



City of Lincoln Council



Progress Report – May 2019

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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 almost complete. The outstanding audits are all at draft report stage and will be finalised as soon as possible - see section 7 for details.
3. The 2019/20 Audit Plan has been started - see section 7 for details.
4. 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 March - May

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

High Assurance	Substantial Assurance	Limited Assurance	Low Assurance	Consultancy / Advice
Community Infrastructure Levy & S106 Agreements Governance	Sickness Absence Follow Up Fees & Charges	None	None	Business Rates Growth Policy

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.

Community Infrastructure Levy & Section 106 Agreements – High Assurance

The Council implemented the Community Infrastructure Levy (CIL) in February 2018. It is applied to qualifying development and is used primarily to support development by the County Council on infrastructure such as schools and transport but there is also provision for the City Council to use a small part of it to support development of the relevant area and, as the charging authority, to recover its administration costs.

The introduction of CIL has not replaced the need for section 106 agreements, which continue to be used for affordable housing quotas, playing fields, road improvements, landscaping, etc.

CIL receipts can be spent without time constraint whereas s106 receipts have to be spent within a set number of years or repaid.

This audit gives High assurance that CIL and s106 receipts are being collected (when due) and correctly administered.

We did not identify any weaknesses that would require a formal recommendation.

Governance – High Assurance

This was a high level review on the Council's corporate governance arrangements. It was done by:

- Mapping the key processes in each of the seven Core Principles in the Council's Code of Corporate Governance to the Combined Assurance Map, and exploring any gaps
- Mapping the key documents in each of the seven Core Principles to the recently produced Policy Register, and exploring any differences
- Examining the processes to produce the AGS and monitor any issues identified

We found that;

- 91% of the key processes map to Green assurance areas in the Combined Assurance Map and a very small number map to Amber assurance areas.
- All "policy" documents in the Code are in the Corporate Policy register
- The AGS process is robust. A wide range of intelligence is gathered and the Council's statutory officers are interviewed. Two different officer groups consider and refine potential significant issues before they are considered by CLT and CMT, and finally Audit Committee.
- During 2018/19 Audit Committee received quarterly AGS monitoring reports on the one significant issue (Information Management) and the five areas to watch plus regular detailed updates on Information Management from the Data Protection Officer

We did not identify any areas for improvement and have not made any recommendations.

Sickness Absence Follow Up – Substantial Assurance

Previously we found sickness absence management, overall, was being managed effectively.

There has been gradual improvement over the last two years in sickness levels but there is still some room for improvement. The Absence Management policy has recently been reviewed and was approved by the Executive in March 2019.

The Council has a new occupational health provider which is seen as a better service.

We found that seven agreed actions had been completed and were operating as expected.

We also made two further recommendations;

- Provide CMT with an update on the Health and Wellbeing action plan alongside the stress clinic results.
- Ensure all Directorate Admin teams report any outstanding return to work interviews to HR

Fees & Charges – Substantial Assurance

The purpose of the review was to;

- Provide assurance on the Council's Strategic approach & processes for managing and implementing fees and charges whilst seeking to ensure they are fair and appropriate.
- Consider how the council is ensuring value for money from fees and charges in line with its Value for Money Statement

The review examined non-statutory fees in the following areas; Leisure (£194,790), Crematorium & Cemeteries (£1,322,620) and the Control Centre (£377,880). Figures are the 2018/19 budget.

Given the current financial constraints and increasing pressures on services, fees and charges represent an important source of income. When setting fees and charges it is important to understand the impact on strategic priorities & objectives, the effect of different charging options, costs & income and customer opinion.

The Council's efficiency plan recognises the importance of income generation and the Medium Term Financial Strategy assumes that the Council will raise over £10.8m from fees and charges in 2018/19.

Given the drive towards financial sustainability it is important that a proactive and effective approach to raising income through fees and charges is in place.

Our review provided substantial assurance on service delivery arrangements, management of risks, and operation of controls.

We found that;

- Charges are reviewed on an annual basis as part of budget setting and approved at CMT, Executive and Full Council
- Commercial charges are regularly reviewed against competitors
- Quarterly financial reports are in place and include fees and charges information
- Consultation takes place with service users by a variety of methods and all fees and charges are part of the annual budget consultations

A Fees and Charges policy has been in place for some time and is not used consistently across the service areas. Some of the requirements in it may no longer be applicable or deliverable in light of current resource pressure and we have recommended that it is reviewed to ensure that it meets the needs of the Council in the current climate.

We have also recommended;

- The corporate template for the development of new fees and review of existing fees should be updated to clearly identify how the fee supports the strategic priorities and any potential impact on the service area. Also that the template is used for the review of fees as required by the current policy
- Reviewing the unit and total costs of providing a discretionary service to clearly identify any deficits and where needed set targets to improve the current operating position.

Business Rates Growth Policy – Advice

A Business Rates Growth Policy was approved in July 2018. The Council adopted a Policy for the discounting of business rates where economic benefit to the District can be evidenced - supporting economic growth and job creation. The cap is £150,000 per annum.

At the time of the audit the procedures were still being finalised which provided an opportunity for Internal Audit to make suggestions on the risk and control environment.

Our review examined the following areas;

- Roles and responsibilities / Board
- Budget
- Policy compliance / application process / meeting objectives
- Communication

All of the suggestions made were agreed and will be put in place.

Other Significant Work

6. Updates on other significant work;

De Wint Court

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

Counter Fraud

An Annual Fraud report for 18/19 will be submitted to the Audit Committee in July 2019

The following work is currently underway for 2019/20;

- National Fraud Initiative 2019 – the data matches have been received and work has commenced on their review.
- Housing Tenancy Fraud – data matching results have been received and are being examined
- Counter Fraud training – training has been obtained through the Assurance Lincolnshire partnership and has been rolled out to all staff and members – this will continue

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 September meeting.

Annual Internal Audit Report

The Annual IA Report has been approved by CMT and is presented to this Committee in a separate report.

Housing Benefit Subsidy testing

Detailed testing on 59 claims on behalf of the External Auditor has started.

ICT Assurance mapping

This is an extension of our Combined Assurance work concentrating on ICT

Annual Governance Statement support work

Other Advice work

Various

Audits in Progress

7. The following 2018/19 audits are in progress;

- Values & Behaviours – nearing completion; further workshops to be completed
- Health & Safety (Housing Fire risk) – report being agreed
- Information Governance / GDPR – report being agreed
- Procurement – report being agreed
- Vision 2020 project management – report being agreed
- Emerging Legislation – report being agreed
- Partnership governance – report being agreed
- Boutham Park restoration – report being agreed

The following 2019/20 audits are in progress:

- Recruitment – fieldwork in progress

Audit Recommendations

8. 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.
9. A separate report will be provided to the July Audit Committee meeting on outstanding audit recommendations

Performance Information

10. 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

11. Consultations

CIPFA Financial Management Code

CIPFA is currently consulting on a new code of practice. The Financial Management Code will for the first time set standards of financial management for local government in the UK.

The draft FM Code is based on a series of principles supported by specific standards and statements of practice. They are considered necessary to provide the strong foundation within local authorities to enable them to:

- manage short, medium and long-term finances
- manage financial resilience to meet foreseen demands on services
- manage unexpected shocks in their financial circumstances.

Demonstrating compliance with the CIPFA FM Code will be the collective responsibility of elected members, the chief finance officer and their professional colleagues in the leadership team.

The consultation was open until 30 April 2019. The consultation draft and response form is available on the CIPFA website.

A collective response was sent by the Society of District Council Treasurers.

12. Reports, recommendations and guidance

CIPFA Statement on the Role of the Head of Internal Audit

The 2019 edition of the CIPFA Statement was published on 9 April. The statement sets out five principles that define the role and sets out the responsibilities of the organisation and the head of internal audit to ensure the role meets the standard. The support of the audit committee is a critical factor helping to ensure that professional standards can be met and that there are appropriate reporting relationships in place.

13. Local Government Application Note

CIPFA has updated its Application Note that accompanies the Public Sector Internal Audit Standards for internal auditors in local government. Internal audit should follow this as well as the standards. The publication includes a checklist to support evaluation against the standards, which is a key part of the internal audit's quality assurance and improvement programme.

14. Reviewing the Annual Governance Statement (AGS)

Local government bodies are required to publish an AGS alongside their financial statements each year. The audit committee plays an important role in the process, considering how effective the governance arrangements have been in the year and reviewing the AGS itself prior to approval and publication.

How can the audit committee help?

The audit committee can play a very valuable role in the development of the AGS and in the finished look of the statement. The committee should understand the process that has been undertaken to review governance and so should be able to see how the conclusions in the AGS have been arrived at. There should be no real surprises for the committee.

The committee can provide a valuable reality check for the draft document as well. Is it well written and clearly presented? Is the action plan adequate and realistic? The committee can send an important message about the value and importance of the AGS, which will support those providing assurance to support its conclusions. Once the AGS has been approved, the committee can review progress in implementing the actions, so helping to ensure that the AGS is meaningful and is an effective tool for improvement in governance.

The AGS should:

- focus on outcomes and value for money
- evaluate against the local code and principles
- be in an open and readable style
- include an opinion on whether arrangements are fit for purpose
- include identification of significant governance issues and an action plan to address them
- explain action taken in the year to address the significant governance issues identified in the previous year's statement
- be signed by the chief executive and leading member in a council.

The most important way to make the statement meaningful is to ensure that it is an open and honest reflection of your governance and your current challenges

One of the key aspects of the AGS is the identification of areas for improvement and the associated action plan. Where these are done well the AGS becomes a meaningful tool for improving governance.

The AGS should also provide a clear evaluation against the principles of good governance and an opinion of whether the arrangements are fit for purpose or not.

Appendix 1 – Details of Limited / Low Assurance Reports

There are none.

Appendix 2 – Audit Plan Schedule 2019/20

Area	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Current Status / Assurance Opinion
Chief Executive - Critical Activities					
Payroll	Risk Based Audit.	Q3			
Apprentice scheme	Financial arrangements	Q3-4			
Recruitment process	Internal promotions and external recruitment	Q1	May		In progress
Scrutiny	Scrutiny committee operation & training of Members	Q3			
Treasury Management	Investments & borrowing	Q2			
Efficiency Savings	Programme and project arrangements	Q2			
Housing and Regeneration - Critical Activities					
Housing Allocations	Accuracy & processing arrangements on the new IT system.	Q4			
Housing Allocations	New Build allocations process	Q2			
Homelessness	Implementation of the Homelessness Reduction Act	Q3			
Housing Repairs	Interaction between reactive repairs and planned maintenance	Q3			
Housing Strategy	Implementation of the Housing Strategy including links with Major Developments	Q4			
Rental income	Risk based audit, to include Universal Credit impacts.	Q2			
Housing ASB	Advice work - budget	Q1			In progress
Communities & Environment - Critical Activities					
Performance Management	Operation of the new PM system.	Q4			
Community Safety	City Centre intervention, safeguarding & licensing	Q2-3			
Private Sector Housing follow up	Follow up of 17/18 HMO work plus Private Sector Housing in general	Q2			
Sport & Leisure pitches	Contract review	Q2			

Area	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Current Status / Assurance Opinion
Major Developments - Critical Activities					
Growth & Regeneration	Strategies, investment, partnerships, infrastructure.	Q3-4			
Financial & Governance					
Welfare Reform	Universal Credit roll out & the provision of welfare advice	Q2-3			
Counter Fraud	Liaise with the Lincolnshire Counter fraud partnership	Q1-4			
Counter Fraud	Fraud Strategy Actions	Q1-4			In progress
Counter Fraud	Counter Fraud Health Check	TBA			
Counter Fraud	Tenancy Fraud (matches)	Q1-4			In progress
Counter Fraud	Friends Against Scams	Q1/2			In progress
Counter Fraud	Money Laundering risk assessment	TBA			
Counter Fraud	6/12 month reports	TBA			12 month report July 19
Counter Fraud	Policy reviews	TBA			
Counter Fraud	Fraud Training (continuation)	Q1/2			In progress
Counter Fraud	NFI data matching	Q1-4			In progress
Counter Fraud	Fraud risk register update	Q3			
Counter Fraud	Identity fraud	Q2			
Governance and Risk					
Governance	Key controls for annual assurance	Q3			
Risk Management	Key controls for annual assurance	Q1			
Information Management & Technology					
ICT	Assurance mapping	Q1-2			In progress
ICT	Strategy, Leadership & Infrastructure Planning	TBC			
ICT	Project & programme management	TBC			
ICT	Code of Connection for 3 rd party suppliers	TBC			
ICT	Information security (incidents & business continuity/IT DR)	TBC			
Projects					
Western Growth	Programme governance / project management arrangements	Q1/2			
De Wint Court	Project & contract arrangements	Q1-4			Contract Audit Q3/4

Area	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Current Status / Assurance Opinion
Consultancy / VFM / No-opinion review					
Refuse & Recycling	Work being done to assess the future direction	TBC			
Brexit	Assist with risk & control issues as part of a working group	Q1-2			
Emerging legislation / policy	Preparation for new and emerging legislation / policy	Q1			Merged with work from 2018/19
Other work					
Follow up work	Assurance that actions from previous audits have been implemented	Q1-4			
Combined Assurance	Update the assurance map	Q3/4			
2018/19 audits	Completion of audits brought forward	Q1	April		Majority are at report agreement stage
Contingency	Contingency				
Advice & management, reactive investigations	As area	Q1-Q4			Ongoing
Annual Internal Audit Report	Report for 2018/19	Q1	April	May	Completed. To Audit cttee June 19
Audit Committee	Audit Committee support	Q1-Q4			Ongoing
IA Strategy and Plan	New Plan for 2020/21	Q4			
Housing Benefit Subsidy					
Detailed testing on behalf of External Audit	2018/19 Subsidy claim	Q1-2	May		In progress

Appendix 3- Assurance Definitions¹

High Assurance	<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>
Substantial Assurance	<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>
Limited Assurance	<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>
Low Assurance	<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 2019/20 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	Will report at next meeting
Percentage of key financial systems completed.	100%	100% end Mar	Will report at next meeting
Percentage of recommendations agreed.	100%	100%	Will report at next meeting
Percentage of High priority recommendations due implemented.	100% or escalated	100% or escalated	Will report at next meeting
<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>	100%	100%	Will report at next meeting
<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	Will report at next meeting

