

AUDIT COMMITTEE

Tuesday, 13 December 2022

6.00 pm

**Committee Room 1, City
Hall, Beaumont Fee, Lincoln,
LN1 1DD**

- Membership: Councillors Rebecca Longbottom (Chair), Jackie Kirk (Vice-Chair), David Clarkson, Thomas Dyer, Gary Hewson, Calum Watt and Emily Wood
- Substitute member(s): Councillors Pat Vaughan
- Independent Member: Jane Nellist
- Officers attending: Democratic Services, Jaclyn Gibson and Amanda Stanislawski.

A G E N D A

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1. Confirmation of Minutes - 15 November 2022	3 - 16
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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- Present:** Councillor Rebecca Longbottom (*in the Chair*)
- Councillors:** Jackie Kirk, Thomas Dyer, Gary Hewson, Calum Watt, Emily Wood and Alan Briggs
- Independent Member:** Jane Nellist
- Apologies for Absence:** Councillor David Clarkson

24. Confirmation of Minutes - 19 July 2022

RESOLVED that the minutes of the meeting held on 19 July 2022 be confirmed and signed by the Chair.

25. Matters Arising

The Chair referred to minute number 15 in relation to the Recommendation/Agreed Action Follow Up Protocol and asked if the wording of paragraph 3.1 had been reviewed as requested at the last meeting.

Amanda Stanislawski, Audit Manager confirmed that the wording had been updated and the Protocol would be included within the recommendations report to be presented to Audit Committee in December 2022.

The Chair referred to minute number 20 and asked if the comments made in relation to the green stickers had been referred to the relevant Officer.

Amanda Stanislawski, Audit Manager confirmed that the comments had been referred to Steve Bird, Assistant Director of Communities and Street Scene.

26. Declarations of Interest

No declarations of interest were received.

27. Change to Order of Business

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

- Confirmation of Minutes – 19th July 2022
- Declarations of Interest
- Information Governance Update
- Exclusion of Press and Public
- Information Governance Update

The agenda to continue unchanged from item 3 of the agenda.

28. Information Governance Update

Sally Brooks, Data Protection Officer:

- a) presented a report to update Audit Committee on progress made with Information Management monitoring the council's compliance with data

protection legislation including the General Data Protection Regulation (GDPR) and the Data Protection Act 2018 (DPA)

- b) highlighted that update reports were submitted to Audit Committee on a bi-annual basis, the last report was provided in March 2022
- c) updated that since the agenda was published the government had announced that the Data Protection Reform had been delayed and maybe withdrawn and re-written completely, an update would be provided in due course
- d) updated members of Audit Committee in relation to progress made with the Office 365 roll out as detailed at paragraph 6 of the report
- e) reported that the Annual Governance Statement (AGS) status for Information Governance had been downgraded from Red to Amber due to progress made in the implementation of the GDPR and had since been removed from the AGS although remained closely monitored with reports submitted to IG Board, CMT and Audit Committee
- f) invited members' questions and comments;

Question: Referred to the current risk score and commented that all areas were showing the same improvement and asked for clarification.

Responded: The risks showed as being static due to all the work that had put in place to mitigate the risks. If the risk levels dropped officers would respond and put measures in place.

Question: Referred to the roll out of Office 365 and asked if Freedom of Information requests could be dealt with automatically within the system.

Response: The suite did hold the capability but there were no plans to use it without officers' knowledge. There were tools that could assist officers with a data search if requested.

Question: Referred to the low risk identified within Comms and asked why the risk was low when the Christmas Market Facebook page had recently been hacked.

Response: The risk referred to was in relation to staff being aware of data protection. There would always be a risk of cyber-attack. Facebook was not a system controlled by the Council therefore we could not improve security of the system. No personal data was shared on Facebook.

Question: Referred to the Cyber Ninjas training and commented the training as longwinded and uninteresting and asked if any feedback had been received from staff.

Response: No negative feedback had been received from staff on the training.

Comment: Pleased to hear that a 10-minute refresher training session was being provided.

RESOLVED that the content of the report be noted.

29. **Exclusion of Press and Public**

RESOLVED that the press and public be excluded from the meeting during consideration of the following item(s) of business because it is likely that if members of the public were present there would be a disclosure to them of 'exempt

information' as defined by Section 100I and Schedule 12A to the Local Government Act 1972

30. Information Governance Update - Appendix A

Minute number 38 included details of the discussion associated with this item.

(Only Appendix A Information Governance Risk Register was contained here as exempt information.)

31. Inclusion of Press and Public

RESOLVED that the press and public be included back into the meeting.

32. Annual Complaints Summary Report 2021-22

Jo 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 2021-22.
- c) highlighted the background to the council's complaints procedure at paragraph 2 of the report
- d) advised that the Housing Ombudsman had published a Complaint Handling Code, details of which were contained at paragraph 2.3 of the report.
- e) explained that as a result of the guidance, and in consultation with the Resident Involvement Panel, new time targets for handling complaints had been introduced:
 - Initial acknowledgment within 5 days
 - Level 1 complaints to be responded to within 10 working days
 - Level 2 complaints to be resolved within 20 working days.
- f) reported that the number of complaints received over the year had increased on the previous year. There were some council services that had suspended their operations for several months, in year 2020-2021 which would have reduced the potential for something to go wrong. However, the total number of complaints was at its highest in the last 5 years.
- g) detailed further the breakdown of directorate complaints at paragraph 4 of the report
- h) highlighted that of the 392 complaints responded to in 2021-2022, 49% (193) were upheld, this was an increase on the percentage upheld in the previous two years which were 39% and 40% respectively.

- i) explained that tenancy related complaints i.e. those which were classed as a landlord function, were now referred to the Housing Ombudsman (HOS) rather than being dealt with by the LGSCO
- j) referred to paragraph 5 of the report and detailed the complaints that were investigated by LGSCO.
- k) highlighted the trend in complaints as detailed at paragraph 7 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.

RESOLVED that the content of the 2021-2022 complaints report be noted.

33. Annual Governance Statement Monitoring

Graham Rose, Senior Policy Officer:

- a) presented a progress update on those areas identified as 'significant governance issues' as set out in the 2021/22 Annual Governance Statement (AGS), which Audit Committee had a role to review
- b) stated that the report provided an update on the progress made for one significant internal control issue identified in the 2021/22 Annual Governance Statement presented to Corporate Management Team and Audit Committee in June 2022. This Particular issue was monitored throughout 2021/22 and carried forward for monitoring during 2022/23. There were no other issues identified within the 2021/22 Annual Governance Statement
- c) advised on the status of one significant issue:
 - i. Disaster Recovery Plan in place for IT arrangements and alignment with current Business Continuity Plans
- d) referred to Appendix A of the report and updated on the progress made with this one significant issue
- e) requested that members of Audit Committee give consideration to the content of the report.

Members referred to the specific cyber-attack insurance and asked when it would be procured.

Jaclyn Gibson, Chief Finance Officer responded that currently it was difficult to meet the demands of the insurance companies, this was a general issue and not specific to the City of Lincoln Council. Investment would be needed to meet the requirements of the insurance companies and officers needed to weigh up if it would be feasible to make those investments.

RESOLVED that the progress made on the one issue identified within the Annual Governance Statement 2021/22 be noted.

34. Internal Audit Plan 2022/23 Review

Amanda Stanislowski, Audit Manager:

- a) presented to Audit Committee the revised Audit Plan for 2022/23 which included a change in the number of days in the Audit Plan and to seek views on audit coverage in the second half of the year.
- b) explained that the development of the plan used a combination of the following:
 - The Council's Combined Assurance Model,
 - An assessment of risk – based on the significance and sensitivity of key activities
 - Consultation with Senior Management
 - Issues raised by the Audit Committee
- c) highlighted that using the Combined Assurance Model helped streamline and avoid duplication of effort where assurances could be drawn from other sources.
- d) advised on the reduced resources in 2022/23 as detailed at paragraph 3 of the report and explained that the current Audit Plan needed to be amended to reflect the lower level of resource.
- e) suggested the deferral of a number of audits and also the removal; or changes to some audits as outlined at paragraph 4 of the report.
- f) advised that the revised plan focussed on core financial audits and other key areas to enable internal audit to provide an annual opinion on the governance, risk and control environment at the year end.
- g) updated that the vacant posts had not been filled and were currently being advertised again.
- h) invited members comments and questions.

Question: Asked if the Council were actively searching to recruit to the vacant posts.

Response: The posts were currently being advertised for the fourth time, they were now being advertised on both a full and part time basis. Recruiting to professional roles in the council was difficult at the moment.

Question: Suggested that officers contact the University to try and recruit to the posts.

Response: This could be explored.

Question: Commented that there was a substantial reduction to the work that would be completed and asked if this was enough to provide an opinion this year.

Response: The work on the Audit Plan was the minimum that was needed to be able to provide an opinion.

Question: Asked what would happen with the Audit Plan next year.

Response: The Audit plan was reviewed on an annual basis.

Question: Commented that the number of auditing hours were often reduced and asked how many hours were being put into auditing.

Response: This was temporary reduction in resources due to staffing, the budget was still available and there was no intention of reducing the number of audit days any further.

The committee expressed concern that the Audit team was down to one member and that there were not enough resources to provide an Audit opinion.

Angela Andrews, Chief Executive and Town Clerk reassured the committee that there was enough resources to provide an Audit opinion and if it was identified that there was not enough resources we would seek additional resources externally. The Council would never be in a position where an audit opinion could not be provided.

RESOLVED that revised Audit Plan 2022/23 be approved

35. **Internal Audit Progress Report**

Amanda Stanislawski, 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 April 2022 to June 2022, 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
 - Current areas of interest relevant to the Audit Committee
- d) advised that recruitment was proving difficult and despite three attempts the two vacant posts had not been filled. The posts were currently being advertised for a fourth time
- e) invited questions and comments

Members discussed the contents of the report in further detail.

Councillor Hewson, referred to the Performance Management Audit and explained that a chart had been implemented to track outstanding questions and responses at Performance Scrutiny Committee and suggested that this be implemented for Audit Committee . He further commented on the accuracy of data provided.

Angela Andrews, Chief Executive and Town Clerk, responded that audit looked at one dimension of Performance Management, she assured members that the data provided had been triangulated over a number of areas and was reliable and accurate.

Councillor Dyer, referred to the new Elections Act in relation to trialling voter ID and asked if there was any resource available to audit this.

Angela Andrews, Chief Executive and Town Clerk, responded that there was a project team working on this. Auditing was not part of the project plan at the moment.

Jane Nellist, Independent Member referred to the Limited Assurance Audit in relation to Performance Management and asked if given some of the findings of the audit, would this have an impact on audits that had been removed from the plan. She further commented that it was difficult to pick out information when the full reports were not provided to committee.

Amanda Stanislawski, Audit Manager responded that there would be no impact on any other audits and the recommendations from Audits would be reported to committee in due course through the usual recommendation monitoring reports.

RESOLVED that the report be accepted and the monitoring arrangements be continued

36. Whistleblowing Policy and Guidance

Amanda Stanislawski, Audit Manager:

- a) presented the Council's current whistleblowing policy and guidance
- b) explained that the current whistleblowing policy had been updated to correct paragraph numbering, reflect changes in the personnel and other external links. There had been no material change to content.
- c) highlighted that the councils whistleblowing policy was part of a range of counter fraud policies which were reviewed every two years (or sooner if required).
- d) stated that a whistleblower was generally a term used for a person who worked in or for an organisation and raised an honest and reasonable concern about a possible fraud, crime, danger or other serious risk that could threaten colleagues, service users, customers, members of the public or the success and reputation of an organisation
- e) referred to a copy of the policy and guidance at Appendix A of the report and highlighted the marked changes.
- f) invited members questions and comments.

Question: Asked if the policy was accessible for staff whilst the contact details were being updated.

Response: The policy was available on net consent and there were a number of officers contact details within the policy for staff to contact.

Question: Asked if the names in the document could be changed with delegated powers.

Response: The policy was due for its bi-annual review, there were no other changes required except for names and contact details.

The Chair requested that officers names be updated in the policy as and when required and not to wait until the policy was due for review.

RESOLVED that the updated Whistleblowing Policy and Guidance be approved.

37. External Audit - Audit Completion Report (21/22)

The Council's external auditors presented the Audit Completion Report which summarised the findings from the 2021/22 audit.

The external auditor's work on the financial statements was substantially complete and, subject to satisfactory conclusion of any outstanding work, they would propose issuing an unqualified audit opinion without modification. As part of the audit, the internal controls in place relevant to the preparation of the financial statements had been considered, with 1 low recommendation resulting from this work made as follows:

- Journal processing.

Further details of these recommendations were outlined in section 5 of the external auditors' report at Appendix A.

In relation to misstatements in the accounts, there was one misstatement identified that was above the threshold level of £37k., this was adjusted for as part of the audit process and had been reflected in the Statement of Accounts.

The Statement of Accounts included on the agenda for this meeting at item 6 reflected a fully amended version of the document.

It was reported that the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources were yet to be completed. At the time of preparing this report, no significant weaknesses in arrangements, that required a recommendation to be made had been identified. However, work continued to be undertaken on the Council's arrangements and a commentary of these would be provided in the External Auditors Annual Report.

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.

Question: Referred to Management override in controls in relation to the Audit Approach and asked for clarification.

Response: This was a mandated risk across all external audits which had to be considered. It referred to miss reporting rather than being a material fraud within a business.

The Chair commented that she was pleased to see that there were no significant matters brought to committees attention and that Mazars had worked well with the Councils Finance Team.

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 be delegated to the Chief Finance Officer and Chair of the Audit Committee, which any changes reported back to the Audit Committee.

38. External Audit Progress Report

Mike Norman, Mazars:

- a) presented the External Audit Progress Report to provide Audit Committee with an update on progress in delivering responsibilities of the external auditors.
- b) referred to the External Audit progress report attached at Appendix A covering the following areas:
 - Audit planning update and progress report: and
 - A summary of recent relevant national reports and publications
- c) requested that members note the contents of the report and the attached appendix.
- d) invited member's questions and comments.

RESOLVED that the contents of the External Audit Planning Update and Progress report be noted.

39. Assessment of Going Concern Status

Jaclyn Gibson, Chief Finance Officer:

- 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 2021/22.
- 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 2021/22 financial statements being prepared on a 'going concern' basis.
- d) highlighted the main factors which underpinned the assessment
 - 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 arrangement
 - 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)
- f) further detailed the following:
- The Council's Projected Financial Position – Revenue Resources
 - The Council's Balance Sheet as at 31st March 2022
 - 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 2021/22 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.
- h) invited committee's questions and comments

Question: Asked what was causing the Council to lose money from reserves.

Response: The grants from the Covid-19 Pandemic had distorted the figures over the last couple of years.

RESOLVED that the outcome of the assessment of the Council's going concern status for the purpose of preparing the Statement of Accounts 2021/22 be accepted

40. **Statement of Accounts 2021/22**

Jaclyn Gibson, Chief Finance Officer:

- a) presented the Statement of Accounts for the financial year ended 31 March 2022.
- b) reported that the Statement of Accounts for 2021/22 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 2021/22 with an audit opinion and certificate by no later than 30 September 2022. This date had been extended from the ordinary deadline of 31 July.
- d) noted that the Statement of Accounts for 2021/22 were still subject to final verification by external audit. The audit of accounts was being finalised by Mazars, who had commented the audit in July. Should any material changes

be necessary as a result of this final external audit work, these would be reported back to a meeting of this committee by the Chief Finance Officer.

- 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 August 2022 until 12 August 2022 and the external auditor was available to answer questions during this period. It was reported that no questions had been asked.
- f) advised that during the completion of the external audit no misstatements above the threshold level of £49k were found.
- g) 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 2021/22 was substantial and was in line with the Council's Code of Corporate Governance.
- h) explained that one significant issue had been identified in respect of IT Disaster Recovery, an issue which was included in the previous years Annual Governance Statement. Although progress had been made over the last twelve months it was felt that the issue should remain on the list of significant issues, and progress against the actions would be regularly reported by Management to the Committee. There were no other significant issues identified in 2021/22
- i) 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.
- j) invited members' questions and comments.

Question: Referred to the breakdown of capital expenditure on page 104 and page 116 of the report and commented that the figures were different and asked if there was a reason why.

Response: The information had been extracted into a summary of accounts; this would be clarified with the team.

RESOLVED that

1. the final Statement of Accounts 2021/22 be noted, noting that the external audit was substantially complete.

2. any further changes to the Statement of Accounts, arising from the conclusion of the external audit be delegated to the Chief Finance Officer who would report any changes to the Chair of Audit Committee.

41. Request for Audit Committee Approval of Mazars' 2021/22 Non-Audit Services

Jaclyn Gibson, Chief Finance Officer

- a) presented a report to request that the Audit Committee approved the proposed engagement of the Council's external auditor, Mazars to undertake the:
 - Housing Benefits – Reporting report on the 2021/22 return and;
 - Pooling of Housing Capital Receipts – Reporting Accountant report on the 2021/22 return
- b) advised that historically this had not required the approval of Audit Committee, however Mazars had requested that the engagements for 2021/22 be formally approved by Audit Committee as per the letter attached at Appendix A of the report
- c) invited committee's questions and comments

Question: Asked what was the justification for Mazars asking for approval.

Response: It was to show that there were internal procedures in place to consider any threats to the independence of Mazars.

Question: Asked when were the auditors appointed.

Response: Public Sector Auditor Appointments were every five years.

RESOLVED that Mazars be engaged to undertake the additional non-audit work as detailed at paragraph 1 of the report.

42. Review of The Constitution - Financial Procedure Rules

Jaclyn Gibson, Chief Finance Officer:

- a) presented to Audit Committee the revised Financial Procedure Rules and associated amendments required to the Constitution, for consideration and recommendation for adoption by Council
- b) reported that the financial procedure rules provided a framework for officers to work within to ensure compliance with the need to secure proper administration of the Council's financial affairs as required by section 151 of the Local Government Act 1972
- c) stated that the last fundamental review took place in 2018, as approved by Council on 10th April 2018.
- d) advised that the Financial Procedure Rules must be reviewed at least every 3 years. The scheduled review in 2021 was delayed due to the impact of the Covid 19 Pandemic. The rules had been reviewed to ensure that they reflected best practice and for any amendments required in relation to changes in the environment in which the council operated.

- e) reported on key changes to the existing Financial Procedure Rules as detailed within paragraph 4 and Appendix A of the report
- f) explained that a new part had been included within the Financial Procedure Rules, called Part B Financial Approval Limits. This was intended to include the key elements of the rules that had specific approval limits attached to them, into a shorter, clearer document.
- g) requested members' consideration on the content of the report.

Question: Asked for clarification in the procedure for compensation for complaints that were upheld.

Response: Any compensation claim would be investigated through the Insurance Team before any compensation was awarded.

The Chair requested that the 2 sections of the Financial Procedure Rules be cross referenced to ensure that it was clear on Part B of the rules which it was referring to in Part A.

RESOLVED that Audit Committee recommended that the revised Financial Procedural Rules be referred to Council for approval.

43. Audit Committee Work Programme 2022/23

Amanda Stanislawski, Audit Manager

- a) presented a report to inform members of the Audit Committee on the work programme for 2022/23 as detailed at Appendix A of the report
- b) referred to paragraph 3 of the report which highlighted the changes to the work programme
- c) advised that the Audit Committee Terms of Reference was attached at Appendix A of the report for information
- d) invited members' questions and comments:

RESOLVED that the contents of the Audit Committee work programme 2022/23 be noted.

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SUBJECT: INTERNAL AUDIT PROGRESS REPORT

REPORT BY: CHIEF EXECUTIVE AND TOWN CLERK

LEAD OFFICER: AMANDA STANISLAWSKI, 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. We have currently completed 48% of the revised plan. There are seven pieces of work in progress, two of which are at draft report stage. There has been one change made to the revised plan which has removed one audit and replaced it with another.

2.2 One report has been issued since the previous Progress Report in November. This is the ICT Programme and Project Management report which has been given a Substantial assurance rating.

2.3 We continue to co-ordinate the submission of information for the National Fraud Initiative and all data sets required by 18th November have been submitted.

3 Internal Audit Progress Report

3.1 The Internal Audit progress report attached (Appendix A) covers the following areas :-

- Progress against the plan
- Summary of Audit work
- Current areas of interest relevant to the Audit Committee

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

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 E and D implications arising as a result of this report.

5. Recommendation

5.1 Audit Committee are asked to review and comment on the content of the latest Internal Audit Progress Report for 2022-23.

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: Amanda Stanislowski, Audit Manager, Telephone 873321

Internal Audit Progress Report



**City of Lincoln Council
November 2022**

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1 Assurance Definitions
2 2022/23 Audit Plan

Amanda Stanislowski – Audit Manager (Head of Internal Audit)
Amanda.stanislowski@lincoln.gov.uk

This report has been prepared solely for the use of Members and Management of City of Lincoln 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 audit work during November 2022
- Advise on progress with the 2022/23 Plan
- Raise any other matters that may be relevant to the Audit Committee role

Key Messages

Progress is being made on the current 2022/23 plan (Appendix 2). We have now completed 48% of the revised plan to date (including the 2021/22 work carried over).

We have seven pieces of work in progress, two at draft report stage and four in progress (Appendix 2). We are also involved in the co-ordination of the National Fraud Initiative which is taking place this year.

We have made one change to the revised plan which has resulted in one audit (Fleet) being removed and replaced by another (Housing Repairs) which was previously removed when the plan was revised in November. This will ensure that coverage remains sufficient to allow an end of year opinion to be made.

The team currently has two vacancies. The recruitment processes have been unsuccessful so far. The posts are currently being re-advertised. We have employed a temporary Auditor on a casual contract to cover some of the work and have obtained further resources from Assurance Lincolnshire. This will enable us to cover the work remaining within the work plan until the end of the Financial year. We will continue to monitor resources to ensure that the work can be completed both for the rest of this year and for 2022/23 with additional resources sought if required.

Assurances

One assurance review has been completed:-

- ICT Programme and Project Management

A summary of the report is provided on the following pages.



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.

Substantial Assurance

ICT Programme and Project Management

There is a project plan in place and arrangements in place to monitor delivery through the Technology Pillar (TP) which has a Terms of Reference and meets regularly. Improvements are required to effectively manage individual projects and adhere to the Lincoln project Management Methodology (LPMM).

The projects monitored by the TP all link and a recent review by CMT of the priorities for the TP provides further confirmation that they are all key. We can confirm that the ICT programme does address Council objectives and that the ICT programme is being effectively managed.

The TP, led by the Director of Housing & Investment, oversees the Council's key ICT projects and meets regularly to review progress. Meetings are formal with minutes and action tracking and there are verbal updates to CMT.

The TP operates as a programme board but does not have any responsibility for operational aspects of projects or LPMM compliance – that is the role of the project sponsor / project board, etc. Our high level testing of LPMM compliance for the TP projects found that;

- All had a Project Lead and Project Sponsor
- A Project Board was in place (where appropriate)
- A Project Brief and Project Initiation Document had not been completed / could not be located in all cases
- Inconsistencies in completing other project documents

The Project Initiation Document (PID) includes a section to consider the project management approach and this should be agreed by the Project Sponsor and Project Lead at the start of the project. The PID also requires oversight and sign off by the Project Sponsor at key points. We have recommended that management remind Project Leads & Sponsors that a Project Brief and a PID should be completed, as a minimum, for all projects.

The TP project schedule contains no indication of prioritisation; all projects appear of equal importance. The TP lead stated that projects are prioritised, but this is not recorded. We have recommended that management introduce a prioritisation process to ensure that resources / efforts can be directed to the most important projects / work areas.

One of the TP projects is delivery of the IT Strategy. A tool has been developed to monitor and deliver everything that the team is responsible for (projects, business as usual, etc) in a way that complies with LPMM, where required.

Substantial Assurance

Summary of Recommendations:-

Priority	Recommendation	Agreed Action	Owner	Due Date
Medium	Management remind Project Leads & Sponsors that a Project Brief and a PID should be completed, as a minimum, for all TP projects.	Ensure LPMM paperwork is complete	Director Housing and Investment	Oct-22
Medium	Management consider introducing a prioritisation process for TP projects to ensure that resources / efforts can be directed to the most important projects / work areas.	Record assessment of projects	Director Housing and Investment	Oct-22

ICT Programme and Project Management

Audits in Progress

- Stores 21/22 – Draft report
- De Wint Court – Draft report
- Staff Welbeing – Fieldwork in progress
- Climate Change – Fieldwork in progress
- Housing IT – First gateway review completed, others to be completed throughout the process.
- Combined Assurance – In progress

Other work

- Recruitment process – advertised externally and no applicants. Re-advertised in different places and interviewed but not appointed. Re-advertised again.
- NFI – co-ordination and returns.

Amendments to the Audit Plan

There has been one further amendment made to the plan since it was revised in November. The Fleet audit has been removed and replaced with the Housing Repairs Audit

Audit work undertaken for Assurance Lincolnshire

Covering the Principal role for the South East Lincolnshire Partnership. One Audit in progress Levelling up Fund.



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

Rated our service Good to Excellent

48% Plan Completed





Other matters of interest

A summary of matters that will be of particular interest to Audit committee members

Currently no further matters of interest since the previous Committee.

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.

Audit	Scope of Work	Start Planned date	Start Actual date	End Actual date	Status/ Rating
21/22 Performance Management	Assurance that the PM Framework enables the Council's performance to be effectively monitored.	Q4	Mar 22	Aug 2022	Limited
21/22 Stores	Assurance on the changeover of the contractor.	Q4	Apr 22		Draft Report
21/22 ICT Programme & Project Management	Assurance on general programme and project management.	Q4	Feb 22	Oct 2022	Substantial
21/22 Medium Term Financial Strategy	Assurance that assumptions, reserve levels, etc are appropriate and there is integration with other strategic documents	Q4	Mar 22	July 22	High
Annual IA Report	Audit opinion & coverage for 2021/22	Q1	May 22	June 22	Completed
Housing Benefit Subsidy	Detailed testing on behalf of External Audit	Q1-2	May 22	Sept 2022	Substantial
Staff Wellbeing	Review of the impact of changes to working practices on staff and action being taken. Covering areas such as homeworking, health and safety and the impact on sickness, grievances, turnover.	Q1	Sept 22 Start delayed until September by auditee.		In Progress

Audit	Scope of Work	Start Planned date	Start Actual date	End Actual date	Status/ Rating
De Wint Court	To review the proposed arrangements in place for the Rent, allocations, staffing and other income in respect of De Wint Court .	Q1			Draft Report
Housing IT	System Implementation Gateway reviews on the project to upgrade the Universal Housing system	Q1-3			First gateway review completed
IT Disaster Recovery (IT Consultant)	Assurance on IT DR planning, incident response & infrastructure resilience.	Q1-2			Postponed until Q4 at request of auditee
Christmas Market	There are plans in place setting out the aims and objectives for the market measuring it's performance. Processes are in place for the secure collection of income and procurement of goods and services to support the operation of the market.	Q2			Removed.
Economic Recovery – Post Covid	Work to be carried out on the Covid related grants - potential to look at third party providers, possible frauds, lessons learned.	Q2			Removed.
Climate Change	Review of the Councils climate action plan to ensure that it links to the Councils vision and aspirations, sets clear targets for achievement and is embedded within the Council.	Q2-3			Fieldwork in progress

Audit	Scope of Work	Start Planned date	Start Actual date	End Actual date	Status/ Rating
Members	Review of the processes in place to ensure that Members receive the resources (kit & expenses) and development required including their responsibilities and communication especially via social media.	Q2-3			Removed.
Electoral Registration	Review of the maintenance of the electoral register.	Q3			Removed.
Fleet	Review to ensure that the fleet is procured & managed in accordance with the policies and procedures. There are controls in place to ensure that fuel and consumables are used on council fleet vehicles and policies on private use of fleet vehicles are in place.	Q3			Removed
Housing Repairs	To provide assurance on the operation of the new repairs process and the void repairs process	Q3			Reinstated
Health & Safety	Review operation of new risk assessment process.	Q3			Removed.
Insurance	Processes in place ensure that the responsibility for insurance is clearly defined and sustainable, adequate cover is in place, compliance with internal procedures and claims are dealt with promptly.	Q3			Removed.

Audit	Scope of Work	Start Planned date	Start Actual date	End Actual date	Status/ Rating
Property, Plant & Equipment (Asset Control)	Review of the processes in place to ensure that the assets register held by accountancy is accurate (additions / disposals, valuations & reconciliation of the register).	Q3			
Organisational Development	To provide assurance that there is an effective workforce plan in place which meets the changing needs of the council in order to serve its communities. To consider the demographic and skills of staff and to ensure that key risks have been identified.	Q3-4			
Corporate Asset Management	There is an up-to-date Strategic Asset Management plan in place which is appropriately communicated.	Q3-4			Removed.
Western Growth Corridor	To provide assurance that appropriate partnership governance and programme management arrangements are in place for the construction of Phase 1a.	Q3-4			
Housing Strategy & New Build / New Homes	The Council has a plan in place that includes the delivery of new homes which is realistic and adequately resourced. There are processes in place which ensure that any conditions of funding are adhered with.	Q4			Removed.

Audit	Scope of Work	Start Planned date	Start Actual date	End Actual date	Status/ Rating
General Ledger (Journals, Control Accounts & Suspense Accounts)	Review to ensure that there are controls in place to ensure that journals made are appropriate, control accounts are reconciled and suspense accounts cleared promptly.	Q4			
CCTV	Review of the processes in place to ensure that the service complies with the regulatory requirements, is appropriately resourced and has processes in place for maintaining and sharing information in response to incidents. Equipment is maintained and secure.	Q4			Removed.
IT Asset Management	Review of the processes and policies in place regarding the control of IT assets (Including mobile devices) including asset management, responsibility, use and the security of the devices to protect against unauthorised use, access to information and loss of assets.	Q4			
Income – Bank Reconciliation	Processes in place ensure that bank reconciliations are carried out promptly, accurately, reviewed and any discrepancies are rectified.	Q4			
Combined Assurance	Update of the Combined Assurance Map	Q4			Underway
Audit Strategy & Plan	Audit Strategy & Plan for 2023/24	Q4			

SUBJECT: INTERNAL AUDIT RECOMMENDATIONS FOLLOW UP

REPORT BY: CHIEF EXECUTIVE AND TOWN CLERK

LEAD OFFICER: AMANDA STANISLAWSKI, AUDIT MANAGER

1. Purpose of Report

1.1 To present an update to the Audit Committee on outstanding agreed actions.

2. Executive Summary

2.1 The report provides a summary of the outstanding actions and progress made on implementation. There are currently 6 High actions and 11 Medium actions remaining to be implemented. There is 1 overdue High Risk Action relating to ICT Anti-Malware. The attached report provides more details of the splits between those overdue, extended and not due and also the changes made since the last report to the Audit Committee in March including the new actions agreed.

2.2 Within the report there are 4 actions which are overdue and which have requested extensions. As per the revised Protocol all extensions have to be approved by the relevant Director and at the time of writing this report these have not been received. These include ICT Anti-Malware, Housing Allocations and Safeguarding.

3. Audit recommendations Report

3.1 The attached Appendix (A) provides details of the relevant audits, outstanding recommendations / agreed actions and current position.

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 - TBC

4.3 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 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 responses and comment on whether the extensions are approved.

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: Amanda Stanislawski, Audit Manager, Telephone 873321

Audit Recommendations

November 2022



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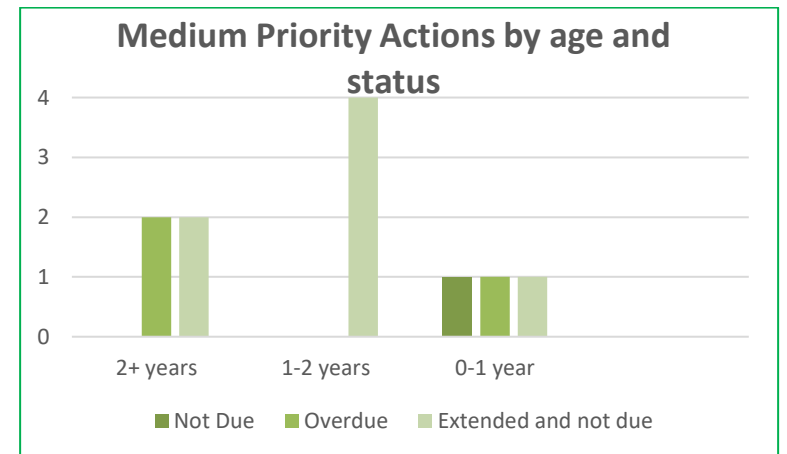
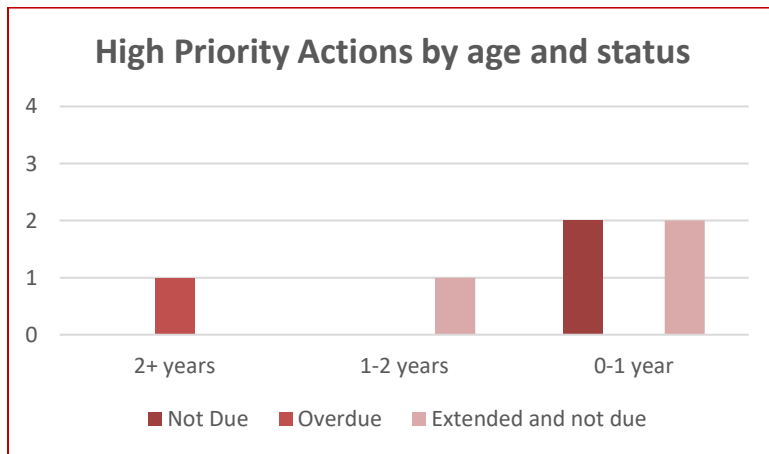
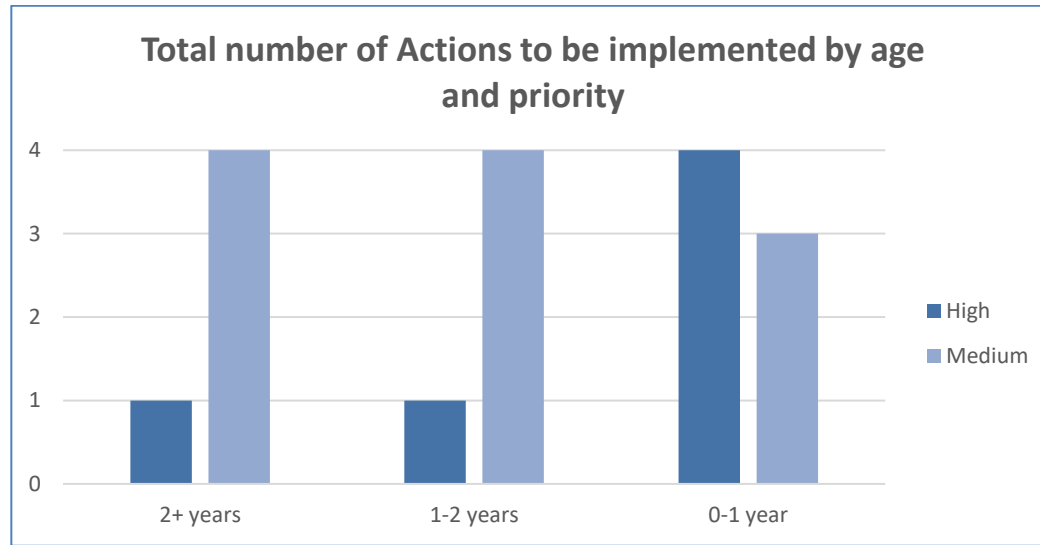


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Summary of Agreed Actions

We have carried out a review of the actions due by the end of October 2022 and the following graphs summarise the current position of the implementation of all agreed actions in response to the recommendations made:-



High Priority Actions outstanding

The following table provides the detailed information for the high priority actions which have not yet been implemented and are overdue:-

Audit	Recommendation	Agreed Action	Original Due Date	Current Due Date	Owner	Latest Progress / Comments
ICT Anti-Malware	Supply engineers from supplier organisations a short document describing “Do’s and Don’ts” whilst engineers access the CoLC network remotely or on site (this could be a copy of the Code of Connection or a slimmed down version) – which could be email or on the Council’s website	Rec 2b) Set minimum compliance standards for remote access by suppliers or on site guidance	31/08/2020	30/09/2022	Matt Smith	Nov 22 - A protocol will be drawn up covering remote access. Due to other work it will be difficult to achieve before the end of March 2022. Awaiting approval of extension from Sept to Mar 23.
Western Growth Corridor	Management continue to update the CoLC risk register regularly and take to WGC Programme Board and update the joint risk and opportunity schedule (a joint risk register), reporting into Charterfields Board. Ensure mitigation target dates/assurance rating included where possible	The CoLC WGC Programme Board risk register will be updated and regularly reported to WGC Programme Board. A joint (landowners) risk register will be updated and reported to Charterfields Board These will be updated after planning determination.	31/10/2021	31/12/2022	Kate Ellis	Nov 22 – Review of all risks undertaken at bespoke session of the internal Board on 08 August. Risk Register standing item on internal WGC Programme Board agenda. Next update of risk register will go on 12 December. Joint risk register under development will go to next meeting on the 13

Audit	Recommendation	Agreed Action	Original Due Date	Current Due Date	Owner	Latest Progress / Comments
						December. Extended from Sept to Dec 22 - approved.
CoL 2021/22-07 - Income (key areas)	Building Control 1.1) Contact to be made with the Group Accountant (Technical) regarding reclaiming VAT that has been incorrectly reported.	Work with Business Analyst to obtain a report to identify errors & retrieve VAT. Moving forwards, arrange for reports to be produced monthly to confirm VAT status of future regularisation applications; liaise with Banking	31/07/2022	31/12/2022	Marcus Tasker	Oct 22 - Work in progress for arranging reports to be produced. Extension to Dec 22 - approved.
CoL 2021/22-07 - Income (key areas)	Building Control 1.2) Liaise with Business Analyst regarding adjustments that need to be made to enable regularisation applications to be identified as outside the scope for VAT	Liaise with Business Analyst regarding any adjustments that can be made to online payments for regularisation applications to identify the payment as outside scope for VAT	31/07/2022	31/12/2022	Marcus Tasker	Oct 22 - Discussions in place to look at options for different methods of on-line payments but this is outside the remit of Building Control as no control over the on-line payment system. Business Analyst to look at means to adjust. Extension to Dec 22 – approved.

Changes since the previous report

A report on the outstanding recommendations was presented to Committee in June 2022. There have been a number of changes in the implementation of actions outstanding at that time and these are detailed below.

All recommendations have now been implemented for the following reports:-

Audit Area	Date	Assurance	Progress
Values and Behaviours	Nov 19	Consultancy	Remaining 2 completed. Employee engagement strategy to be reviewed. No longer required. Existing People Strategy still in place and objectives remain relevant.. Management training on dealing with/managing poor behaviour. Training included within the leadership development training programme. Training commenced in June 2022 and is ongoing.
Accountancy	Jun 21	High	Remaining action completed. Implement a six-monthly review of system users. Rolling review in diary, first completed in April and another planned for December..
Planned Maintenance	Jun 22	Substantial	Remaining actions implemented. Included documentation of timescales for actions and completion of negotiations on the final account, Minutes circulated to Assistant Director, review of payment and inspection process and updating the contract register.

Progress made on implementing actions for the remaining reports are as follows in date order:-

Audit	Date	Assurance	No of Recs		Implmtd	Outstanding		Not Yet Due	Comments / Progress since previous report
			H	M		Overdue	Extended		
Licensing	Feb 20	Substantial	0	6	5	0	1	0	One Action completed All communications to be logged onto APP – complete. Review performance measures. Extension required to allow time to procure the new system. Extended to Jan 23 from Jun 22– approved.

Audit	Date	Assurance	No of Recs		Implmtd	Outstanding		Not Yet Due	Comments / Progress since previous report
			H	M		Overdue	Extended		
ICT Anti-Malware	Mar 20	Substantial	1	8	7	2 (1 High)	0	0	<p>Actions now overdue.</p> <p>Review and update the Incident management policy / procedure.</p> <p>Not progressing very quickly on the East Midlands Warp - due to no dedicated resource. Will write a policy/procedure in-house and review again once the EM Warp has been completed. This will be prioritised alongside Disaster Recovery programme rewrite - Awaiting approval of extension from Sept to Mar 23.</p> <p>High Action reported in section above.</p>
Housing Allocations	Aug 20	Substantial	0	4	3	1	0	0	<p>Action now overdue.</p> <p>Annual review of applications.</p> <p>Testing phase of upgrade revealed some issues so not yet able to implement into the live system. Awaiting approval of extension.</p>
Homelessness	Aug 20	Substantial	0	2	1	0	1	0	<p>Action now overdue.</p> <p>Ensure compliance with document retention & disposal requirements.</p> <p>The new Enterprise system is in place, however the retention timescales have not been set yet. Extension agreed to Mar 23 but this is the last extension to be granted.</p>
Office 365	May 21	Substantial	0	6	5	0	1	0	<p>No change.</p> <p>Enable, set-up and use DLP policies for Exchange Online and SharePoint Online content.</p> <p>Consultancy has now been completed to set out a framework for</p>

Audit	Date	Assurance	No of Recs		Implmtd	Outstanding		Not Yet Due	Comments / Progress since previous report
			H	M		Overdue	Extended		
									change. This will be developed into a plan for migration of data etc. A significant amount of resource will be required for completion.
Creditors	Jun 21	High	0	1	0	0	1	0	Action now overdue. Review and approve authorising officers on Agresso. Information is being collated in a format for the appropriate Assistant Directors to approve/confirm and this will be distributed at the latest by the end of next week. Extension approved to Nov 22.
Visitor Information Centre	Jan 22	Substantial	1	6	5	0	2	0	Actions now overdue. Obtain agreement of whether discount scheme to continue Being progressed as part of a wider review. Extension to Apr 23 approved. Develop a Business Plan Extension requested until April 23 from July 22 due to staff recruitment and busy summer season. Approved.
Safeguarding	Jan 22	Substantial	0	5	4	1	0	0	No change. Use the E-CINS IT system to record and track referrals. System and guidance in place and testing has been completed. New Safeguarding Lead will implement and embed once in post. Awaiting approval of extension.

New Recommendations made:-

Audit Area	Date	Assurance	No of Recs		Implmtd	Outstanding		Not Yet Due	Comments / Progress
			H	M		Overdue	Extended		
Performance Management	Aug 22	Limited	3 (7)	1	1	0	0	3 (2 High)	<p>Seven high recommendations were made but agreed actions covered more than one recommendation resulting in four actions.</p> <p>One action implemented, remainder not yet due. Signing off procedure – completed. Review of Performance Management Framework – several actions linked to this and work is ongoing. PIMS Options and Delivery – actions cover a of review delivery against the brief and additional tools would like. Tracking of actions – Template has been developed and will be trialled.</p>
ICT Programme and Project Management	Oct 22	Substantial	0	2	1	0	1	0	<p>One action implemented and one overdue..</p> <p>Project management paperwork to be completed – completed Prioritisation of projects – Will be undertaken. Extension approved to Mar 23.</p>

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Recommendation/Agreed Action Follow Up protocol

The following sets out the protocol to be followed for the approval of changes to the implementation dates and monitoring of implementation of the agreed actions.

1. Internal Audit will;

- 1.1 Record recommendations and actions on the Audit System – Pentana and use this for reporting and monitoring
- 1.2 Monitor target dates quarterly and obtain updates where the action is due within 1 month
- 1.3 Discuss extensions to target dates and obtain approval from Directors
- 1.4 Undertake detailed follow up work on all agreed actions in Limited / Low assurance audits approx. 12mths from the report date or other agreed date.
- 1.5 Provide a report for Directors of all outstanding actions on at least a 6 monthly basis to be added to the next available DMT meeting agenda
- 1.6 Liaise with Directorates to ensure that they are aware of the actions outstanding and provide reports as required.
- 1.7 Feedback comments from the Audit Committee in respect of the implementation of audit actions.
- 1.8 Carry out spot checks of any completed actions within the last 12 months and obtain evidence to support implementation.

2. Audit Committee will;

- 2.1 Receive recommendation update reports at alternating meetings, which provide a summary of progress and detail of High priority recommendations
- 2.2 Receive verbal updates from service managers where there are outstanding agreed actions 12mths from the report issue date
- 2.3 Receive a 12mth update on Limited / Low assurance audits
- 2.4 Receive notification where recommendations are not agreed

3. Directors will;

- 3.1 Consider and approve extensions where the agreed action has not been implemented by the implementation date.
- 3.2 Approve acceptance of risk where recommendations are not agreed.
- 3.3 Include a review of agreed actions on the DMT agenda at least every 6 months.
- 3.4 Ensure Portfolio Holders are made aware of outstanding actions and the reasons for this.

4. Assistant Directors, City Solicitor, Chief Finance Officer will:

- 4.1 Approve the closing of agreed actions where the action is no longer relevant / has been superseded.

Definitions

- *Recommendation* – Action recommended by the Auditor to rectify the weakness/issue identified.
- *Agreed Action* – Action agreed by management to rectify the weakness/issue identified which may differ from the recommendation.

(Approved by Committee 14 June 2022)

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SUBJECT: SIX MONTHLY FRAUD AND ERROR REPORT

DIRECTORATE: CHIEF EXECUTIVE & TOWN CLERK

REPORT AUTHOR: AMANDA STANISLAWSKI, AUDIT MANAGER

1. Purpose of Report

1.1 This report informs Committee of performance against the 2022/23 Counter Fraud Work Plan and the outcomes of pro-active fraud work and investigations carried out to date.

2. Executive Summary

2.1 The Audit Committee receive a six monthly Fraud and Error update report (Counter Fraud Report). This is linked to its terms of reference covering monitoring of the Counter Fraud Strategy and contributes to the overall governance arrangements of the authority and the annual governance statement.

2.2 The report summarises the number of cases so far for 2022/23 comparing them with the previous year.

2.3 Progress made against completing the actions within the Counter Fraud Action Plan is detailed within the report. There have been some delays with the Single persons discount review mainly due to prioritising the Energy Rebate scheme and the Money Laundering risk assessment due to resource priorities whilst recruiting. Progress is being made with the Small Business Rate Relief checks continuing.

2.4 Whistleblowing referrals are close to those received for the whole of 2021/22. Allegations are similar being mainly in respect of partners being resident or the claimant was working. Resident parking has been a new theme this year with two referrals made. Action has been taken in thirteen whistleblowing cases, two have been referred to the DWP and eleven have been cleared with no issues.

3. Organisational Impacts

3.1 Finance (including whole life costs where applicable)

There are no direct financial implications

3.2 Legal Implications including Procurement Rules

There are no direct legal implications

3.3 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.

Due to the nature of the report, no specific Equality Impact Analysis is required.

4. Recommendation

4.1 The Audit Committee consider and comment on the contents of the report and appendix.

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: Amanda Stanislowski, Audit Manager
Telephone (01522) 873321

Counter Fraud

2022/23 Six Monthly Update



Introduction

The purpose of the Report is to provide the Audit Committee with a half year update on the number of cases related to fraud and work undertaken in respect of fraud so far.

The report also informs the committee of performance so far against the 2022/23 Counter Fraud Work Plan and the outcomes of pro-active fraud work and investigations to date.

The Council's Policy Statement:

The Council is opposed to any form of fraud or malpractice. The Council is committed to operating in an open and honest way in order to:-

- *Prevent, deter and detect fraud and malpractice*
- *Allow scrutiny and investigation to take place, both internally and externally*
- *Allow rigorous enforcement to take place; and*
- *Reinforce good practice and prevent reoccurrence*

Overview of Cases

The table below summarises the cases to date against the full year figures for 2021/22:-

	Cases to Oct 2022	Cases 2021/22
Referrals to the Single Fraud Investigation Service – DWP	4	7
Tenancy – Notices to Quit issued (For potentially fraudulent reasons e.g. Abandonment, trespass, not main/only home)	8	19
Whistleblowing	17	23
NFI – HB/CTR matches:- Processed	N/A	404
Fraud		0
Errors		27
Single Person Discounts Removed	0	514

Work Completed / In Progress

The Council undertakes a number of Counter Fraud activities throughout the year, both on it's own and through the Lincolnshire Councils Fraud Partnership (LCFP). The following sets out the progress made against items included on the Action Plan:-

Ref	Activity	Target Date	Responsibility	Current Position
1	LCFP Single Person Discount Rolling Review	Q2 start Q4 reporting	Lincolnshire Councils Fraud Partnership (LCFP) Head of Shared Revenues and Benefits	This has been delayed mainly due to prioritising the energy rebate scheme. Work is now progressing on the Countywide scheme, which is set to be in place by April/May 2023.
2	Covid Grants – Fraud Cases and Post Assurance	Q1 start	Head of Shared Revenues and Benefits Assistant Director – Major Developments Internal Audit Manager	Recovery ongoing, no further post assurance work required.
3	Money Laundering Risk Assessment	Q2	Internal Audit Manager	Due to other priorities this has not yet been completed.
4	Self Assessment against the Counter Fraud Strategy	Q4	Internal Audit Manager	Not yet due.
5	Small Business Rate Relief checks through a third party	Q1 start	Head of Shared Revenues and Benefits	Small Business Rates Relief (SBRR) continues to be reviewed through a third-party company.
6	Housing Tenancy Fraud – Fraud strategy	TBC	Tenancy Services Manager	
7	Roll out of Counter Fraud E-learning and review of Counter Fraud Training requirements throughout the Council.	Q4	Lincolnshire Councils Fraud Partnership (LCFP) Internal Audit Manager	Awaiting e-learning from the LCFP.

In addition to the work on the Action plan we have also carried out the following:-

- ✓ Updated the Whistleblowing Policy
- ✓ Submitted the data for the National Fraud Initiative
- ✓ Administered the whistleblowing referrals and investigations
- ✓ Completed an internal Council Tax Empty Homes review
- ✓ Rolling review of the small business rate relief through a third party
- ✓ Administered the Council Tax Energy Rebate Schemes

Further information on the cases and work completed is included in the following sections.

Housing Benefit / Council Tax Support

So far this year the number of referrals to SFIS (Single Fraud Investigation Service – DWP) for Lincoln was 4. There have been no prosecutions or admin penalties issued.

Council Tax – Single Person Discount (SPD)/ Empty Properties

There has not been a review of single persons discounts as yet this year. It was expected that we would have starting the rolling review but this has been delayed mainly due to administering the Energy Rebate Scheme. Work is now progressing on the County-wide scheme, with the intention of being in place from April/May 2023.

An internal review was undertaken of empty properties in August/September. The Energy Rebate Scheme had also identified a number of properties registered as empty when in fact they were occupied.

Energy Rebate Scheme

The Council has successfully administered the Energy Rebate Scheme with payments made to all those eligible under the mandatory scheme either into bank accounts or onto Council Tax accounts. Following this a review was completed and it was identified that credits had been made to 29 Council Tax accounts which were later found to be ineligible. These have been removed from the accounts.

NNDR

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, and other discretionary relief.

Small Business Rates Relief (SBRR) continues to be reviewed through a third-party company, 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.

Housing Tenancy

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

So far during 2022-23 8 notice to quits have been issued. These have been for tenants abandoning their property and one for unlawful occupation. All have been ended without recourse to legal proceedings.

Data in respect of Right-to-Buy sales and the Housing Waiting list has been submitted as part of the NFI data matching exercise.

Payroll and Human Resources

There have not been any incidents identified of fraud or error within the service this year. Within Payroll one of the checks carried out ensures that changes to bank details for staff are validated with them prior to payments being made. The system also has a built in control whereby an automatic email is sent to both parties when the bank details are changed on the system by the employee enabling fraudulent attempts to be identified.

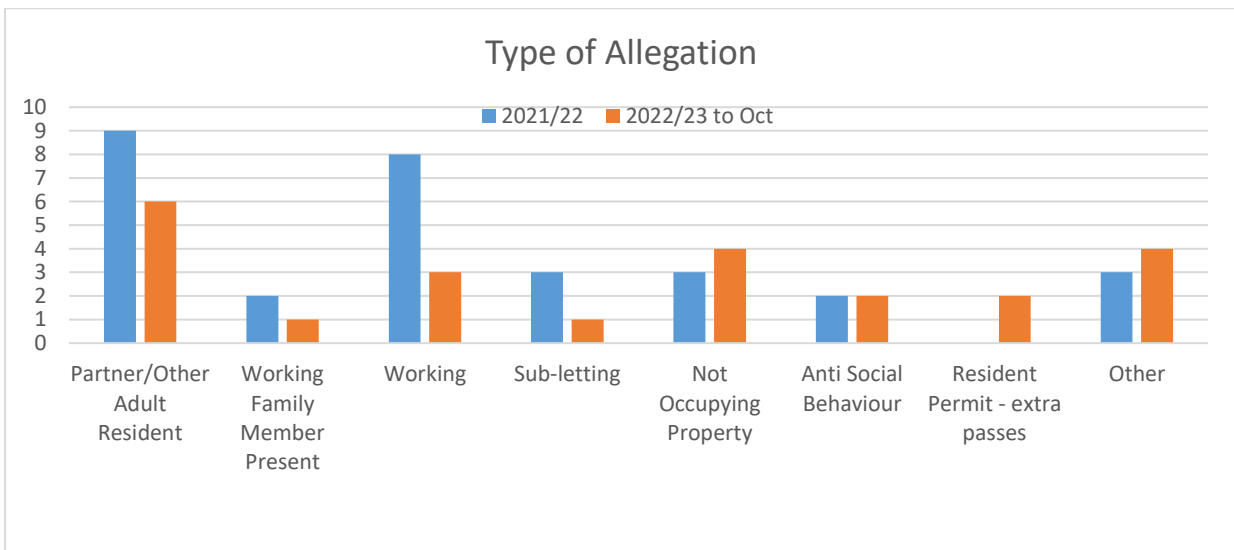
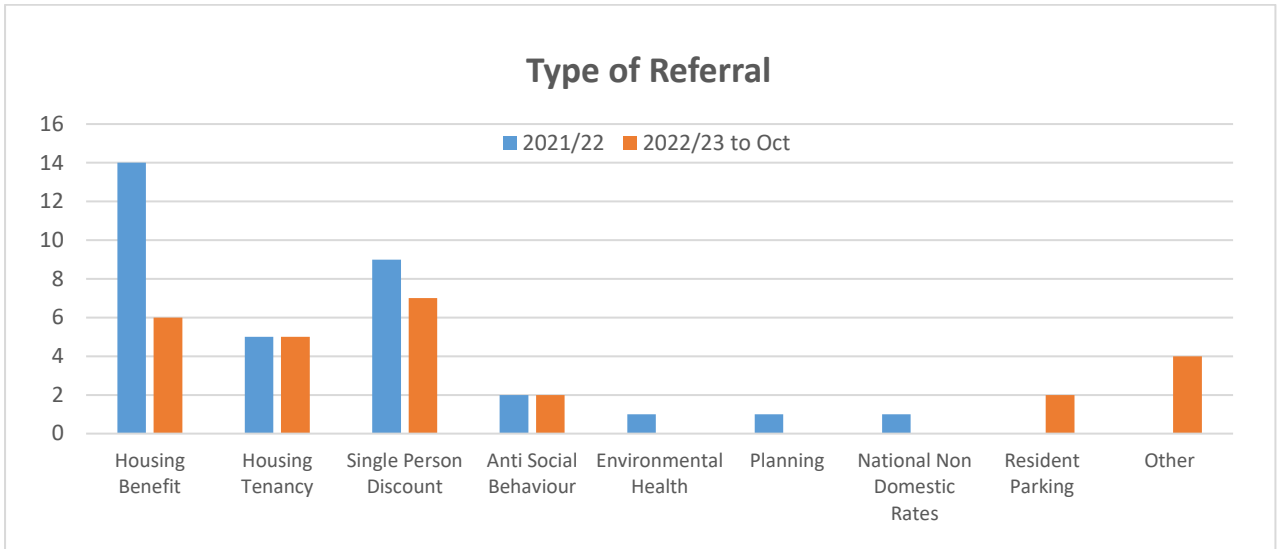
Other fraud / fraud attempts

There have not been any frauds identified within remaining Amber areas within the Fraud Risk Register including procurement, elections and creditors. Notification has been received of a potential fraud affecting creditors whereby invoices are sent to organisations from companies with very similar names to legitimate companies.

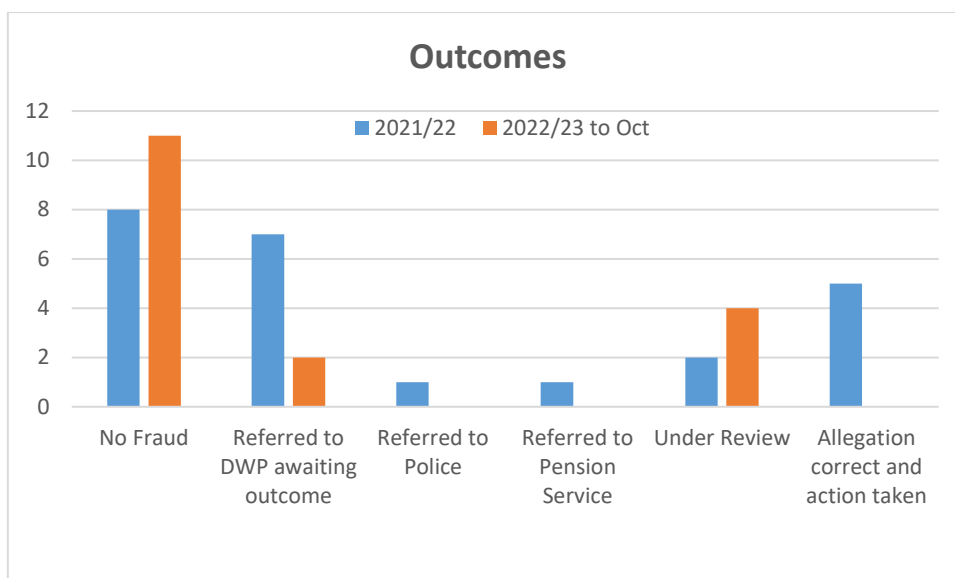
Whistleblowing

The Council has a Whistleblowing line which is operated through Lincolnshire County Council as well as an internal process for receiving Whistleblowing cases. So far during 2022/23 we have received 17 whistleblowing reports.

These are analysed below. Note that each referral can contain multiple allegations covering different types so there are more than 17 cases recorded:-



Whistleblowing



Payment of Housing Benefit and Council Tax Support can be reliant on information provided from the DWP and Pensions Service. Where this is the case the Council pass over the information received through the Whistleblowing process but is unable to change the benefit paid until they receive updated information from the DWP.

National Fraud Initiative

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, electoral role, housing and licences. Files are currently being uploaded for the 2022/23 exercise and the matches are expected to be received from January 2023. Work will then commence to review these.

Online fraud, also known as cyber-crime, covers all crimes that takes place online committed using computers, or assisted by online technology. The Council continues to place high importance on cyber security and has included it as an Amber risk within the Fraud Risk Register.

The council uses training provided by an external provider (Cyber Ninja's) which is accredited by the National Cyber Security Centre (NCSC) and covers both data protection and cyber security training. Up to the end of September, training completion levels were around 89%. Going forward this training is to be undertaken annually with all staff and members completing the initial course on Induction and then a shorter refresher course the following year.

So far this year the Council has had one Cyber-attack which was not identified by the recipient. This was a phishing attack whereby an attachment, when clicked, requested the officer's network password. This information was used to send an e-mail containing a link, to multiple people with the aim of harvesting passwords. It was not successful as the link could not be opened. Staff have been reminded to be vigilant and look for suspicious looking e-mails.

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SUBJECT:	AUDIT COMMITTEE WORK PROGRAMME 2022/23
DIRECTORATE:	CHIEF EXECUTIVE AND TOWN CLERK
REPORT AUTHOR:	AMANDA STANISLAWSKI, AUDIT MANAGER

1. Purpose of Report

1.1 To provide details of the Audit Committee work programme for 2022/23.

2. Background

2.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) identifies the purpose of an Audit Committee, in its Practical Guidance for Local Authorities and Police 2018 Edition, as providing those charged with governance, independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes. In local authorities, audit committees are necessary to satisfy the wider requirements for sound financial and internal control. Accounts and Audit (England) Regulations 2015 state 'the relevant authority must ensure that it has a sound system of internal control which; facilitates the effective exercise of its functions and the achievement of its aims and objectives; ensures that the financial and operational management of the authority is effective; and includes effective arrangements for the management of risk'. With a known work plan, and appropriate and timely learning and development for Members, the committee will be well prepared and members will gain the knowledge and experience needed to carry out their role effectively.

2.2 The Audit Committee approves a work programme each year and monitors progress against it. Any changes to the work programme are reported to the Committee.

3. 2022/23 Work Programme

3.1 The proposed work programme for 2022/23, based on the Committee's Terms of Reference and cyclical reporting, is attached at Appendix B. The frequency of meetings has been reviewed and is considered appropriate for 2022/23.

3.2 There have been two changes made to the work programme for the December meeting:-

- The Annual Governance Statement Monitoring has been removed as it was reported in November following the cancellation of the September meeting.
- Partnership Governance has been removed and will be covered within the March agenda item.

Any further changes to this work programme will be reported to the Committee at each of its meetings.

3.3 A copy of the Audit Committee's Terms of Reference is attached at Appendix A.

4. Learning and Development

4.1 CIPFA identify a key characteristic of an effective Audit Committee as having a membership that is balanced, objective, independent of mind, knowledgeable and properly trained to fulfil their role. There is a range of knowledge and experience that audit committee members can bring to the committee which will enable it to perform effectively. No one committee member is expected to be an expert in all areas. There are however some core areas of knowledge which committee members need to acquire in addition to the need for regular briefings and training.

4.2 Members need to consider annually their learning and development plan to support them in delivery of their roles. During 2022/23 the following training is scheduled:

- 6th June 2022 – Audit Committee Effectiveness – this was cancelled and rescheduled to 30th June
- 7th July 2022 – Local Government Financial Statements
- 31st January 2023 – Treasury Management
- TBC – Risk Management
- TBC – Counter Fraud learning

5. Strategic Priorities

5.1 The Internal Audit Service and Audit Committee contributes to the Council's strategic priorities, by helping to manage risk and achieve its objectives.

6. Organisational Impacts

6.1 Finance – 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 and 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.

Due to the nature of the report, no specific Equality Impact Analysis is required.

7. Risk Implications

7.1 By identifying the key topics to be considered at the Audit Committee meetings and receiving appropriate learning and development sessions in respect of their roles and responsibilities, Audit Committee Members can undertake their duties effectively and deliver them to a high standard, thereby adding to:

- the robustness of the risk management framework;
- the adequacy of the internal control environment and
- the integrity of the financial reporting and annual governance of the Council.

8. Recommendation

8.1 Audit Committee are asked to comment on and agree on the work programme for 2022/23.

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? Two

List of Background Papers: None

Lead Officer: Amanda Stanislowski, Internal Audit Manager
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9.1 Audit Committee

The Council will appoint an Audit Committee.

9.2 Composition

Audit Committee

- (a) The Audit Committee will comprise • seven Councillors • one independent member
- (b) The seven councillors of the Audit Committee should include the Chair of Performance Scrutiny Committee.
- (c) A member of the Executive may not be a member of this Committee

9.3 Statement of purpose

(a) The Audit Committee will have the following roles and functions:

- (b) The audit committee is a key component of the City of Lincoln's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.
- (c) The purpose of the Audit Committee is to provide independent assurance to the Council members of the adequacy of the risk management framework and the internal control environment. It provides independent review of the City of Lincoln's governance, risk management and control frameworks and oversees 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.
- (d) To decide upon and authorise allowances to the Committee's Independent Member.

Governance, risk and control

- (a) To consider the council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
- (b) To engage with relevant committees to help support ethical values and reviewing arrangements to achieve those values as appropriate
- (c) To appoint Lead Member to monitor and oversee Information Governance practices within the Council along with the Information Governance Board.
- (d) To monitor the effectiveness of the Authority's risk management Arrangements (development and operation),
- (e) To monitor the Council's anti-fraud and anti-corruption arrangements (including an assessment of fraud risks);
- (f) To monitor the counter-fraud strategy, actions and resources.
- (g) To monitor progress in addressing risk-related issues reported to the committee.
- (h) To maintain an overview of the Council's constitution in respect of contract procedure rules and financial procedure rules;
- (i) To review any issue referred to it by the Chief Executive, a Strategic Director, Monitoring Officer, Chief Financial Officer or any Council body as the Chair considers appropriate within the general Terms of Reference of the Committee
- (j) To review the Authority's assurance statements, including the Annual Governance Statement prior to approval, ensuring it properly reflects the risk environment and

supporting assurances (including internal audit's annual opinion on governance, risk and control)

(k) To consider the council's framework of assurance and ensure that it adequately addresses the risks and priorities of the council.

(l) To review the Council's arrangements for corporate governance, including the local Code of Corporate Governance and agreeing necessary actions to ensure compliance with best practice (the good governance framework, including the ethical framework)

(m) To review the governance and assurance arrangements for significant partnerships or collaborations.

(n) To consider the Council's compliance with its own and other published standards and controls;

(o) To report and make recommendations to Executive or Council on major issues and contraventions;

(p) To have rights of access to other Committees of the Council and to strategic functions as it deems necessary.

(q) To receive on an annual basis a report on the Treasury Management Strategy before approval by the Executive and Full Council.

(r) To be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

Internal audit

(a) Receive and consider the annual report and opinion of the Internal Audit Manager including conformance with Internal Audit Standards

(b) Review a summary of internal audit activity including internal audit reports on the effectiveness of internal controls, seeking assurance that action has been taken where necessary on the implementation of agreed actions;

(c) To consider summaries of specific internal audit reports as requested by the Audit committee.

(d) To Approve (but not direct) internal audit's risk-based annual audit plan including resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those sources.

(e) Audit Committee Chair to approve significant interim changes to the risk based internal audit plan and resource requirements followed by report to Audit Committee.

(f) To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.

(g) To consider any impairments to independence or objectivity arising from additional roles or responsibilities outside of internal auditing of the head of internal audit. To approve and periodically review safeguards to limit such impairments

(h) To monitor audit performance, including QAIP results and any nonconformance with PSIAS and LGAN.

(i) To consider whether the non-conformance is significant enough that it must be included in the AGS

(j) Consider the annual review of effectiveness of internal audit to support the AGS, where required to do so by the Accounts and Audit Regulations

(k) To contribute to the Quality Assurance and Improvement Programme and in particular, to the external quality assessment of internal audit that takes place at least once every five years

(l) To receive reports outlining the action taken where the Audit manager has concluded that management has accepted a level of risk that may be

unacceptable to the authority or there are concerns about progress with the implementation of agreed actions

(m) To provide free and unfettered access to the audit committee chair for the head of internal audit, including the opportunity for a private meeting with the committee.

(n) To have the right to call any officers or Members of the Council as required to offer explanation in the management of internal controls and risks.

(o) To approve the internal audit charter.

External audit

(a) To consider the reports of external audit and inspection agencies, including the external auditor's annual letter, relevant reports, and the report to those charged with governance

(b) To consider specific reports as agreed with the external auditor.

(c) To advise and recommend on the effectiveness of relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted;

(d) To comment on the scope and depth of external audit work and to ensure it gives value for money.

(e) To support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by PSAA or the authority's auditor panel as appropriate.

(f) To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.

(l) To commission work from internal and external audit, as required, and as resources allow;

Financial reporting

(a) The Audit Committee, as the Committee "Charged with Governance" should consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts

(b) To review the annual statement of accounts. The Committee should consider whether appropriate accounting policies have been followed and whether there are any concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.

c) The Committee will monitor management action in response to any issues raised by external audit 151

Accountability arrangements

(a) To report to full council on an annual basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.

9.4 Proceedings of the Audit Committee

(1) The Audit Committee must conduct its proceedings in accordance with Rules 6-8, 12.3 to 12.7, 14 -17 and 18-28 (but not Rule 23.1 or 26 of the Council Procedure Rules set out in Part 4 of this Constitution.

9.5 Quorum

Audit Committee

The quorum for any meeting of the Audit Committee shall be three Councillors.

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**AUDIT COMMITTEE
AUDIT WORK PROGRAMME FOR 2022/23**

Meeting dates	Audit Items – Revised Agenda	Training (Suggested)
6 th June 22		Audit Committee Effectiveness (Cancelled)
14 th June 22	<ul style="list-style-type: none"> • Annual Internal Audit Report • Annual Fraud & Error Report • Internal Audit Charter • External Quality Assessment Report • External Audit – Audit Planning Update 2021/22 and Progress Report • External Audit – Audit Completion Report 2020/21 – Follow Up Letter • External Audit – Annual Auditor’s Report 2020/21 • Audit Committee Work Programme 	
30 th June 2022		Audit Committee Effectiveness
7 th July 2022		Local Government Financial Statements
19 th July 22	<ul style="list-style-type: none"> • Internal Audit Progress Report • Internal Audit recommendations Follow Up • Annual Governance Statement (Draft) • Statement of Accounts (Draft) • Risk Management Annual Update • Audit Committee Work Programme 	
27 th Sept 22	<ul style="list-style-type: none"> • Meeting cancelled and items moved to 15th November 	
15 th Nov 22	<ul style="list-style-type: none"> • Statement of Accounts (including Annual Governance Statement) (Final) • External Audit – Audit Completion report (21/22) • External audit – Annual Audit letter (21/22) • Information Governance Update 	

APPENDIX B

	<ul style="list-style-type: none"> • Annual Governance Statement Monitoring • Financial Procedure Rules • Internal Audit Progress Report • Internal Audit Revised Plan • Counter Fraud Policies – Whistle Blowing • Annual Complaints Report • Assessment of going concern status • Approval of External Audit 2021/22 Non-audit services • Audit Committee Work Programme 	
13 th Dec 22	<ul style="list-style-type: none"> • Internal Audit progress report • Audit Recommendations Follow Up Report • Six Month Fraud & Error Report • Audit Committee Work Programme 	
31 st Jan 23	<ul style="list-style-type: none"> • Internal Audit Progress report • Treasury management policy and Strategy • Annual Fraud Risk Register Update • Code of Corporate Governance Update • External Audit – Audit Strategy Memorandum • Audit Committee Work Programme 	<ul style="list-style-type: none"> • Treasury Management
21 st Mar 23	<ul style="list-style-type: none"> • Internal Audit Progress report • Audit Recommendations Follow Up Report • Combined Assurance Report • Internal Audit Strategy and Plan 22/23 • Counter Fraud Policies – Money Laundering • Statement on Accounting Policies • IAS19 – Assumptions • External Audit Inquiries • External Audit Progress Report • Annual Governance Statement Monitoring • Information Governance update • Partnership Governance 	

APPENDIX B

	<ul style="list-style-type: none">• CIPFA Financial Management Code• Audit Committee Work Programme	
Date to be agreed		<ul style="list-style-type: none">• Counter Fraud (e-learning)

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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