



City of Lincoln Council



Progress Report – March 2019

Introduction	1
Key Messages	1
Internal Audit work completed January – March	1-3
Other Significant Work	3
Audits in Progress	4
Audit Recommendations	5-7
Performance Information	8
Other matters of interest	8-9
Appendices	
Appendix 1 – Details of Limited or Low Assurance Reports	10
Appendix 2 – Internal Audit Plan & Schedule 2018/19	11-14
Appendix 3 – Assurance Definitions	15
Appendix 4 – Performance Details	16

Contact Details:

John Scott
Audit Manager



For all your assurance needs
City Hall, Beaumont Fee, Lincoln, LN1 1DD
☎: 01522 553692 📧 john.scott@lincoln.gov.uk

Introduction

1. The purpose of this report is to:
 - Advise of progress made with the Audit Plan
 - Provide details of the audit work undertaken since the last progress report.
 - Provide details of the current position with agreed management actions in respect of previously issued reports
 - Raise any other matters that may be relevant to the Audit Committee role

Key Messages

2. The 2018/19 audit plan is progressing well; at the end of February 84% has been completed of the revised plan, which is on target. The Plan is attached at Appendix 2 and shows progress to date.
3. Committee will be given an update on audit reports reaching one year old which have outstanding recommendations – see section 10 for a summary and a separate report for the details.

Internal Audit reports completed January - March

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

High Assurance	Substantial Assurance	Limited Assurance	Low Assurance	Consultancy / Advice
Bank (key controls)	Council House Sales	None	None	None

Note: The Audit Committee should note that the assurance expressed is at the time of issue of the report but before the full implementation of the agreed management action plan. Definitions levels are shown in Appendix 4.

Below are summaries of the audit reports issued.

Bank – High Assurance

We found that the expected controls are in place, and operating as expected, to manage the key risks when processing electronic income.

We did not identify any areas requiring improvement.

Council House Sales – Substantial Assurance

Under the Right to Buy (RTB) scheme, secure tenants of Local Authority Housing have the legal right to buy their home at a price lower than the full market value. The qualifying period to be eligible for the RTB scheme is 3 years and the amount of discount depends on the length of the tenancy. The maximum discount is currently £80,900 and the maximum percentage discount is set at 70%.

This audit gives independent assurance that the sale of council houses is being administered in accordance with legislation and income from the RTB sales is being correctly accounted for.

We are able to award Substantial assurance based on our findings. Processing Right to Buy (RTB) applications involves three teams; Finance & Leasehold, Property Services & Legal, each have a specific role to play in processing the application. We found;

- The Finance & Leasehold Team have a comprehensive procedure manual which documents the RTB process including liaison with other departments and updates to I.T. systems.
- Legislative requirements are incorporated into procedures; key dates are monitored to ensure compliance.
- Discount levels are correctly updated each year and maximum discounts have not been exceeded.
- Right to Buy applications are made on the correct form
- Key checks include:-
 - Tenancy dates are verified and eligibility established
 - Tenant signature is genuine
 - Consent is obtained when a joint tenant does not wish to purchase
- Cost floor information is obtained and assessed for each RTB application.
- Valuations and discount calculation are carried out by Property Services; the discounted price is checked by two other members of the team.
- Property records on Universal Housing are updated to show a pending RTB application to ensure only essential repairs are carried out. The record is updated following the sale.
- A process is in place to ensure any debts/ rent owing to the Council are cleared prior to completion.
- Sales are not completed until all money due is received into the authorities bank account.
- A covenant is put on the property to offer it back to the Council if it is placed for sale within ten years of completion.

- The reconciliation of RTB income is undertaken as part of quarterly submissions to HMCLG; RTB income is monitored to identify potential repayments to central government.

We identified some areas of improvement to further strengthen the controls already in place;

- The introduction of a process (a spreadsheet) to record and calculate the qualifying years. From a sample of 5 discount calculations we found that for one RTB application the number of years had been incorrectly calculated (10 years instead of 11) which resulted in the incorrect discount being awarded (correct discount was £35,340 discount given to the applicant was £34,200). Testing was extended and a further sample of 112 applications confirmed that all discounts had been correctly calculated.
- Additional guidance points to be documented in respect of calculating qualifying periods for overlapping tenancies and joint applications where the tenancy that attracts the higher rate of discount should be used.

Other Significant Work

5. Updates on other significant work;

Audit Plan 2019/20

A Draft Plan was considered by Audit Committee in February and a Final Plan is presented in a separate report.

Combined Assurance Map

The Combined Assurance report has been considered by CMT and is presented in a separate report.

De Wint Court

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

Counter Fraud

The following work is complete or underway;

- National Fraud Initiative – the required data sets have been submitted and matches received and work has commenced on their review.
- Housing Tenancy Fraud – a data matching review is being arranged and results are due March 2019
- Counter Fraud training – training has been obtained through the Assurance Lincolnshire partnership and has been rolled out to all staff and members

- Updated the Counter Fraud Strategy and the Anti-Money Laundering Policy - approved by Audit Committee 11 December 2018 and Executive 7 January 2019.
- Updating the corporate Fraud Risk Register – updated December 2018 and presented to Audit committee with the Counter Fraud Strategy.
- Counter fraud health check will be completed – this may roll over into the early part of 19/20

Northamptonshire County Council – governance and financial issues

Due to the delay by the Government in issuing financial resilience guidance the report will be presented to the next meeting.

Private Sector Housing HMO Licensing & Hazards – Follow Up

Further system implementation delays and staff shortages have resulted in this detailed testing on completed recommendations being postponed. It will now be undertaken during 2019/20 and will be reported once it is completed.

Audits in Progress

6. The following audits are in progress;

- Values & Culture – report being produced
- Health & Safety (Housing Fire risk) – report being produced
- Fees & Charges VFM – fieldwork in progress
- Community Infrastructure Levy / S106 agreements – fieldwork in progress
- Procurement – fieldwork in progress
- Vision 2020 project management – fieldwork in progress
- Partnership governance – fieldwork in progress
- Information governance / GDPR – fieldwork in progress
- Business Rates Growth Policy – fieldwork in progress
- Emerging Legislation – fieldwork in progress

Audit Recommendations

7. There is a formal process for tracking Internal Audit recommendations; they are recorded on a monitoring spreadsheet which management can record progress updates on at any time. Performance DMT's and Portfolio Holders monitor progress quarterly. On a monthly basis Internal Audit monitor recommendations becoming due. Prior to each Audit committee Internal Audit will obtain a status report and review progress with management.

Internal Audit undertake formal follow up on all High priority recommendations and all recommendations made in audits where the overall assurance is Limited or Low; evidence of implementation will be requested and examined.

There are no audits to report reaching one year old where recommendations are still outstanding.

An outstanding recommendation from the Boultham Park Refurbishment audit in 2017/18 was reported in February but the service manager responsible was unable to attend at that time;

Revised Due Date	Agreed Action & Priority	Status	Service Manager comments
31/03/2019	Partnership Agreement to be signed (Medium)	In progress. 6mth extension agreed.	We made good progress on agreeing the terms of the revised Partnership Agreement with Linkage. There are just a few details to finalise which neither party envisages causing any problems. The delay has been purely down to the lack of staff resource to deal with this within the service. The Boultham Park project has been without a dedicated Project Manager for almost a year now, and this task is one of many that are having to be covered by the Community Services Manager as Caretaker Project Manager, alongside 'business as usual'. We are aware of the need to sign off the revised agreement and doing our best to prioritise this by the end of the year, and certainly by the formal closedown date of the delivery phase of the Boultham Park Restoration project (late February). In the meantime, we have a Partnership Agreement which fulfils the needs for the project at the current stage. (Community Services Manager)

The table below shows a summary of all audits where recommendations are overdue / extended, implemented and not yet due.

Recommendations Update (at 12th March 2019)

Audit Area	Date	Assurance	No of Recs	Implemented	Outstanding (extended or overdue)	Not Yet Due	Comments / Progress since previous Committee
2015/16							
ICT Mobile Devices	Mar 16	Substantial	6 (1 High)	4	2 (1 High)		Both due May 2019
2017/18							
Responsive Repairs	Jun 17	Substantial	6	5	1		Due March 2020
Boultham Park Refurbishment	Jun 17	High	2	1	1		Due March 2019
IT Disaster Recovery	Oct 17	Substantial	18	17	1		6 completed Remaining rec due June 2019
IT Applications	Nov 17	Substantial	6	5	1		Extended to June 2019
Tenancy Services	Jan 18	Substantial	10 (3 High)	2 (1 High)	8 (2 High)		8 recs extended by 3mths
Procurement	Apr 18	Substantial	6 (1 High)	6 (1 High)			1 completed. All now implemented.
HMO Licensing and Hazards	Jun 18	Limited	20 (5 High)	14 (3 High)	6 (2 High)		Due May & June 2019
Housing Investment	Jun 18	Substantial	23 (4 High)	8	10 (1 High)	5 (2 High)	Under review with Manager – some extensions to May 2019

Audit Area	Date	Assurance	No of Recs	Implemented	Outstanding (extended or overdue)	Not Yet Due	Comments / Progress since previous Committee
Council Tax	Jul 18	Substantial	6	5	1		Extended rec is due to be completed by target date (March 2019)
2018/19							
Risk Management	Jul 18	Substantial	8	7	1		Due May 2019
Sincil Bank Regeneration	Aug 18	Substantial	10 (1 High)	9 (1 High)	1		Extended rec is due to be completed by target date (March 2019)
Commercialisation	Oct 18	Substantial	4 (1 High)	1 (1 High)	3		3 recs extended by 3 months (to June 2019)
IT Applications	Oct 18	Limited	8 (2 High)		2 (2 High)	6	Extended to August 2019
Malware / Anti- virus	Nov 18	Substantial	9 (5 High)	5 (2 High)	2 (1 High)	2 (2 High)	1 completed 2 recs extended by 3 months to June 2019
Transport Hub	Dec 18	Substantial	2			2	Both due March 2019
Council House Sales	Feb 19	Substantial	3 (1 High)			3 (1 High)	

Performance Information

8. Our performance is measured against a range of indicators and is shown at Appendix 4. There are no concerns in any areas.

Other matters of interest

Appendix 1 – Details of Limited / Low Assurance Reports

There are none.

Appendix 2 – Audit Plan Schedule

Area	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Current Status / Assurance Opinion
Chief Executive - Critical Activities					
Human Resources (10)	Workbased learning – financial and operational risks	Q3-4		<i>Moved to 19/20 due to changes in the service (AC advised Dec 18)</i>	
Human Resources (3)	Attendance management follow up	Q4	Feb		Draft report – Substantial assurance
Human Resources (10)	Recruitment process	Q4		<i>Moved to 19/20 at the request of management (AC advised Feb 19)</i>	
Commercial Property & Business Support (10)	Commercial property & workspace income	Q3	Oct	Jan	Completed – High assurance
Business Strategy (Vision 2020) (10)	Management of key projects	Q4	Mar		In progress
Partnerships (10)	Governance and effectiveness.	Q4	Mar		In progress
Commercialisation (10)	Review of strategy / projects	Q2-3	July	Oct	Completed – Substantial assurance
Housing and Regeneration - Critical Activities					
Housing Allocations / Choice Based Lettings (10)	Migration of data Data accuracy	N/A		Used for risk management support to Working Groups – Completed	
<i>Housing Voids, Aids & Adaptations, Rechargeable repairs</i>	<i>Management arrangements</i>	<i>TBA</i>		<i>Potential audit but no spare time. Included in 19/20 Plan</i>	
Council house sales (5)	Sales / discounts and income.	Q3	Oct	Feb	Completed – Substantial assurance
New Build / Housing Company (10)	Contracts and links to the housing company	TBA		Used for risk management support to the De Wint Court project group	
Health and Safety (10)	Housing fire risk - governance arrangements	Q3	Sept		Report being produced. Delayed due to Client
Communities & Environment - Critical Activities					
Planning (10)	Community Infrastructure Levy & S106. Local plan delivery and monitoring.	Q4	Feb		In progress Assurance on the Local Plan will be taken from work by NKDC & WLDC.

Area	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Current Status / Assurance Opinion
Private Sector Housing (5)	DFG / Arrangements for the new Heating scheme	Q2	N/A		Background work has found that the audit is no longer required. The days will be used for existing audits (AC advised Dec 18). Some advice work was completed in February on PSH.
Major Developments - Critical Activities					
Growth (10)	Economic & Growth agenda - strategies, investment, partnerships, infrastructure.	N/A			Moved to 19/20 as the strategies are being developed during 18/19. The days will be used for the Values & Culture review (AC advised Sept 18)
Transport Hub (8)	Closedown of works and final account	Q2-3	Sept	Dec	Completed – Substantial assurance
Chief Executive - Financial & Governance					
Benefits (10)	Universal Credit roll out incl Housing impact.	Q4			Initial research completed for an audit in 19/20.
Counter Fraud (20)	Liaise with the Lincolnshire Counter fraud partnership, undertake a Counter fraud healthcheck, engage with NFI, build on work from Fraud risk assessment, and continue to roll out the fraud e-learning training.	Q1-Q4			In progress; <ul style="list-style-type: none"> NFI data submitted. Housing Tenancy Fraud review organized Fraud e-learning training rolled out to staff and members
NNDR (5)	Business Rates Growth Policy/Reliefs	Q4	Feb		In progress
Bank (5)	Banking arrangement key controls	Q3	Nov	Feb	Completed – High assurance
Procurement (10)	Review of frameworks & OJEU procurement plus social value policy.	Q4	Feb		In progress
City Lottery (3)	Governance arrangements	Q2	Aug	Oct	Completed – Advice work No significant issues
Governance (10)	The Council's cultural framework	Q1	May		Report being produced
Governance (5)	Governance key controls for annual assurance.	Q1	April	May	Completed – no issues.
Risk Management (5)	Council's risk management arrangements	Q1	April	July	Completed – Substantial assurance

Area	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Current Status / Assurance Opinion
Information Governance (10)	General Data Protection Regulations	Q4	Mar		In progress
ICT Audit (30)	Applications	Q1	July	Oct	Completed – Limited assurance
	Cyber risks	Q2-3	Sept	Nov	Completed – Substantial assurance
	ICT Strategy implementation & ICT project / programme management	Q3			Moved to 19/20 – Strategy delayed (AC advised Dec 18)
	Extended ICT Assurance mapping				Replaces ICT Strategy.
IT DR/Business Continuity (3)	Follow up of the Business Continuity Group actions from the 2017/18 IT DR audit	Q4			BC group working through previous audit Follow up review 19/20
Western Growth (15)	To review project management arrangements	Q1-4			Progress is being monitored and work will be undertaken at the appropriate time.
Programmes and Projects (13)	Sincil Bank Regeneration	Q1	June	Aug	Completed – Substantial assurance
	Review of project / programme governance arrangements, incl SPIT replacement	Q4			Not being undertaken as Policy are undertaking a similar review.
Consultancy / VFM (10)	Fees & Charges review	Q3-4	Sept		In progress
Emerging Legislation (2)	Arrangements for forthcoming legislation	Q4	Feb		In progress
Other work					
Audit follow up work (10)	Assurance that actions from previous key audits have been implemented	Q1-Q4	Q1-4		Progress information is provided to every Audit committee
Combined Assurance (10)	Update the integrated assurance map	Q3/4	Nov	Mar	Completed. To Audit cttee April 19

Area	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Current Status / Assurance Opinion
Contingency and Emerging risks (30)	Contingency for any brought forward work and emerging risks	Q1-Q4			Part used for completion of 17/18 audits.
Advice and liaison, management, reactive investigations (35)	As area	Q1-Q4			Ongoing
Annual Internal Audit Report (3)	As area	Q1	April	May	Completed. To Audit cttee June 18
Audit Committee –(20)	Audit Committee support	Q1-Q4			Ongoing
Housing Benefit Subsidy (50)	Testing on behalf of External Audit	Q1-2	May	July	Completed
Review IA Strategy and Planning – (5)	New Plan for 2019/20	Q4	Dec	Mar	Completed. To Audit cttee April 19.

Appendix 3- Assurance Definitions¹

<p>High Assurance</p>	<p>Our critical review or assessment on the activity gives us a high level of confidence on service delivery arrangements, management of risks, and the operation of controls and / or performance.</p> <p>The risk of the activity not achieving its objectives or outcomes is low. Controls have been evaluated as adequate, appropriate and are operating effectively.</p>
<p>Substantial Assurance</p>	<p>Our critical review or assessment on the activity gives us a substantial level of confidence (assurance) on service delivery arrangements, management of risks, and operation of controls and / or performance.</p> <p>There are some improvements needed in the application of controls to manage risks. However, the controls have been evaluated as adequate, appropriate and operating sufficiently so that the risk of the activity not achieving its objectives is medium to low.</p>
<p>Limited Assurance</p>	<p>Our critical review or assessment on the activity gives us a limited level of confidence on service delivery arrangements, management of risks, and operation of controls and / or performance.</p> <p>The controls to manage the key risks were found not always to be operating or are inadequate. Therefore, the controls evaluated are unlikely to give a reasonable level of confidence (assurance) that the risks are being managed effectively. It is unlikely that the activity will achieve its objectives.</p>
<p>Low Assurance</p>	<p>Our critical review or assessment on the activity identified significant concerns on service delivery arrangements, management of risks, and operation of controls and / or performance.</p> <p>There are either gaps in the control framework managing the key risks or the controls have been evaluated as not adequate, appropriate or are not being effectively operated. Therefore the risk of the activity not achieving its objectives is high.</p>

¹ These definitions are used as a means of measuring or judging the results and impact of matters identified in the audit. The assurance opinion is based on information and evidence which came to our attention during the audit. Our work cannot provide absolute assurance that material errors, loss or fraud do not exist.

Appendix 4 - Performance Details 2018/19 Planned Work

Performance Indicator	Annual Target	Profiled Target	Actual
Percentage of plan completed.	100%	25% end June 50% end Sept 75% end Dec 100% end Mar	84% at end of February
Percentage of key financial systems completed.	100%	100% end Mar	100% (1 due & completed)
Percentage of recommendations agreed.	100%	100%	100% (41 out of 41)
Percentage of High priority recommendations due implemented.	100% or escalated	100% or escalated	60% (5 due and 3 implemented)
<p>Timescales:</p> <p>Draft report issued within 10 working days of completing audit.</p> <p>Final report issued within 5 working days of closure meeting / receipt of management responses.</p> <p>Period taken to complete audit –within 3 months from fieldwork commencing to the issue of the draft report.</p> <p><i>NB – Not all completed work is included within the timescales, e.g. non assurance work / where no formal report is issued such as benefit subsidy; fraud work etc.</i></p>	<p>100%</p> <p>100%</p> <p>80%</p>	<p>100%</p> <p>100%</p> <p>80%</p>	<p>89% (8 out of 9)</p> <p>100% (9 out of 9)</p> <p>78% (7 out of 9)</p>
<p>Client Feedback on Audit (average)</p> <p><i>NB – feedback is generally only obtained for formal assurance work although sometimes it may be obtained for other types of work.</i></p>	Good to excellent	Good to excellent	<p>Good to excellent.</p> <p>Average score – 31 out of 32.</p> <p>(7 issued and 6 returned)</p>

