvement Manager
12	DHI	ADH	Tenancy Services	31/12/2019	Photographic ID evidence to be stored on workflow so that it can be checked when tenant is seen	Extended	Looking to have something in place by December 2019
13	DHI	ADH	Tenancy Services	31/12/2019	Once the photographic evidence process is put in place the Voids & Housing Officers will check ID at sign up and the 3 week visit	Extended	Looking to have something in place by December 2019
14	DHI	ADH	Tenancy Services	31/03/2020	Tenancy Fraud Risk Assessment to be undertaken in conjunction with the Housing Business Support Manager	Extended	Waiting until current tenancy fraud (tenancy verification match) is further completed to help inform the risk assessment. Moved to 31/03/2020. There is currently a summary risk assessment within the corporate fraud risk register
15	DHI	ADH	Tenancy Services	31/03/2020	Undertake pro-active counter fraud work	Extended	Data matching completed and work started on the matches.



16	DHI	ADH	Tenancy Services	31/03/2020	Update the fraud policy and strategy and train as required	Extended	Waiting until current tenancy fraud (tenancy verification match) is further completed to help inform the policy and strategy. Moved to 31/03/2020.
17	DHI	ADH	Tenancy Services		Tenancy Services Manager to consider annual tenancy inspections	Deferred	This is something that has been considered but there are other risks where resources need to be prioritized so for the moment.
18	CX	CFO	Risk Management	31/3/2020	Ensure (where appropriate) that risk registers are completed and reviewed on regular basis. Key partnerships	Extended	Extended March 2020 Linked to current work on partnerships 2e. Following completion of the Partnership register the BM&TL will undertake periodic reviews of the register to ensure (where appropriate) that risk registers are completed and reviewed on regular basis.
19	CX	CFO	Commercialisation	31/3/2020	1a Develop a high level strategy to provide a standard definition of commercialisation and support implementation across the Council  1c. Organisational Development linked through inclusion of skills and competencies in the strategy  1d. Strategy will be communicated and reinforced through the TFS programme	Extended	Extended to March 2020

20	ALL	BDIT ALL	IT Applications	31/3/2020	System administrator guidance  Specific actions linked to applications	Extended	High - System administrator guidance. Draft prepared - to link into new security policies. Working to March 2020  Other IT actions have been followed up in July (IA) and further follow up will take place December. Good progress in general.
21	DHI	BDIT	Malware / Anti-virus	31/3/2020	A) Appropriate user training around IT security (including Malware) will be developed for induction and an annual update for all users.  C) Removable media/ devices on Council hardware, device control software.  G) To ensure IT policies and guidance/procedures (sitting below the main IT security policy) are appropriate and up to date officers will carry out a full review as some are overdue for review. Officers will also consider following a standard policy structure (e.g. ITIL).	Extended	A) Some technical issues - working to March 2020  C) Subject to review of removable media requirements and working to December 19  G) Policies now in draft and currently being reviewed – working to March 2020 or before.



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<b>SUBJECT:</b>	<b>ANNUAL GOVERNANCE STATEMENT MONITORING</b>
<b>REPORT BY:</b>	<b>CHIEF EXECUTIVE AND TOWN CLERK</b>
<b>LEAD OFFICER:</b>	<b>PAT JUKES, BUSINESS MANAGER, CORPORATE POLICY</b>

**1. Purpose of Report**

1.1 To present a progress update on the area identified as a ‘significant governance issue’ as set out in the 2018/19 Annual Governance Statement (AGS).

**2. Executive Summary**

2.1 The Audit Committee has a role to review the Council’s governance arrangements including the production of the Annual Governance Statement.

This report provides details of the monitoring arrangements for the significant internal control issue raised in the latest AGS.

**3. Background**

**3.1 Monitoring of the 2018/19 AGS Issue**

The updates on the significant issue identified within the 2018/19 AGS are included within **Appendix A**

This is monitored by the Service Manager’s Group and overseen by Corporate Leadership Team as well as monitored at the Audit Committee.

**4. Summary of Findings**

There is now just one significant issue remaining – which is considered, by the responsible officer to be red.

*“The IT Disaster Recovery plan is not sufficiently aligned with the Business Continuity plans that are currently in place for restoring key services, in terms of IT needs”*

A plan of action to cover this issue has been agreed between the Emergency Plan Manager (LCC Emergency Planning Officer), the Business Continuity Manager (Chief Finance Officer) and the IT Service Manager (Business Development and IT Manager). Key actions to date:

- The first stage to review the schedules within the current Business

Continuity Plans to ensure they are still relevant has now been completed.

- Currently an exercise reviewing the critical services is underway – the completion date has been extended to February 2020 as there are still some results awaited.
- A procurement exercise has been completed on reviewing and updating the IT infrastructure, which will enhance Disaster Recovery significantly once the solution is implemented in 2020. We are currently working with the supplier to develop an installation plan
- As part of the investigative work for the new infrastructure – it has been established that there is currently insufficient power available at Hamilton House (back up site) to implement the new infrastructure fully. Officers are currently developing actions to mitigate and establish whether there is any risk of additional costs as a result.

The full review of the IT DR plan will commence once the new infrastructure is in place.

## **5. Strategic Priorities**

This report does not focus specifically on any of the four Vision 2020 priorities, but does contribute significantly towards the High Performing Services aspect which underpins these aspirations.

## **6. Organisational Impacts**

### **6.1 Finance (including whole life costs where applicable)**

There are no direct financial implications arising as a result of this report.

### **6.2 Legal Implications including Procurement Rules**

There are no direct legal implications arising as a result of this report.

### **6.3 Equality, Diversity & Human Rights**

The Public Sector Equality Duty means that the Council must consider all individuals when carrying out their day-to-day work, in shaping policy, delivering services and in relation to their own employees.

It requires that public bodies have due regard to the need to:

- Eliminate discrimination
- Advance equality of opportunity
- Foster good relations between different people when carrying out their activities

There are no direct Equality and Diversity implications arising as a result of this report.

## 7. Risk Implications

- 7.1 (i) Options Explored - n/a
- (ii) Key risks associated with the preferred approach n/a

## 8 Recommendation

8.1 Audit Committee is asked to note the report and consider whether any of the following options are relevant :-

- Report and make recommendations to the Executive if appropriate.
- Refer any matter under review they feel appropriate to the relevant Portfolio Holder, Scrutiny Chair or Committee.
- Accept the report and continue to monitor arrangements.

<b>Key Decision</b>	No
<b>Do the Exempt Information Categories Apply?</b>	No
<b>Call in and Urgency:</b> Is the decision one to which Rule 15 of the Scrutiny Procedure Rules apply?	No
<b>How many appendices does the report contain?</b>	One
<b>List of Background Papers:</b>	None

**Lead Officer:** Pat Jukes, Business Manager, Corporate Policy  
Ext 3657

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**Quarterly summary of progress with AGS risk action  
To Audit Committee: 17<sup>th</sup> December 2019**


**Significant current issues from 2017/18 to focus on in 2018/19.**

The risk actions below were identified in the 2018/19 AGS review. Progress will continue to be made in 2019/20, monitored and driven forward by the Service Managers Group and reported to Audit Committee quarterly.

Please note that as part of the last AGS it was determined that:

- Information Management – progress towards delivering compliance to GDPR has been deemed sufficiently progressed enough to remove

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	What actions will be taken over the coming months	What progress have we made against each action	RAG Status
<p><b>The Disaster Recovery plan in place for IT arrangements</b></p> <p><b>Matt Smith Jaclyn Gibson</b></p>	<p><i>The IT Disaster Recovery plan is not sufficiently aligned with the Business Continuity plans that are currently in place for restoring key services, in terms of IT needs</i></p> <p>Actions agreed:</p> <ol style="list-style-type: none"> <li>1. The EP &amp; BC Officer is to review current schedules with the Service Managers – <b>June 2019</b></li> <li>2. BC group to re-assess which services are defined as “critical Services” – <b>September 2019</b></li> <li>3. Significant investment in the IT infrastructure to be approved by Exec to upgrade live and DR sites – <b>December 2019</b></li> <li>4. Review of the IT DR plan to be completed by <b>June 2020</b></li> <li>5. Alignment between the new ITDR and BC recovery plans to be implemented by <b>October 2020</b></li> </ol>	<ol style="list-style-type: none"> <li>1. Desktop review of current BCP’s completed.</li> <li>2. Review of critical services has commenced, still awaiting completion of assessments from all service areas (a number are still outstanding) – estimated completion date is now <b>February 2020</b>.</li> <li>3. Procurement exercise now complete. Will enhance DR significantly once solution is implemented. Working with supplier on installation and migration</li> </ol> <p>As part of the investigative work for the new infrastructure – it has been established that there is currently insufficient power available at Hamilton House (back up site) to implement the new infrastructure. Officers are currently developing actions to mitigate and establish whether there is any risk of additional costs as a result.</p>	

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**SUBJECT: INTERNAL AUDIT PROGRESS REPORT**

**REPORT BY: JOHN SCOTT, AUDIT MANAGER**

**LEAD OFFICER: JOHN SCOTT, AUDIT MANAGER**

## **1. Purpose of Report**

- 1.1 To present the Internal Audit Progress Report to Audit Committee, incorporating the overall position reached so far, and summaries of the outcomes of audits completed during the period.

## **2. Executive Summary**

- 2.1 The report highlights progress against the audit plan.

## **3. Background**

- 3.1 A key requirement of public sector internal audit standards is that Internal Audit should report progress periodically to those charged with governance. The Audit Committee has within its terms of reference the responsibility for receiving a regular progress report from Internal Audit on the delivery of the Internal Audit Plan. The latest progress report for 2019-20 is attached as the appendix to this report.

### **3.2 Internal Audit Progress Report**

- 3.3 The Internal Audit progress report attached (Appendix A) covers the following areas :-
- Progress against the plan
  - Summary of Audit work
  - Implementation of Audit recommendations
  - Current areas of interest relevant to the Audit Committee

## **4. Organisational Impacts** (nb. Finance, Legal and E & D sections below are mandatory, others to be completed only where there is an impact)

### **4.1 Finance** (including whole life costs where applicable)

There are no direct financial implications arising as a result of this report.

### **4.2 Legal Implications** including Procurement Rules

There are no direct legal implications arising as a result of this report.

4.3 Equality, Diversity & Human Rights (including the outcome of the EA attached, if required)

There are no direct E and D implications arising as a result of this report.

## 5. Recommendation

5.1 Audit Committee is asked to note the content of the latest Internal Audit Progress Report for 2019-20 and consider whether any of the following options are relevant:

- Report and make recommendations to the Executive if they feel it appropriate.
- Refer any matter under review they feel appropriate to the relevant Portfolio Holder, Scrutiny Chair or Committee.
- Seek responses from Officers on matters arising (written or verbal) to be submitted to the next Audit Committee on any of the issues raised within this report or associated Appendices. Members may further wish to request the presence of the relevant Managers at the meeting to explain performance / specific issues.
- Accept the report and continue to monitor arrangements.

**Key Decision**

No

**Do the Exempt Information Categories Apply?**

No

±

**Call in and Urgency:** Is the decision one to which Rule 15 of the Scrutiny Procedure Rules apply?

No

**How many appendices does the report contain?**

One

**List of Background Papers:**

**Lead Officer:**

Audit Manager Telephone 873321

# Internal Audit Progress Report



## City of Lincoln Council December 2019

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## Internal Audit work completed

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- 1 Limited Assurance Reports
  - 2 Assurance Definitions
  - 3 Audit Recommendations
  - 4 2019/20 Audit Plan to Date

**John Scott** - Audit Manager (Head of Internal Audit)  
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**Paul Berry** – Principal Auditor  
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This report has been prepared solely for the use of Members and Management of Boston Borough 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.

# Introduction

The purpose of this report is to:

- Provide details of the audit work during the period September to November
- Advise on progress with the 2019/20 plan
- Raise any other matters that may be relevant to the Audit Committee role

## Key Messages

During the period we have finalised three consultancy pieces of work;

- Fire Safety
- Values & Behaviours
- Healthcheck against Northamptonshire County Council failings

Audit Plan progress is at 53%, against a target of 66%.

## Assurances

No assurance work has been finalised in this period.

Note: The assurance expressed is at the time of issue of the report but before the full implementation of the agreed management action plan. The definitions for each level are shown in Appendix 1.



# Consultancy

## Fire Risk

Our report and agreed actions on High Rise accommodation have fed into a wider corporate action plan addressing the key points from the Hackitt report and external fire risk assessments.

Good progress is being made and Corporate Health and Safety are maintaining an overview of this progress.

Further details will be provided at the next meeting.

We undertook a review on values and behaviours. The Executive and Corporate Management Team have prime responsibility for establishing the governance framework and for defining and analysing organisational culture by promoting good core values and behaviours. Specifically, we focussed on five 'strands' that support effective values & behaviours, namely:

- Leadership & Management
- People
- Culture Values & Consistency
- Processes and procedures
- Assurance and accountability

Under each strand are a range of good practice measures and each has been assessed for existing and any developing processes. Overall we found that the Council performed well against the strands. We found many examples of good practice including an established set of core values, strategic plan training, up to date codes of conduct & induction for members and staff and updated staff appraisal process linked to core values and behaviours, a successful health & wellbeing programme for staff, whistleblowing and anti-fraud & corruption policies, protocol on member/officer relations. Agreed actions to further enhance values and behaviours are included below:

### Leadership and Management

- Behaviours to support the core values are contained in the code of conduct but a new draft staff charter (the Lincoln Way) sets out overall expectation of behaviours for employees and managers which is now part of remit of the One Council Organisational Development pillar. This charter will support managers and employees to take a more effective approach to performance and behaviours. These expectations relate to mutual respect, training and regular one to one meetings.

## Values & Behaviours



# Consultancy

## Values & Behaviours

### People

- Further development and communication of core values and conduct - effectively what this means in practice and examples of the types of behaviour expected is planned through the staff charter/Lincoln Way. The employee engagement strategy will also support ongoing engagement.
- A staff survey was previously undertaken in 2017 and in 2019/20 there will be feedback/consultation on “where the organisation is now” linked to the new “Lincoln Way” and points from the values and behaviours review will also inform. The arrangements for any future staff surveys will be considered as part of the engagement action plan once the “Organisational Development” pillar work is concluded.
- As part of leadership development managers (through a new “Lincoln Leader” model) will be given further training on dealing with /managing poor behaviours

### Culture, Values and Consistency

- This commitment will be further enhanced through the roll out of the Staff Charter/Lincoln Way which will demonstrate a commitment to compliance. This will cascade down through recruitment, appraisals and leadership training.

### Processes and Procedures

- The Council has got clear policies and procedures for standards of conduct. Ensuring appropriate access to these through City People (intranet) and Net Consent (policy/guidance repository) will help further and a review of these systems is currently underway to ensure there is no duplication and access is straightforward.
- Further promotion/communication to employees that the whistleblowing policy is not just about reporting fraud will help embed this policy alongside disciplinary, dignity at work and grievance policies.
- The Monitoring Officer will review and enhance existing guidance around gifts and hospitality. There will be specific ongoing communication on the importance of declaring gifts and hospitality and interests and an increase in review frequency by the Monitoring Officer and CX.

### Assurance and Accountability

- Some aspects around culture, core values and behaviours are still developing and this includes assurance mechanisms linked to the Staff Charter/Lincoln Way.

# Consultancy

## Background

In March 2018 a Best Value (BV) Inspection report was issued concerning the financial issues that had affected Northamptonshire County Council (NCC).

Although the issues were as a result of budget pressures in services which District Councils do not provide (Adult Social Care and Children, Families & Education) there are still lessons to be learned about how the issues were handled.

In conjunction with Assurance Lincolnshire colleagues at the County Council we have turned the findings of the Best Value Inspection into a healthcheck, which we have used to highlight if there are any areas missing from the Council's Combined Assurance Map and whether they have been recently reviewed.

Following the issue at NCC other Local Authorities have also experienced severe financial difficulties. Birmingham City Council were issued with a Section 24 notice by their External Auditor, acting as a warning shot to get its finances in order, and seen by many as a precursor to a Section 114 notice. In addition a number of other authorities, primarily upper tier at this stage, announced that they were stripping back services to statutory services only in response to increasing service demands and funding reductions.

## NCC Best Value Inspection findings

The BV Inspection reviewed the period 2013/14 -2017/18 and found that there were plenty of warning signs which NCC did not act on;

- an inadequate Ofsted report in August 2013
- adverse External Audit VFM opinions in 2015/16 and 2016/17
- the findings of an LGA Finance Peer Review in September 2017
- a Section 114 notice by the Council's S151 officer in February 2018
- a KPMG Advisory Notice on the Budget in February 2018

The Inspection identified a number of causes of failure;

- Budget setting & monitoring;
  - Weak budgetary control
  - No strong & effective scrutiny of budget setting
  - Did not address regular budget overspends
  - Lack of accurate financial data (Adult Services)
  - Forecasting of demographic growth was very basic

Healthcheck  
against  
Northants  
County  
Council  
failings

# Consultancy

## Healthcheck against Northants County Council failings

- Lack of understanding of the difference between a budget pressure (that needs to be managed), contingency sums, spending where there is a choice and what is truly inescapable
- Took until 2018 to introduce appropriate advice in setting & managing budgets and the necessary control mechanisms to ensure compliance with the law and best practice
- Use of one-off resources
  - Made extensive use of one-off resources to support its on-going revenue expenditure, primarily reserves
- Savings delivery / Transformation
  - Fell well short on delivering its planned savings
  - No business plan and no clear link to the MTFS
  - Used capital receipts to fund transformation
  - No specific (project by project) transformation plan approved – this is non-compliance with Statutory Guidance, which puts in doubt the use of capital receipts for this purpose
  - No reports on the outcomes of transformation work (first one went to Cabinet in March 2018)
- Structure / Culture;
  - Silo working
  - poor internal communication
  - lack of working together on common objectives
- Goals & outcomes;
  - Ambitious goals, lack of measurable outcomes and unclear how the approved budget will support these goals (Children's Services)
- Skills;
  - Lack of commissioning expertise
- Scrutiny;
  - Lack of effective scrutiny by Scrutiny committees
  - Lack of effective scrutiny by Audit committee
  - Challenge and criticism was discouraged
  - Refusing to provide information to councillors when requested
  - No action (by Cabinet / Council) on the adverse VFM opinions in either ISA 260 reports after consideration by Audit committee
  - No strategic action (by Cabinet / Council) on the LGA report after consideration by Audit committee
- Risk management;
  - Poor risk management at the Council & Audit committee unable to get it taken seriously

# Consultancy

- Internal Audit - Lack of flexibility in internal audit due to the way it is provided
- Complaints - Poor approach to complaint handling, learning from mistakes and remedying injustice

## COLC Healthcheck findings

The healthcheck looked at the areas of failure at NCC and considered if they were in the 2019 Combined Assurance Map for COLC and when they were last examined.

Cause of Failure (at NCC)	In COLC Assurance Map	Management Assurance (2019)	Audit Coverage
Governance	Yes	Green	Within last 3 years
Budget setting (MTFS)	Yes	Amber	None in last 5 years
Budget monitoring	Yes	Green	Within last 3 years
Transformation	Yes	Amber	Within last 3 years
Scrutiny	Yes	Green	None, but in 20/21 Plan
Risk Management	Yes	Green	Within last 3 years
Complaints	Yes	Green	None in last 5 years, but annual report to Audit cttee
Procurement	Yes	Green	Within last 3 years
Values & Behaviour	Yes	Amber	Audit in 19/20
Performance management	Yes	Green	Within last 3 years and in 19/20 Plan

## Healthcheck against Northants County Council failings

# Consultancy

## Summary and Way forward

All of the causes of failure at NCC are in the Assurance Map for COLC and have a Green or Amber assurance.

The majority of the causes of failure at NCC have been subject to audit at COLC within the last three years. There are three areas that have not had any audit coverage in the last five years; Budget setting / Medium Term Financial Strategy, Complaints and Scrutiny.

Scrutiny was in the 19/20 Plan but has been moved into 20/21 and the other two will be considered for audit in 2020/21.

CIPFA have recently produced a Financial Management Code and a Financial Resilience Index and these would be included in the Budget setting/MTFS review.

An update on the Financial Management Code and a Financial Resilience Index will be provided by the Chief Finance Officer at the February 2020 meeting.

- The CIPFA Financial Management Code (CIPFA FM Code) is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. The CIPFA FM Code therefore sets the standards of financial management for local authorities.
- CIPFA's Resilience Index, released to finance directors of English councils in December 2018, is a tool that enables authorities to view their positions, relative to others, on a range of measures linked to financial risk.
- The latest version of the Index follows a consultation which received over 180 responses and will be made publicly available online in December 2019.

Internal Audit will continue to review the frequency at which the key areas are audited to ensure that it is appropriate.

The healthcheck areas are indicators of good governance but a positive assessment does not guarantee that the Council will not have any financial issues in the future.

## Healthcheck against Northants County Council failings

## **Election Expenses**

The claim for the European elections held in May has been checked and no issues were found.

## **Partnership Governance**

Internal Audit have worked with officers to review Partnership guidance. Assistant Director Group and Service Managers will now review and update the Partnership Register with the aim of identifying the key partnerships so that they can be assessed at the end of the year. The results will be included in an annual Partnership assurance report which will be presented to this Committee.

## **HMO Licensing Follow up**

A 2017/18 HMO Licensing audit gave Limited assurance and made 13 recommendations (5 High & 8 Medium).

We have undertaken a detailed follow up (including testing) and found that;

- 9 recommendations (2 High & 7 Medium) have been fully implemented
- 4 recommendations (3 High & 1 Medium) require some further action to ensure that procedures are being consistently applied

We are happy with the progress that has been made – the further action required is not significant. The target date for these actions will be set at March 2020, at which time management will be asked to confirm if they are complete.

Management response from the Environmental Health & Corporate Safety Manager;

*Following the HMO audit the private sector housing team have worked together to successfully implement many of the audit recommendations which has significantly improved how we manage and monitor licenced HMO's in the City. There are some further improvements to the operational procedures that we are aware of and we will look to complete these in the next few months, however, none of the improvements identified are a risk to the licencing framework.*

## **Project Management**

Our draft report has fed into a current post implementation review (PIR) of the Lincoln Project Management Model (LPMM) due to report January / February 2020.

Further details will be provided at the next meeting.

---

## **Audit reports at draft stage**

There are three audit reports at draft report stage;

- Housing Rents – with management for approval
- Recruitment – with management for approval
- Project Management

## **Work in Progress**

The following audit's are in progress;

- Payroll
- Licensing
- Treasury Management
- ICT Anti-Malware arrangements
- Sports Pitches improvements
- Homelessness
- Efficiency Savings
- Western Growth

## **Quarter 4 Audits**

- Economic Development/Growth
- Performance management (AL)
- Website security/Office 365 projects
- IT Combined Assurance – ISO27001
- Governance / Risk management
- Refuse contract
- De Wint Court contract / project management

## **Other work Q3/Q4**

- Combined Assurance
- Audit strategy and plan 2020/21

## **Counter Fraud**

- Risk register update (December)
- Policy review (Bribery/Whistleblowing) (December)
- NFI completion - Ongoing
- Tenancy fraud - Ongoing
- Counter fraud training - December
- Fraud Health check – Quarter 4
- Money Laundering risk assessment - Ongoing
- Identity fraud – Quarter 4
- Friends against scams - Ongoing



## Changes to the Audit Plan

Following discussions with the Chief Executive and Chief Finance Officer two audits in the Plan are being removed;

- Housing Repairs (10) - focussing on the interaction between the maintenance and investment teams. The Assistant Director Investment is undertaking some work on this over the next 18 months so the audit will be postponed until 21/22.
- Housing Allocations (5) - focussing on the New Build allocations process. This piece of work was requested by the CX but since then a Post Implementation Review report has been produced which has covered everything

Community Safety audit. The scope was originally City Centre intervention, safeguarding and licensing but following discussion with officers the audit focus was agreed as licensing only (with safeguarding aspects) .





# Benchmarking



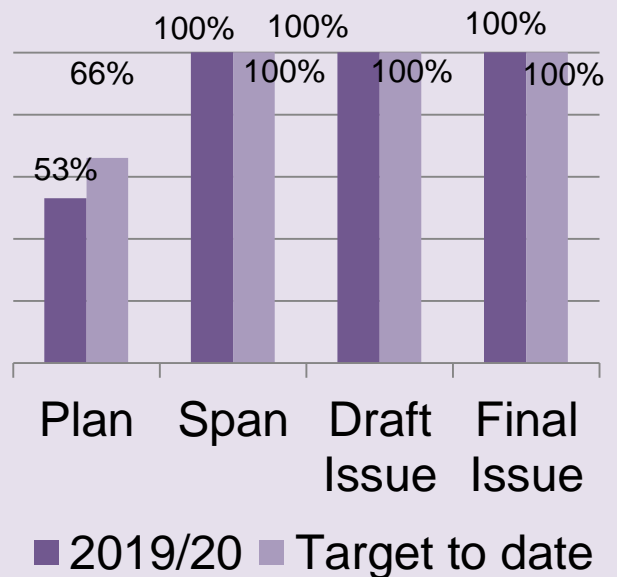
Internal Audit's performance is measured against a range of indicators. The statistics below show our performance on key indicators year to date.

## Performance on Key Indicators

# 100%

Rated our service Good to Excellent

# Good achievement of Audit KPI's to date



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## Lincolnshire Audit Committee Forum

A Lincolnshire Audit Committee forum took place on 1<sup>st</sup> October.

Agenda items were;

- Cyber Psychology / Security (Information Governance Officer, LCC)
- Audit Update (Chief Executive, Public Sector Audit Appointments)
- Risk in focus – Horizon scanning (Manager, Mazars)
- Assessment on Risk Register and Annual Governance Statements (Head of Internal Audit, LCC)
- View from the Chair (Chair of the Joint Independent Audit Committee, Lincolnshire Police & Crime Commissioner)

The presentations were emailed to members after the meeting.

### **Audit Committee Forum - Public Sector Audit Appointments update**

No opinion at 31 July in 214 out of 497 local government bodies.

Three main reasons;

- Technical issues not resolved
- Audit resources shortfall
- Issues with accounts and working papers.....

Additionally, group issues is an emerging issue.

Need to complete them as soon as possible & plan for 19/20

Draft new NAO Code of Audit Practice: Move to VFM arrangements commentary. Commentary aims to make better use of the work auditors already do and change the focus of how they report their findings to help bodies understand what they need to do.

Commentary to cover three areas

- Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services
- Governance: how the body ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers its services

There are none.

---

**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.

See separate report

Audit	Scope of Work	Start Planned date	Start Actual date	End Actual date	Status/ Rating
<b>Chief Executive – Critical Activities</b>					
Recruitment	Internal promotions and external recruitment	Q1	June		In progress
Treasury Management	Investments & borrowing	Q2	Nov		In progress
Efficiency Savings	Programme & project arrangements	Q4			Prepared
Payroll	Risk Based Audit	Q3	Nov		In progress
Scrutiny	Scrutiny committee operation & Member training	N/A			Deferred Q1 20/21
Apprentice scheme	Financial arrangements	N/A			Deferred Q1 20/21
<b>Housing &amp; Regeneration – Critical Activities</b>					
Housing ASB	Advice work – budgets	Q1	April	June	Completed
Rental income	Risk Based Audit, to include Universal Credit impacts	Q2	July	Nov	Draft report
Housing Allocations	New Build allocations process	Q2			PIR done – no longer required
Housing Repairs	Interaction between reactive repairs & planned maintenance	N/A			Deferred 21/22
Homelessness	Implementation of the Homeless Reduction Act	Q3			In progress
Housing Strategy	Implementation of the Housing Strategy including links with Major Development	N/A			Deferred Q1 20/21
Housing Allocations	Accuracy and processing arrangements on the new IT system	Q4			

Audit	Scope of Work	Start Planned date	Start Actual date	End Actual date	Status/ Rating
<b>Communities &amp; Environment – Critical Activities</b>					
Sport & Leisure pitches	Contract and operation review	Q2-3	June		In progress
Private Sector Housing follow up	Follow up of 17/18 HMO audit plus Private Sector Housing in general	Q2	Oct	Nov	Completed
Community Safety	Licensing	Q2-3	Oct		In progress
Performance management	Operation of the new PM system	Q4			
<b>Major Developments – Critical Activities</b>					
Growth & Regeneration	Strategies, investment, partnerships, infrastructure	Q4			Prepared
<b>Financial &amp; Governance</b>					
Counter Fraud	Fraud Strategy actions	Q1-4			In progress
Counter Fraud	Tenancy Fraud data matching	Q1-4			In progress
Counter Fraud	NFI data matching	Q1-4			In progress
Counter Fraud	Friends against Scams	Q1-2			In progress
Counter Fraud	Fraud Training	Q1-2			In progress
Counter Fraud	Identity fraud	Q2			In progress
Welfare Reform	UC rollout and Welfare Advice	N/A			Deferred Q1 20/21
Counter Fraud	Fraud risk register update	Q3			In progress
Counter Fraud	Counter Fraud healthcheck	Q3-4			
Counter Fraud	Money Laundering risk 71 assessment	Q3-4			

Audit	Scope of Work	Start Planned date	Start Actual date	End Actual date	Status/ Rating
<b>Financial &amp; Governance (cont'd)</b>					
Counter Fraud	6 & 12 month reports	July 19			12 mth report in July 19
		Dec 19			Completed
Counter Fraud	Policy reviews	Q3-4			
<b>Governance &amp; Risk</b>					
Governance	Key controls for annual assurance	Q4			
Risk Management	Key controls for annual assurance	Q4			
<b>Information Management &amp; Technology</b>					
ICT	Assurance mapping and plan	Q1-2			Completed
ICT	IT map follow up and Strategy actions	Q4			
ICT	Anti-Malware arrangements	Q3	Oct		In progress
ICT	New Website	Q4			
ICT	Mobile Working/Office 365 Pilots	Q4			
<b>Projects</b>					
Western Growth	Programme governance and project management	Q3-4			Being prepared
De Wint Court	Project and contract arrangements	Q3-4			RM support Contract audit Q3-4



Audit	Scope of Work	Start Planned date	Start Actual date	End Actual date	Status/ Rating
<b>Consultancy / VFM / No opinion work</b>					
Emerging Legislation	Preparation for new and emerging legislation & policy (merged with 18/19 work)	Q1		May	Completed Full assurance
Brexit	Assist with risk and control issues as part of working group	Q1	Q1	Q4	In progress
Refuse & Recycling	Procurement arrangements	Q4			
<b>Other work</b>					
2018/19 audits	Complete audits from previous year	Q1	April		At draft report
Annual IA report	Report for 2018/19	Q1	April	May	Completed
Housing allocations	Serious offenders risk assessment	Q1	June	June	Completed
De Wint project	Risk management support	Q1-4	April		Ongoing
Follow up	Review progress on audit recommendations	Q1-4			Ongoing
Advice, Management	Advice & management, reactive investigations	Q1-4			Ongoing
Combined Assurance	Update the assurance map	Q3-4			
IA Strategy & Plan	New Plan for 2020/21	Q4			
<b>Housing Benefit Subsidy</b>					
2018/19 Subsidy claim	2018/19 HB Detailed testing on behalf of External Audit	Q1-2	May	July	Completed

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<b>SUBJECT:</b>	<b>ANTI-BRIBERY POLICY UPDATE</b>
<b>REPORT BY:</b>	<b>JOHN SCOTT, AUDIT MANAGER</b>
<b>LEAD OFFICER:</b>	<b>JOHN SCOTT, AUDIT MANAGER</b>

**1. Purpose of Report**

1.1 To review and approve an updated anti-bribery policy.

**2. Details**

2.1 The anti-bribery policy is updated and reviewed every two years, or on any significant change to the law.

The Bribery Act 2010 makes it an offence to offer, promise or give a bribe. It also makes it an offence to request, agree to receive, or accept a bribe. The Policy sets out the Council's policy on anti-bribery in accordance with the legislation and guidance.

**3. Key Changes**

3.1 Wording changes to note are:

- a) Ensure information is provided to enable the general public to report suspected cases of bribery, fraud and corruption.
- b) Ensure officers and members adhere to legal and contractual requirements, procedures and practices including the Council's codes of conduct, contract and financial procedure rules and procurement guidelines.
- c) The offering and acceptance of gifts, donations, sponsorship and corporate hospitality should be strictly in accordance with the Council's codes and procedures. Conflicts of Interests should be managed in accordance with the Council's codes and procedures.
- d) The procedure for investigation follows the fraud response plan set out in the Counter Fraud strategy.
- e) A section on "sanctions" was also included.

**4. Organisational Impacts**

4.1 Finance

There are no direct financial implications arising as a result of this report.

4.2 Legal Implications including Procurement Rules

There are no direct legal implications.

#### 4.3 Equality, Diversity & Human Rights

There are no direct E and D implications arising as a result of this report.

### 5. Recommendation

5.1 Audit Committee should comment on and approve the revised anti-bribery policy.

**Key Decision** No

**Do the Exempt Information Categories Apply?** No

**Call in and Urgency:** Is the decision one to which Rule 15 of the Scrutiny Procedure Rules apply? No

**How many appendices does the report contain?** One

**List of Background Papers:** None

**Lead Officer:** Audit Manager Telephone 873321

## **APPENDIX A CITY OF LINCOLN COUNCIL ANTI-BRIBERY POLICY**

### **1. Foreword**

1.1 Bribery is an inducement or reward offered, promised or provided to gain personal, commercial, regulatory or contractual advantage.

1.2 There are four key offences under the Bribery Act 2010:

- bribery of another person (section 1)
- accepting a bribe (section 2)
- bribing a foreign official (section 6)
- failing to prevent bribery (section 7)

1.3 The Bribery Act 2010 makes it an offence to offer, promise or give a bribe (Section 1). It also makes it an offence to request, agree to receive, or accept a bribe (Section 2). Section 6 of the Act creates a separate offence of bribing a foreign public official with the intention of obtaining or retaining business or an advantage in the conduct of business.

1.4 There is also a corporate offence under Section 7 of failure by a commercial organisation to prevent bribery that is intended to obtain or retain business, or an advantage in the conduct of business, for the organisation. This is what is known as a “strict liability” offence. This means that there is no need to prove negligence or management complicity. An organisation will have a defence to this corporate offence if it can show that it had in place adequate procedures designed to prevent bribery by or of persons associated with the organisation.

### **2. Policy Statement – Anti-Bribery**

2.1 Bribery is a criminal offence. The Council does not, and will not, pay bribes or offer improper inducements to anyone for any purpose, nor does, or will, the Council accept bribes or improper inducements.

2.2 To use a third party as a conduit to channel bribes to others is a criminal offence. The Council does not, and will not, engage indirectly in or otherwise encourage bribery.

2.3 The Council is committed to the prevention, deterrence and detection of bribery.

2.4 The Council has zero-tolerance towards bribery and aims to maintain anti-bribery compliance “business as usual”, rather than as a one-off exercise.

### **3. Objective of this Policy**

3.1 This policy provides a coherent and consistent framework to enable the Council’s employees and members to understand and implement arrangements enabling compliance. In conjunction with related policies and key documents it will also enable employees and members to identify and effectively report a potential breach.

3.2 The Council requires that all personnel, including those permanently employed, Members, temporary agency employees and contractors:

- To act honestly and with integrity at all times and to safeguard the Council's resources for which they are responsible.
- To comply with the spirit, as well as the letter, of the laws and regulations of all jurisdictions in which the Council operates, in respect of the lawful and responsible conduct of activities.

#### **4. Scope of this Policy**

4.1 This policy applies to all of the Council's activities. For partners, shared services and suppliers, we will seek to promote the adoption of policies consistent with the principles set out in this policy.

4.2 Within the Council, the responsibility to control the risk of bribery occurring resides at all levels of the Council. It does not rest solely within assurance functions, but in all business units and corporate functions.

4.3 This policy covers all personnel, including all levels and grades, those permanently employed, temporary agency employees and members, contractors, nonexecutives, agents, Members (including independent members), volunteers and consultants.

#### **5. The Council's Commitment to Action**

5.1 The Council commits to:

- Setting out a clear anti-bribery policy and keeping it up to date. Providing a clear framework, guidelines and procedures for the identification and investigation of bribery
- Making all employees and members aware of their responsibilities to adhere strictly to this policy at all times.
- Encouraging its employees and members to be vigilant and to report any suspicions of bribery, providing them with suitable channels of communication and ensuring sensitive information is treated appropriately.
- Rigorously investigating instances of alleged bribery and assisting police and other appropriate authorities in any resultant prosecution.
- Taking firm and vigorous action against any individual(s) involved in bribery.
- Provide information to all employees and members to report breaches and suspected breaches of this policy.
- Ensuring information is provided to enable the general public to report suspected cases of bribery, fraud and corruption

- Include appropriate clauses in contracts to prevent bribery.

5.2 To help achieve these aims, the council will observe the six principles of:-

- Proportionate procedures
- Top level commitment
- Risk assessment
- Due diligence
- Communication (including training)
- Monitoring and review

### ***5.3 Principle 1: Proportionate Procedures***

The Council has procedures in place to prevent bribery by persons associated with it. These are proportionate to the bribery risks faced by the Council and to the nature, scale and complexity of the Council's activities.

### ***5.4 Principle 2: Top Level Commitment***

This policy has been agreed by the Corporate Management Team and the Executive. The Chief Executive, the Chair of the Audit Committee and Directors are committed to preventing bribery by persons associated with it. They foster a culture within the organisation in which bribery is never acceptable.

### ***5.5 Principle 3: Risk Assessment***

The nature and extent of the Council's exposure to potential external and internal risks of bribery on its behalf by persons associated with it is periodically assessed. This includes financial risks but also other risks such as reputational damage.

Key areas of risk identified include property disposal, contracts including contract award and monitoring, grants and regulatory activity and enforcement. Risks will be subject review and monitoring and fraud risk reports (including the risk of bribery) will be considered by the Corporate Management Team and Members.

### ***5.6 Principle 4: Due Diligence***

The Council takes a proportionate and risk based approach, in respect of persons and third parties who perform or will perform services for or on behalf of the organisation, in order to mitigate identified bribery risks.

### ***5.7 Principle 5: Communication (Including Training)***

The Council seeks to ensure that its bribery prevention policies and procedures are embedded and understood throughout the organisation through internal and external communication, including training that is proportionate to the risks it faces.

## **5.8 Principle 6: Monitoring and Review**

Procedures designed to prevent bribery are monitored and reviewed and improvements are made where necessary.

## **6. Bribery is Not Tolerated**

6.1 It is unacceptable to act in the following way:

- Give, promise to give, or offer a payment, gift or hospitality with the expectation or hope that a business advantage will be received, or to reward a business advantage already given.
- Give, promise to give, or offer a payment, gift or hospitality to a government official, agent or representative to "facilitate" or expedite a routine procedure.
- Accept payment from a third party that you know or suspect is offered with the expectation that it will obtain a business advantage for them.
- Accept a gift or hospitality from a third party if you know or suspect that it is offered or provided with an expectation that a business advantage will be provided by the Council in return.
- Retaliate against or threaten a person who has refused to commit a bribery offence or who has raised concerns under this policy engage in activity in breach of this policy.

## **7. Facilitation Payments**

7.1 Facilitation payments are not tolerated and are illegal. Facilitation payments are unofficial payments made to public officials in order to secure or expedite actions. A common example is where a government official is given money or goods to perform (or speed up the performance of) an existing duty. Facilitation payments were illegal before the Bribery Act came into force and they are illegal under the Bribery Act, regardless of their size or frequency.

## **8. Employee and Member Responsibilities**

8.1 The prevention, detection and reporting of bribery and other forms of corruption are the responsibility of all those working for the Council or under its control. All employees and members are required to avoid activity that breaches this policy.

8.2 Employees and members must:

- ensure they adhere to legal and contractual requirements, procedures and practices including the Council's codes of conduct, Contract and Financial procedure rules and procurement guidelines. Ensure that they read, understand and comply with this policy.
- Raise concerns as soon as possible if there is a belief that a conflict with this policy has occurred, or may occur in the future.



8.3 As well as the possibility of civil and criminal prosecution, employees and members that breach this policy may face disciplinary action or other sanctions.

## **9. Gifts and Hospitality and Conflicts of Interest**

9.1 This policy is not meant to change the requirements of the Council's stance on gifts and hospitality and existing Member and Officer Codes of Conduct still apply. The offering and acceptance of gifts, donations, sponsorship and corporate hospitality should be strictly in accordance with the Council's codes and procedures. Conflicts of Interests should be managed in accordance with the Council's codes and procedures.

## **10. Public Contracts and Failure to Prevent Bribery**

10.1 Under the Public Contracts Regulations 2006 (which gives effect to EU law in the UK), a company is automatically and perpetually debarred from competing for public contracts where it is convicted of a corruption offence. There are no plans to amend the 2006 Regulations for this to include the crime of failure to prevent bribery. Organisations that are convicted of failing to prevent bribery are not automatically barred from participating in tenders for public contracts. This Council has the discretion to exclude organisations convicted of this offence.

## **11. Raising Concerns**

11.1 There are multiple channels to raise concerns. These can be via the line manager in the first instance or directly the City Solicitor, Audit Manager or Human Resources Manager. More detail can be found in the Council's Whistleblowing policy. Reporting suspected cases is vital and this should be done as soon as possible. Retain all information that gave rise to concerns.

11.2 The Council is committed to ensuring that all of us have a safe, reliable, and confidential way of reporting any suspicious activity.

## **12. Investigation**

The procedure for investigation follows the fraud response plan set out in the Counter Fraud strategy.

## **13. Other Relevant Policies**

- Counter Fraud Policy / Strategy
- Anti-Money Laundering Policy
- Whistleblowing Policy
- Codes of Conduct
- Contract and Financial Procedure Rules
- Data Protection Policy
- Information Security policies

## **Annex 1**

### **SANCTIONS**

#### **(A) Criminal Liability**

##### **1. Individuals**

The maximum penalty for people convicted under the Bribery Act is 10 years imprisonment and/or personal fines.

Individuals may also be disqualified from being directors under the Company Directors Disqualification Act 1986.

##### **2. Council**

Unlimited fines may be imposed on organisations for failing to prevent bribery. The Serious Fraud Office has indicated that these are likely to be significant amounts. Organisations may also be debarred from bidding from public contracts.

Senior Officers and the Council can both be liable if it can be shown that the Council committed an act of bribery with the consent or connivance of a senior officer of or by a person purporting to act in such capacity.

#### **(B) Civil Liability**

In addition, or as an alternative to the criminal penalties, an action may be brought for the recovery of proceeds of crime under the Proceeds of Crime Act 2002, Part 5.

## **Annex 2**

### **A. Countries Perceived to be high risk for Corruption**

Transparency International annually publishes a Corruptions Perceptions Index ("CPI") which is a useful indicator on the risks of corruption in any said country.  
<https://www.transparency.org/cpi2018>

### **B. Sectors Perceived to be high risk for Corruption**

The most recent Bribe Payers Index ("BPI") 2011 lists industry sectors in accordance with statistics ranging from bribing officials to frequency of bribes. The survey is available at <https://www.transparency.org/research/bpi/overview>

**End**

**Reviewed: December 2019**

<b>SUBJECT:</b>	<b>INTERNAL AUDIT CHARTER</b>
<b>REPORT BY:</b>	<b>JOHN SCOTT, AUDIT MANAGER</b>
<b>LEAD OFFICER:</b>	<b>JOHN SCOTT, AUDIT MANAGER</b>

**1. Purpose of Report**

1.1 To review and approve an updated Internal Audit Charter

**2. Executive Summary.**

2.1 The Audit Charter formally defines Internal Audit’s purpose, authority and responsibility. It establishes Internal Audit’s position within the Council and defines the scope of Internal Audit activities. It is linked to Internal Audit’s roles and responsibilities set out in the Constitution (Financial Procedure Rules) but provides more detail around compliance with the Accounts and Audit Regulations and the Public Sector Internal Audit Standards.

**3. Details**

3.1 The current Charter was approved by the Audit Committee and Council in 2016. This update reflects updated CIPFA guidance released in 2019 and provides an opportunity to provide a more focused charter.

**4. Key Changes**

4.1 In the main the Charter has been slimmed to down provide a more succinct document –whilst there are slight changes essentially the document remains very much aligned to the original.

4.2 Changes to note are:

- a) The Charter now refers to the CIPFA application note for local government. The Chartered Institute of Public Finance (CIPFA) have developed an application note for the Standards – which sets out the proper practice for Internal Audit in local government.
- b) A specific requirement to review the audit strategy annually.
- c) Specific mention of periodic updates on the audit plan to the Audit Committee.
- d) A section on the audit procedures (establishing and maintaining appropriate internal auditing procedures incorporating best practice approaches and techniques).

**4. Organisational Impacts**

4.1 Finance

There are no direct financial implications arising as a result of this report.

#### 4.2 Legal Implications including Procurement Rules

The Accounts and Audit Regulations 2015, more specifically require that internal audit takes into account the Public Sector Internal Audit Standards (The Standards) which are mandatory. The Charter sets out the roles and responsibility of Internal Audit in line with these standards and the Chartered Institute of Public Finance (CIPFA) have also developed an application note for the Standards – which sets out the proper practice for Internal Audit in local government. The Charter supplements the Constitution (Financial Procedure Rules) in the area of Internal Audit.

#### 4.3 Equality, Diversity & Human Rights

There are no direct E and D implications arising as a result of this report.

### 5. Recommendation

- 5.1 Audit Committee should comment on and approve the revised Audit Charter and recommend to Council for approval.

<b>Key Decision</b>	No
<b>Do the Exempt Information Categories Apply?</b>	No
<b>Call in and Urgency:</b> Is the decision one to which Rule 15 of the Scrutiny Procedure Rules apply?	No
<b>How many appendices does the report contain?</b>	One
<b>List of Background Papers:</b>	None
<b>Lead Officer:</b>	Audit Manager Telephone 873321

# Internal Audit Charter 2019

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## Our Mission

To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight to our clients

The Council expects the internal audit service to achieve the mission statement through its overall delivery arrangements – this Charter sets out how this is done.

# Internal Audit Charter

## Purpose of this Charter

This Charter formally defines Internal Audit's purpose, authority and responsibility. It establishes Internal Audit's position within the Council and defines the scope of Internal Audit activities.

## Internal Audit's Purpose

Internal Audit provides an independent, objective assurance and consulting activity that is designed to add value and improve the organisation's operations. It helps the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.\*

Internal Audit also provides the Audit Committee with information necessary for it to fulfil its own responsibilities and duties.

Implicit in Internal Audit's role is that it supports the organisation's management to fulfil its own risk, control and compliance responsibilities.

*\* This is also the "definition" of internal auditing.*

## Internal Audit's Authority

There is a statutory requirement for the Council to have an internal audit of its governance, risk and control processes. The [Accounts and Audit Regulations 2015](#), more specifically require that the audit takes into account the [Public Sector Internal Audit Standards \(The Standards\)](#) or guidance which are mandatory.

These Standards set the basic principles for carrying out internal audit in the public sector and provide criteria against which quality and performance can be evaluated. The Chartered Institute of Public Finance (CIPFA) have also developed an [application note](#) for the Standards – which sets out the proper practice for Internal Audit in local government.

Internal Audit derives its authority from these, from this Charter and from the Council's Constitution, specifically the Financial Procedure Rules

The Head of Internal Audit (Audit Manager) is the "Chief Audit Executive". The HIA and internal audit staff are authorised to:

- Have unrestricted access to all the organisation's records, property, and personnel, management and elected members relevant to the performance of its engagements. Including those relevant to services provided in partnership or under contract with external organisations.
- Receive information and explanations that are sought in the course of audit work
- Obtain the necessary assistance of the organisation's personnel in relevant engagements, as well as other specialised services from within or outside the organisation.

Internal Audit has no authority or management responsibility for any of its engagement subjects.

Internal Audit (and its auditors) will not make any management decisions or engage in any activity which could reasonably be construed to compromise its independence. Auditors are free from operational system involvement or influence.



# Internal Audit Charter

## Internal Audit's Responsibility

The Head of Internal Audit is responsible for all aspects of Internal Audit activity, including strategy, planning, performance, quality and reporting.

For each Authority, the Head of Internal Audit will:

### Strategy

- Develop and maintain an Internal Audit Strategy.
- Review the Internal Audit Strategy at least annually with management and Audit Committee.

### Planning

- Develop and maintain a risk based Internal Audit Plan
- Engage with Management and consider the organisation's strategic and operational objectives and related risks in the development of the Internal Audit Plan.
- Review the Internal Audit Plan periodically with management to reflect changes in the risk environment and these changes are approved when significant.
- Present the Internal Audit Plan, including updates, to the Audit Committee for periodic review and approval.
- Agree an Internal Audit Budget sufficient to fulfil the requirements of this Charter, the Internal Audit Strategy, and the Internal Audit Plan.

- The Internal Audit budget is reported to the Executive and Full Council for approval annually as part of the overall Council's budget. The Audit Manager will draw to the attention of the Chief Executive, Section 151 officer and the Audit Committee any resourcing issues that potentially impact on the effectiveness of the Internal Audit function.
- Coordinate with and (where relevant) provide oversight of other control, monitoring and assurance functions, including Risk Management, external audit.
- Consider the scope of work of the external auditors (and other assurance providers) for the purpose of providing optimal audit coverage to the organisation.

The Head of Internal Audit should be consulted about significant proposed changes to the internal control system and the implementation of new systems - providing advice on the standards of controls to be applied. This need not prejudice the audit objectivity when reviewing systems at a later date.

In developing the Internal Audit Plan we also take account of the Council's assurance framework – using the Three Lines of Assurance (see below) which is obtained through our Combined Assurance work.

# Internal Audit Charter

How do we assure ourselves about how the council is run?

**Management**  
Accountable for delivery

**Corporate and third party**  
External inspections and internal assurance functions

**Internal audit**  
Independent assurance

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Speaking to senior and operational managers who have the day to day responsibility for managing and controlling their service activities.

Working with corporate functions and using other third party inspections to provide information on performance, successful delivery and organisational learning.

Using the outcome of internal audit work to provide independent insight and assurance opinions.

Considering other information and business intelligence that feed into and has potential to impact on assurance

## Performance

- Implement and deliver the risk based Internal Audit Plan
- Maintain professional resources with sufficient knowledge, skills and experience to meet the requirements of this Charter, the Internal Audit Strategy and the Internal Audit Plan.
- Allocate and manage resources to accomplish Internal Audit engagement objectives.
- Establish and maintain appropriate internal auditing procedures incorporating best practice approaches and techniques.
- Monitor delivery of the Internal Audit Plan using appropriate performance indicators.
- Hold regular senior management / statutory officer liaison meetings.

## Quality

- Establish a Quality Assurance Framework is to:
  - ✓ provide a system for monitoring and evaluating our effectiveness and conformance with the **Standards**.
  - ✓ ensure continuous improvement within the internal audit service.
  - ✓ ensure compliance with professional Standards, Code of Ethics and Council Codes of Conduct.
  - ✓ meet client expectations / demonstrate our importance to the business.
  - ✓ facilitate the Head of Audit's statement on conformance with the International Standards for the Professional Practice of Internal Auditing.



# Internal Audit Charter

- Undertake annual assessment of the service and its compliance with the UK Public Sector Internal Audit Standards (the **Standards**) – with this assessment being undertaken through an external assessment at least every five years by a suitably qualified, independent assessor.
- Obtain regular feedback on the quality and impact of our work (added value).

The **Standards** are principles-focused and consist of basic requirements for the professional practice of internal auditing and for evaluating the effectiveness of performance. The ten **Core Principles** set out what we must do to be considered effective – all principles must be present and operating effectively to achieve our mission, they are:-

- 1 demonstrates integrity.
- 2 demonstrates competence and due professional care.
- 3 is objective and free from undue influence (independent).
- 4 aligns with the strategies, objectives and risks of the organisation.
- 5 is appropriately positioned and adequately resourced.
- 6 demonstrates quality and continuous improvement.
- 7 communicates effectively.
- 8 provides risk based assurance.
- 9 is insightful, proactive and future focused.
- 10 promotes organisational improvement

## Reporting

- Issue a report to management at the conclusion of each engagement to confirm the results of the engagement and the timetable for the completion of agreed management actions to be taken.

- Provide periodic reports to management and the Audit Committee summarising Internal Audit activities and the results of Internal Audit Engagements.
- Provide periodic reports to management and the Audit Committee on the status of agreed management actions taken in response to Internal Audit Engagements.
- Report annually to the Audit Committee and management on Internal Audit performance against goals and objectives including an annual assurance opinion on governance, risk and control. This will also help inform the Council's Annual Governance statement.
- Report as needed to the Audit Committee on management, resource, or budgetary impediments to the fulfilment of this Charter, the Internal Audit Strategy, or the Internal Audit Plan.
- Inform the Audit Committee of emerging trends and practices in internal auditing.
- Provide results of the annual review on the effectiveness of internal audit (including outcomes of its Quality Assurance and Improvement programme to both the Management and the Audit Committee. This will include a statement on organisational independence of Internal Audit and conformance with the Code of Ethics. Any significant non-conformance must be included in the Annual Governance Statement.
- The Head of Internal Audit will meet informally in private with members of the Audit Committee or the Committee as a whole as required.
- Report as necessary any significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by, the Audit Committee or any response to risk by management that may be unacceptable to the organisation.

# Internal Audit Charter

## Internal Audit's Scope

The scope of Internal Audit activities includes all activities conducted by the organisation - the entire control environment including those services provided in partnership or under contract with external organisations. There are no restrictions.

The Internal Audit Plan identifies those activities that have been identified as the subject of specific Internal Audit engagements.

**Assurance engagements** involve the objective assessment of evidence to provide an independent opinion or conclusions regarding an entity, operation, function, process, system or other subject matter. The nature and scope of the assurance engagement are **determined by Internal Audit**.

**Consulting engagements** are advisory in nature and are generally performed at the **specific request of management**. The nature and scope of consulting engagement are subject **to agreement with management** and should assist management in meeting the objectives of the organisation without undermining the key principles of independence and objectivity. Internal Audit should not assume management responsibility.

The Head of Internal Audit will assist with the implementation of the Council's counter fraud policy/strategy and the investigation of fraud and irregularities in line with policy/strategy and the constitution. The HIA must be notified of all suspected or detected fraud, corruption or impropriety

Consultancy engagements should only be performed where resources and skills exist and should focus on governance, risk and control – supporting the Head of Internal Audit annual opinion. They **should not** replace assurance engagements.

The Head of Internal Audit cannot give total assurance that control weaknesses or irregularities do not exist. Managers are fully responsible for the quality of internal control within their area of accountability. They should ensure that appropriate and adequate risk management, control systems, accounting records, financial processes and governance arrangements exist (the control environment), without depending on internal audit activity to identify weaknesses or control failures.

## Independence and Internal Audit's Position within the organisation

To provide for Internal Audit's independence, the Head of Internal Audit reports directly to the Audit Committee (The Board) and the Corporate Management (Senior Management ) Team and the Chief Executive.

Internal Audit also supports the Chief Finance Officer, Monitoring Officer and the Head of Paid Service discharge statutory responsibilities including those responsibilities set out in the Constitution.

# Internal Audit Charter

The Head of Internal Audit has free and full access to the Chair of the Audit Committee.

The Head of Internal Audit reports administratively to the Section 151 Officer (CFO) who provides day-to-day oversight. The Chief Finance Officer reports directly to the Chief Executive as Head of Paid Service

The appointment or removal of the Head of Internal Audit will be performed in accordance with established procedures.

Internal Audit service will have an impartial, unbiased attitude and will avoid conflicts of interest.

If the independence or objectivity of the Internal Audit Service is impaired, details of the impairment should be disclosed to either the Section 151 Officer, or the Chair of the Audit Committee, or both dependent upon the nature of the impairment.

The Internal Audit Service is not authorised to perform any operational duties for the organisation; initiate or approve accounting transactions external to the Internal Audit Service; or direct the activities of any organisation employee not employed by the Internal Auditing Service, except to the extent such employees have been appropriately assigned to Service or to otherwise assist the Internal Auditor.

Where the Head of Internal Audit is responsible for delivery of operational functions other than Internal Audit. External assurance is sought on these - overseen by the Section 151 Officer.

Constructive working relationships make it more likely that internal audit work will be accepted and acted upon – although the internal auditor does not allow their objectivity or impartiality to be impaired.

## Audit Committee

The Audit Committee is a key component of the Council's governance framework providing an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards. It provides independent assurance to the Council members of the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

For the purposes of the UK Public Sector Internal Audit Standards the Audit Committee performs the role of the 'Board'. The Audit Committee complies with CIPFA best practice standards through their terms of reference and work programme.

The Audit Committee will:

- Approve the internal audit charter.
- Approve the risk-based internal audit plan.
- Receive reports from the head of internal audit on internal audit activity's performance relative to its plan and other matters.

# Internal Audit Charter

## Standards of Internal Audit Practice

Internal Audit will perform its work in accordance with the International Professional Practices Framework of the Chartered Institute of Internal Auditors, and further guided by interpretation provided by the Public Sector Internal Audit Standards (the **Standards**), the CIPFA Local Government Application note and the CIPFA publication on the “Role of the Head of Internal Audit”. This Charter is a fundamental requirement of the Framework.

## Approval and Validity of this Charter

This charter shall be reviewed and approved annually by Senior Management and by the Audit Committee as the Board of the organisation and Council .

## External Work

Assurance Lincolnshire provides internal audit services to a number of public sector external clients. Approval is sought from the Section 151 officer and the Audit Committee before entering into any significant engagement. The level and extent of external work is also reported in the approval of the audit plan and annual report.

The nature and extent of work for external clients is kept under review to ensure:

- a) it does not impinge on the audit work carried out for the Council, and;
- b) there is no conflict of interest or impairment of independence arising from this work.



<b>SUBJECT:</b>	<b>AUDIT COMMITTEE WORK PROGRAMME</b>
<b>REPORT BY:</b>	<b>JOHN SCOTT, AUDIT MANAGER</b>
<b>LEAD OFFICER:</b>	<b>JOHN SCOTT, AUDIT MANAGER</b>

**1. Purpose of Report**

1.1 To provide details of the Audit Committee work programme for 2019/20.

**2. Executive Summary.**

2.1 Audit Committee approves a work programme each year and monitors progress.

**3. Details**

3.1 The proposed work programme is attached at Appendix A. The frequency of meetings has been reviewed and is considered appropriate for 2019/20.

**4. Organisational Impacts**

4.1 Finance

There are no direct financial implications arising as a result of this report.

4.2 Legal Implications including Procurement Rules

There are no direct legal implications arising as a result of this report.

4.3 Equality, Diversity & Human Rights

There are no direct E and D implications arising as a result of this report.

**5. Recommendation**

5.1 Audit Committee should comment on and agree the work programme for 2019/20.

<b>Key Decision</b>	No
<b>Do the Exempt Information Categories Apply?</b>	No
<b>Call in and Urgency:</b> Is the decision one to which Rule 15 of the Scrutiny Procedure Rules apply?	No
<b>How many appendices does the report contain?</b>	One
<b>List of Background Papers:</b>	None
<b>Lead Officer:</b>	Audit Manager Telephone 873321

## AUDIT COMMITTEE AUDIT WORK PROGRAMME FOR 2019/20

Meeting dates	Audit Items	Training (Suggested)	Comments
13 <sup>th</sup> June 19	<ul style="list-style-type: none"> <li>• Internal Audit Progress report</li> <li>• Statement of Accounts (Draft)</li> <li>• Annual Governance Statement (Draft review)</li> <li>• Audit Committee Work Programme</li> <li>• Annual Internal Audit Report</li> <li>• External Audit Progress report</li> </ul>	<ul style="list-style-type: none"> <li>• Local Government Financial Statements explained</li> <li>• Annual Governance Statement/Corporate Governance (Part of Meeting)</li> </ul>	
18 <sup>th</sup> July 19	<ul style="list-style-type: none"> <li>• 12 month Fraud and Error report</li> <li>• Audit recommendations report</li> </ul>	<ul style="list-style-type: none"> <li>• Audit Committee effectiveness</li> </ul>	
17 <sup>th</sup> Sept 19	<ul style="list-style-type: none"> <li>• Statement of Accounts / Annual Governance Statement (Final)</li> <li>• Annual Governance Report / Auditors Report (External Audit)</li> </ul>	<ul style="list-style-type: none"> <li>•</li> </ul>	
26 <sup>th</sup> Sept 19	<ul style="list-style-type: none"> <li>• Internal Audit progress report</li> <li>• Audit Committee Work Programme</li> <li>• Annual Complaints report</li> <li>• Audit recommendations report</li> <li>• Information Governance Update</li> <li>• Annual Governance Statement update report</li> </ul>	<ul style="list-style-type: none"> <li>•</li> </ul>	

<p>17 Dec 19</p>	<ul style="list-style-type: none"> <li>• <b>Audit recommendations report</b></li> <li>• <b>Internal Audit progress report</b></li> <li>• <b>Six Month Fraud and Error report</b></li> <li>• <b>Annual Governance Statement - monitoring</b></li> <li>• <b>Audit Committee Work Programme</b></li> <li>• <b>Counter fraud policies</b></li> <li>• <b>Fraud risk register</b></li> <li>• <b>Terms of Reference review - Internal Audit (Audit Charter)</b></li> <li>• <b>Annual Audit Letter (External Audit)</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Counter Fraud (Via e-learning)</b></li> </ul>	
<p>6<sup>th</sup> Feb 20</p>	<ul style="list-style-type: none"> <li>• <b>Internal Audit Progress report</b></li> <li>• <b>Audit Recommendations report</b></li> <li>• <b>Treasury management policy and strategy (consultation prior to approval by Council)</b></li> <li>• <b>Audit Committee Work Programme</b></li> <li>• <b>External Audit annual report on grants and returns</b></li> <li>• <b>External Audit plan</b></li> <li>• <b>Draft Internal Audit plan 19-20</b></li> <li>• <b>Information Governance Update</b></li> <li>• <b>Review of the effectiveness of Internal Audit and Audit Committee</b></li> <li>• <b>Audit Committee terms of reference review</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Treasury Management</b></li> </ul>	



<p><b>24 Mar 20</b></p>	<ul style="list-style-type: none"> <li>• <b>Internal Audit Progress report</b></li> <li>• <b>Audit recommendations report</b></li> <li>• <b>Combined Assurance report</b></li> <li>• <b>Annual Governance Statement –update report</b></li> <li>• <b>Final Internal Audit Strategy and Plan 19-20 ( if required)</b></li> <li>• <b>Risk Management Strategy / annual report</b></li> <li>• <b>Statement on Accounting Policies</b></li> <li>• <b>Audit Committee Work Programme</b></li> <li>• <b>External Audit Inquiries – 19/20 Statement of Accounts</b></li> <li>• <b>IAS19 – Assumptions used to calculate pension entries in the Statement of Accounts and Audit Regulations</b></li> <li>• <b>Information Governance Update report</b></li> </ul>		
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*A private meeting between the Audit Committee and internal and external audit managers can be arranged outside of the meeting agenda times.*

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**AUDIT COMMITTEE****17 DECEMBER 2019**

**SUBJECT: FRAUD AND ERROR SIX MONTH REPORT (2019/20)**

**DIRECTORATE: CHIEF EXECUTIVE AND TOWN CLERK**

**REPORT AUTHOR: JOHN SCOTT, AUDIT MANAGER**

**1. Purpose of Report**

1.1 This report provides an update to Audit Committee on Counter Fraud arrangements.

**2. Executive Summary**

2.1 This report:

- Provides an update on City OF Lincoln Council (CoLC) activity
- Provides an update on the Lincolnshire Counter Fraud Partnership
- Provides a position statement on the National Fraud initiative
- Outlines fraud work within Housing benefits and other areas.
- Provides an update on counter fraud outcomes

**Fraud Case Summary 17/18 – 18/19 and 19/20 (6 Month Data)**

	Fraud cases 17/18	Fraud cases 18/19	Comments 2018/19	Fraud Cases 19/20 (6 mths)
Council Tax Support	7	3	CTR reductions as a result of a HB investigation - £2,294.33.	CTR reductions as a result of a HB investigation - £1,298.35
Council Tax SPD (Single Person Discount)	-	566*	566 SPD removals	Next exercise being planned
Business rates	N/A	N/A	Ongoing avoidance work	
Housing benefit	16	9	The total administrative penalties issued was 8, totalling	There was 1 administrative penalty issued totalling £4309.51

			£35,922.23 in overpayments. Total prosecuted and found guilty was 1, totalling £11,630.85 in overpayments.	and 1 case prosecuted totalling £3,501.30 in overpayments.
Housing sub letting	2	1		5
Housing other	24*	17*		3
<b>Other</b>				

## 2.2 Areas of CoLC Progress in 2018/19 included:

- Achieved a high proportion (70%) of fraud e-learning by employees and also rolled out to members
- Updated the fraud risk register
- Obtained tenancy fraud matching data and commenced review (April 19)
- Continued to tackle housing fraud cases (sub-letting and non-occupation)
- Started work on NFI (National Fraud Initiative) matches
- Undertaken the successful Council Tax SPD project for ColC/North Kesteven District Council ( NKDC) (566 removals for ColC)
- Continued to work with DWP Single Fraud Investigation Service (SFIS) on HB fraud referrals
- Implemented the new Verification of Earnings and Pensions (VEP) system which replaced the Right Benefit Initiative (RBI)
- Started work with LCFP on the next Council Tax Single Person Discount (SPD) and Council Tax Support (CTS) fraud project
- Started work on a possible data matching service for Small Business rates relief
- In partnership with the County Council managed the whistleblowing referrals
- Made the City of Lincoln Council a “friends against scams” organisation

## 2.3 CoLC Specific Priorities for 19/20 and Progress

- Tenancy Fraud – work underway with Housing to complete matches
- NFI – working with teams to complete matches (see NFI section)
- Fraud training (residual and new staff members) – in progress
- Identity fraud – work with teams on best practice – quarter 4
- Scam busters / friends against scams – ongoing publicity
- Money laundering - risk assessment – in progress
- Update Counter Fraud risk register – completed
- Health check – assessment against good practice – quarter 4
- Fraud policy updates – anti-bribery / whistleblowing - completed
- Whistleblowing/fraud reporting best practice and publicity quarter 4
- CIPFA fraud return - completed
- Possible data matching service for Small Business rates relief – to commence 20/21
- Lincolnshire Resilience Forum/MHCLG Cyber Resilience Group and related exercises.

### **3. Background**

#### **3.1 CIPFA Fraud and Corruption Tracker (2019)**

For context, we include below details of the CIPFA Fraud and Corruption tracker report. This report focuses on the local government sector. It provides a spread of results that enabled CIPFA to estimate the total figures for fraud across English, Welsh and Scottish local authorities.

#### **3.2 Key findings:**

- CIPFA has estimated that for local authorities in the UK, the total value of fraud detected or prevented in 2018/19 is 253m, averaging roughly £3,600 per fraud case. 2017/18 is £302m.
- Councils reported that approximately 71,000 instances of fraud had been detected or prevented in 2018/19, which is lower than the approximate 80,000 reported by CIPFA in 2017/18.
- Council tax fraud represents 78% of these identified instances of fraud with an estimated value of £30.6m followed by disabled parking concession (Blue Badge scheme) and housing frauds representing 10% and 5% of the total cases of UK public sector fraud, respectively.
- Business rates were 2% and other types of fraud were 4.2%

#### **Other types of fraud**

Fraud covers a substantial number of areas and within organisations these can vary in importance. This part of the report looks at specific areas of fraud that did not appear as major types of fraud within the national picture but are important to individual organisations. These include the following fraud types:

- adult social care
- insurance
- procurement
- no recourse to public funds/welfare assistance
- payroll, recruitment, expenses and pension
- economic and voluntary sector support and debt
- mandate fraud and manipulation of data.

We have reviewed the report and benchmarked to our CoLC fraud risk register.

### **4. Lincolnshire Counter Fraud Partnership (LCFP)**

- 4.1 The Lincolnshire Counter Fraud Partnership involves all Lincolnshire Councils, and includes representatives from the Police and Crime Commissioner for Lincolnshire and Lincolnshire Police, and is currently in place until 31st March 2020. All partners have made a small financial contribution to develop and deliver proactive exercises and investigate fraud. This is being project managed by Lincolnshire

County Council. The partnership has been involved with a number of counter fraud projects and has a forward programme of work.

#### **4.2 Partnership Priorities for 19/20**

- To develop the business proposal to generate additional Council Tax revenue by tackling fraud and error on Single Person Discounts on a rolling basis – the revised arrangements could deliver additional council tax revenue of £5.2m over a 5 year period.
- Improve fraud resilience and fraud proofing across Lincolnshire
- Improving fraud intelligence
- Sharing fraud intelligence, best practice and expertise
- Media release relating to Single Person Discount review

### **5. City of Lincoln Council Specific Activity**

#### **5.1 Housing Benefit and CTR**

For the first six months of 2019/20 the total number of referrals to SFIS was 11. There was 1 administrative penalty issued totalling £4309.51 and 1 case prosecuted totalling £3,501.30 in overpayments. CTR reductions as a result of a housing benefit investigation was £1,298.35 (admin penalty case).

For 2018/19 the total number of referrals to SFIS was 154. The total administrative penalties issued was 8, totalling £35,922.23 in overpayments. Total prosecuted and found guilty was 1, totalling £11,630.85 in overpayments. CTR reductions as a result of a housing benefit investigation were £2,294.33 (3 cases).

The reduction in referrals is due to more pro-active work – around NFI and verification of earnings and Pensions (VEP) – see below. SFIS investigation thresholds are also now higher, more caseload is going to universal credit.

The Benefit/CTS fraud, sanctions and prosecutions policy has recently been reviewed and agreed by Executive (CoLC and NKDC) in July 2018.

#### **5.2 Verification of Earnings and Pensions (VEP)**

VEP replaced the Right Benefit Initiative (RBI) 2018/19. Under this initiative, Authorities are asked to focus purely on changes to earnings and Pensions that occur on a daily basis. Information is fed through to the system via a link with HMRC.

There are 1.5 staff working across the shared service in this area.

#### **5.3 Council Tax Support**

See 5.1

#### **5.4 Housing Tenancy**

For 2016/17 there were no cases of sub-letting. During 2016/17 the Council served 9 notices to quit including non-occupation.

For 2017/18 there were 2 sub-letting cases and 24 notices to quit (including non-occupation) (Abandoned = 20; Non-occupation = 4)

For 2018/19 there was 1 sub-letting case and 17 notices to quit (including non-occupation/abandonment). (Abandoned = 11; Non-occupation = 6)

For the first six months of 2019/20 there were 5 sub-letting cases and 3 notices to quit (including non-occupation/abandonment).

Note there has been a rise on sub-letting cases being identified in 2019/20.

The current work on the tenancy verification service project will inform both the fraud risk assessment and the tenancy fraud policy refresh.

### **Tenancy Fraud – Tenancy Verification Service**

The data matching exercise across the Council's housing stock has been completed and officers are starting to work through reported matches. The service aims to identify housing fraud such as sub-letting.

As well as potential fraud the data matching has highlighted some data errors and these are being corrected.

## **5.5 Business Rates**

The definition of fraud within business rates is difficult, avoidance is a serious issue and one which does impact all Districts including CoLC.

A specific Invest to Save project was undertaken from August 2016 to November 2017 focusing on BR fraud and avoidance. The project was successful in increasing the CoLC rateable values. Officers within the Revenues Team have continued to build upon the work. The NDR team continue with proactive checks on planning lists and utilising the Visiting Officer capacity within the team.

5.6 There are regular reviews of reliefs including Small Business Rate relief (bi-annual) Charity relief (mandatory - annual). Other discretionary relief – (annual).

Some areas of avoidance may include:

- Leases – new lease and the lease holder goes immediately into liquidation
- Empty properties – let out to 'charities' who don't use it and claim that when it is next used it will be for charitable use and therefore it is exempt - this is a legislation loop hole
- Short periods of occupation of just over 6 weeks – this is rates avoidance but again this is a legislation loop hole

For 20/21, we are looking to review Small Business Rates Relief (SBRR) – through a third party, we would be able to cross check against other authorities whether a business is in receipt of SBRR. SBRR regulations allow for small single businesses, not multiple.

## 5.7 **Council Tax (Single Person Discount - SPD)**

A Council Tax single person discount exercise took place during 2018 across Lincolnshire completed by the end of August in readiness for the tax base calculation in September 2018. The next bulk review is April 2020.

Total records screened	10,563
Accounts targeted	2,440 (23.1%)
Total removals	566
Removal rate	5.4%
Estimated Revenue Generated	174,325* CoLC share is 16%

In respect of SPD, it was agreed that we would undertake a bi-annual SPD review, so no review has been undertaken in 19/20. The next bulk review is April – August 2020 and then a rolling review from October 2020 onwards (pending successful tender process)

## 5.8 **Whistleblowing and Fraud Awareness**

The Council continues to use the LCC County wide hotline, which receives its own publicity. We have refreshed the Council Website counter fraud page, particularly around fraud/whistleblowing referrals. Communication to Managers and other employees has taken place around fraud risk, policies and reporting.

Fraud-e-learning will continue to be rolled out during 2019/20.

5.9 During 2019/20, we have had 8 whistleblowing reports

These were in relation to:

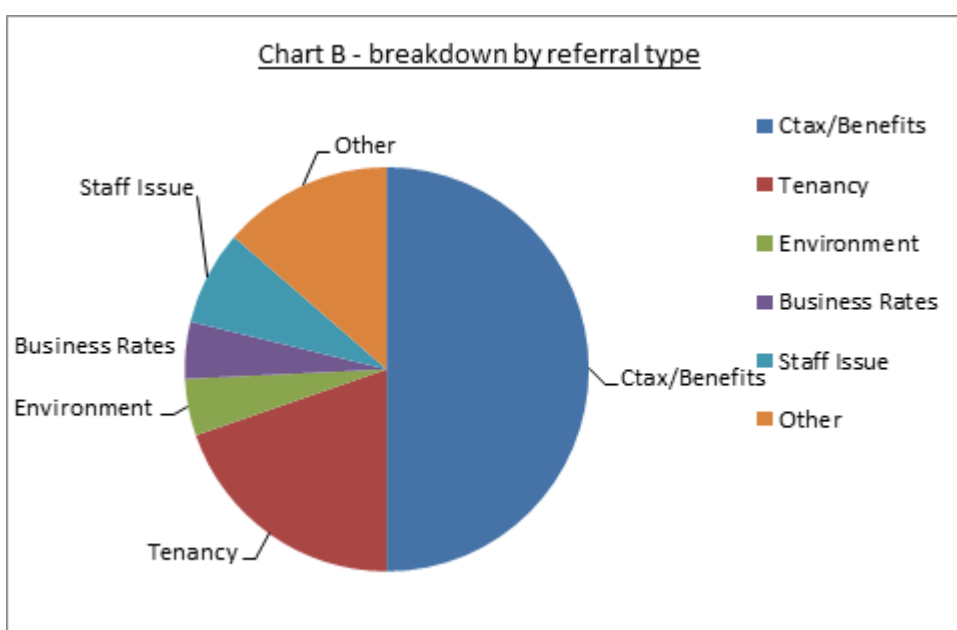
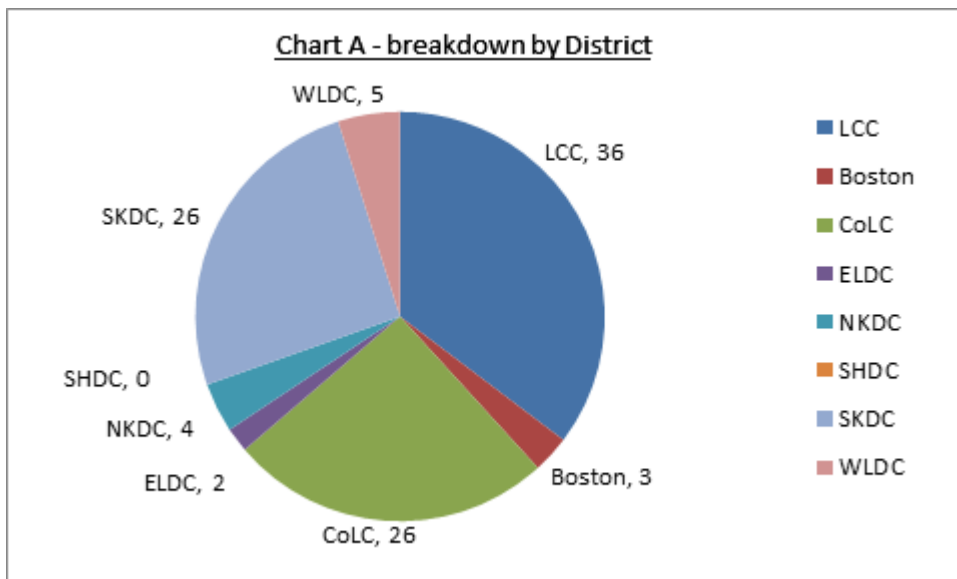
- 4 x HB
- 1 x Council Tax
- 3 x Housing

For 2018/19 we had 26 whistleblowing reports

- 9 x HB
- 1 x Fraud/Other
- 6 x Council Tax
- 1 x Business rates
- 1 x Debt/recovery
- 7 x Housing
- 1 x Health and safety

The following chart provided an overview across Lincolnshire in 18/19





**5.10 Cyber Fraud/Cyber Crime**

The Council continues to place high importance on cyber security. Security measures are applied, kept under review and audited regularly. The Authority is also subject to Central Government compliance initiatives.

An anti-malware internal audit is currently underway for 2019/20.

IT Disaster recovery is a significant issue on the AGS (Annual Governance Statement) and this is being monitored through Audit Committee.

LCFP Group may look to develop cyber-crime projects during 2019/20.

Reminders to staff are sent periodically around cyber fraud and cyber-crime. Phishing and malware activity is closely monitored and trends identified and acted upon. Information is shared between regional and national cyber security teams. This allows us to build our knowledge of the cyber fraud threat.

CoLC is now part of an LRF (Lincolnshire Resilience Forum/MHCLG) Cyber Resilience Group. The LRF/MHCLG have developed a cyber-resilience plan and the Council has access to a range of resources including training materials and documentation. The Council is planning to undertake some of the exercises as part of BCP/IT DR planning/testing.

## **5.11 Other Fraud**

The City of Lincoln Council is now a “friends against scams” organisation ([www.friendsagainstscams.org.uk](http://www.friendsagainstscams.org.uk)) to help protect the city’s residents and staff from becoming victims of scams. Two “scamchampions” have been nominated so far. Here are some key facts about scams in the UK:

- Scams cost the UK economy £5-£10 Billion a year
- Scams are a crime
- 53% of people over 65 have been targeted by scams
- Only 5% of scams are reported
- Statistics indicate that the average scam victim has lost over £3,000

The partnership with a National Trading Standards body, involves encouraging staff and others to take part in scam awareness and advice training.

The Council already has a high level of awareness regarding scams, particularly where it may impact on our customers, and this initiative further helps with awareness across our staff and stakeholders.

We have included a scam section on the Council’s website and monitor scam incidents with other partners. Where appropriate we will communicate externally.

## **6. National Fraud Initiative and other Matching Services**

6.1 The Council continues to be engaged with the National Fraud Initiative (NFI) which involves national data matching using a range of Council data sources including payroll, benefits, creditors, housing, and licences, insurance. The purpose of the data matching is to highlight “potential” fraud and error cases which require investigation.

During 2017/18 the results of the work on matches are:

- 1953 matches and 1842 processed, this identified 1 fraud and 40 errors, recovering £26,250.51 (all HB/CTS)

New data sets were submitted in October 2018 and data matches are being assessed from January 2019 onwards.

The outcomes from data matching in 2017/18 were risk assessed for the 2019/20 exercise as many of the match types did not identify any fraud or error. This has influenced the level/quantity of testing in 2019.

The matching results are (as at 1<sup>st</sup> December 2019):

- 1941 matches to review

To date 1108 processed, 50 errors with a value of £63,352 - £34,772 CTR and £28,579 HB

### **Other Matching**

- HMBS - housing benefit matching service results
- VEP's - Verification of Earnings and Pensions (VEP)
- Bulk Council Tax SPD reviews
- Tenancy fraud – verification service

## **7. Fraud Strategy and Fraud Policies**

### **7.1 Fraud Policies and Fraud Risk**

A revised Money Laundering Policy was updated in December 2018. The Counter Fraud Policy / Strategy was also updated, taking account of new CIPFA and DCLG Government guidance and again was reviewed in December 2018. A money laundering risk assessment is currently being completed. The Fraud Strategy action plan is attached at Annex A.

The Council's Anti-Bribery Policy was reviewed in February 2017 and will be reviewed again in 2019. The Whistleblowing Policy was updated and presented to the Audit Committee in December 2017 and will be reviewed again in 2019.

The Council's fraud risk register was updated and a revised risk register presented to Audit Committee in December 2018 and again in December 2019.

The Benefit / CTS fraud, sanctions and prosecutions policy is being revised and was approved by the Executive in 2018; Audit Committee also received a copy.

During 19/20 a health check review will be undertaken with LCFP to ensure arrangements are robust and focused on pro-active work correctly.

### **7.2 Outcomes from the Counter Fraud Strategy**

Operational outcomes to help evaluate effectiveness are included within the existing strategy. The outcomes are shown at Table A below.

- High levels of fraud awareness
- Zero tolerance to fraud ( number of referrals / ensuring suspicions reported and action taken)
- Reduced losses ( a low incidence of fraud)
- Delivery of pro-active counter fraud work (work plan)
- Reducing the risk of fraud
- Successful prosecutions, other sanctions and recovery of losses
- Successfully engagement with partners

**Table A**

Area	Comments
<p>Delivery of pro-active counter fraud work (work plan)</p> <p>Achieving counter fraud best practice</p>	<p>The Council's strategy is based on CIPFA and Government best practice and has been updated in line with new guidance.</p> <p>The Lincolnshire Counter Fraud Partnership uses Counter fraud specialists to support delivery of a County wide action plan. Outcomes are included within this report above. This partnership will run until at least 31/3/2020.</p>
<p>High levels of fraud awareness</p>	<p>On-line counter fraud training commenced and was rolled out in 2018-19. So far we have trained 450 (70%) staff, and members. Further training will be undertaken in 2019/20</p> <p>The Council's website has clear sections on fraud and fraud reporting.</p> <p>There were communications around the 2018 SPD review.</p>
<p>Successful prosecutions, other sanctions and recovery of losses</p>	<p>An updated sanctions and prosecutions policy was agreed in 2018.</p> <p>Sanctions/prosecutions are outlined above</p>
<p>Reducing the risk of fraud</p>	<p>A fraud risk register is in place and was updated in December 2019.</p> <p>Controls exist to mitigate fraud and additional actions are complete or partially complete.</p>
<p>Successfully engagement with partners</p> <p>(including National Fraud Initiative, HBMS, LCFP and others)</p>	<p>CoIC complies with NFI requirements and participates in reviewing and reporting on data/outcomes.</p> <p>The Council engages as a partner within the Lincolnshire Counter Fraud Partnership.</p> <p>The Council works closely with Department for Work and Pensions/Single Fraud Investigation Service.</p> <p>Verification of Earnings and Pensions (VEP)</p> <p>HBMS</p>

<p>Zero tolerance to fraud</p> <p>(number of referrals/ensuring suspicions reported and action taken)</p>	<p>Council policy</p> <p>This is part of the communication issued to all staff and members</p> <p>Matters reported by the public, or through whistleblowing are all followed up</p>
<p>Reduced losses</p> <p>Low incidence of fraud</p>	<p>The Council aims to have a relatively low incidence of reported fraud / loss generally.</p> <p>Further benchmarking will take place in 19/20</p>

## 8. Fraud Risk Register

8.1 The Corporate fraud risk register has been developed with officers, which has been effective from 2014. This was updated in December 2019. Attached at Annex B.

Locally our key fraud risk areas are:

- Council tax ( SPD)
- Housing
- IT/Data/Cyber
- HB/CTR

These are similar to the national picture. Appropriate mitigation is in place, but in many areas there is further work in progress.

## 9. Organisational Impacts

9.1 Finance (including whole life costs where applicable)

There are no direct financial implications arising from this report

9.2 Legal Implications including Procurement Rules

There are no direct legal implications arising from this report

## 10. Recommendation

10.1 That Members consider and comment on the report.

<b>Is this a key decision?</b>	No
<b>Do the exempt information categories apply?</b>	No
<b>Does Rule 15 of the Scrutiny Procedure Rules (call-in and urgency) apply?</b>	No
<b>How many appendices does the report contain?</b>	Two
<b>List of Background Papers:</b>	None
<b>Lead Officer:</b>	John Scott, Audit Manager Telephone (01522) 873321

## Annex A Fraud Strategy Action Plan

	CoIC Counter Fraud Work plan			
Ref	Action	Priority Resource: Skills	By When	Who
1	Update Counter Fraud policy/strategy	High	December 2018	Audit Committee Completed
2	Ensure all counter fraud policies are appropriate and up to date	Medium	As required Every Two years	CFO Audit Committee Exec  Anti-Bribery (Dec 19) Whistleblowing (Dec 19)
3	Update fraud risk register  Implement the actions within the Counter Fraud Risk Register	High  High	December 2018  See Risks	Audit Committee
4	Complete fraud e-learning training for officers and members.  New starters	High	Mar 20	70%* staff completed Members trained  To continue 19/20
5	Communication  Communicate strategy  Review existing publications and publicity to determine any changes /improvements  <ul style="list-style-type: none"> <li>• Website</li> <li>• Publicity to stakeholders</li> <li>• Successful cases - Media</li> </ul>	Medium  Medium	Dec 19  Dec 19	CFO/ AD's/SM's Prepare Briefing to CLT/ SM's  AM CFO LCFP To review





12	Review intelligence on changes to the control environment (which could increase fraud/error risk) Communicate requirements to service managers/AD's	Medium		Ongoing
13	Complete the Values and behaviours audit	Medium	19/20 Audit Plan	Complete
14	Undertake counter fraud "healthcheck"	Medium	Mar 20	AM/LCFP To complete
15	Where there has been a fraud or attempted fraud feedback to Audit committee/AD/CMT any Control improvements	Medium	Ongoing	AM Sixth month report Dec 2019

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<b>SUBJECT:</b>	<b>EXCLUSION OF THE PRESS &amp; PUBLIC</b>
<b>DIRECTORATE:</b>	<b>CHIEF EXECUTIVE &amp; TOWN CLERK</b>
<b>REPORT AUTHOR:</b>	<b>CAROLYN WHEATER, MONITORING OFFICER</b>

**1. Purpose of Report**

1.1 To advise members that any agenda items following this report are considered to contain exempt or confidential information for the reasons specified on the front page of the agenda for this meeting.

**2. Recommendation**

2.1 It is recommended that the press and public be excluded from the meeting at this point as it is likely that if members of the press or public were present there would be disclosure to them of exempt or confidential information.

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