

AUDIT COMMITTEE

Tuesday, 15 December 2020

6.00 pm

Virtual Meeting

- Membership: Councillors Geoff Ellis (Chair), Laura McWilliams (Vice-Chair), Thomas Dyer, Gary Hewson, Jackie Kirk, Rebecca Longbottom and Bill Mara
- Substitute member(s): Councillors Pat Vaughan
- Independent Member: Jane Nellist
- Officers attending: Paul Berry, Democratic Services, Jaclyn Gibson, Heather Grover, John Scott and Colleen Warren

Virtual Meeting

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

71. Confirmation of Minutes - 24 September 2020

RESOLVED that the minutes of the meeting held on 24 September 2020 be confirmed.

72. Matters Arising

Jane Nellist, Independent Member referred to minute number 63 regarding the deletion of IT accounts when staff left the authority and asked if the Data Protection Officer was aware that a recommendation had been made by the external auditors?

Response: No she was not aware at that point as the report had only recently been issued, the external audit recommendations would be addressed through a specific action plan.

Councillor Longbottom, referred to minute number 63 and asked when the most popular type of Freedom of Information Requests would be reported to Committee?

Response: They would be reported to a future meeting when the Data Protection Officer was next in attendance.

73. Declarations of Interest

No declarations of interest were received.

74. Assessment of Going Concern Status

Colleen Warren, Financial Services Manager

- a. presented a report to inform the Audit Committee of an assessment of the Council as a going concern for the purposes of producing the Statement of Accounts for 2019/20.
- b. explained the background of the report as detailed at paragraph 2 and advised that the concept of 'going concern' assumed that an authority, its functions and services would continue in operational existence for the foreseeable future.
- c. advised that the report set out the position of the City Council and provided justification for the 2019/20 financial statements being prepared on a 'going concern' basis.

d. highlighted the main factors which underpin the assessment were:

- The Council's current financial position
- The Council's projected financial position
- The Council's balance sheet
- The Council's cash flow
- The Council's governance arrangements
- The regulatory and control environment applicable to the Council as a local authority.

e. detailed the Council's current Financial Position and highlighted the following areas:

- General Fund
- Housing Revenue Account (HRA)
- Covid-19

f. further detailed the following:

- The Council's Projected Financial Position – Revenue Resources
- The Council's Balance Sheet as at 31st March 2020
- The Council's Cash Flow
- The Council's Governance Arrangements
- The External Regulatory and Control Environment
- Material Uncertainties

g. advised that it was considered that having regard to the Council's arrangements and such factors as highlighted in the report that the Council remained a 'going concern' and the Council's accounts for 2019/20 had appropriately been prepared on this basis. The report gave that assessment by the Council's Section 151 Officer in support of presenting the Accounts for approval and provides assurance to Mazars, the Council's external auditor.

Question: Referred to the financial report being considered by Executive at the next meeting and asked if the report reviewed only 2019/20 financial year and could you provide assurance for the long term?

Response: The report also covered future financial years, there were plans in place to increase the savings targets, with a report to Executive on 23rd November setting this out. Balances and reserves would have to be used over the short term but it would level out over the years.

Question: Referred to section 2.14 of the report and asked if the Governance arrangements included the political and decision making process?

Response: The corporate governance framework was set out in the full Annual Governance Statement, this did cover the political and decision making process.

Question: Referred to paragraph 2.16 of the report in relation to additional valuations being required and asked if there was an extra cost?

Response: Internal valuers would be used, there would not be any extra cost to the Council, but there were still resource implications.

Question: Some income streams were reducing, how could certainty that the Council would be in a good financial position be given for next year.

Response: In the current climate financial planning was extremely difficult, there was currently a lot of volatility and uncertainty. It was difficult to forecast going forward, we have to use the best information that we have available to us and continue to review it.

RESOLVED that the outcome of the assessment of the Councils going concern status for the purpose of preparing the Statement of Accounts 2019/20 be accepted.

75. External Audit: Audit Completion Report

Mark Surrige, representing the Council's external auditors, Mazars:

The Council's external auditors presented the audit progress report which summarised the findings from the 2019/20 audit.

He advised that it was unlikely that his Audit report would be issued by 30 November 2020 due to a potential delay in the receipt of sufficient audit evidence supporting the judgements made in the valuation of property, plant and equipment. This was exacerbated by recent staff sickness in their audit team creating last minute capacity pressure.

The work on the financial statements and Value for Money conclusion for the year ending 31 March 2020 had been substantially completed. He highlighted the following matters that were outstanding:

- Property, plant and equipment and Investment Properties
- Pensions
- Income & Expenditure cut – off Debtors
- Audit Quality Control Completion Procedures.

As part of the audit, the internal controls in place relevant to the preparation of the financial statements had been considered, with three recommendations resulting from this work made as follows:

- IT General Controls
- Expected Credit Loss Model
- Asset Valuation inputs

Further details of these recommendations were outlined in section 4 of the external auditors' report at Appendix A.

In relation to misstatements in the accounts, there were a number of misstatements identified that were above the threshold level of £49,000, all of which were adjusted for as part of the audit process and had been reflected in the Statement of Accounts. Other thresholds for specific areas were highlighted in the report. Further details of these misstatements were provided in section 5 of the auditors' report at Appendix A. It was reported that there were no unadjusted misstatements.

The Statement of Accounts included on the agenda for this meeting at item 5 reflected a fully amended version of the document.

It was reported that the Council had proper arrangements in place for securing economy, efficiency and effectiveness. The external auditors therefore proposed issuing an unqualified opinion on the Council's value for money arrangements.

As part of presenting this item, the external auditors took the Committee through each page of the report and highlighted any key issues, particularly with regard to:

- the audit approach;
- significant findings;
- internal control recommendations;
- summary of misstatements;
- value for money conclusion.
- Management Representation Letter

Question: Referred to the IT controls recommendation and asked if there had been any incidents of inappropriate access to the systems?

Response: Not that we were aware of, it was recommended as there was a risk that the systems could be accessed.

Question: Expressed concern that the Councils assets could not be used to borrow money against.

Response: Clarified that the Council could not borrow money against their assets and this did not affect the Councils ability to borrow money, instead it borrowed money from the Public Works Loans Board.

Comment: The Council could not continue to use money from its reserves without replacing it.

Response: There was a financial strategy in place which identified the need to increase savings, work had already commenced on developing a comprehensive savings programme. Replenishment of any reserves used in the short term would be essential over the medium term.

Question: Referred to the appendix D of the report and commented that there were a lot of adjustments, was this unusual?

Response: Some of the adjustments were as a result of 1 item meeting multiple areas which visually overstated the number of adjustments. It was difficult to compare the number of adjustments year on year but there had been an improvement. The external auditors did not feel the need to make a formal recommendation.

It was RESOLVED:

- (1) That the financial statements be recommended to Council for approval.
- (2) That the draft letter of representation on behalf of the Council be approved, before the external auditors issue an opinion, conclusion and certificate, and that any further amendments to the letter, should any additional issues be raised by the external auditors prior to 30 November 2020 be delegated to the Chief Finance Officer and Chair of the Audit Committee, which any changes reported back to the Audit Committee.

- (3) That any further changes that may be required to the Statement of Accounts as identified during the conclusion of the audit, be delegated to the Chief Finance Officer and Chair of the Audit Committee, with any changes reported back to the Audit Committee.

76. Statement of Accounts

The Council's Chief Finance Officer:

- (a) presented the Statement of Accounts for the financial year ended 31 March 2020.
- (b) reported that the Statement of Accounts for 2019/20 provided a comprehensive picture of the Council's financial circumstances and were compiled to demonstrate probity and stewardship of public funds.
- (c) reported that the Council was statutorily required to publish its Statement of Accounts for 2019/20 with an audit opinion and certificate by no later than 31 July 2020. Following the COVID-19 pandemic the statutory dates were amended with publication of the accounts required by 31st August and an audit opinion and certificate required by 30th November 2020.
- (d) asked committee to note that the Statement of Accounts for 2019/20, at the time of writing the report, were still subject to conclusion of the external audit by the Councils external auditors Mazars.
- (e) advised that any further changes required to the Statement of Accounts, arising from the conclusion of the external audit, would be agreed by the Council's Chief Finance Officer and reported back to the Chair of Audit, and would be included in the Statement of Accounts to be submitted to Executive and Council for final approval.
- (e) reported that the Council must make the Statement of Accounts available for public inspection for 10 working days. Following notification from the Council's external auditors, this ran from 1 September 2020 until 15 January 2020 and the external auditor was available to answer questions during this period. It was reported that no questions had been received.
- (f) reported that the Council was required to provide a documented annual review of the effectiveness of its governance arrangements which sat alongside the Statement of Accounts, known as the Annual Governance Statement. The overall level of assurance provided in 2019/20 was substantial and was in line with the Council's Code of Corporate Governance.
- (g) noted, that there were three defined significant issues. In respect of IT Disaster Recovery there was one action outstanding from 2018/19, and this would be regularly reported by management to the Audit Committee. In respect of 2019/20 there were two additional significant issues identified, the Review of the Impact of Coronavirus on the Councils service delivery and embedding new ways of working and Vison 2025 needed to be re-profiled and communicated to a wider audience in the light of COVID-19 . These would be regularly reported by management to the Audit Committee.

(g) presented the following aspects of the Statement of Accounts:

- the Comprehensive Income and Expenditure Statement;
- the Balance Sheet;
- general balances;
- earmarked reserves;
- liquidity;
- debtors;
- creditors;
- non-current assets;
- pensions;
- officer remuneration;
- borrowing;
- investments.

(h) invited members' questions and comments.

Councillor Dyer referred to paragraph 1.3 of the Annual Governance Statement and requested that it be recorded that he did not agree with the current call-in procedure and commented that it was not fit for purpose.

It was RESOLVED that the Statement of Accounts be recommended to Council for approval, with any further changes to the Statement of Accounts arising from the conclusion of the external audit being delegated to the Chief Finance Officer who will report any such changes to the Chair of the Audit Committee.

77. Audit Committee Work Programme

John Scott, Audit Manager:

- a. presented a report to inform members of Audit Committee on the work programme for 2020/21 as detailed at Appendix A of the report.
- b. advised that the frequency of meetings had been reviewed and revised to take into account impacts relating to the pandemic and was considered appropriate for 2020/21.

RESOLVED that the contents of the Audit Committee work programme 2020/21 be noted.

SUBJECT: ANNUAL GOVERNANCE STATEMENT MONITORING

REPORT BY: CHIEF EXECUTIVE'S

LEAD OFFICER: HEATHER GROVER, PRINCIPAL POLICY OFFICER

1. Purpose of Report

1.1 To present a progress update on the areas identified as 'significant governance issues' as set out in the 2019/20 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 issues raised in the latest AGS.

3. Background

3.1 Monitoring of 2019/20 AGS issues

The updates on the significant issues identified within the 2019/20 AGS are included within **Appendix A**

These are 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

4.1 Of the three significant issues, one is considered by the responsible officer to be red.

4.2 The Disaster Recovery plan in place for IT arrangements

"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"

This issue was carried forward from the previous AGS, and has one action remaining. The delay has been in part due to the pandemic, and in part due to the need to construct a purpose built facility.

4.3 Two new significant issues were identified for the first time in the 2019/20 AGS, both of which are considered by the responsible office to be amber.

4.4 Review of impact of Coronavirus on the council's service delivery and embedding new ways of working for staff

"COVID-19 has had a significant impact on the council's budget resulting in the need to undertake a comprehensive review of how and what services are delivered ensuring our

statutory requirements are met. The council was already undertaking a pilot to enable more agile working and with the lockdown the council fast tracked this approach and the council now needs to review the effectiveness of working conditions for staff and members and look to the future. The issue is that we will need to ensure that as the council develops its different approaches to service delivery and new ways of working it ensures governance is at its heart, recognising that governance arrangements may need to adapt and change in order that they remain fit for purpose in the new world.”

One of two new significant issues which is a direct result of the pandemic. Whilst we had already launched and were developing the One Council approach, the pandemic accelerated the need to do this and work has been undertaken to understand what our future workforce and workspace needs are.

4.5 Vision 2025 needs to be re-profiled and communicated to a wider audience in the light of COVID-19

“The strategy was adopted but there was no formal public launch due to COVID-19. The council’s response to the pandemic was to proactively divert resources to tackle the emergency and all projects and programmes that could be paused/had not already commenced were stopped in a planned way. Tackling the emergency situation and resulting recovery phase has been a long process due to the prevalence of COVID-9 nationally and there is now a need to review Vision 2025 in light of COVID-19, re-profile the commitments in the strategy and then communicate it widely.

This is the second issue which has arisen as a result of the pandemic. Our strategic plan, Vision 2025 was approved in February 2020 and due to be launched in March 2020. However, due to the pandemic not only was the launch delayed, but many of the projects within the plan have had delayed starts, been put on hold or in some cases needed complete review. From August 2020 the focus has been on restarting the process of delivering towards our strategic aims.

5. Strategic Priorities

This report does not focus specifically on any of the five Vision 2025 priorities but does contribute significantly towards One Council 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 The 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.

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:

Heather Grover, Principal Policy Officer,
Ext. 3326

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Quarterly summary of progress with AGS risk action to Audit Committee: December 2020

Significant current issues from 2019/20 to focus on in 2020/21

The risk actions below were identified in the 2019/20 AGS review. Progress will continue to be made in 2020/21, monitored and driven forward by the Service Managers Group and reported to Audit Committee quarterly.

Significant issues carried forward from 2018/19 – There was one significant governance issue monitored during 2019/20 which still remains as an issue for monitoring during 2020/21:

- **The Disaster Recovery plan in place for IT arrangements**

Two new significant issues identified from 2019/20 – In terms of new significant governance issues the following two additional issues have been identified:

- **Review of impact of Coronavirus on the council’s service delivery and embedding new ways of working for staff**
- **Vision 2025 needs to be re-profiled and communicated to a wider audience in the light of COVID-19**

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	What actions will be taken over the coming months	What progress have we made against each action	RAG Status
<p>The Disaster Recovery plan in place for IT arrangements</p> <p>Matt Smith Jaclyn Gibson</p>	<p><i>The Disaster Recovery plan in place for IT arrangements 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"> 1. Review of the IT DR plan to be completed by June 2020 2. Alignment between the new ITDR and BC recovery plans to be implemented by October 2020 	<p>The project has experienced some delays in order to construct a purpose built facility and also been impacted by the pandemic.</p> <p>However, all equipment is now installed awaiting final configuration and will shortly be complete.</p> <p>The ICT team has started looking at options to simplify and shorten the invocation process, and document in a revised plan. The revised plan will also take into account the ongoing requirement for remote/agile working and is intended to be in place by June 2021.</p>	R
<p>Review of impact of Coronavirus on</p>	<p><i>COVID-19 has had a significant impact on the council’s budget resulting in the need to undertake a comprehensive review of how and what services are delivered ensuring our statutory requirements are met. The council was already</i></p>	<p>Work has been undertaken to understand what our future workforce and workspace needs are, and five new workstyles have been identified and developed. Working</p>	A

	What actions will be taken over the coming months	What progress have we made against each action	RAG Status
<p>the council's service delivery and embedding new ways of working for staff</p> <p>Carolyn Wheater</p>	<p><i>undertaking a pilot to enable more agile working and with the lockdown the council fast tracked this approach and the council now needs to review the effectiveness of working conditions for staff and members and look to the future. The issue is that we will need to ensure that as the council develops its different approaches to service delivery and new ways of working it ensures governance is at its heart, recognising that governance arrangements may need to adapt and change in order that they remain fit for purpose in the new world.</i></p> <p>Actions agreed:</p> <ol style="list-style-type: none"> 1. Roll out new workstyles and technology by December 2021 in phases 2. Service delivery plans to be reviewed and aligned to new ways of working by March 2021 	<p>with Assistant Directors, each role has been matched to a workstyle which broadly define our workforce and the work areas needed.</p> <p>A new digital platform – SharePoint has been developed to support employees and Managers for information to be shared and easily accessed.</p> <p>The technology rollout has commenced to support individual needs and workspace in pilot areas.</p> <p>Human Resources are supporting the roll out to support the cultural shift and supporting service reviews.</p>	
<p>Vision 2025 needs to be re-profiled and communicated to a wider audience in the light of COVID-19</p> <p>Pat Jukes</p>	<p><i>The strategy was adopted but there was no formal public launch due to COVID-19. The council's response to the pandemic was to proactively divert resources to tackle the emergency and all projects and programmes that could be paused/had not already commenced were stopped in a planned way. Tackling the emergency situation and resulting recovery phase has been a long process due to the prevalence of COVID-9 nationally and there is now a need to review Vision 2025 in light of COVID-19, re-profile the commitments in the strategy and then communicate it widely.</i></p> <p>Actions agreed:</p> <ol style="list-style-type: none"> 1. Re-profile commitments in the strategy through the development of the Year 2 Annual Delivery Plan (ADP) – by March 2021 	<ol style="list-style-type: none"> 1. In the second half of 2020/21, focus has moved to how we can restart the process of delivering towards our strategic aims in 2021/22. Due to the financial and resource effects of the Covid-19 impact, we are not in a place to completely pick up where we were, so a new plan has been developed with the following key assumptions in order of priority: <ol style="list-style-type: none"> i. Remobilisation of critical and then other services ii. Agreed financial savings projects to be progressed iii. Key legacy projects to be completed iv. Key One Council projects that will kick start new ways of working to be progressed v. Necessary new service projects that do not affect the ability of achieving the first four criteria and contribute towards key goals 	A

	What actions will be taken over the coming months	What progress have we made against each action	RAG Status
	<p>2. Communicate the revised strategy – March 2021</p>	<p>vi. All other projects to be delayed for consideration in Year 3-5 delivery plan</p> <p>Currently this plan is with CMT for initial comments and will then be shared with Portfolio Holders and then Executive for approval and formal sign off in advance of the start of 2021/22</p> <p>2. Communication plans for a relaunch of Vision 2025 and the ADP for year 2 will be developed nearer the date as there are too many unknown external influences still in play.</p>	

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SUBJECT:	INTERNAL AUDIT PROGRESS REPORT
REPORT BY:	AUDIT MANAGER
LEAD OFFICER:	JOHN SCOTT, AUDIT MANAGER

1. Purpose of Report

1.1 To present the Internal Audit Progress Report to the 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.

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

3.4 Audit Plan 20-21

3.5 In line with the corporate strategy responding to the pandemic, during the early part of 20/21 audit resources were redeployed to deliver key services, supporting business and protecting the most vulnerable.

3.6 As a result of this and due to the organisations overall response to the pandemic, the 20/21 audit plan was reduced in size and effectively commenced in September 2020. It is intended that sufficient audit coverage will be undertaken to meet statutory responsibilities and provide an audit opinion for 20/21 across governance, risk and internal control. CIPFA have just issued guidance on internal audit annual opinions for 20/21; this will be reviewed.

3.7 As a result of the second national lockdown and now tier 3 restrictions the audit

resources have again been diverted to support the assurance processes around the payment of business support grants. As a result of this there will be an impact on the audit plan which will be reviewed and re-prioritised in January 2021.

4. Organisational Impacts

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 The Audit Committee is asked to note the content of the latest Internal Audit Progress Report, position with the internal audit plan, 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: None

Lead Officer: Audit manager Telephone 873321

Internal Audit Progress Report



City of Lincoln Council December 2020

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-
- 1 Limited Assurance Reports (None)
 - 2 Assurance Definitions
 - 3 Audit Recommendations
 - 4 2020/21 Audit Plan

John Scott - Audit Manager (Head of Internal Audit)
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Paul Berry – Principal Auditor
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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 audit work during the period September – November 2020
- Advise on progress with the 2020/21 plan
- Raise any other matters that may be relevant to the Audit Committee role

Key Messages

In this period we have completed the annual Housing Benefit Subsidy testing on behalf of Mazars (the Council's External Auditors) but we have not completed any assurance reviews.

Work on the 20/21 Audit Plan commenced as planned in September but some pieces of work have been paused to allow the team to help the Business Cell assess and pay lockdown grants to businesses. This will impact on the Audit Plan, which will be reviewed and reprioritised in January.

Audit Plan completion at the end of November is 51% against the target of 54%.

Assurances

No assurance reviews have been completed in this period.

Consultancy – Housing Benefit Subsidy testing

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.



Audit Recommendations

A review of recommendations due and overdue has been undertaken and a Recommendation Follow Up report is attached as a separate item.

Work in Progress

- All Weather Pitches (Consultancy) – fieldwork stage. Delayed due to Covid
- Rogue Landlord PIR (Consultancy) – fieldwork stage. Delayed due to Covid
- Covid-19 Assessment. Discussions have been held with Assistant Directors and the results are being evaluated. Currently on hold due to work being reprioritised so that the Business Cell can be supported.
- Council Tax key controls – fieldwork stage. Currently on hold due to work being reprioritised so that the Business Cell can be supported.
- Western Growth – fieldwork stage. Currently on hold due to work being reprioritised so that the Business Cell can be supported.

Other work

- Combined Assurance. The annual process to refresh the Council's Combined Assurance Map and produce a Report has started. Questionnaires have been issued to service managers and the results will support discussions with Assistant Directors in January.

Non-Audit Work

- Business Grants. The team are supporting the Business Cell to assess applications and make payments for grants available during the second lockdown.
- Test & Trace Support Payments. Advice was provided to this Cell to establish a process and a small sample of applications were reviewed to check compliance. Work on this is now complete.



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 (2020/21)

100%

Rated our service Good to Excellent

Good achievement of Audit KPI's to date



Other matters of interest

A summary of matters that will be of particular interest to Audit Committee Members.

Audit Scotland – Guide for Audit and Risk Committees

Audit Scotland produced the above guide for public bodies and auditors which sets out some key questions for them to consider in respect of Covid-19. The guide focuses on the short-term challenges facing public bodies in the response phase of the pandemic. Key areas that Audit & Risk committees will need to focus on include;

Internal controls and assurance The pressures faced by local authorities have led to the need for more rapid decision making and flexibility in the workforce, therefore there has been a necessity for the relaxation of some internal controls. The implementation of remote working has also increased some other risks such as cyber-crime.

Financial management and reporting The pandemic has had a significant impact on local authorities in terms of its sources of income and additional costs incurred. The pandemic may also impact on the value of investments, property and potentially the collection of outstanding debts. Accountants involved in the processing of the information and reporting may also be stretched.

Governance The pace of change has led to the necessity for faster decision making which may have led to changes in the governance process, reducing the opportunity for scrutiny and due diligence. There may also have been increased collaborative working and reliance on partners.

Risk management Risks will need to be monitored carefully and frequently to ensure they reflect the current situation and decisions around the risk appetite will also need to be considered. The guide includes suggested questions to help committee members effectively scrutinise and challenge these key areas and better understand how their organisation is responding to the pandemic and managing both the immediate and longer-term challenges that it creates.

[Audit Scotland - Guide for Audit & Risk Committees](https://tinyurl.com/y3ujaozg) (<https://tinyurl.com/y3ujaozg>)

Guide for Audit and Risk Committees on financial reporting and management during Covid-19 (<https://tinyurl.com/y3pyoeto>)

This best practice document was produced by the National Audit Office and aims to help audit and governance committee members discharge their responsibilities and examine the impacts on their organisations of the Covid-19 outbreak. The key areas are;

- Annual Reports
- Financial Reporting
- The control environment
- Regularity of expenditure

It provides the audit committee with reasoning as to how Covid-19 may have affected certain procedures, how Authorities may have adjusted their processes to mitigate these issues and, most importantly, the key questions the Committee can ask to gain assurance in these areas.

The document can be provided in full on request.

We are currently undertaking some audit work on COVID impacts and taking the above areas into account. We have considered these areas with the S151 as part of this work.

Other matters of interest

A summary of matters that will be of particular interest to Audit Committee Members.

Redmond Review

There has been an independent review into the oversight of Local Audit and the transparency of Local Authority financial reporting. It was published in September and key findings include;

- Concerns expressed regarding the state of the local audit market and the ultimate effectiveness of the work undertaken by audit firms
- The current fee structure does not enable auditors to fulfil the role in an entirely satisfactory way
- There is merit in Authorities examining the composition of Audit Committees in order to ensure that the required knowledge and expertise are always present when considering reports, together with the requirement that an annual report be submitted to Full Council

A key recommendation is to create a new regulatory body responsible for procurement, contract management, regulation, and oversight of local audit. It is recognised that the new body will liaise with the Financial Reporting Council with regard to its role in setting auditing standards.

[Redmond Report](https://tinyurl.com/y4jrfokb) <https://tinyurl.com/y4jrfokb>

Officers will prepare a report for Audit Committee early in the new year to cover some of these areas in more depth.

Major Local Audits - Audit Quality Inspection

The FRC is the independent body responsible for monitoring the quality of Major Local Audits as defined by the Local Audit (Professional Qualification and Major Local Audit) Regulations

2014. This monitoring is performed by the FRC's Audit Quality Review ('AQR') team. Our reviews of individual Major Local Audit engagements are intended to contribute to safeguarding and promoting improvement in the overall quality of Local Audit auditing in the UK. Audit firms are required to audit the financial statements and Value for Money ("VFM") arrangements conclusion and exercise their statutory reporting powers, as required, in accordance with the Local Audit and Accountability Act 2014.

The overall results for their inspection of 15 financial statement audits across the seven firms were concerning, with just 40% of audits requiring no more than limited improvement (64% in 2018/19). Urgent action is required from some of the firms to take appropriate action to respond to our findings to ensure improvements are made in audit quality, given the deterioration in quality in the year.

Other matters of interest

A summary of matters that will be of particular interest to Audit Committee Members.

Major Local Audits - Audit Quality Inspection

Each accountancy firm provided a detailed response.

Mazars response: Our commitment to audit quality is at the core of our values and we are dedicated to the continuous improvement of our audit work and the service we provide to our audit clients. Whilst we are pleased with the results of the AQR's reviews of our work on Value for Money conclusions (which show only limited improvements identified for a number of years), we are disappointed with its findings on our work on the audit of the financial statements at 2 of our local audit clients. The firm will robustly respond to the findings and has plans in place to improve the quality of our local audit work.

We have prepared a Local Audit Quality Plan, which is a sector-specific element of our firm-wide Audit Quality Plan. These draw together information on risks to audit quality from a range of sources including quality monitoring findings, changes to auditing and financial reporting standards, and feedback from auditors. The Local Audit Quality Plan has also taken account of the AQR's findings and emerging audit quality risks arising from the update of Practice Note 10 and the National Audit Office's Code of Audit Practice. This plan will be maintained by the firm's Audit Quality Team and subject to oversight from our Audit Board.

The full report can be found at www.frc.gov.uk (<https://tinyurl.com/yxj565h4>)

Other follow up points

Boultham Park Restoration Project

We have a drafted evaluation (PIR) document, but not a final document as we need to ensure that it includes all of the outcomes and learning from the project. Our aim was therefore to have the final evaluation report agreed early in the new year. There is a key piece of specialist work still to complete but due to Covid and other factors this currently has not yet been completed and should commence Spring 2021, mainly due to weather issues. We will asking the NLHF to extend the project end date in to 2021. Subject to budget being available, there is a small wall restoration that the NLHF are keen for us to undertake before the project is confirmed as complete. We will then carry out the final financial review and finalise the evaluation plan. In the meantime, work has been moving ahead at a pace on the lake restoration. This 'second phase' of the restoration of Boultham Park has its own evaluation plan and will be the subject of a separate evaluation report at the end of the project.

IT access – the recommendations/agreed actions from the ISA 260 report have been included within the Audit Recommendation report.

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.

A Recommendation Follow Up report is attached as a separate item.

Audit	Scope of Work	Start Planned date	Start Actual date	End Actual date	Status/ Rating
Covid-19 Assurance (NEW)	Determine any impacts on the risk & control environment.	Sept 20	Sept 20		In progress
Finance & Accounting	Budgetary control key controls	Feb 21			
Creditors	Risk Based Audit	Feb 21			
Debtors	Risk Based Audit	Feb 21			
Business Continuity / IT Disaster Recovery	Follow up of 2017/18 audit	Mar 20			Depends on progress and update of IT DR plan
NNDR	Risk Based Audit	Nov 20			In progress
Council Tax	Key Controls	Nov 20			In progress
Housing Benefit & CTS	Risk Based Audit	Jan 20			
Partnerships	Annual assurance report to Audit committee	Feb 21			
ICT 1	IT security - Combined Assurance follow up	Dec 20			
ICT 2	Office 365	Jan 21			
ICT 3	Key risks/changes since March 20	Jan 21			
De Wint Court	Risk management support	-			Ongoing support
Health & Safety	Risk assessment oversight & authorisation	Jan 21			

Audit	Scope of Work	Start Planned date	Start Actual date	End Actual date	Status/ Rating
Rogue Landlord Project	Post Implementation Review	Oct 20	Oct 20		In progress Delay due to Covid
Growth & Regeneration	Town Deal Governance	Jan 21			
Western Growth	Risk based audit	Oct 20	Oct 20		
Counter Fraud	NFI Risk Register update Strategy update Strategy action plan	Oct 20 Jan 21 Mar 21 Mar 21			
Governance	Annual assurance work				
Risk Management	Annual assurance work				
Combined Assurance	2020/21 report	Nov 20			In progress
Annual Internal Audit Report	2019/20 report				Completed
IA Strategy & Planning	2021/22 Audit Plan	Feb 21			

SUBJECT: INTERNAL AUDIT RECOMMENDATION FOLLOW UP

REPORT BY: AUDIT MANAGER

LEAD OFFICER: JOHN SCOTT, AUDIT MANAGER

1. Purpose of Report

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

2. Executive Summary

2.1 The report provides members with more information on older audit recommendations and 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 The Audit Committee is asked to review the attached Appendix and review responses received.

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: John Scott, Audit manager
01522 873321



City of Lincoln Council



Audit Recommendations

December 2020

Reports that are over 2 years old (under the Follow Up protocol these recommendations will no longer be monitored by IA and Audit Committee). They are still available to management on the recommendation tracker.

Management have been notified of the new protocol and advised to continue monitoring these actions via DMTs.

Audit Area	Date	Assurance	No of Recs	Implmntd	Outstanding (extended or overdue)	Not Yet Due	Comments / Progress
HMO Licensing and Hazards	Jun 18 Follow up review: Dec 19	Limited	20	16	3 High 1 Medium		Update to be provided – moved to Dec 2020 <ul style="list-style-type: none"> • Consider automating the process to report on and monitor conditions. (High) • APP system reporting on gas certificates due / overdue. (High) • Reconfigure the IT system so that different codes can be used to record the hazard and category (High) • Remind staff of the need to ensure that the process for monitoring and reminding of licences expiring operates consistently.
IT Applications	Oct 18	Limited	8	1	1 High 6 Medium		Update & circulate System Administrator guidance (High) Extended to December 2020 <u>December 2020 update</u> BDITM to complete – target still end December 2020
Malware / Anti-virus	Nov 18	Substantial	9	7	1 High 1 Medium		Device control software management (High) Extended to December 2020 <u>December 2020 update</u> Rolling out devices over next few months - config complete March 21

							Revised IT Security Policy (Med) Extended to March 2021
Transport Hub	Dec 18	Substantial	3	2	1 Medium		Formal project closure & post implementation review Extended to March 21 Work is still concluding prior to release of some retention. Once all matters are concluded, a further programme board meeting will be arranged to consider arrangements for the PIR.

Reports that are between 1 and 2 years old

Audit Area	Date	Assurance	No of Recs	Implmntd	Outstanding (extended or overdue)	Not Yet Due	Comments / Progress
Information management	June 19	Substantial	16	15	1 Medium		<p>Assist IAOs to review access to their network drives Extended to December 2020</p> <p><u>Update December 2020</u> Looking at options to help us migrate and archive data – this will be done as part of the rollout of 365.</p> <p>Change to March 21</p>
Housing Rents	Dec 19	Substantial	4	2	1 High 1 Medium		<p>The possibility of producing a report from UH which flags up new tenancies not at the target rent will be looked into. Extended 31/12/2020 (High)</p> <p><u>Update December 2020</u> At the testing stage - requires further support Moved to March 2021 These are currently picked up retrospectively – the report will enable any issues to be identified more quickly.</p> <p>Put in place a process to review Affordable Rents when tenancies change Completed</p> <p>Produce a new Arrears Policy and supporting procedures / flowchart. <i>We are currently working to the current legislation on rent arrears but there are significant changes from the court in relation to court applications and procedures; we cannot finalise the policy until we know of the permanent changes.</i> March 2021 (Med)</p>

Recruitment	Dec 19	Substantial	7	7			Criteria for posts that require a DS (Disclosure Scotland) to be identified. <u>Update December 2020</u> Completed and guidance updated.
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Reports that are less than 1 year old

Audit Area	Date	Assurance	No of Recs	Implmtd	Outstanding (extended or overdue)	Not Yet Due	Comments / Progress
Licensing	Feb 20	Substantial	7		7 Med		All moved to 31 st March 2021 due to COVID
Payroll	Mar 20	High	2	2			Data handling will be a standing agenda item at liaison meetings. HR & WBL Manager to sign off quarterly IT access reports for HR and Payroll staff plus any changes to access levels Completed
ICT Anti-Malware	Mar 20	Substantial	10	1	7 (1 High)	1 (High) 1 (Med)	<ul style="list-style-type: none"> • Progress the provision of training video (Med) Extended to December 2020 • <u>December 2020 update Move to June 21 due to license issues</u> • Engineers working remotely or on site guidance (High) Extended to December 2020 • <u>December 2020 update : still on target</u> • The Code of connection will be reviewed (High) Jan 2021 Not yet due; in progress • <u>December 2020 update</u> • Officers will review the wording on the alert (computer message)– Implemented (med) • Malware incident reporting by staff (review). Extended to December 2020. • <u>December 2020 update May not be possible</u> • Security policy on the MDM (mobile device management) Extended to December 2020

							<ul style="list-style-type: none"> • <u>December 2020 update. Rolling out devices over next few months - config complete. March 21</u> • Web filtering - Extended December 2020 • <u>December 2020 update – currently obtaining advice. March 2021</u> • Review policy areas with the Principal IT officer and others - Extended to December 2020 • <u>December 2020 update currently obtaining advice. March 2021</u> • Smartphones and Tablets updates (Med) Feb 2021 (Not yet due) • <u>December 2020 update rolling out devices over next few months - config complete. March 2021</u> • Alerts from Alien Vault - Extended to December 2020 • <u>December 2020 update - still on target</u> • Consider the business requirement for access to each file type. Extended to December 2020 • <u>December 2020 update currently obtaining advice. March 2021</u> • A detailed incident management policy/procedure will be developed. Extended to December 2020 • <u>December 2020 update - to review March 2021</u> • There is an opportunity to ‘tighten’ change and configuration control with regard to the AV solution and other security controls that secure the corporate network and associated assets. Extended to December 2020 • <u>December 2020 update MS to review with Managers March 2021</u>
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							<ul style="list-style-type: none"> • The Senior IT Officer (Security) and Principal IT Officer will re-circulate the current change control guidance Extended to December 2020 • <u>December 2020 update MS to review with Managers March 2021</u> • BDITM will commit to a review of the current change management policy/protocol and also benchmark to other local authorities. Extended to December 2020 • <u>December 2020 update MS to review with Managers March 2021</u>
De Wint Court project management	Jul 20	Substantial	6	5	1		<p>The Architect should sign the Deed of Novation - Contract (High)</p> <p><u>Update December 2020</u> Awaiting end of Covid Lockdown to finalise.</p> <p>December 2020</p>
Housing Allocations	Aug 20	Substantial	4	2		2	<p>Introduce and document a sample quality check across all assessors (Jan 2021) (Med) (Not yet due)</p> <p>Annual review of applications (Feb 2021).(Med) (Not yet due)</p> <p><u>Update December 2020</u> These are in hand, we are almost at the point of testing our upgraded system, we hope this will be in place for January and then these tasks will follow the implementation of the system.</p>

Homelessness	Aug 20	Substantial	2	1	1	Document retention - workflow (Med) Due Dec 2020 <u>Update December 2020</u> Currently working with business Development to work out the quantity of documents involved and set rules on retention. The new system should be up and running January/February after which can start to implement Move to March 21
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External Audit Recommendations

Audit Area	Date	Assurance	No of Recs	Implmntd	Outstanding (extended or overdue)	Not Yet Due	Comments / Progress
ISA 260 Report	Nov 20	N/A	3	1		2	<p>1) Remind all staff (service managers) to promptly notify IT for all leavers. Revisit protocols and processes to ensure there is an appropriate control in place to capture any non-notified leavers on IT systems. The Council will remind all managers to ensure that appropriate IT forms are filled into remove leavers from all systems (High)</p> <p><u>Management response</u> Completed. Reminder has been issued; all current disabled IT access is under review.</p> <p>2) Asset Valuation inputs. The Council should perform an annual reconciliation of key valuation inputs prior to providing information to the nominated valuer. Management response (Med)</p>

							<p><u>Management response</u> The Council will consider undertaking a review in 20/21.</p> <p>3) The Council should review its approach to the calculation of its debt impairment to ensure that this accords with the requirements of IFRS 9 and the CIPFA Code. Management response (Med)</p> <p><u>Management response</u> To be considered as part of the 2020/21 reporting cycle.</p> <p><u>December 2020 update</u> These two areas will be 20/21 year end exercises so will be covered April 21 as part of the closedown process.</p>

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SUBJECT: FRAUD AND ERROR HALF YEAR REPORT 2020/21

DIRECTORATE: CHIEF EXECUTIVE

REPORT AUTHOR: JOHN SCOTT, AUDIT MANAGER

1. Purpose of Report

- 1.1 To receive the Fraud and Error half year report.

2. Background

- 2.1 The Audit Committee receive a half-year and year end fraud and error report which is attached at Annex A. This is linked to its terms of reference and contributes to the overall governance arrangements of the authority and the annual governance statement.

3. 2020/21 Fraud and Error report

- 3.1 The report covers key messages, investigations, proactive work, fraud partnerships, referrals and action plan.

4 Impact of Covid-19

- 4.1 There has been some impact in terms of delaying some pro-active work for 2020/21 and this is outlined in the report and action plan.

5 Housing benefit/Council tax support

- 5.1 For 2020/21 the total number of referrals to SFIS (Single Fraud Investigation Service –DWP) for the period 1st April – 30th September was 10. There have been no prosecutions or administrative penalties issued. For the first 3 months of the financial year, all activities associated with DWP Fraud Investigation and Compliance, including HB were suspended due to the COVID-19 crisis. In July, DWP Counter Fraud, Compliance & Debt Directorate (CFCD) colleagues re-started some limited counter fraud activities and are now carrying out compliance interviews by telephone with Employment and Support Allowance, Income Support and Job Seekers Allowance claimants. 'HB only' cases are not being dealt with.
- 5.2 Over the years, there has been a reduction in referrals which is due to more pro-active work around the National Fraud Initiative (NFI), Verification of Earnings and Pensions (VEP) and the Housing Benefit Matching Service (HBMS). National Fraud Initiative (NFI) is an exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud. Verification of Earnings and Pensions (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. Housing Benefit Matching Service (HBMS) is a mechanism used to cross

reference all Department for Work and Pensions' (DWP's) benefits systems by data matching details against local authorities (LAs) systems with the purpose to support LAs to identify fraud and error.

- 5.3 From October 2020, the Housing Benefit Award Accuracy Initiative (HBAA) was introduced which requires local authorities (LA's) to complete full case reviews and self-employed earnings reviews on high risk cases. Data is provided by the DWP. The aim of the initiative is to proactively identify unreported changes and make sure that the right amount of benefit is paid to the right person at the right time.

6. Cyber Crime and Cyber Security

- 6.1 Online fraud, also known as cyber-crime, covers all crimes that take place online-are committed using computers, or-are assisted by online technology. 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. The Council faces multiple attacks each day which are prevented, detected and neutralised by systems and software. An anti-malware internal audit was completed in 2019/20; this provided substantial assurance. IT Disaster recovery is still a significant issue on the AGS (Annual Governance Statement) and this is being monitored through the Audit Committee 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. Our "Scambusters" partnership also helps to inform the public and partners in relation to cyber crime and scams. 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. CoLC is planning on developing cyber resilience plans

7 NNDR and SBRR

- 7.1 The NNDR team continue with proactive checks on planning lists and utilising the Visiting Officer capacity within the team. There are regular reviews of reliefs including Small Business Rate relief, Charity relief, Other discretionary relief. For 2020/21, Small Business Rates Relief (SBRR) is being reviewed through a third party, to cross check against other authorities as to whether a business is in receipt of SBRR. SBRR regulations allow for small single businesses, not multiple. This is progressing well and has stopped giving SBRR from the outset rather than seeking clawback. Officers were involved in one national case where the company made claims all over the country that they had occupied properties on 1.2.2020 and that they were entitled to small business rate relief.

8 Council Tax – SPD (Single Person Discount)

- 8.1 The latest bulk review was due to be undertaken during April –August 2020 and then on a rolling review from October 2020 onwards (pending successful tender process). However due to COVID the SPD bulk review has been postponed until April – August 2021, with the rolling review starting October 2021 (post tender process). The last review saw 566 SPD's removed.

9 Housing tenancy

- 9.1 Tenancy fraud covers several areas including unlawful sub-letting or assignment, non –occupation, key selling, application deception, right to buy fraud

For 2019/20 there were 5 sub-letting cases investigated with one case substantiated. There were 10 notices to quit (NTQ's including non-occupation/abandonment) and another two NTQs have been served for unauthorised occupation of a Council dwelling "trespassing".

For 20-21 up to 30th September 2020 no further sub-letting cases identified for this period. We have served a total of 14 notices to quit during this period; 10 were served on the basis that the tenant had abandoned their property without giving notice to end their tenancy and the remaining 4 were served on the basis that the tenants concerned were identified as not occupying their properties as their main and only home. In all 14 cases the tenancies were ended on the expiry of the notice to quit without recourse to court proceedings.

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

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. High risk cases were identified and reviewed; we are arranging further training for staff before we can move forward any further. As well as potential fraud the data matching has highlighted some data errors and these are being corrected.

10 NFI – National Fraud Initiative

- 10.1 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. Files were uploaded in October 2020 for the main scheme. Council Tax and Electoral roll data is being uploaded in December as is grants data.

11. Grants

- 11.1 The government has provided a range of grants to support business during the pandemic.

There were a number of control checks undertaken on applications before payment in line with government guidance. There were a very small number of fraud cases, fraud attempts as well as some errors.

Small Business:

1180 payments totalling £11,775,000.

One suspected fraud case value £10K;

There are 3 x businesses with outstanding overpayments totalling £12K due to payment error.

Retail Under £15k RV

253 payments totalling £2,505,000
Two grants were repaid due to State aid limits being reached.
Two fraud attempts value £20K

Retail Over £15k RV

283 payments totalling £7,045,000
One grant repaid due to State aid limits being reached.

Discretionary

126 payments totalling £1,174,500.00

12. Fraud Strategy and Policy Review

- 12.1 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. The strategy will be reviewed again in 2021.

The Council's Anti-Bribery Policy was reviewed in December 2019.

The Whistleblowing Policy was updated and was presented to the Audit Committee in September 2020.

The Benefit / CTS fraud, sanctions and prosecutions policy was approved by the Executive in 2018.

13. Whistleblowing

- 13.1 During 2020/21, so far we have had 16 whistleblowing reports
These were in relation to:

9 HB/CTS
3 Housing
1 Business rates
1 Council Tax
2 Other

During 2019/20, we have had 13 whistleblowing reports

These were in relation to:

5 x HB
4 x Council Tax
2 x Housing
2 x Health and Safety

14. Fraud Awareness

- 14.1 Our fraud awareness e-learning has previously been successful with a high percentage of staff taking part. We will continue with further training during 20/21 and 21/22

15. Fraud Risk Register

15.1 The Fraud Risk Register was updated in December 2019 and will be updated again in quarter 4 2020/2021. We gather intelligence throughout the year to inform this and it allows us to focus on our proactive work priorities. Fraud risks may change due to Brexit which will be taken into account.

16. Strategic Priorities

16.1 High performing services

The internal audit service and plan contributes to the Council's strategic priorities, by helping to manage risk and achieve its objectives.

17. Organisational Impacts

17.1 Finance (including whole life costs where applicable)

There are no direct implications

17.2 Legal Implications including Procurement Rules

There are no direct implications.

18. Recommendation

18.1 The Committee is asked to consider and comment on the half year fraud and error report.

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: John Scott, Audit Manager
Telephone (01522) 873321

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Area	Priority	Timescales	Status
Update Counter Fraud policy/strategy	High	Review again 2020/2021 taking account of updated National Strategy guidance (Q4)	
Ensure all counter fraud policies are appropriate and up to date	Medium	As required Every Two years	Anti-Bribery (Dec 19) Whistleblowing (Sept 20) Money Laundering (Dec 18)
Update fraud risk register Implement the actions within the Counter Fraud Risk Register	High High	March 2021 See Risks	Follow up Q4
Complete fraud e-learning training for Officers and members. New starters	High	21/22	70%* staff completed previously Members trained
Communication Communicate strategy Review existing publications and publicity to determine any changes / improvements <ul style="list-style-type: none"> • Website • Publicity to stakeholders • Successful cases – Media 	Medium Medium	21/22 Mar 21	

Area	Priority	Timescales	Status
<p>Projects linked to the Lincolnshire Counter Fraud partnership</p> <p>SPD Housing Tenancy</p> <p>*See full work programme</p>	High	As per LCFP work programme	<p>SPD – in progress but delayed to 2021 (Revs and Bens)</p> <p>Housing Tenancy – ColC current pilot</p> <p>Review March 21 (Housing)</p>
<p>Prepare for 2020 NFI and review matches</p> <p>Main scheme Grants</p> <p>Follow up and investigation of data matches identified through National Fraud Initiative</p>	High	<p>December 2020</p> <p>Starts Jan/Feb 2021</p>	<p>In progress</p> <p>Awaiting results</p>
<p>CIPFA fraud survey</p> <p>Review report results</p>	Med	Annual	Awaiting annual report
<p>Review counter fraud “partnership” arrangements</p> <p>Continued development of fraud resilience through the Lincolnshire Counter Fraud Partnership (LCFP). Delivery of reports to Lincolnshire Finance Officers Group</p>	Medium	March 2020	Agreed to extend for 3-5 years

Area	Priority	Timescales	Status
Consider the internal and external promotion of whistleblowing	Medium	Mar 21	
Data analysis / optimum use of Technology / analytics. Consider data technology pilots to improve efforts to detect and prevent fraud Used to prioritise and facilitate counter fraud proactive exercises	Medium	Ongoing	Tenancy SPD/CTS Fraud Business rates SBRR NFI Grants
Review intelligence on changes to the control environment (which could increase fraud/error risk) Communicate requirements to service managers/AD's	Medium		Ongoing Includes Covid 2020 audit review
Undertake counter fraud "healthcheck"	Medium	Mar 21	Integrate with strategy review (above)
Where there has been a fraud or attempted fraud feedback to Audit committee/AD/CMT any Control improvements	Medium	Ongoing	Sixth month report Annual report

Area	Priority	Timescales	Status
<p>For 2020/21, Small Business Rates Relief (SBRR) is being reviewed through a third party, to cross check against other authorities as to whether a business is in receipt of SBRR. SBRR regulations allow for small single businesses, not multiple. This is progressing well, and has stopped giving SBRR from the outset rather than seeking clawback. Officers were involved in one national case where the company made claims all over the country that they had occupied properties on 1.2.2020 and that they were entitled to small business rate relief.</p>	High	Ongoing 20-21	Going well
<p>The latest bulk review was due to be undertaken during April – August 2020 and then on a rolling review from October 2020 onwards (pending successful tender process). However due to COVID the SPD bulk review has been postponed until April – August 2021, with the rolling review starting October 2021 (post tender process). The last review saw 566 SPD's removed</p>	High	August 2021	
	54		10

Other areas undertaken by Assurance Lincs	Priority	Timescales	Status
Participation in Safer Lincolnshire Partnership's (SLP) Serious and Organised Crime – Fraud Group (current focus on vulnerable adults)	N/A	N/A	Any relevant information is fed through LCFP representatives
Participation in: <ul style="list-style-type: none"> • Midlands Fraud Group • work with FFCL Board (Fighting Fraud & Corruption Locally) • CIPFA Counter Fraud Centre • follow up of NAFN alerts and horizon scanning for relevant legislative changes 	N/A	N/A	Any relevant information is fed through LCFP representatives
Monitoring and review of: <ul style="list-style-type: none"> • Investigations • Whistleblowing reports • CFaCT annual report • National picture to identify trends and feed into Fraud Risk Assessment 	N/A	N/A	Any relevant information is fed through LCFP representatives CoIC review the CFaCT report. CoIC act on the Whistleblowing referrals received and report summary details

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SUBJECT:	AUDIT COMMITTEE WORK PROGRAMME
REPORT BY:	AUDIT MANAGER
LEAD OFFICER:	JOHN SCOTT, AUDIT MANAGER

1. Purpose of Report

1.1 To provide details of the Audit Committee work programme for 2020/21

2. Executive Summary.

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

3. Main report

3.1 The proposed work programme is attached at Appendix A. The frequency of meetings has been reviewed and revised taking account of impacts relating to the pandemic. It is considered appropriate for 2020/21.

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 The Audit Committee should comment on and agree the work programme for 2020/21.

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 No

Procedure Rules apply?

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

One

**List of Background
Papers:**

None

Lead Officer:

Audit Manager Telephone 873321

AUDIT COMMITTEE AUDIT WORK PROGRAMME FOR 2020/21

Meeting dates	Audit Items – Revised Agenda	Training (Suggested)
13 th June 20	Meeting cancelled	
23 rd July 20	<ul style="list-style-type: none"> • Annual Internal Audit Report • Internal Audit Progress report (19/20) • Audit Committee Work Programme 	<ul style="list-style-type: none"> • Audit Committee effectiveness (Dec 2020)
27 th Aug 20	<ul style="list-style-type: none"> • Statement of Accounts (Draft) • Annual Governance Statement (Draft) • External Audit Progress report • Audit Committee Work Programme 	<ul style="list-style-type: none"> • Local Government Financial Statements explained • Annual Governance Statement/Corporate Governance (Part of Meeting)
24 th Sept 20	<ul style="list-style-type: none"> • Internal Audit progress report • Annual Complaints report • Audit recommendations report • Information Governance Update • Whistleblowing policy • 12 Month fraud and error report • Audit Committee Work Programme • Internal Audit Plan 20-21 	

<p>17th Nov 20</p>	<ul style="list-style-type: none"> • Statement of Accounts (including Annual Governance Statement) (Final) • Annual Governance Report (Isa 260)/ Auditors Report (External Audit) • Going Concern report • Audit Committee Work Programme 	
<p>15th Dec 20</p>	<ul style="list-style-type: none"> • Audit recommendations report • Internal Audit progress report • Six Month Fraud and Error report • Annual Governance Statement - monitoring • Audit Committee Work Programme 	<ul style="list-style-type: none"> • Counter Fraud (e-learning)
<p>2nd Feb 21</p>	<ul style="list-style-type: none"> • Internal Audit Progress report • Treasury management policy and strategy (consultation prior to approval by Council) • Audit Committee Work Programme • Information Governance update • Counter fraud policies • Fraud risk register • Terms of Reference review - Internal Audit (Audit Charter) • Terms of Reference review – Audit Committee • Audit / Audit Committee effectiveness 	<ul style="list-style-type: none"> • Treasury Management
<p>23rd Mar 21</p>	<ul style="list-style-type: none"> • Internal Audit Progress report • Audit recommendations report • Combined Assurance report • Annual Governance Statement –update report • Internal Audit Strategy and Plan 20-21 • Risk Management Strategy / annual report • Statement on Accounting Policies 	<ul style="list-style-type: none"> • Audit Committee effectiveness

	<ul style="list-style-type: none"> • External Audit Inquiries – 20/21 Statement of Accounts (those charged with governance) • IAS19 – Assumptions used to calculate pension entries in the Statement of Accounts and Audit Regulations • External Audit plan • Audit Committee Work Programme • Financial Management Code / Financial Resilience 	
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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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