

## AUDIT COMMITTEE

**Tuesday, 12 December 2023**
**6.00 pm**
**Committee Room 1, City Hall**

Membership:	Councillors Chris Burke (Chair), David Clarkson, Thomas Dyer, Gary Hewson, Clare Smalley, Calum Watt and Emily Wood (Vice-Chair)
Substitute member(s):	Councillors Natasha Chapman, Martin Christopher, Pat Vaughan and Aiden Wells
Independent Member:	Jane Nellist
Officers attending:	Sally Brooks, Democratic Services, Jaclyn Gibson and Amanda Stanislawski.

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## A G E N D A

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1. Confirmation of Minutes - 8 November 2023	<b>3 - 6</b>
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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[Exempt Para(s) 1, 2, 3]	

**Present:** Councillor Emily Wood (*in the Chair*)

**Councillors:** David Clarkson, Thomas Dyer, Gary Hewson,  
Clare Smalley and Calum Watt

**Independent Member:** Jane Nellist

**Apologies for Absence:** Councillor Chris Burke

**27. Confirmation of Minutes - 25 September 2023**

RESOLVED that the minutes of the meeting held on 25 September 2023 be confirmed and signed by the Chair.

**28. Declarations of Interest**

Councillor Pat Vaughan declared a Personal Interest with regard to the agenda item titled 'Statement of Accounts 2022/23'. His granddaughter worked in the Finance Department of the City of Lincoln Council.

**29. External Audit: Audit Completion Report**

The Council's external auditors presented the Audit Completion Report which summarised the findings from the 2022/23 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, and had resulted in no significant findings or recommendations being made.

In relation to misstatements in the accounts, there was no material misstatement, or misstatements above the trivial threshold of £54k identified.

A full copy of The Statement of Accounts was included on the agenda for this meeting at item 4.

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:

- status of the audit
- the audit approach;
- significant findings;
- internal control recommendations;

- summary of misstatements;
- value for money conclusion.

Jane Nellist, Independent Member praised the Finance Team for their work on the Financial Statements.

RESOLVED that:

1. the Financial Statements be recommended to Executive and subsequent referral to Council for approval.
2. 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.

### **30. Statement of Accounts 2022/23 (To Follow)**

Jaclyn Gibson, Chief Finance Officer:

- a) presented the Statement of Accounts for the financial year ended 31 March 2023.
- b) reported that the Statement of Accounts for 2022/23 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 2022/23 with an audit opinion and certificate by no later than 30 September 2023.
- d) noted that the Statement of Accounts for 2022/23 were still subject to final verification by external audit . The audit of accounts was being finalised by Mazars, who had commenced 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 June 2023 until 15 June 2023 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 trivial threshold were identified.
- 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 2022/23 was substantial and was in line with the Council's Code of Corporate Governance.

- h) explained that substantial progress has been made on against the significant issue in relation to the IT Disaster Recovery plan, which was included in last year's Annual Governance Statement (AGS), to the extent that there was no longer a significant governance issue. There were no new significant governance issues that were identified for inclusion in 2022/23.
- 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 Chief Executives Salary and asked why had there been a reduction in pay for 2022/23 compared to 2021/22?

**Response:** There had not been a reduction in pay. The difference was due to the Chief Executive receiving election expenses as the Returning Officer for the Council. There were more elections held in 2021/22 which accounted for the difference in pay. The salary reported also included pension contributions.

**Question:** Referred to the Yarborough ceiling refurbishment and asked if the payment was for the cost of the works or did it also include the compensation paid to Active Nation?

**Response:** This payment was for the cost of the works only and did not include compensation payments.

**Question:** How much compensation had been paid to Active Nation?

**Response:** The compensation payments ended when the pool reopened. The figure would be circulated following the meeting.

RESOLVED that:

1. the final Statement of Accounts 2022/23 be noted, noting that the external audit was substantially complete.
2. the final Statement of Accounts 2022/23 be recommended to Executive and subsequent referral to Council for approval.
3. 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.

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**AUDIT COMMITTEE**

**12 DECEMBER 2023**

<b>SUBJECT:</b>	<b>INTERNAL AUDIT PROGRESS REPORT</b>
<b>DIRECTORATE:</b>	<b>CHIEF EXECUTIVE AND TOWN CLERK</b>
<b>REPORT AUTHOR:</b>	<b>AMANDA STANISLAWSKI, AUDIT MANAGER</b>

**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. Background**

- 2.1 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

- 2.2 The report highlights progress against the audit plan up to 15 November.

**3. Progress Report**

- 3.1 Three reports have been issued since the previous Progress Report in July. These include Housing Benefit Subsidy (Substantial), Housing Repairs (Substantial) and Staff Wellbeing (Substantial).

- 3.2 We have completed 27% of the revised plan so far. Whilst the service is still not fully staffed we have robust processes in place to ensure that we have sufficient resources for the plan and we are currently on track to complete it in time for the Annual report.

- 3.3 We continue to follow the recruitment process and a verbal update will be given at the meeting on the position.

**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 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

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

#### 5. Recommendation

- 5.1 Committee is asked to review and comment on the content of the latest Internal Audit Progress Report.

**Is this a key decision?** ~~Yes~~/No

**Do the exempt information categories apply?** ~~Yes~~/No

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

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

**List of Background Papers:** None

**Lead Officer:**

Amanda Stanislowski, Audit Manager  
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# Internal Audit Progress Report



**City of Lincoln Council  
December 2023**

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1 Assurance Definitions  
2 Audit Plan

Amanda Stanislawski – Audit Manager (Head of Internal Audit)  
[Amanda.stanislawski@lincoln.gov.uk](mailto:Amanda.stanislawski@lincoln.gov.uk)

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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.

# Overview and Purpose

The purpose of this report is to:

- Provide details of audit work from July 2023 to 15 November 2023
- Advise on progress with the Audit Plan
- Raise any other matters that may be relevant to the Audit Committee role

## Staffing

We continue to deliver the Internal Audit service using both internal and external resources. The service is currently being provided through purchase of support for general audit and IT audit and a temporary casual auditor.

The service is still not fully staffed and we continue to follow the recruitment process. We now have robust measures in place to ensure that there is sufficient resource to complete the revised audit plan as agreed at the September Committee.

## Progress & Performance

All of the audits remaining from the 2022/23 plan have now been completed to at least draft report. We are currently in the process of completing the 2023/24 plan and have started many of the audits, completing one, Housing Benefit Subsidy. Further details are provided within the following pages and a full breakdown in Appendix 2.

We have completed the following pieces of work since the previous report (Summaries of these reports are provided in the following pages) :-

High Assurance	Substantial Assurance	Limited Assurance	Low Assurance
None	Housing Benefit	None	None
	Housing Repairs		
	Staff Wellbeing		

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.

## Benchmarking data.

We have completed 27% of the revised plan and are currently on track to complete the remaining audits within the year.

The target for the span of the audits is not currently being met due to the staffing issues within the team for the first half of the year. This has also had an impact on issuing final reports with one not issued on time due to staff leave. The draft reports are being issued promptly following completion of the audit although there remains some delays in getting management responses. The data is included within the following pages.



## Substantial Assurance

### Housing Benefit Subsidy

A substantial level of assurance has been given as there were no errors identified with the Module 2 testing and only three in the other testing. The errors found were:-

- Error 1 - Modified Scheme Rent Allowance; incorrect amount of Mobility Supplement for a Modified Scheme resulting in an overpayment of £263.23
- Error 2 - Rent Allowance; incorrect figures were used for Pension Credit Savings Credit & Pension Credit Assessed Income figure resulting in an overpayment of £11.10
- Error 3 - Rent Rebate; claim continued to be passported following the claimant reaching state pension age, no financial impact on claim.

We have made the following recommendation:-

Recommendation	Priority
1.1 The errors identified as part of the testing are incorporated into ongoing assessor training.	Medium

### Housing Repairs

We have provided a Substantial assurance rating for Housing repairs as there are good processes and procedures in place which are being reviewed and strengthened as issues are identified. Throughout the audit it was found that changes were being made to improve the relationships between the Housing Repairs team and the Customer Services team. Processes have been improved with a number of manual workarounds being put into place for issues identified with the current IT systems whilst the implementation of the new system is in progress. In summary we found that:-

- Roles and responsibilities for housing repairs are documented and shared with the Housing repairs team.
- There are good contract management processes in place for the larger contracts.
- Reporting on performance is fairly robust with various indicators in place which are reported to management and members on at least a quarterly basis.
- The service has a process in place for obtaining views from tenants on the service provided.

# Substantial Assurance

We have made the following recommendations:-

Recommendation	Priority
1.1 The process notes maintained by Housing Repairs are shared with the Customer Services Team.	Medium
2.1 Process notes are provided for the Customer Services Advisers, setting out the process for repairs.	Medium
3.1 Monitoring is undertaken to ensure that completion dates are all entered onto DRS.	Medium
3.2 Checks are carried out to ensure that where a job is not completed within the required timescale the reasons for any delays are fully recorded.	Medium
4.1 Notes are maintained on the system of all action taken in respect of missed appointments.	Medium
4.2 Operatives are reminded to inform the planners when appointments are going to be/have been missed.	Medium
5.1 Records are made for all inspections carried out and monitoring undertaken to ensure that the minimum standard is maintained.	Medium
5.2 Action is taken where work is identified as not meeting the required standard.	Medium
6.1 A KPI is added to the performance reporting to include the 100 day scheduled repairs performance in the same way as the urgent and priority repairs.	Medium
6.2 The reasons for performance being below target are added to management reports and used to produce an action plan for improvement.	Medium
7.1 The process for collecting tenant satisfaction is reviewed to include issuing reminders and considering different ways to ensure inclusivity.	Medium
7.2 A process is put into place to record the actions taken to address areas which were scored low within the surveys or record why no further action is being taken.	Medium
8.1 Whilst the revised complaints process becomes embedded, spot checks are carried out to ensure that the process is complied with.	Medium
9.1 Contract monitoring arrangements are strengthened to ensure that the terms of all contracts are adhered to.	High

Housing Repairs (Continued)

# Substantial Assurance

We have provided a substantial level of assurance for Staff Wellbeing; the Council has a Strategy and procedures in place and proactively promotes and signposts support which is in place. The recent staff survey found that 82% of respondents agree that the Council takes positive action on health and wellbeing.

Turnover rates are currently below the national average and the levels of sickness have reduced slightly from last year, all of which are indications of the health and wellbeing of staff.

We have made the following recommendations:-

Recommendation	Priority
1.1 Managers/Supervisors are provided with training on stress as part of their induction process.	Medium
1.2 Periodic training is provided for all staff on stress.	Medium
2.1 Policies are reviewed in accordance with the timescales set out within them. A table is added enabling version control, ownership, and future reviews to be evidenced.	Medium
2.2 A review is carried out of the Home Working Policy, Health and Safety Policy, News Ways of Working document and the Council Workstyles Guide to ascertain whether all are needed and to ensure that there are no conflicts between them. All policies and documents maintained are brought up to date and linked together.	Medium
3.1 All Managers are reminded of the requirements to ensure that all staff who work from home have completed the DSE work station assessment in accordance with the procedure.	Medium
3.2 The procedure is revised to ensure that it is accurate and reflects the current legislative requirements. This is then circulated/communicated to all staff.	Medium
4.1 The Strategy is revised to cover the current period and contains version control together with a review table and ownership.	Medium
4.2 The Strategy is published on Net Consent to make it available to staff and ensure that it is updated as required.	Medium
5.1 The reports to JCC are made at least annually covering the relevant figures supported by the measures being put in place to maintain or reduce them and the impact the measures are having.	Medium
5.2 Consideration is given to including this information on the quarterly reports made to Members and management.	Medium



### Audits in Progress

- IT Asset Management – Draft report
- VAT/Tax – Terms of Reference
- Insurance – Fieldwork
- Creditors – Draft report
- Contract Management – Draft Report
- Staff Recruitment, retention and talent management – Terms of Reference
- Housing IT - Terms of Reference
- Western Growth Corridor - Terms of Reference

### Other work

- NFI – co-ordination.
- Recommendation follow-up – in progress
- Combined assurance – Planning
- Effectiveness of Audit Committee review – in progress
- Effectiveness of Internal Audit review – completed
- Review of the Audit Committee Terms of reference – completed
- Review of the Head of Internal Audit – completed

### Staffing

- Career grade post Job Description and Person specification completed
- Adverts arranged and Interviews conducted for Principal post
- Liaison with contractors



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**

**27%  
Plan  
Completed**







# Other matters of interest

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



## The international Internal Audit Standards Board have completed the review of public comments on the Global Internal Audit Standards

The consultation received nearly 19,000 comments from 1,612 completed surveys. The most frequent areas of concern were:-

- An increased usage of the word “must,” making the Standards seem too prescriptive.
- Unclear requirements for external quality assessments.
- The applicability of the Standards to public sector and small internal audit functions.
- Missing or vague terminology in the Purpose of Internal Auditing.
- Requirements for 20 hours of continuing professional education and specific competencies for all internal auditors.
- Requirements for board actions stated too directly and missing responsibilities for senior management.
- Unclear distinction between internal audit mandate and the internal audit charter.
- Confusion about appropriate measures of internal audit performance.
- The applicability of requirements to both assurance engagements and advisory engagements.
- Requirement for internal auditors to make recommendations related to findings.
- Perceived requirement of “ratings” and “rankings” for findings and conclusions.
- Requirement for a statement of conformance or nonconformance in final engagement communications.

The final version is expected to be approved at the end of 2023 and released in early 2024. Further information can be found <https://www.theiia.org/en/standards/ippf-evolution/>.

## In the news



## Audit Backlog

There have been several articles concerning the backlogs in signing off the Accounts of Local Authorities.



# Other matters of interest

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



On 6 November the Local Government Chronicle contained an article from the Institute of Chartered Accountants in England and Wales (ICAEW) highlighting that there was an urgent need for this to be addressed. It stated that there were urgent failures in the audit system with over 1000 delayed audits and most local authorities in England are currently two or more years behind on publishing their statements. The full article is available [Here](#).

## Council Financial Pressures

Another area which has had several reports is the financial pressures being experienced by councils.



On 6 November Local Gov published an article on bankruptcies underlining the need for good governance. It sets out that Councils have looked for innovative solutions to managing demand against a difficult economic climate. To be successful these need to have a robust business case to ensure viability and benefit to the public. They also need good record keeping to support long term decision making ensuring that the reasons for decisions made are documented, and passed on when staff change, avoiding problems and mistakes in the future. The full article is available [Here](#).



A number of councils have declared financial pressures:-

- Somerset County Council has declared a financial emergency due to £100m budget gap. Mainly driven by rising adult social care costs [Full article here](#)
- Birmingham outlines 'precarious financial' position with £177m funding gap. An unaddressed budget deficit and lack of useable reserves have led to a need for £200m of cuts in the next two years [Full article here](#)
- Districts warn of disastrous service cuts. Inflation, council tax support and demand for temporary housing accommodation will force authorities to cut services. Forecast shortfall is equal to 15% of district authorities' net spending. 52% of those responding to a survey by the District Council Network say they won't be able to balance next year's budget without use of reserves and 84% say council tax is likely to rise by the maximum amount. [Full article here](#)
- Leeds outlines 'unpalatable' proposals to reduce £163m funding gap. The expected deficit has been caused by high costs, rising service demand and a decade of funding cuts. It is looking at losing 750 full time equivalent posts by the end of 2024/25, building closures, asset sales and stopping or reducing services. Havering and Coventry may also be forced to issue the statutory notice later this year. [Full article here](#)

**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
2022/23 Housing Repairs	To provide assurance on the operation of the new repairs process and the void repairs process	Q3	Mar 23	Oct 23	Completed
2022/23 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	Feb 23		Draft Report
2022/23 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.	Apr 23	Completed
Annual IA Report	Audit opinion & coverage for 2021/22	Q1	May 23	Jun 23	Completed
Housing Benefit Subsidy	Detailed testing on behalf of External Audit	Q1-2	May 23	Oct 23	Completed
VAT/Tax	Assurance that VAT has been correctly accounted for and claims submitted in-line with HMRC requirements.				Terms of reference
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.	Q2	Sept 23		Fieldwork

Audit	Scope of Work	Start Planned date	Start Actual date	End Actual date	Status/ Rating
Council Tax	There are effective arrangements in place which ensure that council tax due to the Council is correctly identified, calculated, requested and accounted for. Refunds, discounts, exemptions and write-offs are correctly applied.				
Creditors	Assurance that there are effective processes and procedures in place which ensure payments are made to the correct suppliers in a timely manner and in accordance with the Council's Financial Procedure Rules.	Q2	Aug 23		Draft report
Housing Rents	To review the processes in place which ensure that voids are managed effectively reducing the loss of income. Rent is charged correctly to the correct people, collected promptly, accounted for accurately and arrears are managed effectively in accordance with policies.				
NNDR	To carry out a review of the key controls to provide assurance that NNDR is accurately charged and promptly collected in accordance with procedures. Refunds, discounts, exemptions and write-offs are correctly applied.	Q4			Terms of reference

Audit	Scope of Work	Start Planned date	Start Actual date	End Actual date	Status/ Rating
Treasury Management	To carry out a review of the key controls to provide assurance that separation of duties are maintained, system access is restricted, procedure rules are adhered to and monitoring and reporting undertaken.	Q4			
Contract Management	To review the processes in place for managing contracts throughout the Council.		Aug 23		Draft Report
Governance Health Check	Health check of COLC against the 7 governance characteristics within the Centre of Governance and Scrutiny's Governance, Risk and Resilience Framework.				
Business Continuity	Review to ensure there is a process and plans in place for all relevant areas. The revised plans take on board lessons learned from the pandemic.	Q4			Removed
Electoral Registration	Review of the maintenance of the electoral register and implementation of new legislation.				Removed
Housing Strategy and 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.				

Audit	Scope of Work	Start Planned date	Start Actual date	End Actual date	Status/ Rating
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.				Removed
Fleet	Review to ensure that the fleet is procured and 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.				Removed
Neighbourhood Management and Regeneration	There are structures, processes and plans/strategies in place which ensure that neighbourhood management is effective and achieves its intended outcomes now and in the future.				
Staff Recruitment, Retention and Talent Management	Staff recruitment, selection and retention processes ensure compliance with the relevant legislations, policies and procedures. Processes in place to address the long term vacancies and 'grow' staff.	Q3			Terms of reference

Audit	Scope of Work	Start Planned date	Start Actual date	End Actual date	Status/ Rating
Performance Management Follow Up	To follow-up the implementation of recommendations made in the previous Limited assurance report to ensure they have been completed and the assurance level improved.	Q4			
Housing IT	System Implementation Gateway reviews				Terms of reference
Western Growth Corridor	To provide assurance that appropriate partnership governance and programme management arrangements are in place for the construction of Phase 1a.	Jan'24			Terms of reference
UK Shared Prosperity	The processes in place for the governance and management of the Fund including the management of the Expressions of Interest for projects.				
Cyber Security	To provide assurance that the key areas of cyber security have been addressed in accordance with the National Cyber Security Centre 10 steps.	Q4			
Digital	To ensure security of on-line services (web-site/forms/applications etc)	Q4			



Audit	Scope of Work	Start Planned date	Start Actual date	End Actual date	Status/ Rating
Access Control	To provide assurance over the processes in place for controlling access to systems, network and suppliers remote access control arrangements.				
Combined Assurance	Update of the Combined Assurance Map	Q4			Planning
Audit Strategy & Plan	Audit Strategy & Plan for 2024/25	Q4			

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**AUDIT COMMITTEE**

**12 DECEMBER 2023**

**SUBJECT: INTERNAL AUDIT RECOMMENDATIONS FOLLOW UP**

**DIRECTORATE: CHIEF EXECUTIVE AND TOWN CLERK**

**REPORT AUTHOR: AMANDA STANISLAWSKI AUDIT MANAGER**

**1. Purpose of Report**

1.1 To present an update to 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 is currently 1 High action and 10 Medium actions remaining to be implemented. There are no overdue High risk actions or outstanding actions for Limited or Low reports. 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 July including the new actions agreed.

2.2 There are 5 reports where the actions have now all been implemented, ICT Programme and Project Management, Stores, Organisational Development, Climate Change and Key controls – General Ledger.

**3. Background**

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**

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 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

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 responses.

**Is this a key decision?** Yes/No

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

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

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

**List of Background Papers:** None

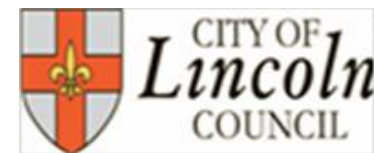
**Lead Officer:** Amanda Stanislawski, Audit Manager  
Email: [amanda.stanislawski@lincoln.gov.uk](mailto:amanda.stanislawski@lincoln.gov.uk)

# Audit Recommendations

## November 2023

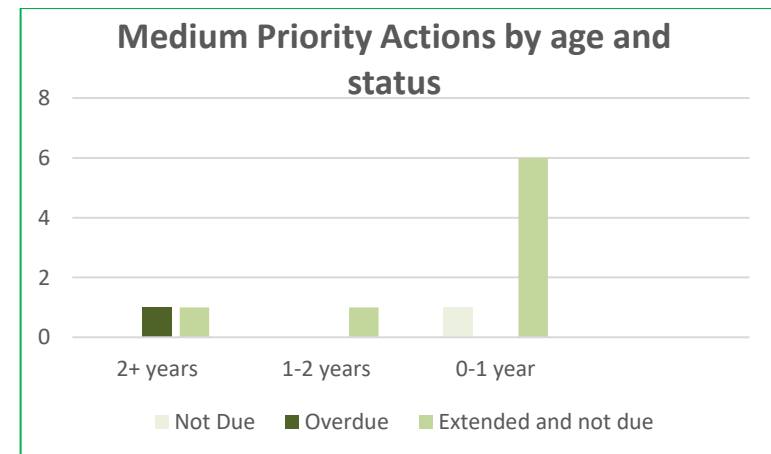
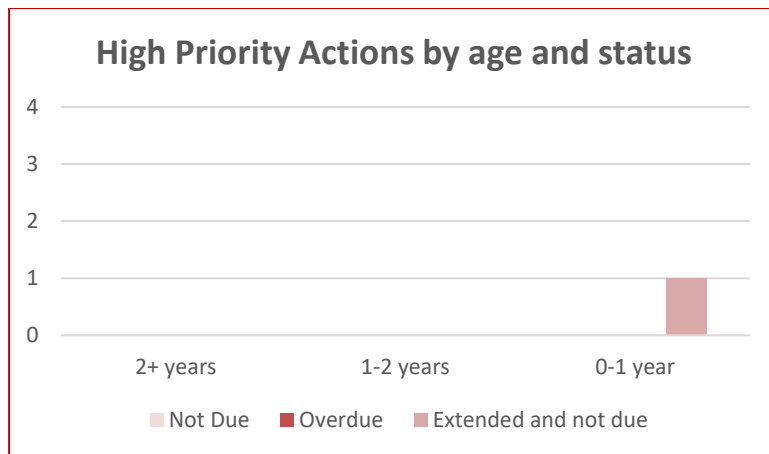
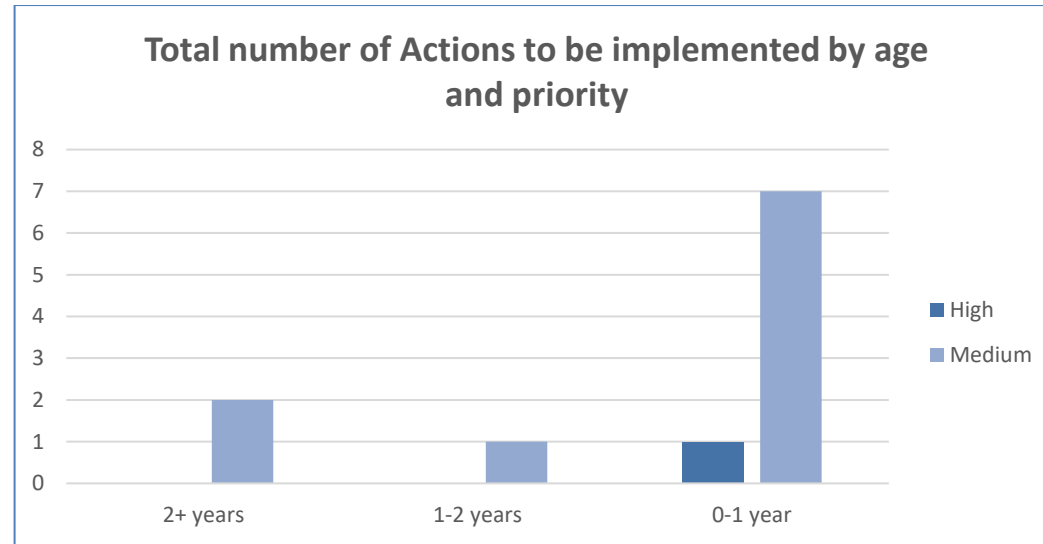


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## Summary of Agreed Actions

We have carried out a review of the actions due by the end of October 2023 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
There are none.						

## Changes since the previous report

A report on the outstanding recommendations was presented to Committee in June 2023. 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
ICT Programme and Project Management	Oct 22	Substantial	Action Implemented <b>Prioritisation of projects</b> - for any new projects or opportunities that come to light in future, a new Tech decision form has been developed which will support prioritisation.
Stores	Mar 23	Limited	Actions Implemented <b>Date flags to be added to the Contract register for upcoming changes</b> – Responsibility has been allocated for updating the Contract Register for Housing contracts and this will include adding review dates. <b>Forward planning and communication for annual stock take.</b> – Now a standing item on contract meeting agendas and contractor made aware that evidence and results required for annual stock take.
Organisational Development	May 23	Substantial	Actions Implemented <b>Updating People Strategy and adding version control</b> - completed. <b>Approval of the People Strategy</b> – approved 13 <sup>th</sup> October by OD group. <b>Updating the action plan for outcomes, blockers and timescales</b> - completed. <b>Consider frequency of staff surveys</b> – CMT considered and decided not to change the frequency, the next one will be in the spring of 2024.
Key Controls – General Ledger	May 23	High	Actions Implemented. <b>6 monthly check of users</b> - completed. <b>HR to circulate a list of leavers</b> - completed. <b>Update workflow to ensure correct authorisation of users</b> - completed.
Climate Change	Apr 23	Substantial	Actions Implemented. <b>Review Decarbonisation Strategy</b> - completed <b>Create a monitoring table to support the Action Plan</b> – completed and published on the Council's website.



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

Audit	Date	Assurance	No of Recs		Implmntd	Outstanding		Not Yet Due	Comments / Progress since previous report
			H	M		Overdue	Extended		
Housing Allocations	Aug 20	Substantial	0	4	3	1	0	0	Updated commentary. <b>Annual review of applications.</b> Current date – Mar 2023. Regular contact with the software supplier continuing to resolve outstanding issues. Reliant on contractor so no target date set.
Homelessness	Aug 20	Substantial	0	2	1	0	1	0	Updated commentary. <b>Ensure compliance with document retention &amp; disposal requirements.</b> All documentation is on the new Council wide document management system which is currently being upgraded to include an automated document retention process. This was expected to go live in September but has been delayed. The work is now planned for February 2024 therefore an extension to then is required – Approved.
Office 365	May 21	Substantial	0	6	5	0	1	0	Updated commentary <b>Enable, set-up and use DLP policies for Exchange Online and SharePoint Online content.</b> Current date - Jun 2024. Progress has been made with some old documents being moved or deleted. Plans are being drawn up for location of files but is a large piece of work impacting the whole Council.
Performance Management	Aug 22	Limited	3 (7*)	1	3 (2 High)	0	1 (High)	0	One action implemented

Audit	Date	Assurance	No of Recs		Implmntd	Outstanding		Not Yet Due	Comments / Progress since previous report
			H	M		Overdue	Extended		
									<b>Framework Document</b> – Review of Performance Management Current date – Apr 2024 <b>PIMS Options and Delivery</b> – completed <i>*Seven high recommendations were made but agreed actions covered more than one recommendation resulting in four actions.</i>
DeWint Court	Mar 23	Substantial	8	12	19	0	1	0	Two actions implemented - <b>Responsible Officer guidance manual &amp; Training requirement matrix.</b> –Access available to the manual and training matrix completed. Training will be completed on an ongoing basis. One not due - <b>Amendment to tenancy agreements for utility costs</b> – Current date – Sept 2025.
IT Disaster Recovery	May 23	Substantial	0	3	0	0	3	0	Updated commentary <b>Plan to be updated for additions and agreed</b> – updated and going to Business Continuity group and Assistant Directors for comment. Extension to Mar 2024 approved. <b>Develop a testing schedule</b> – Future testing plan is being developed with further tests due at the end of Q3. Extension to Mar 2024 approved. <b>Wider desktop test to be undertaken</b> – exercise planned for 2024. Extension to Mar 2024 approved.

Audit	Date	Assurance	No of Recs		Implmntd	Outstanding		Not Yet Due	Comments / Progress since previous report
			H	M		Overdue	Extended		
Staff Wellbeing	July 2023	Substantial	0	10	8	0	2	0	<p>New Actions implemented are:-</p> <p><b>Managers/Supervisors provided with training on stress on induction</b> – Powerpoint put on the Hub and considered inclusion in 3 month induction.</p> <p><b>Periodic stress training is provided to all staff</b> – E-learning package completed and all new managers will be required to complete it.</p> <p><b>DSE assessments completed for staff working at home</b> – processes improved</p> <p><b>Update the Management of Homeworking procedure</b> - complete</p> <p><b>Revise the Strategy to cover the current period and version control</b> - complete</p> <p><b>Publish the updated procedure on net consent</b> - complete</p> <p><b>Annual report to JCC covering figures and measures</b> - complete</p> <p><b>Consider including actions taken in quarterly reports to members and management</b> – considered, no change made.</p> <p>The following have not been completed:-</p> <p><b>Review stress policy and document review</b> – Awaiting approval of updated H&amp;S policy and then this will be issued as guidance and not policy. Extension to Dec 2023, approved by A Andrews.</p>

Audit	Date	Assurance	No of Recs		Implmntd	Outstanding		Not Yet Due	Comments / Progress since previous report
			H	M		Overdue	Extended		
									<b>Policies are reviewed in accordance with timescales – as above</b>
Housing Benefit Subsidy	Nov 2023	Substantial	0	1	0	0	0	1	New <b>Errors identified are included in the ongoing assessor training – Current due Mar 2024</b>

# 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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**AUDIT COMMITTEE**

**12 DECEMBER 2023**

<b>SUBJECT:</b>	<b>SIX MONTHLY FRAUD AND ERROR REPORT</b>
<b>DIRECTORATE:</b>	<b>CHIEF EXECUTIVE AND TOWN CLERK</b>
<b>REPORT AUTHOR:</b>	<b>AMANDA STANISLAWSKI, AUDIT MANAGER</b>

**1. Purpose of Report**

- 1.1 This report informs Committee of performance against the 2023/24 Counter Fraud Work Plan and the outcomes of pro-active fraud work and investigations carried out to date.

**2. Background**

- 2.1 The responsibility for fraud prevention, monitoring and reporting is spread throughout the Council with Internal Audit collating the data and reporting to Committee.
- 2.2 The attached report summarises the activity which has taken place during the last 6 months including both proactive and reactive responses.

**3. Six Monthly Update**

- 3.1 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.
- 3.2 The report summarises the number of cases so far for 2023/24 comparing them with the previous year.
- 3.3 Progress made against completing the actions within the Counter Fraud Action Plan is detailed within the report. There are 5 items on the plan for 2023/24, 4 of which are not due until quarter four. Work is in progress for 1, 2 remain as not started and 1 is delayed until quarter two of 2024/25. The remaining item due for quarter two is in progress.
- 3.4 Whistleblowing referrals have reduced from 17 to 5. Allegations are similar being mainly in respect of housing tenancy and single persons discount. Action has been taken in all of these cases, 2 have been cleared with no issues, action was taken to remove the discount for 1 and the other remains under review.
- 3.5 Work is continuing to review the matches identified as part of the National Fraud Initiative, so far savings of £23k have been identified in respect of Housing Benefit.
- 3.6 There have not been any frauds identified in other areas of the Council.

#### **4. Organisational Impacts**

##### **4.1 Finance**

There are no direct financial implications.

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

There are no direct legal implications.

##### **4.3 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.

#### **5. Recommendation**

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

**Is this a key decision?** Yes/No

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

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

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

**List of Background Papers:** None

**Lead Officer:**

Amanda Stanislawski, Audit Manager  
Email: [Amanda.stanislawski@lincoln.gov.uk](mailto:Amanda.stanislawski@lincoln.gov.uk)



# Counter Fraud

## 2023/24 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 2023/24 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 2022/23:-

	Cases to Oct 2023	Cases 2022/23
Referrals to the Single Fraud Investigation Service – DWP	1	5
Tenancy – Notices to Quit issued (For potentially fraudulent reasons e.g. Abandonment, trespass, not main/only home)	8	15
Whistleblowing	5	22
NFI – HB/CTR matches:-		
Received	625	622
Processed	400	7
Fraud	0	0
Errors	13	0
Single Person Discounts Removed	Not available*	0

\*working through the returns

## 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	Self Assessment against the Counter Fraud Strategy	Q4	Internal Audit Manager	Not started
2	Refresh the Fraud Risk Register	Q4	Internal Audit Manager	Not started
3	Single Person Discount Annual Review	Q2	Revenues and Benefits Manager	A single person discount review was undertaken internally during July/August and reminders went into September (internally via a campaign on the NEC system).
4	Fraud Training for Officers and Members	Q4	Internal Audit Manager / Chief Finance Officer	E-learning completed and made available to Officers and Members. Raised at Service Managers Team Forum to encourage completion. 563 members of staff (approx. 94%) have completed the training. Awaiting LCFP for face-to-face training for Members.
5	Single Person Discount Rolling Review	Q4 – Revised to Quarter 2 2024/25	Revenues and Benefits Manager	Lincolnshire County Council no longer leading on this initiative. Officers currently assessing solutions with a view to implementing in 2024/25.

## Work in progress in addition to that on the Action Plan

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

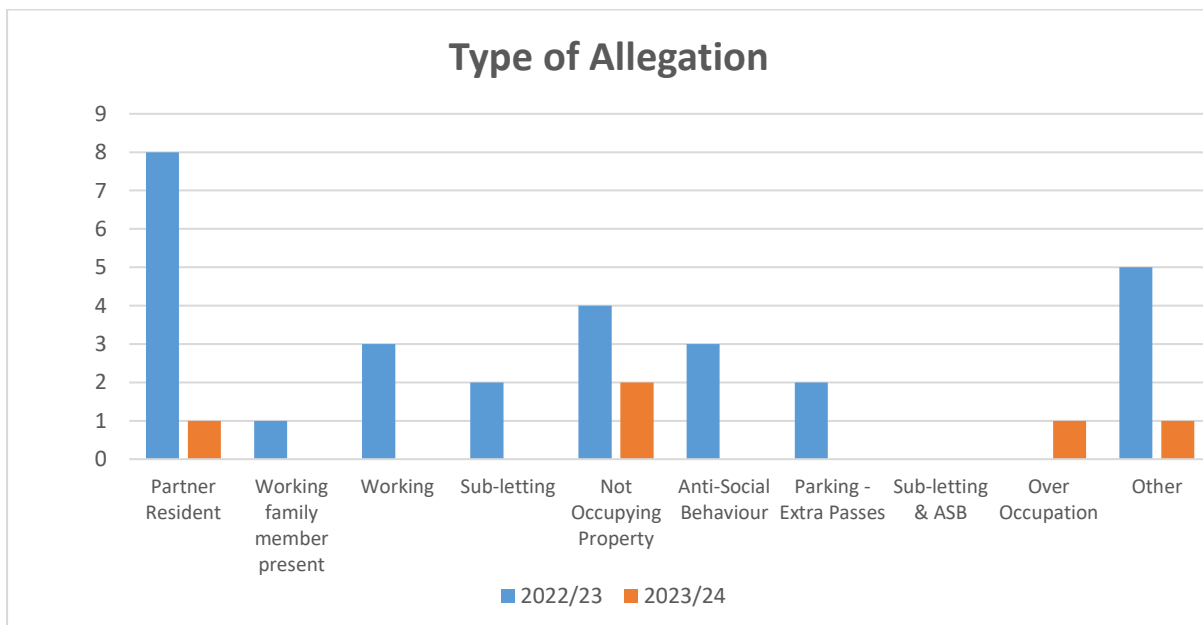
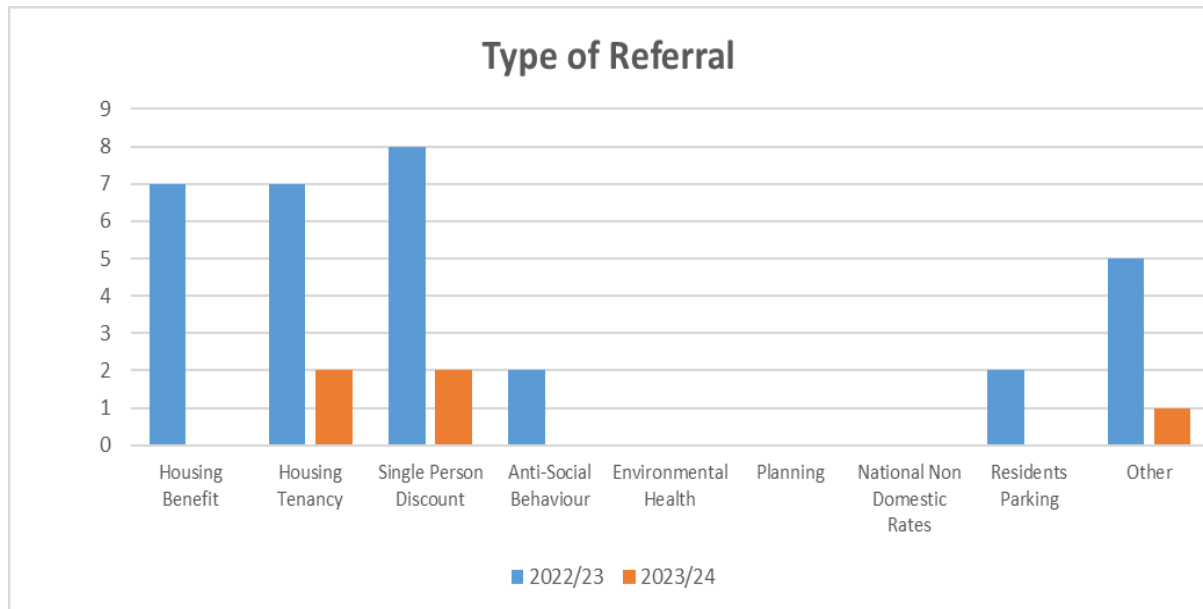
- ✓ Administered the whistleblowing referrals and investigations
- ✓ Reviewed and reported potential fraud cases referred to Internal Audit
- ✓ Rolling review of the small business rate relief through a third party
- ✓ Empty property review for Non Domestic Rates – being undertaken by Visiting Officer during 2023-24

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

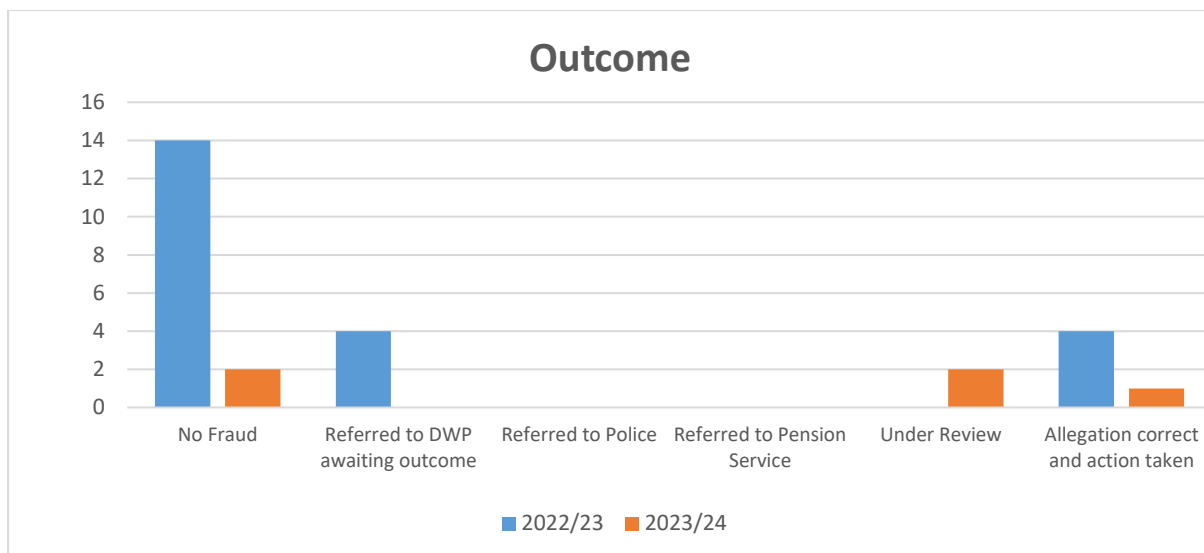
# Whistleblowing

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 2023/24 we have received 5 whistleblowing reports which is significantly lower than previous years. In 2022/23 we had received 17 at this point in the year.

These are analysed below. Note that each referral can contain multiple allegations covering different types so there are more 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.

As there are a low number of cases it is difficult to carry out any meaningful comparison.

The case where corrective action has been taken has resulted in Council Tax single person discount being removed.

# 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 were uploaded in October and December 2022 for the 2022/23 run with results published in early 2023. The current position for these is shown in the following tables.

## NFI results for the 2020/21 and 2022/23 exercises to date:-

Matches relating to Housing Benefit/Council Tax Support:-

	2020/21 Total	2022/23 To 27/10/23
Total Matches	332	625
Investigating	0	6
Cleared	332	400
Frauds	0	0
Errors	27	13
Total Savings	£39,351	£23,095
Housing Benefit Claims where seeking recovery	25	13
Amount of Housing Benefit to recover	£39,076	£16,534

Other Matches:-

2020/21

Area	Number	Over-payments	Seeking recovery
Payroll	18	0	0
Housing	345	0	0
Creditors	541	£7,461	£0*
Grants	17	0	0

\*The debt has been written off as the supplier no longer exists

2022/23

Area	Number	Investigating	Cleared	Fraud/Error	Over-payments	Seeking recovery
Payroll	20	0	8	0	0	0
Housing	504	0	0	0	0	0
Creditors	454	0	0	0	0	0
Residents Parking	4	0	4	0	0	0

Online fraud, also known as cyber-crime, covers all crimes that takes place online committed using computers, or assisted by online technology. A recent ransomware incident at a Council in Scotland caused significant disruption to IT systems. In a ransomware attack, hackers use malicious software to scramble and steal data.

The Council continues to place high importance on cyber security and has included it as Red risk within the Strategic Risk register. It is also included within the Fraud Risk Register alongside IT and data as an Amber risk.

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. The training completion levels for 2022 were 85%. A rate of 100% completion of training is not achievable as the staff list is constantly changing and as staff leave and new staff join the percentage rate will go down until the training is completed. There are also those unable to carry out the training as on long term leave.

Cyber security training is undertaken annually and this year the council have obtained updated training which includes new modules on ransomware, phishing and e-mail use. The 2023 training is being rolled out to staff in December and is already available as part of the induction training for new starters. There is a separate package for members 'Cyber Ninja's for Councillors' and members are being offered face to face training to go through the package in February 2024.

Whilst the Council is continually subject to cyber attacks there have not been any incidents which have resulted in any loss of data or serious compromise.



## Housing Benefit / Council Tax Support

So far this year the number of referrals to SFIS (Single Fraud Investigation Service – DWP) for Lincoln was 1. There have been no prosecutions or admin penalties issued.

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

We have undertaken a single person discount review internally in July-September 2023. The rolling review project let by Lincolnshire County Council was discontinued with the responsibility left with each District to implement a solution either on an individual or collective basis. Officers are currently considering options for 2024/25 onwards.

In August 2022, a Council Tax empty homes review was undertaken. From April 2024 the definition of Long Term Empty has been amended from 24 months to 12 months. Therefore a premium charge will apply to any properties that have been empty for more than 12 months from April 2024.

## 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 2023-24 8 notice to quits have been issued for tenants abandoning their property. All have been ended without recourse to legal proceedings.

Right to buy data was submitted as part of the NFI and has resulted in over 250 matches. These have not yet been reviewed.

As part of a data matching exercise another Council contacted City of Lincoln Council to say that a tenant was showing as having a tenancy with both themselves and us. Further investigations including a visit to the property, found that the person

had actually vacated our property some years ago but their name had not been removed from the joint tenancy. No fraud was therefore found and the ex-tenant was removed from our tenancy via a signed deed of release.

## **Payroll and Human Resources**

There have not been any incidents identified of fraud or error within the service this year. The NFI matches involving duplicate employment have all been reviewed and no issues identified.

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.

There has been one referral made to Lincoln Police and Action Fraud regarding the suspected use of stolen cards or stolen card information. There has not been any loss to the Council, the debt remains on the account and will be pursued as per the policies.

**AUDIT COMMITTEE**

**12 DECEMBER 2023**

**SUBJECT: REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT**

**DIRECTORATE: CHIEF EXECUTIVE AND TOWN CLERK**

**REPORT AUTHOR: AMANDA STANISLAWSKI, AUDIT MANAGER  
JACLYN GIBSON, CHIEF FINANCE OFFICER**

**1. Purpose of Report**

- 1.1 To review the effectiveness of Internal Audit against the Public Sector Internal Audit Standards (PSIAS) and the CIPFA statement on the role of the Head of Internal Audit.

**2. Executive Summary**

- 2.1 The report provides an assessment of the effectiveness of Internal Audit.
- 2.2 The External Assessment undertaken in February 2022 found that the Internal Audit function fully conformed with the Public Sector Internal Audit Standards (PSIAS). There were no recommendations made for the Council although there were two advisory points which were relevant, increasing the use of data analytics and reviewing succession planning. Both of these have been considered with the use of data analytics being increased, looking at future options for obtaining and using data and exploring the option of setting up of a career graded post for the Auditor role.
- 2.3 Since the external assessment was completed there have been a number of changes including a new Audit Manager for the City Council and a new Head of Internal Audit for Assurance Lincolnshire. This has led to a number of changes being made which have been taken into consideration when completing this assessment.
- 2.4 The assessment is summarised within the report and the appendices and an action plan included to cover the areas where improvement is required. Overall the service continues to conform with the PSIAS. The areas of improvement will help to future proof the service and ensure aspects are picked up when new staff are appointed. The main areas of improvement include managing staff resources, ensuring processes remain compliant with the new PSIAS, completing skills and training assessments and reviewing the feedback process.

**3. Background**

- 3.1 A review of the effectiveness of Internal Audit has been carried out against the Public Sector Internal Audit Standards and the CIPFA statement on the role of the Head of Internal Audit. The review is required to be carried out bi-annually alongside the review of the effectiveness of the Audit Committee.

- 3.2 The assessment was completed by the Chief Finance Officer and the Audit Manager using the checklists provided by CIPFA in the relevant publications.
- 3.3 The results of the review and progress on the actions is fed into the Annual Report and the Annual Governance Statement.

#### **4. Internal Audit Effectiveness Review**

##### **4.1 PSIAS Self Assessment**

A summary of the assessment against the PSIAS is attached at Appendix A. Overall the section conforms with most of the requirements as summarised below:-

- The Internal Audit charter defines the mission as set by the PSIAS.
- The service operates independently and objectively using a systematic and disciplined approach underpinned by training, practice and guidance.
- There are codes and processes in place to ensure that the core principles (integrity, competence, independence, quality, improvement etc) are present and operating effectively.
- Auditors conform to the Code of Ethics
- The Audit Charter defines the purpose, authority and responsibility of Internal Audit.
- Members of the Audit team are appointed in compliance with the job specification and there is a commitment to further development.
- Due professional care expectations are included within the Practice Notes to which Audit team members must comply.
- The Internal Audit plan is effectively managed through flexible planning, engagement and research to ensure that it adds value to the organisation.
- The Annual Report and risk based audit assignments evaluate and make recommendations for the improvement of the Council's governance, risk and control processes.
- For each audit assignment there is a Terms of reference setting out the scope, timing and resources of the audit.
- There is a defined audit process in place which includes documentation, evidence required and reporting arrangements.
- There is a system in place for monitoring the implementation of agreed actions.

- 4.2 The Action Plan in Appendix C sets out the improvements required to conform to all aspects of the PSIAS. This includes improvements around the Quality assurance and improvement programme (QAIP).

##### **4.3 Review against the CIPFA statement on the role of the Head of Internal Audit**

An assessment against the CIPFA statement is attached as Appendix B. There is a good level of compliance overall and where improvements are required actions have been included within an Action plan which is included as Appendix C. These also contribute towards compliance with the PSIAS and include:-

- Reviewing the resources and future requirements.

- Ensuring that the processes remain fit for purpose and reflect changes to the PSIAS.
- Implement processes to replace Pentana.
- Complete skills review and training plans for the team once in place.
- Continue to build relationships both internally with inducting new team members and externally to share experience and thoughts.
- Take greater account of risk management in the Audit Plan.
- Review the Post Audit Questionnaire process.

#### **4.4 Summary and Conclusions**

The assessment has resulted in an overall good level of compliance. It has been a difficult year with many of the improvements reflecting this as difficulties in recruiting staff have resulted in issues with resources and delays in reviewing processes. This has temporarily been addressed through the appointment of contractors and work is continuing to recruit to the posts. The completion of the Action Plan, attached as Appendix C, will ensure that Internal Audit comply with the standards and remains effective.

### **5. Strategic Priorities**

Ensuring that the Council has effective arrangements in place for its Internal Audit Services and Audit Committee is a key part of the Council's overall governance framework.

### **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**

The review of effectiveness ensures best practice is met and compliance with the Accounts and Audit regulations.

#### **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 this report there are no direct equality, diversity or human rights implications.

## **7. Recommendation**

7.1 Committee consider and comment on the points raised from the review of effectiveness of Internal Audit.

**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?** 3

**List of Background Papers:** None

**Lead Officer:** Amanda Stanislowski, Audit Manager  
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## Self-assessment against the Public Sector Internal Audit Standards (PSIAS)

Compliance against PSIAS standards is set out in a detailed assessment which is reviewed every 5 years through external inspection. The last inspection was completed in Feb 2022. An updated assessment against the CIPFA checklist has been completed and a summary is provided below to support the bi-annual review of Internal Audit.

Area	Conformance			Evidence / Comments
	Conforms	Partial	Not Conforming	
1. Mission of Internal Audit				
Does the internal audit activity aspire to accomplish the Mission of Internal Audit as set out in the PSIAS?	X			The Internal Audit Charter defines our mission as set by the PSIAS. The service further aims to accomplish this applying a risk based approach to assurance audits and providing advice and insight through our consultancy work and general advice and support on best practice and development work.
2. Definition of Internal Auditing				
Is the internal audit activity independent and objective? Does it use a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes within the organisation?	X			The service operates independently and objectively, which is referenced in the Audit Charter and also the audit practice notes. The Audit Service does not undertake operational duties / non audit duties. A systematic and disciplined approach is guided through training, practice and guidance.
3. Core Principles				
The Core Principles, taken as a whole, articulate internal audit effectiveness. For an internal audit function to be considered effective, all Principles should be present and operating effectively.	X			There is a Code of ethics in place as well as the Council's Code of Conduct. Conflicts of interest are documented. Any issues with independence or restrictions are included in the Annual report. The Audit plan is aligned with strategies, objectives and risks of the Council. The Team has direct access to all staff within the Council. Whilst there have been issues with vacancies, adequate resources are in place using contractors as an interim measure. Progress reports and an Annual report are presented to management and Members. Quarterly update reports are provided for Departmental management team meetings.

Area	Conformance			Evidence / Comments
	Conforms	Partial	Not Conforming	
				A risk based approach is used and risk assessments completed. Participation in various groups, review of professional updates, regular liaison with management and revisions to the Audit Plan and processes all support a proactive and future focussed approach.
<b>4. Code of Ethics</b>				
Internal auditors in UK public sector organisations must conform to the Code of Ethics. If individual internal auditors have membership of another professional body then he or she must also comply with the relevant requirements of that organisation.	<b>X</b>			The service has a code of ethics which is shared with all auditors and they are required to comply with it. Code of conduct requires disclosure of interests, gifts, hospitality, foreign travel and secondary employment. Our quality assurance process reviews work undertaken by individuals with assignment feedback - monthly 1-2-1's. These line management and support mechanisms provide the opportunity for staff to raise any concerns and issues – which feed into team briefings / updates. Our audit practice notes clearly states the requirements / expectations on – integrity – objectivity – confidentiality. Staff are trained on Data Protection and must comply with it. Access to the system is restricted. Only appropriately experienced, qualified and skilled staff are appointed ensuring competency.
<b>5. Attribute Standards</b>				
<b>5.1 1000 Purpose, Authority and Responsibility</b>				
The purpose, authority and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework. The chief audit executive must periodically review the internal audit charter and present it to senior management and the board for approval.	<b>X</b>			The Charter outlines roles and remits of the Audit Committee and Management. The 'Board' is the Audit Committee – This role aligns with the definition of a 'Board' in the standards. Senior management is the Executive Directors (CMT) – plus Assistant Directors and Chief Officers. The Charter was approved by CMT and reviewed by the Audit Committee in 2022. Reviewed internally in 2023 – no changes made.



Area	Conformance			Evidence / Comments
	Conforms	Partial	Not Conforming	
5.2 1100 Independence and Objectivity				
The internal audit activity must be independent and internal auditors must be objective in performing their work.	X			<p>The Head of Internal Audit (HOIA) has unrestricted access to Senior Management and the Board. HOIA attends CMT with Limited Assurance reports, progress reports, annual plan, any revised plan, Combined assurance report, annual audit report and at any other time if required.</p> <p>Right of access clearly outlined within the charter together with our expectations of management. The HOIA has free access to Members, Chief Executive, Directors etc.</p> <p>The HOIA also has briefings with the Chair (and Vice Chair) of the Audit Committee prior to each Committee and if appropriate can ask for a private meeting with the whole Committee.</p> <p>Audit Plan and assignments are subject to assessment re objectivity.</p> <p>Auditors are carefully chosen for each assignment. Any conflicts identified / resolved.</p> <p>Our audit practice notes clearly states the requirements / expectations on – integrity – objectivity – confidentiality. They also emphasise the importance of objectivity, gathering evidence and forming evidence based opinions.</p> <p>Where there is a potential conflict with a particular audit auditors know that they should raise the matter immediately.</p> <p>Staff complete a 'declaration of interest' form annually.</p> <p>IA Charter sets out roles and remits</p> <p>Line management of the HOIA is the S151/Chief Finance Officer although the HOIA can and does report directly to CMT, Chief Executive or Directors as required.</p>
5.3 1200 Proficiency and Due Professional Care				
Engagements must be performed with proficiency and due professional care	X			<p>The Audit Manager (HOIA) is CIPFA qualified and has 30 years experience in audit. The HOIA appoints to posts each of which have a Job Description and Job Specification reflecting the requirements of the role.</p> <p>Commitment to developing the team through skill assessments and training plans ensuring CPD requirements achieved.</p> <p>Specialist/technical experience not held by the team is sought</p>

Area	Conformance			Evidence / Comments
	Conforms	Partial	Not Conforming	
				from Assurance Lincolnshire or externally. Due professional care expectations are clearly specified in Practice Notes.
<b>5.4 1300 Quality Assurance and Improvement Programme</b>				
The chief audit executive must develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity.		<b>X</b>		A QAIP was produced and maintained and updated by the HOIA. This captures actions for improved practice to create efficiencies and enhance effectiveness. However this has not been maintained during the vacancies. <b>(QAIP Action Plan 6)</b> Additional quality assurance is also completed as part of the Quality Assurance Framework. However this has not been completed recently due to vacancies and Audit Manager being involved in all audits. <b>(QAIP Action Plan 5)</b> Internal assessments undertaken at least bi-annually and external assessments every 5 years with the last one being in February 2022. Targets are set and reported to the Audit Committee and CMT within the Progress reports and Annual Report.
<b>6. Performance Standards</b>				
<b>6.1 2000 Managing the Internal Audit Activity</b>				
The chief audit executive must effectively manage the internal audit activity to ensure it adds value to the organisation.	<b>X</b>			Internal Audit Strategy and annual plan sets out how the audit activity will be delivered, linked to the charter and organisational objectives and priorities. These are approved by CMT and the Audit Committee. The plan is assessed using a risk scoring methodology – as well as taking into account combined assurance scores, risk registers and strategic priorities etc. Consultation with Senior Managers and staff also takes place. Our professional networks also provide information on audit areas – comparing and benchmarking data. A full review of the plan is undertaken at the six month point to reflect changes in risk and priorities, although changes can be made outside of this where required. The team has a suite of guidance and practice notes which form an audit manual.

Area	Conformance			Evidence / Comments
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6.2 2100 Nature of Work				
The internal audit activity must evaluate and contribute to the improvement of the organisation's governance, risk management, and control processes using a systematic, disciplined, and risk-based approach.	X			As part of the Annual Report the HOIA provides an assessment on the council's governance, risk management, controls and financial control arrangements. Arrangements are in place for the audit of information technology. Risk, governance, internal control and fraud are considered within each audit and consultancy assignment.
6.3 2200 Engagement Planning				
Internal auditors must develop and document a plan for each engagement, including the engagement's objectives, scope, timing and resource allocations. The plan must consider the organisation's strategies, objectives and risks relevant to the engagement.	X			The audit process sets out the expectations for auditors in terms of engagement planning. A template is used to record the Terms of Reference (TOR) to be agreed with the client. The template includes objectives, risks, scope, timing and resource allocations. An indicative scope is set within the plan and this is used as the basis for the TOR. The TOR is produced following research undertaken looking at documents such as service plans, risk registers, performance reports, policies and procedures. Consultation with the client and senior management is also undertaken.
6.4 2300 Performing the Engagement				
Internal auditors must identify, analyse, evaluate and document sufficient information to achieve the engagement's objectives.	X			This is defined in the Audit Process which auditors use to guide them. They also receive training on this. All evidence and working papers are retained in our Audit Working File system. The review process evaluates the results of the audit – this includes sufficiency, relevance and reliability of evidence, conclusions drawn. The reviewer will need to be able to draw the same conclusions from the work done. Principal Auditor/Audit Manager reviews draft reports.
6.5 2400 Communicating Results				
Internal auditors must communicate the results of engagements.	X			This is defined in the Audit Process applied to all audits. A standard Audit report template is used for reporting. Wherever possible findings are discussed to test out accuracy

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				<p>and possible causal factors during the fieldwork.</p> <p>The draft report is discussed at a closure meeting as part of the closedown process. This provides an opportunity for factual accuracy to be confirmed, seek comments and secure management improvement action before the final report is issued.</p> <p>We issue a draft report (for discussion) and then a final report. Summaries of the reports are provided within the Progress report for the Audit Committee and CMT. Where reports are Limited or Low assurance the whole report is shared with CMT and the full Executive summary and Management response with the Audit Committee.</p> <p>An Annual Report is produced and presented to CMT and the Audit Committee providing the level of assurance over governance, risk, internal control and financial control.</p>
<b>6.6 2500 Monitoring Progress</b>				
The chief audit executive must establish and maintain a system to monitor the disposition of results communicated to management.	<b>X</b>			<p>Our software system enables us to track the implementation of recommendations. We undertake this every quarter to feed into the progress report.</p> <p>This information is provided to the Audit Committee - any High priority recommendations not implemented by the due date are drawn to the attention of the Audit Committee every 6 months. The Audit Committee may seek explanations from senior management as appropriate.</p> <p>We also (usually) schedule a follow up audit where our assurance opinion was low or limited.</p> <p>A spot check is carried out each quarter of a sample of implemented agreed actions to ensure that the control weakness has been addressed.</p>
<b>6.7 2600 Communicating the Acceptance of Risks</b>				
When the chief audit executive concludes that management has accepted a level of risk that may be unacceptable to the organisation, the chief audit executive must discuss the matter with senior management.	<b>X</b>			<p>No instances experienced to date but if there were then they would be escalated as required and reported clearly in the Executive Summary of the report.</p>

Area	Conformance			Evidence / Comments
	Conforms	Partial	Not Conforming	
If the chief audit executive determines that the matter has not been resolved, the chief audit executive must communicate the matter to the board.				

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## Head of Internal Audit (HIA) Assessment

Principal 1	Y/N/P	Comments
The head of internal audit (HIA) plays a critical role in delivering the organisation's strategic objectives by objectively assessing the adequacy and effectiveness of governance and management of risks, giving an evidence-based opinion on all aspects of governance, risk management and internal control.		
<p>To enable the HIA to fulfil their role <b>the leadership team</b> should ensure they:</p> <ul style="list-style-type: none"> <li>set out the responsibilities of the leadership team for internal audit</li> <li>establish an internal accountability and assurance framework including how internal audit works with other providers of assurance</li> <li>set out how the framework of assurance supports the annual governance statement and identify internal audit's role within it. The HIA should not be responsible for the statement</li> <li>set out the responsibilities of the HIA and ensure the independence of the role is preserved. If additional responsibilities are taken on then appropriate safeguards should be put in place</li> <li>ensure internal audit is independent of external audit</li> <li>establish clear lines of reporting of the HIA to the leadership team and to the audit committee</li> <li>ensure the HIA reports in their own right and that the annual internal audit opinion and report are issued in the name of the HIA</li> <li>ensure the internal audit charter and plan are approved by the audit committee in accordance with the PSIAS.</li> </ul>	Y	Internal Audit Charter Audit plan/strategy Audit Committee Terms of Reference (TOR)
	Y	Combined Assurance External Audit Audit plan/strategy
	Y	Combined Assurance Annual Report HIA input into the Annual Governance Statement (AGS) review, Policy Team lead
	Y	Charter, Constitution, plan/strategy HIA only responsible for Audit and Fraud
	Y	Provided in-house
	Y	Reports to the Chief Finance Officer (CFO) and the Corporate Management Team (CMT). Audit Charter sets out reporting and the Audit Committee TOR
	Y	Yes all reports in the name of the HIA
	Y	Yes, Charter approved 2022 and circulated May 2023 to Audit Committee as stated within it.
<p>To fulfil Principle 1 the HIA should:</p> <ul style="list-style-type: none"> <li>ensure that internal audit's work is risk-based and aligned to the organisation's strategic objectives and will support the annual internal audit opinion</li> <li>identify where internal audit assurance will add the most value or do most to facilitate improvement</li> </ul>	Y	Combined Assurance basis for universe which is linked to the Councils Priorities and takes the Strategic Risks into consideration. Risk assessed based on set formulae.
	Y	Combined Assurance Risk assessment / audit planning CMT and Management input Review at 6 months
<ul style="list-style-type: none"> <li>produce an evidence-based annual internal audit opinion on the overall adequacy and effectiveness of the</li> </ul>	Y	Opinion based upon in-year work, combined assurance, AGS assessment and any other

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organisation's framework of governance, risk management and control.		assurance work undertaken within the Council.
<b>Principal 2</b>		
The UK Public Sector Internal Audit Standards set out Core Principles for the Professional Practice of Internal Auditing which taken as a whole articulate internal audit effectiveness. The following core principles are of particular relevance for Principle 2 of the CIPFA Statement:		
<ul style="list-style-type: none"> <li>Aligns with the strategies, objectives, and risks of the organisation.</li> </ul>	Y	Part of combined assurance/audit planning process. Plan sets out these links.
<ul style="list-style-type: none"> <li>Is insightful, proactive, and future-focused.</li> </ul>	Y	As above, plus 6 month review using up to date intelligence
<ul style="list-style-type: none"> <li>Promotes organisational improvement.</li> </ul>	Y	Part of combined assurance/audit planning/audits
To enable the HIA to fulfil their role, the leadership team should ensure that they:		
<ul style="list-style-type: none"> <li>establish top level commitment to the principles of good governance, recognising its importance for achieving strategic objectives</li> </ul>	Y	Agree AGS, review Internal Audit plan, Combined Assurance, One Council initiative
<ul style="list-style-type: none"> <li>set out the HIA's role in good governance and how this fits with the role of others</li> </ul>	Y	Agree Charter / Plan and strategy Combined Assurance
<ul style="list-style-type: none"> <li>recognise and support the role internal audit can play in providing advice and consultancy internally</li> </ul>	Y	Some consultancy work is commissioned
<ul style="list-style-type: none"> <li>ensure that the HIA has the opportunity to advise on or provide assurance on all major projects, programmes and policy initiatives</li> </ul>	Y	Often as audit work during a project
<ul style="list-style-type: none"> <li>take account of the HIA's advice in new and developing systems.</li> </ul>	Y	
To fulfil Principle 2 the HIA should:		
<ul style="list-style-type: none"> <li>work with others in the organisation to promote and support good governance</li> </ul>	Y	Combined Assurance. Audit work, AGS, Risk management, service manager forum, groups (Info man etc), Policy Team, CFO, City Solicitor etc
<ul style="list-style-type: none"> <li>help the organisation understand the risks to good governance</li> </ul>	Y	Combined Assurance. Audit work, AGS Support on Policy review of (Council) Governance Code
<ul style="list-style-type: none"> <li>give advice to the leadership team and others on the control arrangements and risks relating to proposed policies, programmes and projects</li> </ul>	Y	Combined Assurance, audit work, ad-hoc queries/advice given
<ul style="list-style-type: none"> <li>promote the highest standards of ethics and standards across the organisation based on the principles of integrity, objectivity, competence and confidentiality</li> </ul>	Y	Code of conduct Internal Audit ethical guidance and processes Declaration of interests completed Allocation of audits
<ul style="list-style-type: none"> <li>demonstrate the benefits of good governance for effective public service delivery and how the HIA can help</li> </ul>	Y	Combined Assurance. Audit work, AGS Support on Policy review of (Council) Governance Code



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<ul style="list-style-type: none"> <li>offer advisory or consulting services where appropriate</li> </ul>	Y	Some consultancy work is commissioned Advice is provided where requested
<ul style="list-style-type: none"> <li>give advice on risk and internal control arrangements for new and developing systems, including major projects, programmes and policy initiatives whilst maintaining safeguards over independence</li> </ul>	Y	Often as audit work during a project Risk management support
<b>Principle 3</b>		
The UK Public Sector Internal Audit Standards set out core principles for the Professional Practice of Internal Auditing which taken as a whole articulate internal audit effectiveness. The following core principles are of particular relevance for Principle 3 of the CIPFA Statement:		
<ul style="list-style-type: none"> <li>Is objective and free from undue influence (independent).</li> <li>Is appropriately positioned and adequately resourced.</li> </ul>	Y	No operational responsibilities Direct line to senior management and line management – CFO.
	P	Resources have reduced previously and now have 2.5 FTE but 1.5 of these are vacant. Currently covering with contractor. Concern over potential loss of income from LCC and the impact thereof. <b>(QAIP Action Plan 1)</b>
To enable the HIA to fulfil their role the leadership team should:		
<ul style="list-style-type: none"> <li>designate a named individual as HIA in line with the principles in this Statement. The individual could be someone from another organisation where internal audit is contracted out or shared. Where this is the case then the roles of the HIA and the client manager must be clearly set out in the contract or agreement</li> </ul>	Y	Internal team.
<ul style="list-style-type: none"> <li>ensure that where the HIA is an employee they report functionally to a member of the leadership team. The HIA should be sufficiently senior and independent within the organisation's structure to allow them to carry out their role effectively and be able to provide credibly constructive challenge to management</li> </ul>	Y	Reports to the CFO. Part of the Service Managers level within the Council. Whilst reports to the CFO able to carry out duties independently making the key decisions on audits and opinions. Able to go directly to the Chief Executive if required or other Director.
<ul style="list-style-type: none"> <li>engage constructively with the HIA and facilitate their role throughout the organisation</li> </ul>	Y	Attends CMT meeting to present reports. Questions, comments made and responses provided.
<ul style="list-style-type: none"> <li>ensure the audit committee terms of reference includes oversight of internal audit including the monitoring of adherence to professional standards</li> </ul>	Y	They do and recently updated to reflect new guidance.
<ul style="list-style-type: none"> <li>ensure the HIA's reporting relationship with the audit committee and its chair as set out in the internal audit charter is applied</li> </ul>	Y	Direct reporting and in line with CIPFA guidance
<ul style="list-style-type: none"> <li>ensure the organisation's governance arrangements give the HIA: – direct access to the chief executive, other leadership team members, the audit committee and external audit; and – attendance at meetings of the leadership</li> </ul>	Y	Charter/Constitution  Attends CMT as appropriate

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<ul style="list-style-type: none"> <li>team and management team when the HIA considers this to be appropriate</li> <li>set out unfettered rights of access for internal audit to all papers and all people in the organisation, as well as appropriate access in arms-length bodies</li> <li>set out the HIA's responsibilities relating to organisational partners including collaborations and outsourced and shared services.</li> </ul>		
	Y	Charter/Constitution
	Y	Audit work on shared services is clear
<p>To fulfil Principle 3 the HIA should:</p> <ul style="list-style-type: none"> <li>ensure the internal audit charter clearly establishes appropriate reporting lines that facilitate engagement with the leadership team and audit committee</li> <li>escalate any concerns about maintaining independence through the line manager, chief executive, audit committee and leadership team or external auditor as appropriate</li> <li>contribute to the review of audit committee effectiveness, advising the chair and relevant managers of any suggested improvements</li> <li>consult stakeholders, including senior managers and non-executive directors/elected representatives on internal audit plans.</li> </ul>		
	Y	
	Y	
	Y	Review against CIPFA best practice Review of effectiveness with report back to Audit Cttee (December 2023)
	Y	CMT review audit plan as does Audit Committee Ask Service Managers if they have anything to add to plan.
<b>Principle 4</b>		
<p>The UK Public Sector Internal Audit Standards set out Core Principles for the Professional Practice of Internal Auditing which taken as whole articulate internal audit effectiveness. The following core principles are of particular relevance for Principle 4 of the CIPFA Statement:-</p>		
<ul style="list-style-type: none"> <li>Demonstrates integrity.</li> <li>Is appropriately positioned and adequately resourced.</li> <li>Demonstrates quality and continuous improvement</li> </ul>	Y	
	P	1.5 vacancies currently in establishment but filled with contractor for 2023/24. Implications of LCC funding to be reviewed against resilience. <b>(QAIP Action Plan 1)</b>
	P	Due to vacancies not as progressed as it could be. There are areas planned for improvement and chasing of PAQs has also not been a priority. <b>(QAIP Action Plan 2)</b>
<p>To enable the HIA to fulfil their role the leadership team should:</p>		
<ul style="list-style-type: none"> <li>provide the HIA with the status, resources, expertise and systems necessary to perform their role effectively</li> <li>ensure the audit committee contributes to a performance framework for the HIA and the internal audit service and takes action as appropriate</li> </ul>	P	As per above, resources are difficult at the moment. Pentana system being removed so looking at alternative way of saving files. <b>(QAIP Action Plan 1 and 3)</b>
	P	Reviews performance each meeting as well as wider effectiveness review. Contribution towards the framework and action could be improved. <b>(QAIP Action Plan 4)</b>

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<ul style="list-style-type: none"> <li>ensure an external review of internal audit quality is carried out at least once every five years in accordance with PSIAS</li> <li>ensure the audit committee provides support for and participates in the quality assurance and improvement programme as set out in PSIAS.</li> </ul>	Y	Completed 2022
	Y	QAIP periodically reported
To fulfil Principle 4 the HIA should:		
<ul style="list-style-type: none"> <li>lead and direct the internal audit service so that it meets the needs of the organisation and external stakeholders and fulfils professional standards</li> <li>demonstrate how internal audit adds value to the organisation</li> <li>determine the resources, expertise, qualifications and systems for the internal audit service that are required to meet internal audit's objectives</li> <li>inform the leadership team and audit committee as soon as they become aware of insufficient resources to carry out a satisfactory level of internal audit, and the consequence for the level of assurance that may be given</li> <li>ensure the professional and personal training needs for staff are assessed and that these needs are met</li> <li>establish a quality assurance and improvement programme that includes: – ensuring professional internal audit standards are complied with – reviewing the performance of internal audit and ensuring the service provided is in line with the expectations and needs of its stakeholders – providing an efficient and effective internal audit service.</li> <li>demonstrating this by agreeing key performance indicators and targets with the line manager and audit committee; annually reporting achievements against targets – putting in place adequate ongoing monitoring and periodic review of internal audit work and supervision and review of files, to ensure that audit plans, work and reports are evidence-based and of good quality – seeking continuous improvement in the internal audit service</li> <li>keep up to date with developments in governance, risk management, control and internal auditing, including networking with other HIAs and learning from them, implementing improvements where appropriate</li> </ul>	Y	Risk based audit plan Periodic review against standards
	Y	Risk based audit plan, consultancy, advice, combined assurance, AGS input
	Y	All as part of planning. Engaged contractors with the expertise required.
	Y	Completed as staff have left and worked out what we can do to minimise this risk.
	P	There was a training plan in place and skills assessment completed. This will be done as new staff are appointed. <b>(QAIP Action Plan 5)</b>
	P	Quality Assurance Improvement Programme requires updating. Difficult due to staffing issues but now contractors set up this will be picked up as far as possible and updated once staff are appointed. <b>(QAIP Action Plan 6)</b>
	Y	Various Performance Indicator's  Regular reports to the Audit Committee on progress  Supervisor arrangements for audits to ensure good quality work and reports
	Y	Midlands audit group knowledge hub Assurance Lincolnshire – Audit and Fraud Teams CIPFA Public Finance
<b>Principle 5</b>		
The UK Public Sector Internal Audit Standards set out Core Principles for the Professional Practice of Internal Auditing which taken as a whole articulate		

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<p>internal audit effectiveness. The following core principles are of particular relevance for Principle 5 of the CIPFA Statement:</p> <ul style="list-style-type: none"> <li>• Demonstrates competence and due professional care.</li> <li>• Communicates effectively.</li> </ul>		
	Y	Policies, standards and procedures
	Y	Communication – reports / verbal as required
<p>To enable the HIA to fulfil their role the leadership team should:</p> <ul style="list-style-type: none"> <li>• appoint a professionally qualified HIA whose core responsibilities include those set out in the PSIAS as well as under the other principles in this statement and ensure that these are properly understood throughout the organisation</li> <li>• ensure the HIA has the skills, knowledge and internal audit experience, together with sufficient resources to perform effectively in the role</li> <li>• support continuing professional development of the HIA.</li> </ul>		
	Y	CIPFA
	P	Up to date skills review to be completed. <b>(QAIP Action Plan 5)</b>
	Y	
<p>To fulfil Principle 5 the HIA should:</p> <ul style="list-style-type: none"> <li>• be a full member of an appropriate professional body and have an active programme for personal professional development</li> </ul>	Y	CIPFA, use their Continual Professional Development (CPD) programme and look for other opportunities wherever possible.
	Y	PSIAS – application note

This section sets out the personal skills and professional standards of the HIA that are necessary to support the five principles in practice. personal skills and professional standards		
Principle 1		
<ul style="list-style-type: none"> <li>Give clear, professional and objective advice.</li> </ul>	Y	
<ul style="list-style-type: none"> <li>Report on what is found, without fear or favour.</li> </ul>	Y	
<ul style="list-style-type: none"> <li>Demonstrate integrity to staff and others in the organisation.</li> </ul>	Y	
<ul style="list-style-type: none"> <li>Exercise sound judgement in identifying weaknesses in the organisation's control environment and a balanced view on how significant these are.</li> </ul>	Y	Part of audit process and reporting
<ul style="list-style-type: none"> <li>Work well with others with specific responsibilities for internal control, risk management and governance including (as appropriate to the sector) the chief executive, chief legal officer, chief financial officer, audit committee, non-executive directors and elected representatives.</li> </ul>	Y	Works well with all these
<ul style="list-style-type: none"> <li>Work positively and constructively, influencing the leadership team, audit committee and others to ensure the HIA's recommendations are implemented.</li> </ul>	Y	Regular review of recommendations with officers and members
<ul style="list-style-type: none"> <li>Be a role model – dynamic, determined, positive and robust. They should demonstrate resilient leadership and the ability to inspire confidence and exemplify high standards of conduct.</li> </ul>	Y	
Principle 2		
<ul style="list-style-type: none"> <li>Provide leadership by giving practical examples of good governance that will inspire others.</li> </ul>	Y	Through audit work, combined assurance, AGS support, risk support, counter fraud work
<ul style="list-style-type: none"> <li>Deploy effective facilitating and negotiating skills.</li> </ul>	Y	Audit work requires this as does implementing change to audit process.
<ul style="list-style-type: none"> <li>Build and demonstrate commitment to supporting continuous improvement of the organisation.</li> </ul>	Y	Through audit work, combined assurance, AGS support, risk support, counter fraud work
Principle 3		
<ul style="list-style-type: none"> <li>Network effectively to raise the profile and status of internal audit.</li> </ul>	P	Building internal networks by attending Departmental Management Teams and CMT as well as Senior Management Team Forum (SMTF). Currently rebuilding external networks due to being new in post. Changes at LCC have led to a need to build new relationships with the HIA. Meetings now in place. Midlands District Audit Group joined Knowledge Hub and mailing list. Contacted Notts and Derbys Audit Group to join back in. <b>(QAIP Action Plan 7)</b>
<ul style="list-style-type: none"> <li>Adopt a flexible style, being able to collaborate, advise and challenge as appropriate.</li> </ul>	Y	
<ul style="list-style-type: none"> <li>Build productive professional relationships both internally and externally.</li> </ul>	P	As above <b>(QAIP Action Plan 7)</b>

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<ul style="list-style-type: none"> <li>Work effectively with the leadership team and audit committee, showing political awareness and sensitivity.</li> </ul>	Y	
<ul style="list-style-type: none"> <li>Be seen to be objective and independent but also pragmatic where appropriate.</li> </ul>	Y	Recommendations
<b>Principle 4</b>		
<ul style="list-style-type: none"> <li>Demonstrate leadership and be an ambassador for internal audit.</li> </ul>	Y	
<ul style="list-style-type: none"> <li>Create, communicate and implement a vision for the internal audit service.</li> </ul>	Y	Charter Plan/strategy Working on own vision in collaboration with Assurance Lincs but ensuring meets the needs of the City Council.
<ul style="list-style-type: none"> <li>Create a customer-focused internal audit service.</li> </ul>	Y	Client consultation on planning and delivery of work and a no-surprises approach Promote engagement from Managers in requesting audits and informing of issues.
<ul style="list-style-type: none"> <li>Establish an open culture, built on effective coaching and a constructive approach.</li> </ul>	Y	As above
<ul style="list-style-type: none"> <li>Promote effective communication within internal audit, across the broader organisation and with external stakeholders.</li> </ul>	Y	Combined Assurance Risk support SMTF CMT Assurance Lincs External audit Audit committee Portfolio Holder
<ul style="list-style-type: none"> <li>Manage and coach staff effectively.</li> </ul>	P	Was in place, need to build with new team. <b>(QAIP Action Plan 5 &amp; 8)</b>
<ul style="list-style-type: none"> <li>Comply with professional standards and ethics.</li> </ul>	Y	Self-assessments External Quality Assessment
<ul style="list-style-type: none"> <li>Require the highest standards of ethics and standards within internal audit based on the principles of integrity, objectivity, competence and confidentiality.</li> </ul>	Y	
<b>Principle 5</b>		
<ul style="list-style-type: none"> <li>Demonstrate a range of skills including communicating, managing and influencing, as well as an understanding of IT and consulting services.</li> </ul>	Y	
<ul style="list-style-type: none"> <li>Understand and have experience of strategic objective setting and management.</li> </ul>	Y	
<ul style="list-style-type: none"> <li>Understand the internal audit and regulatory environment applicable to public service organisations.</li> </ul>	Y	
<ul style="list-style-type: none"> <li>Demonstrate a comprehensive understanding of governance, risk management and internal control.</li> </ul>	Y	
<ul style="list-style-type: none"> <li>Undertake appropriate development or obtain relevant experience in order to demonstrate an understanding of the full range of the organisation's activities and processes.</li> </ul>	Y	Combined Assurance helps provide a corporate overview

Date:- October 2023

HIA:- Amanda Stanislawski

Agreed by Chief Finance Officer:-

**Quality Assurance and Improvement Programme - Action Plan 2023**

Last Update: October 2023

Last Reported to Audit Committee: December 2023

No.	Action	Date	Progress	Responsibility / Status
1	Review resources to ensure sufficient to meet needs. Continue with career grade process to aide succession and recruit to vacant posts as required.	Mar 2024		Audit Manager
2	Review the processes in place for the audits and ensure that they take on board comments received through the PAQ process, maintain quality, changes required by the new PSIAS and are still fit for purpose.	Mar 2024 for initial review  Mar 2025 for PSIAS		Audit Manager
3	Draw up a new process for the completion and storing of audit working papers and monitoring actions to replace Pentana.	Mar 2024	A filing system has been set up using Sharepoint and documents produced to enable audits to be documented and the required evidence maintained. Working with IT and Business Development on the action tracker and whether there is a better way of doing things.	Audit Manager
4	Present the QAIP and action plan to the Audit Committee at least annually and invite comments on the QAIP.	Mar 2024		Audit Manager
5	Skills assessment and training plans including CPD to be drawn up for all members of the team once appointed and monitored through the 1-2-1's, appraisal processes and QA reviews.	Jun 2024 or when staff in post and completed induction		Audit Manager
6	Review the QAIP to ensure that it meets the current requirements and those within the revised PSIAS when available.	Mar 2024 for initial review  Mar 2025 for PSIAS		Audit Manager
7	Continue to build relationships and networks both internally and externally to raise the profile of Internal Audit.	Mar 2025		Audit Manager

No.	Action	Date	Progress	Responsibility / Status
8	Consider arrangements for inducting new staff into the team and managing their integration.	Mar 2024		Audit Manager
9	For the 2024/25 Audit Plan greater account is taken of the risk management process and demonstration of the links between the plan and the risks both Strategic and operational.	Mar 2024		Audit Manager
10	Review the PAQ process and look at ways to improve completion of the questionnaires and linking the comments back to improvements.	Mar 2024	PAQ been set up using Forms and to be trialled to see how it works and whether it increases response rates.	Audit Manager



**AUDIT COMMITTEE****12 DECEMBER 2023**

<b>SUBJECT:</b>	<b>REVIEW OF THE EFFECTIVENESS OF THE AUDIT COMMITTEE</b>
<b>DIRECTORATE:</b>	<b>CHIEF EXECUTIVE AND TOWN CLERK</b>
<b>REPORT AUTHOR:</b>	<b>AMANDA STANISLAWSKI, AUDIT MANAGER JACLYN GIBSON, CHIEF FINANCE OFFICER</b>

**1. Purpose of Report**

- 1.1 To review the effectiveness of the Audit Committee against the CIPFA guidance on Audit Committees 2022.

**2. Background**

- 2.1 The report provides an update on the progress and next steps of the assessment of the effectiveness of the Audit Committee against the recent guidance issued by CIPFA in October 2022. The previous review was carried out in June 2021
- 2.2 The results of the review and progress on the actions is fed into the Annual Report and the Annual Governance Statement.

**3. Audit Committee Effectiveness Review**

- 3.1 An initial review of the effectiveness of the Audit Committee has been carried out by the Chief Finance Officer and the Audit Manager. As part of the CIPFA guidance on good practice for Audit Committees, CIPFA produced a set of evaluation tools for use in assessing the effectiveness of the Audit Committee. These were used when making our assessment.
- 3.2 The results of the initial review were circulated to the Audit Committee Chair, Vice Chair, Leader of the Opposition and the Independent Member for comment.
- 3.3 The next stage in the process is to hold a roundtable discussion with a group of the Audit Committee Members to feed into the final review document. The group should contain the Chair of the Committee and at least one member from the non-controlling groups.

**4. Strategic Priorities**

Ensuring that the Council has effective arrangements in place for its Internal Audit Services and Audit Committee is a key part of the Council's overall governance framework.

**5. Organisational Impacts****5.1 Finance**

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

## 5.2 Legal Implications including Procurement Rules

The review of effectiveness ensures best practice is met and compliance with the Accounts and Audit regulations.

## 5.3 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 this report there are no direct equality, diversity or human rights implications.

## 6. Recommendation

- 6.1 Committee select a group of four Members to attend a roundtable discussion week commencing 8<sup>th</sup> January 2024 to finalise the document for presentation at the January Audit Committee. The group should contain the Chair of the Committee and at least one member from the non-controlling groups.

<b>Is this a key decision?</b>	No
<b>Do the exempt information categories apply?</b>	No
<b>Does Rule 15 of the Scrutiny Procedure Rules (call-in and urgency) apply?</b>	No
<b>How many appendices does the report contain?</b>	None
<b>List of Background Papers:</b>	None

**Lead Officer:**

Amanda Stanislawski, Audit Manager  
Email: [Amanda.stanislawski@lincoln.gov.uk](mailto:Amanda.stanislawski@lincoln.gov.uk)

**AUDIT COMMITTEE****12 DECEMBER 2023**

**SUBJECT:                    AUDIT COMMITTEE TERMS OF REFERENCE**

**DIRECTORATE:           CHIEF EXECUTIVE AND TOWN CLERK**

**REPORT AUTHOR:        AMANDA STANISLAWSKI, AUDIT MANAGER**

**1.     Purpose of Report**

- 1.1    To obtain comments on an update to the Audit Committee Terms of Reference, following which the updated Terms of Reference will be presented to Executive and Full Council for approval.

**2.     Executive Summary**

- 2.1    The Audit Committee Terms of Reference are based on best practice issued by CIPFA, (Chartered Institute of Public Finance and Accountancy) and also the Audit Committee requirements referenced within the Public Sector Internal Audit standards.
- 2.2    CIPFA updated their guidance on Audit Committees including standard terms of reference in 2022 including a model standard terms of reference.
- 2.3    This report sets out the revisions to the Terms of Reference to reflect this guidance.

**3.     Background**

- 3.1    CIPFA's guidance on the function and operation of audit committees in local authorities and police bodies, represents best practice for audit committees in local authorities throughout the UK and for police audit committees in England and Wales. The revised guidance was issued in October 2022 replacing the previous guidance issued in 2018.
- 3.2    The guidance recognises that audit committees are a key component of governance. The purpose of an audit committee is to provide to 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. Audit committees are an important source of assurance about an organisation's arrangements for managing risk, maintaining an effective control environment and reporting on financial and other performance. The way in which an audit committee is organised will vary depending on the specific political and management arrangements in place in any organisation.
- 3.3    Audit committees in local authorities and police bodies are necessary to satisfy the wider requirements for sound financial management and internal control. For example in England, the Accounts and Audit (England) Regulations 2015 state that a local authority is responsible "for 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". In addition, in England, Section 151 of the Local Government Act 1972 requires every local authority to "make arrangements for the proper administration of its financial affairs".

#### **4. Changes to the Terms of Reference**

- 4.1 The suggested revised Terms of Reference are attached at Appendix A. The model provided by CIPFA has been used as the framework for the revised Terms of Reference merged with the aspects specific to the City Council.
- 4.2 Appendix B, shows the changes that have been made. Changes in responsibilities or wording are shown in red and responsibilities which are not required by the guidance but were in the previous version are shown in blue. The layout has also been changed to include numbering, different headings and some responsibilities have been moved under a different section.
- 4.3 The revised Terms of Reference do not contain any changes which will have a significant impact on the work undertaken by the Audit Committee. A summary of the main changes is provided as follows:-

##### Audit Committee

Minor changes have been made concerning rights of access, substitute members and number of meetings to clarify what was in the previous version.

CIPFA recommends that the Audit Committee membership includes two independent members and as a minimum there should be one. The Terms of Reference have not been revised to include two independent members but a recommendation has been made that the Committee consider this.

##### Statement of Purpose

No changes have been proposed for this section.

##### Governance, Risk and Control

A number of additional responsibilities have been added including:-

- To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
- To consider reports on the effectiveness of financial management arrangements, including compliance with CIPFA's Financial Management Code.
- To consider reports on customer complaints against service provision and monitor the effectiveness of the arrangements for managing these complaints.

Whilst these have been added to the Terms of Reference, these were already being undertaken by the Committee so there are no physical changes to be implemented.

## Financial Reporting

Two additional responsibilities have been added:-

- To consider whether the annual evaluation for the AGS fairly concludes that governance arrangements are fit for purpose, supporting the achievement of the authority's objectives.
- To monitor the arrangements and preparations for financial reporting to ensure that statutory requirements and professional standards can be met.

These are also already being undertaken so no physical changes are required.

## Arrangements for audit and assurance

A number of minor changes have been made to the wording to expand abbreviations, improve consistency and ensure accuracy. There was one additional responsibility added for External Audit:-

- To provide free and unfettered access to the Audit Committee Chair for the auditors, including the opportunity for a private meeting with the Committee.

This documents the practice already in place making it more visible.

## Accountability Arrangements

The responsibilities have been expanded to include further detail of the contents of the annual report to Full Council and publication requirements:-

- To report to Full Council on an annual basis the Committee's performance in relation to meeting their Terms of reference and the effectiveness of meeting their purpose. The report to include findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements and internal and external audit functions.
- To publish an annual report on the work of the Committee, including a conclusion on the compliance with the CIPFA position Statement.

## **5. Strategic Priorities**

Ensuring that the Council has effective arrangements in place for its Audit Committee is a key part of the Council's overall governance framework.

## **6. Organisational Impacts**

### **6.1 Finance**

There are no direct financial implications arising as a result of this report. If a further independent member is recruited to the Committee this will result in an allowance being payable to them.

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

The changes to the Terms of Reference are a change to the Council's constitution.

## **8. Recommendations**

- 8.1 That the Audit Committee comment on the suggested changes and recommend to Executive and Full Council for approval.
- 8.2 The Audit Committee consider whether to appoint an additional independent member.

**Is this a key decision?** ~~Yes~~/No

**Do the exempt information categories apply?** ~~Yes~~/No

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

**How many appendices does the report contain?** 2

**List of Background Papers:** None

**Lead Officer:** Amanda Stanislawski, Audit Manager  
Email: [amanda.stanislawski@lincoln.gov.uk](mailto:amanda.stanislawski@lincoln.gov.uk)

## Audit Committee terms of reference (Section 9 Constitution)

### 1 Audit Committee

- 1.1 The Audit Committee is directly accountable to Full Council. It is independent of both the executive and the scrutiny functions and is a key advisory Committee providing independent oversight, recommendations, opinions and influence on the matters for which it is responsible. To assist the Audit Committee in fulfilling its role, it has a right of access to and is expected to engage constructively with other committees and functions, and has the right to request reports and seek assurances from relevant officers.
- 1.2 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 the Constitution.
- 1.3 The Council will appoint an Audit Committee as follows:-

Number of Members	8 – 7 Councillors and 1 Independent member
Substitute Members permitted	Yes, provided they have met the training requirements
Restrictions on membership	Executive members or the mayor may not be a member of this Committee.
Quorum	3 Councillors
Number of ordinary meetings per Council year	At least 4 per year

### 2 Statement of purpose

- 2.1 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.
- 2.2 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.
- 2.3 To decide upon and authorise allowances to the Committee's Independent Member.

### **3 Governance, risk and control**

- 3.1 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).
- 3.2 To monitor the effectiveness of the Authority's risk management arrangements (development and operation).
- 3.3 To monitor progress in addressing risk-related issues reported to the Committee.
- 3.4 To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
- 3.5 To consider reports on the effectiveness of financial management arrangements, including compliance with CIPFA's Financial Management Code.
- 3.6 To consider the Council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
- 3.7 To monitor the Council's anti-fraud and anti-corruption arrangements (including an assessment of fraud risks and potential harm from fraud and corruption).
- 3.8 To monitor the counter-fraud strategy, actions and resources.
- 3.9 To review the governance and assurance arrangements for significant partnerships or collaborations.
- 3.10 To consider reports on customer complaints against service provision and monitor the effectiveness of the arrangements for managing these complaints.
- 3.11 To appoint the Chair as the Lead Member of the Information Governance Board and to monitor and oversee Information Governance practices within the Council.
- 3.12 To maintain an overview of the Council's constitution in respect of contract procedure rules and financial procedure rules.
- 3.13 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.
- 3.14 To consider the Council's compliance with its own and other published standards and controls.



- 3.15 To report and make recommendations to Executive or Council on major issues and contraventions.
- 3.16 To support ethical values and reviewing arrangements to achieve those values as appropriate.

## **4 Financial Reporting**

### **Governance Reporting**

- 4.1 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).
- 4.2 To consider whether the annual evaluation for the AGS fairly concludes that governance arrangements are fit for purpose, supporting the achievement of the authority's objectives.
- 4.3 To consider whether any non-conformance is significant enough that it must be included in the AGS.

### **Financial Reporting**

- 4.3 To monitor the arrangements and preparations for financial reporting to ensure that statutory requirements and professional standards can be met.
- 4.4 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.
- 4.4 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.
- 4.5 To receive on an annual basis a report on the Treasury Management Strategy before approval by the Executive and Full Council.
- 4.6 To be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

## **5 Arrangements for audit and assurance**

- 5.1 To consider the Council's framework of assurance and ensure that it adequately addresses the risks and priorities of the Council.

**External Audit**

- 5.2 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 (Public Sector Audit Appointments) or the authority's auditor panel as appropriate.
- 5.3 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.
- 5.4 To consider specific reports as agreed with the external auditor.
- 5.5 To comment on the scope and depth of external audit work and to ensure it gives value for money.
- 5.6 To commission work from internal and external audit, as required, and as resources allow.
- 5.7 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.
- 5.8 To provide free and unfettered access to the Audit Committee Chair for the auditors, including the opportunity for a private meeting with the Committee.
- 5.9 Monitor management action in response to any issues raised by external audit.

**Internal Audit**

- 5.10 To approve the Internal Audit Charter.
- 5.11 To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.
- 5.12 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.
- 5.13 To approve significant interim changes to the risk based internal audit plan and resource requirements.
- 5.14 To make appropriate enquiries of both management and the Head of internal audit (Audit Manager) to determine if there are any inappropriate scope or resource limitations.

- 5.15 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.
- 5.16 Consider reports from the Head of internal audit concerning internal audit activity including internal audit reports on the effectiveness of internal controls (key findings and issues of concern) and seeking assurance that action has been taken where necessary on the implementation of agreed actions.
- 5.17 To monitor audit performance, including QAIP (Quality Assurance and Improvement Program) results and any non-conformance with PSIAS (Public Sector Internal Audit Standards) and LGAN (Local Government Application Notes).
- 5.18 Receive and consider the annual report and opinion of the Head of internal audit including conformance with PSIAS.
- 5.19 To consider summaries of specific internal audit reports as requested by the Audit Committee.
- 5.20 To receive reports outlining the action taken where the Head of internal audit 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.
- 5.21 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.
- 5.22 Consider the regular review of effectiveness of internal audit to support the AGS, where required to do so by the Accounts and Audit Regulations.
- 5.23 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.
- 5.24 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.

## **6 Accountability arrangements**

- 6.1 To report to Full Council on an annual basis the Committee's performance in relation to meeting their Terms of reference and the effectiveness of meeting their purpose. The report to include findings, conclusions and recommendations concerning the adequacy and effectiveness of their

governance, risk management and internal control frameworks, financial reporting arrangements and internal and external audit functions.

- 6.2 To publish an annual report on the work of the Committee, including a conclusion on the compliance with the CIPFA position Statement.

December 2023

## Audit Committee terms of reference (Section 9 Constitution)

### 1 Audit Committee

- 1.1 The Audit Committee is directly accountable to Full Council. It is independent of both the executive and the scrutiny functions and is a key advisory Committee providing independent oversight, recommendations, opinions and influence on the matters for which it is responsible. **To assist the Audit Committee in fulfilling its role, it has a right of access to and is expected to engage constructively with other committees and functions, and has the right to request reports and seek assurances from relevant officers.**
- 1.2 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 the** Constitution.

- 1.3 The Council will appoint an Audit Committee as follows:-

Number of Members	8 – 7 Councillors and 1 Independent member
<b>Substitute Members permitted</b>	<b>Yes, provided they have met the training requirements</b>
Restrictions on membership	<ul style="list-style-type: none"> <li>Executive members <b>or the mayor</b> may not be a member of this Committee.</li> <li><del>Councillors should include the Chair of Performance Scrutiny Committee.</del></li> </ul>
Quorum	3 Councillors
<b>Number of ordinary meetings per Council year</b>	<b>At least 4 per year</b>

### 2 Statement of purpose

- 2.1 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.
- 2.2 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.

- 2.3 To decide upon and authorise allowances to the Committee's Independent Member.

### 3 Governance, risk and control

- 3.1 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).
- 3.2 To monitor the effectiveness of the Authority's risk management arrangements (development and operation).
- 3.3 To monitor progress in addressing risk-related issues reported to the Committee.
- 3.4 To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
- 3.5 To consider reports on the effectiveness of financial management arrangements, including compliance with CIPFA's Financial Management Code.
- 3.6 To consider the Council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
- 3.7 To monitor the Council's anti-fraud and anti-corruption arrangements (including an assessment of fraud risks and potential harm from fraud and corruption).
- 3.8 To monitor the counter-fraud strategy, actions and resources.
- 3.9 To review the governance and assurance arrangements for significant partnerships or collaborations.
- 3.10 To consider reports on customer complaints against service provision and monitor the effectiveness of the arrangements for managing these complaints.
- 3.11 To appoint the Chair as the Lead Member of the Information Governance Board and to monitor and oversee Information Governance practices within the Council ~~along with the Information Governance Board~~.
- 3.12 To maintain an overview of the Council's constitution in respect of contract procedure rules and financial procedure rules.
- 3.13 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.

- 3.14 To consider the Council's compliance with its own and other published standards and controls.
- 3.15 To report and make recommendations to Executive or Council on major issues and contraventions.
- 3.16 To ~~engage with relevant Committees to help~~ support ethical values and reviewing arrangements to achieve those values as appropriate.
- 3.17 ~~To have rights of access to other Committees of the Council and to strategic functions as it deems necessary.~~

## 4 Financial Reporting

### Governance Reporting

- 4.1 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).
- 4.2 To consider whether the annual evaluation for the AGS fairly concludes that governance arrangements are fit for purpose, supporting the achievement of the authority's objectives.
- 4.3 To consider whether ~~the~~ any non-conformance is significant enough that it must be included in the AGS.

### Financial Reporting

- 4.3 To monitor the arrangements and preparations for financial reporting to ensure that statutory requirements and professional standards can be met.
- 4.4 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.
- 4.4 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.
- 4.5 To receive on an annual basis a report on the Treasury Management Strategy before approval by the Executive and Full Council.

- 4.6 To be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

## 5 Arrangements for audit and assurance

- 5.1 To consider the Council's framework of assurance and ensure that it adequately addresses the risks and priorities of the Council.

### External Audit

- 5.2 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 (Public Sector Audit Appointments) or the authority's auditor panel as appropriate.
- 5.3 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.
- 5.4 To consider specific reports as agreed with the external auditor.
- 5.5 To comment on the scope and depth of external audit work and to ensure it gives value for money.
- 5.6 To commission work from internal and external audit, as required, and as resources allow.
- 5.7 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.
- 5.8 To provide free and unfettered access to the Audit Committee Chair for the auditors, including the opportunity for a private meeting with the Committee.
- 5.9 ~~The Committee will~~ Monitor management action in response to any issues raised by external audit 154

### Internal Audit

- 5.10 To approve the Internal Audit Charter.
- 5.11 To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.



- 5.12 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.
- 5.13 ~~Audit Committee Chair~~ to approve significant interim changes to the risk based internal audit plan and resource requirements. ~~followed by report to Audit Committee.~~
- 5.14 To make appropriate enquiries of both management and the Head of internal audit (**Audit Manager**) to determine if there are any inappropriate scope or resource limitations.
- 5.15 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.
- 5.16 ~~Review a summary of~~ Consider reports from the Head of internal audit **concerning** internal audit activity including internal audit reports on the effectiveness of internal controls (**key findings and issues of concern**) and seeking assurance that action has been taken where necessary on the implementation of agreed actions.
- 5.17 To monitor audit performance, including QAIP (**Quality Assurance and Improvement Program**) results and any non-conformance with PSIAS (**Public Sector Internal Audit Standards**) and LGAN (**Local Government Application Notes**).
- 5.18 Receive and consider the annual report and opinion of the Head of internal audit including conformance with ~~Internal Audit Standards~~ **PSIAS**.
- 5.19 To consider summaries of specific internal audit reports as requested by the Audit Committee.
- 5.20 To receive reports outlining the action taken where the Head of internal audit 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.
- 5.21 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.
- 5.22 Consider the **annual regular** review of effectiveness of internal audit to support the AGS, where required to do so by the Accounts and Audit Regulations.

- 5.23 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.
- 5.24 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.

## 6 Accountability arrangements

- 6.1 To report to Full Council on an annual basis the Committee's performance in relation to meeting their Terms of reference and the effectiveness of meeting their purpose. The report to include findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements and internal and external audit functions.
- 6.2 ~~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.~~
- 6.3 To publish an annual report on the work of the Committee, including a conclusion on the compliance with the CIPFA position Statement.

December 2023

**Red** – Changes made from the previous version to include items in the CIPFA guidance or other amendments made for clarification or consistency.

**Blue** – Wording from previous TOR which has been slotted in but is not a requirement in the guidance but still considered relevant.

**AUDIT COMMITTEE****12 DECEMBER 2023****SUBJECT: AUDIT COMMITTEE WORK PROGRAMME 2023/24****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 2023/24.

**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 2022 Edition, as providing an independent and high-level focus on the adequacy of governance, risk and control arrangements. The committee's role in ensuring that there is sufficient assurance over governance risk and control gives greater confidence to all those charged with governance that those arrangements are effective.
- 2.2 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'.
- 2.3 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.
- 2.4 The Audit Committee approves a work programme each year and monitors progress against it. Any changes to the work programme are reporting to the Committee.

**3 2023/24 Work Programme**

- 3.1 The proposed work programme for 2023/24 based on the Committee's Terms of Reference and cyclical reporting, is attached at Appendix B. Since last reporting to this Committee, the following changes have been made to the work programme (as shown in red in Appendix B):
- External Audit Completion report (22/23) – deferred from December until January Committee as completion of external audit work not yet finalised.
  - Review of Effectiveness of Audit Committee – additional item added to January Committee along with update report at December Committee.

- External Audit Strategy Memorandum (23/24) – deferred from January to March meeting following discussions with new external auditors, KPMG.

3.2 A copy of the Audit Committee's Terms of Reference is attached at Annex 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 2023/24 the following training is scheduled/has been provided:

- 6<sup>th</sup> June 2023 – Local Government Financial Statements - Provided
- 17<sup>th</sup> July 2023 – Audit Committee Effectiveness – Provided
- 16<sup>th</sup> August 2023 – Risk Management (All Members) - Provided
- 30<sup>th</sup> January 2024 – Treasury Management - Scheduled
- TBC – Counter Fraud Training

#### **5. Organisational Impacts**

##### **5.1 Finance**

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

##### **5.2 Legal Implications including Procurement Rules**

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

##### **5.3 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

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

## 6 Risk Implications

6.1 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.

## 7. Recommendation

7.1 Audit Committee are asked to comment on and agree the updated work programme for 2023/24.

**Is this a key decision?**

~~Yes~~/No

**Do the exempt information categories apply?**

~~Yes~~/No

**Does Rule 15 of the Scrutiny Procedure Rules (call-in and urgency) apply?**

~~Yes~~/No

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

Two

**List of Background Papers:**

None

**Lead Officer:**

Amanda Stanislowski, Audit Manager  
Email: [amanda.stanislowski@lincoln.gov.uk](mailto:amanda.stanislowski@lincoln.gov.uk)

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## **Audit Committee terms of reference (Constitution)**

### **9.1 Audit Committee**

The Council will appoint an Audit Committee.

### **9.2 Composition**

Audit Committee

- (a) The Audit Committee will comprise of seven Councillors and 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.
- (g) 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 2023/24**

Meeting dates	Audit Items – Revised Agenda	Training
6 <sup>th</sup> June 2023	<ul style="list-style-type: none"> <li>• Annual Internal Audit Report</li> <li>• Annual Fraud &amp; Error Report</li> <li>• Information Governance Update</li> <li>• Annual Governance Statement (Draft)</li> <li>• External Audit – Progress Report</li> <li>• Audit Committee Work Programme</li> </ul>	Local Government Financial Statements
17 <sup>th</sup> July 2023	<ul style="list-style-type: none"> <li>• Statement of Accounts (Draft)</li> <li>• Internal Audit Progress Report</li> <li>• Audit Recommendations Follow Up Report</li> <li>• Risk Management Annual Update</li> <li>• External Audit – Progress Report</li> </ul>	Audit Committee Effectiveness
12 <sup>th</sup> Sept 2023	<i>Cancelled due to room availability. Replaced with previously cancelled meeting on 25<sup>th</sup> September which was scheduled pending confirmation of the date for the completion of the unaudited Statement of Accounts.</i>	
25 <sup>th</sup> Sept 2023	<ul style="list-style-type: none"> <li>• External Audit – Annual Auditor’s Report 2021/22</li> <li>• Annual Complaints Report</li> <li>• Internal Audit Revised Audit Plan</li> <li>• Audit Committee Work Programme</li> <li>• </li> </ul>	
8 <sup>th</sup> Nov 2023	<ul style="list-style-type: none"> <li>• Statement of Accounts 22/23 (including Annual Governance Statement) Final</li> <li>• External Audit – Audit Completion report (22/23)</li> </ul>	

## APPENDIX B

Meeting dates	Audit Items – Revised Agenda	Training
12 <sup>th</sup> Dec 2023	<ul style="list-style-type: none"> <li>• Internal Audit progress Report</li> <li>• Audit Recommendations Follow Up Report</li> <li>• Six Month Fraud &amp; Error Report</li> <li>• Review of Effectiveness of Internal Audit</li> <li>• Review of Effectiveness of Audit Committee</li> <li>• Audit Committee Terms of Reference</li> <li>• Information Governance update</li> <li>• Audit Committee Work Programme</li> </ul>	
31 <sup>st</sup> Jan 24	<ul style="list-style-type: none"> <li>• Internal Audit Progress Report</li> <li>• Treasury management Policy and Strategy</li> <li>• Anti Bribery Policy</li> <li>• Counter Fraud Policy/Strategy</li> <li>• Review of Effectiveness of Audit Committee</li> <li>• External audit – Annual Audit letter (22/23)</li> <li>• Audit Committee Work Programme</li> </ul>	Treasury Management
21 <sup>st</sup> Mar 24	<ul style="list-style-type: none"> <li>• Internal Audit Progress Report</li> <li>• Audit Recommendations Follow Up Report</li> <li>• Internal Audit Strategy and Plan 23/24</li> <li>• External Audit – Audit Strategy Memorandum 23/24</li> <li>• Statement on Accounting Policies</li> <li>• IAS19 – Assumptions</li> <li>• External Audit Inquiries</li> <li>• Partnership Governance</li> <li>• CIPFA Financial Management Code</li> <li>• Audit Committee Work Programme</li> </ul>	
Date to be agreed		Counter Fraud Training

*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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<b>SUBJECT:</b>	<b>INFORMATION GOVERNANCE UPDATE</b>
<b>DIRECTORATE:</b>	<b>CHIEF EXECUTIVE AND TOWN CLERK</b>
<b>REPORT AUTHOR:</b>	<b>SALLY BROOKS, DATA PROTECTION OFFICER (DPO)</b>

## **1. Purpose of Report**

- 1.1. To update Committee on the Council's Information Governance compliance and Risk Assurance Levels. This includes monitoring the Council's compliance with the Data Protection Legislation including the UK General Data Protection Regulation, the Data Protection Act 2018, and the Freedom of Information Act 2000.

## **2. Background of Reporting**

- 2.1. Reports are submitted every six months and the last report provided to Committee was on 6 June 2023.

## **3. Information Governance Risk Register**

- 3.1 Attached at Appendix A (Part B) is the updated Information Governance Risk Register. The following risks are highlighted for comment as being Risks where ongoing monitoring is required or further work is being carried out or is required.
- 3.2 There are currently no red Risks on the Register. All Risks have an Assurance Status of 'Substantial' and a direction of travel of 'Static' when current controls remain in place. This is with the exception of one Risk which has an Assurance Status of 'Limited' and a 'Declining' direction of travel (Risk 5) relating to the retention and disposal of personal data.

## **4 Data Protection Training (Risk 1)**

- 4.1 Data protection training for all staff and members is a legal requirement. The Information Commissioner's Office (the UK regulator) recommends training is renewed every two years and preferably annually for an organisation such as the Council. The Council renew training annually and provide training on induction for staff and members.
- 4.2 The Council deploy online training accredited by the National Cyber Security Centre which covers both data protection and cyber security training. The need for cyber security training is essential given the increase in remote working for staff and cyber activity globally.
- 4.3 The training includes a higher-level package for Information Asset Owners (IAOs) being service managers 'Data Confident' and a bespoke package for members, 'Cyber Ninja's for Councillors'. Members have also been offered face to face training to go through this package scheduled on 29 February next year delivered by the Data Protection Officer and the Business Development and IT Manager.
- 4.4 The highest completion statistics for 2022 staff training were 85%. A report indicating 100% is not achievable as the staff list is constantly changing and as staff leave and new staff join the percentage rate will go down until the training is completed. There are also staff unable to carry out the training due to long term leave and those that remain on the staff list for a period of time after leaving the authority for various reasons. The

overall completion rate for 2022 is therefore higher than the report indicates, and this could be evidenced if required to the ICO.

- 4.5 Training is to be refreshed by all staff at the end of this year and will be issued in December 2023 to be completed by the end of January 2024. The training includes new modules on 'Ransomware' and 'Phishing email' cyber-attacks which are becoming increasingly common and more sophisticated. The staff list has been cleansed prior to deployment in an attempt to achieve a higher and more accurate completion rate. Completion by staff over the Christmas and New Year period has worked well in previous years. This will be promoted through staff communications with non-completers being followed up and reported to senior management.
- 4.6 IAO's are also currently refreshing their online training and have been asked to complete the new version of the higher-level training package by the end of December 2023. Non-completers will be followed up and reported to senior management.
- 4.7 IAO's completed their annual IAO checklists at the end of November 2023. This requires them to assess their information assets and compliance in their areas. This includes reviewing their section of the Council's Information Asset Register, Information Sharing Agreements register, Privacy notices and Contracts in their area. The outcome of these compliance checks will then be reported to the Senior Information Risk Officer and Corporate Leadership Team. IAOs were given the opportunity to request further data training for their teams and these sessions, where requested, will be carried out early next year.

## **5. Data Protection Reform (Risk 3- Policies and Procedures)**

- 5.1 Data Protection Reform is still being considered by Parliament in the Data Protection and Digital Information Bill (No.2). The Bill proposes amendments to the Data Protection Act 2018, UK GDPR and the Privacy and Electronic Communications Act. The Government states the aim of the Bill is to cut paperwork for British businesses and enable personal data to be shared more easily when in the public interest.
- 5.2 The text of the Bill can be found here at [Data Protection and Digital Information \(No. 2\) Bill - Parliamentary Bills - UK Parliament](#). The Bill is currently at Report stage in the House of Commons. The Council's relevant policies and procedures will need to be updated when and if this becomes Law.

## **6. Retention and Disposal of Personal Data (Risk 5)**

- 6.1 It is essential that retention and disposal of personal data is implemented from the outset in Office 365 including Microsoft Teams and that existing data held on premise in electronic drives is cleansed or deleted as part of the migration to the Cloud. Retention and disposal should be applied on new data being created and being saved into the Office 365 suite. This will ensure the Council does not retain personal data longer than necessary. This is a fundamental principle of data protection compliance, key to business efficiency and reducing risk in relation to personal data breaches and information requests.
- 6.2 Suppliers were instructed to assist in migration and retention policies in Office 365 and have provided recommendations to the Council. Work on considering the Council's options for this is currently being undertaken by IT. An internal IG working group of key stakeholders including Legal, Data Protection Officer, Internal Audit, BDIT and the SIRO are advising and supporting the project along with specialist consultants where required. The use of Office 365 and Cloud for data storage by the Council is still however in its infancy and some way from standard retention periods. The Council want to ensure that migration to the Cloud and automated retention policies are implemented correctly and

in planned way, as not to disrupt service delivery. IAO's are responsible currently for ensuring retention policies are applied to any data held in their area.

## **7. Data Subject's Rights (Risk 8)**

- 7.1 The Council continue to manage data protection requests from individuals regarding their own personal data (Subject Access Requests). Also, third-party requests for personal data, from others such as the police, legal representatives, and insurance companies. These requests can be resource intensive often involving high volumes of data. There is a legal time limit for the Council to respond of 1 calendar month. By way of example, for the quarter April-June 2023 the council received '32' requests. A new e-form process for these types of requests is due to go live on the Council's website shortly. This will be more accessible for customers and will make it easier for the Council to track, monitor and report on requests.

## **8 Freedom of Information Requests**

- 8.1 The Council continues to receive Freedom of Information (FOI) requests in high volumes. There is a legal time limit for the Council to respond of 20 working days. By way of example, the council received '174' requests in the same period April-June 2023 in addition to the data protection requests above. FOI response rates have been improved following several actions including training for relevant officers, reducing the internal time scale for proving data and copying Assistant Directors into delayed responses from service areas. Scheduled improvements are also planned to the current FOI e-form system.

## **9. Annual Governance Statement (AGS)**

- 9.1 The AGS status for Information Governance was downgraded from Red to Amber due to progress made previously following the implementation of the GDPR now UK GDPR. IG has since been removed from the AGS although remains closely monitored with reports being submitted biannually to IG Board (Corporate Leadership Team), and Audit Committee. Also reports to Corporate Management Team as on specific issues as when required.

## **10. Strategic Priorities**

- 10.1 This work ensures that staff and members are high performing in their collection and processing of customer's personal data. It also assists to ensure that the Council is trusted to deliver services and in compliance with the Data Protection Laws.

## **11. Organisational Impacts**

- 11.1 Finance (including whole life costs where applicable)

There are no financial implications arising from this report, as the resources will come from existing budgets.

- 11.2 Legal Implications including Procurement Rules

There are no legal implications arising out of this report.

- 11.3 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.

There is no impact arising from this report regarding these issues.

## **12. Risk Implications**

- 12.1 The Council must comply with the Data Protection Legislation. Non-compliance may result in enforced external audits, enforcement notices, monetary fines, criminal prosecutions of individual's, compensation claims and loss of public/partner trust.

## **13. Recommendation**

- 13.1 To note the content of the report and provide any comment.

**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?** 1

**List of Background Papers:** None

**Lead Officer:** Sally Brooks, Data Protection Officer,  
Email: [sally.brookes@lincoln.gov.uk](mailto:sally.brookes@lincoln.gov.uk)

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

**1. Purpose of Report**

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

**2. Recommendation**

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

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