

# Internal Audit Progress Report



## City of Lincoln Council January 2020

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The matters raised in this report are only those that came to our attention during the course of our work – there may be weaknesses in governance, risk management and the system of internal control that we are not aware of because they did not form part of our work programme, were excluded from the scope of individual audit engagements or were not brought to our attention. The opinion is based solely the work undertaken as part of the agreed internal audit plan.

# Introduction

The purpose of this report is to:

- Provide details of the audit work during the period December to January
- Advise on progress with the 2019/20 plan
- Raise any other matters that may be relevant to the Audit Committee role

## Key Messages

During the period we have finalised two assurance reviews and one consultancy piece of work.

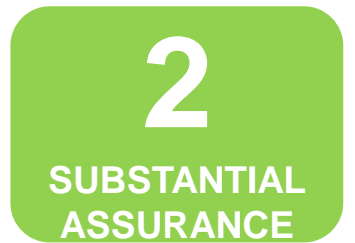
Audit Plan progress is at 64%, against a target of 75%.

## Assurances

The following audit work has been completed and a final report issued;

- Housing Rents - Substantial
- Recruitment – Substantial

Note: The assurance expressed is at the time of issue of the report but before the full implementation of the agreed management action plan. The definitions for each level are shown in Appendix 1.



# Substantial Assurance

The Council collects approximately £27m rental income per year from approximately 7,700 properties. The purpose of the audit was to give assurance on the effectiveness of the;

- a) Arrangements for the collection and recording of rental income
- b) Mechanisms for ascertaining the effects of Universal Credit on rental income and the processes for monitoring and mitigating the impacts

The review focussed on rent collection activity for current tenants only – the recovery of former tenant arrears is covered in a separate audit.

We are able to provide substantial assurance on the arrangements for the collection and recording of rental income. We found that;

- The process to calculate annual rent changes is robust
- The performance indicators for rent collection and rent arrears were achieved in 2017/18 and 2018/19 and are on target so far in 2019/20
- A wide variety of payment methods are offered. The cheapest method for the Council is direct debit, which is used by 28% of those tenants who have a liability to pay. Management would like this figure to be higher and have run a DD promotion campaign and introduced a target of 35%.
- There is a robust process for processing and authorising rent refunds
- Appropriate controls are in place to check the weekly debit raise, reconcile payments, deal with items posted to suspense and process direct debits
- Management would like the arrears management process to be more automated (i.e. the automatic production of arrears letters) but this requires improvements to the Universal Housing system which will take some time.
- A Rents Working Group is comparing processes to best practice and implementing any 'quick wins' identified.

## Housing Rents

# Substantial Assurance

- Area Housing Managers are closely monitoring arrears and have access to a range of monitoring information
- Housing Officers have recently been issued with laptops to enable them to access rent accounts whilst visiting tenants

We found that the target rents process is not working properly. When a tenancy changes the rent should be moved to the target rent, if it isn't already at this level. Testing found 2 that hadn't been moved to the target rent and although the rent 'lost' is negligible it is important that the correct rent is charged. A High priority recommendation has been made and procedures will be improved.

Some further areas for improvement have been identified and Medium priority recommendations have been made;

- There is no process in place to revalue Affordable Rent properties when a tenancy changes
- The Arrears Policy is out of date and arrears procedures are not documented.

## Housing Rents

The Finance & Leasehold Team have started work to establish a process to update policy and procedures.

The impacts of Welfare Reform on income management have been recognised for some time – the DHI risk register contains an Amber risk and there are a number of controls / actions in place to mitigate the risk.

Specific work being done to mitigate the impacts of UC on rent collection includes training on UC for all tenancy services staff, close liaison with the UC team in Revenues & Benefits so that staff and tenants have access to support, interviews for all tenants who move onto UC to offer support and advice, and weekly review meetings on proposed evictions to determine if anything further can be done to avoid eviction. An authority-wide review of the way in which advice on UC is provided is being undertaken, which may result in changes to how UC advice is provided in the Housing Directorate.

# Substantial Assurance

A Recruitment Policy is in place which aims to ensure the effective recruitment of staff, in accordance with the law and the policies of the Council. Officers within the H.R. Department are available to help and support Managers through the recruitment process. The policy identifies Directors, Assistant Directors and Managers as being responsible for ensuring that the Policy is followed. Testing covered all Directorates and sought to confirm that the key aspects of the recruitment process were being applied across the Council.

We found that:-

- The Recruitment Policy is up to date and available to all staff.
- Comprehensive guidance provides additional information on the practical application of the policy
- At least one member of the interview panel in our test sample had attended training as required by the policy and the interview panel were of the of the correct grade for the post being recruited to.
- The assessment of applications and each candidates performance at interview are documented and retained by H.R. in case of challenge.
- All offers of appointment were conditional subject to pre employment checks.
- New employees did not start until all the relevant information / checks were obtained.
- There is an up to date Probation Policy which is being applied.

Recommendations have been made to strengthen existing controls or improve record keeping / compliance with policy, which include;

- Updating a list of posts that require Disclosure & Barring checks (High priority)
- Updating a list of posts that require a Disclosure Scotland check (High priority)
- Delivering refresher safer recruitment training
- Recording interview test results against the required benchmark on the interview assessment form
- Introducing quality assessment checks (by HR) of key aspects of the recruitment process

## Recruitment

# Consultancy

We undertook an audit of fire safety measures at the Council's three high rise blocks; the audit did not include sheltered accommodation. The completion of the audit coincided with an extended corporate review carried out by an independent fire specialist; who has worked proactively on the overall fire safety elements within the housing stock. The agreed actions within the audit fed into a wider fire safety action plan.

A fire safety update was reported to Performance Scrutiny Committee (23 Jan 2020) by the Assistant Director of Housing and the Fire Specialist. The report provided an update on COLC's progress against the proposed recommendations made by the Hackitt report that were accepted by the Ministry for Housing, Communities and Local Government ahead of the recommendations being implemented through legislation.

The actions that have been achieved include:-

- Improvements to the fire safety process and procedures
- Scheduling of fire risk assessments (FRA's); annual FRA's to be carried out at all 12 higher risk sites (3 high rise blocks, 7 sheltered schemes, 1 community hub & Hamilton House), and FRA every 5 years for low risk low rise housing stock.
- Spreadsheet to record all actions arising from FRA's with timelines and commentary to track progress.
- New fire safety log books introduced and improved safety checks & tests.
- Implementation of a monthly auditing regime
- Improved physical testing and checking and associated record keeping
- On-line training modules created
- Fire compartmentation improvements.
- Fire alarm upgrades at sheltered schemes

Area Housing Managers are undertaking Responsible Officer (RO) duties have received training and will accept their revised job descriptions shortly.

Future direction;

The Safety Assurance Team, within Housing and Investment currently advises and oversees fire assurance. A manager for this team is currently being recruited and the job description has been revised to include an increased emphasis on fire safety. Research and costings were also conducted into the possibility of adding sprinkler systems to the 3 high rise blocks; indicative costs and financial impact on the HRA is being assessed.

## Fire Risk - High Rise Blocks



## Other work

### Audit Recommendations

Following Members observations and comments at the last meeting a Recommendation Follow Up protocol is attached at Appendix 3 for the Committee's consideration and comments.

### Audit reports at draft stage

- Licensing – with management for approval

### Work in Progress

- Treasury Management
- Payroll
- ICT Anti-Malware arrangements
- Sports Pitches improvements
- Homelessness
- Efficiency Savings
- Housing Allocations (Choice Based Lettings)
- Western Growth
- Partnerships (Consultancy)
- De Wint Extra Care Facility
- Project Management – the review of Lincoln Project Management Model is still ongoing so our report details will be now be provided in March.

### Other work

- Combined Assurance Map update – the Map has been refreshed and a summary report is being produced
- Audit Strategy and Plan 2020/21
- Bribery / Whistleblowing Policy review – in progress
- NFI completion - Ongoing
- Tenancy fraud - Ongoing

### Work to start in Quarter 4

- Performance management
- Website security
- ICT Combined Assurance
- Governance / Risk management
- Economic Development / Growth (will continue into 20/21 due to strategy development)
- Office 365 project (may defer to 20/21)
- Counter fraud training (continuation)
- Fraud Health check
- Money Laundering risk assessment
- Identity fraud



# Benchmarking



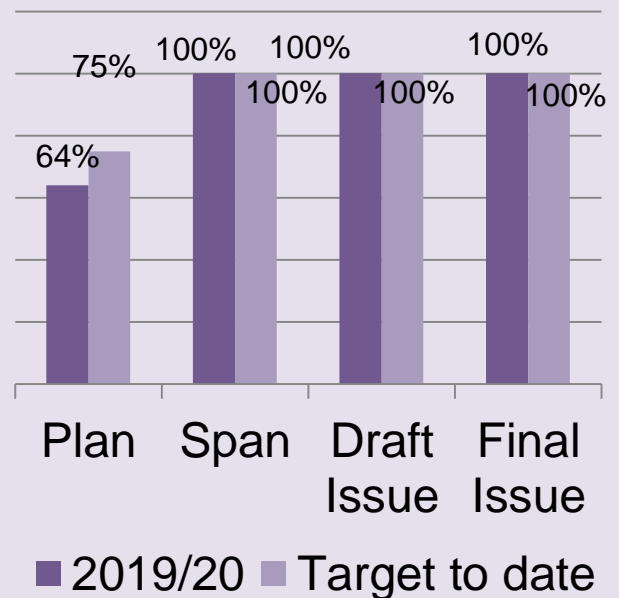
Internal Audit's performance is measured against a range of indicators. The statistics below show our performance on key indicators year to date.

## Performance on Key Indicators

# 100%

Rated our service Good to Excellent

# Good achievement of Audit KPI's to date



# Other matters of interest

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

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## Planning guidance

The Local Government Association has updated its Probity in Planning guidance for officers and councillors on making planning decisions. The City Solicitor is aware and taking this forward.

## Business Rates Avoidance Survey Report 2019

The Local Government Association has published its survey and a set of recommendations to address Business Rates avoidance.

The LGA estimate that around one per cent of total business rates income, or £250 million, is lost to business rates avoidance each year.

The survey report includes examples of rate avoidance and success factors in prosecuting avoidance.

The findings of the survey will help inform the development of government proposals for how to tackle this behaviour, reduce avoidance and raise revenues that are owed to local and central government.

**There are none.**

**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.

The Recommendation Follow Up protocol below sets out the proposed way forward to monitor recommendations efficiently and effectively.

### Audit Recommendation Follow Up protocol

Internal Audit will;

- Record recommendations on the tracker held in Authority Wide
- Monitor target dates monthly and obtain updates where the rec is due within 1 month
- Agree extensions to target dates
- Review evidence for High priority recommendations implemented
- Undertake detailed follow up work on all recommendations in Limited / Low assurance audits 12mths from the report date
- Liaise with Directorates to ensure that;
  - They are able to obtain recommendations data from the tracker
  - Recommendations are being monitored at least 6 monthly via DMT's
  - Portfolio Holders are aware of overdue recommendations
- Advise Service Managers Team and Assistant Director Group that Audit Committee are concerned with the number of recs overdue and the time being taken to implement them.

Audit Committee will;

- Receive recommendation update reports at alternating meetings, which mainly focus on High priority recommendations
- Receive verbal updates from service managers where there are outstanding recommendations 12mths from the report issue date
- Receive a 12mth update on Limited / Low assurance audits
- Receive an update on audits where there are outstanding recommendations 24mths from the report issue date – these recommendations will no longer be followed up and management will be advised that they will be accepting the risk

Directors will;

- Approve extensions where the audit recommendation has not been implemented within 12 months (Assistant Directors/ Manager will get approval) and this will form part of the 12 month review at Audit Committee.

Audit	Scope of Work	Start Planned date	Start Actual date	End Actual date	Status/ Rating
<b>Chief Executive – Critical Activities</b>					
Recruitment	Internal promotions and external recruitment	Q1	June	Dec	Completed Substantial
Treasury Management	Investments & borrowing	Q2	Nov		In progress
Efficiency Savings	Programme & project arrangements	Q4	Jan		In progress
Payroll	Risk Based Audit	Q3	Nov		In progress
Scrutiny	Scrutiny committee operation & Member training	N/A			Deferred to 20/21
Apprentice scheme	Financial arrangements	N/A			Deferred to 20/21
<b>Housing &amp; Regeneration – Critical Activities</b>					
Housing ASB	Advice work – budgets	Q1	April	June	Completed
Rental income	Risk Based Audit, to include Universal Credit impacts	Q2	July	Nov	Completed Substantial
Housing Allocations	New Build allocations process	Q2			PIR done – no longer required
Housing Repairs	Interaction between reactive repairs & planned maintenance	N/A			Deferred to 21/22
Homelessness	Implementation of the Homeless Reduction Act	Q3			In progress
Housing Strategy	Implementation of the Housing Strategy including links with Major Development	N/A			Deferred to 20/21
Housing Allocations	Accuracy and processing arrangements on the new IT system	Q4	Jan		In progress

Audit	Scope of Work	Start Planned date	Start Actual date	End Actual date	Status/ Rating
<b>Communities &amp; Environment – Critical Activities</b>					
Sport & Leisure pitches	Contract and operation review	Q2-4	June		In progress
Private Sector Housing follow up	Follow up of 17/18 HMO audit plus Private Sector Housing in general	Q2	Oct	Nov	Completed
Community Safety	Licensing	Q3-4	Oct		Draft Report
Performance management	Operation of the new PM system	Q4			Being prepared
<b>Major Developments – Critical Activities</b>					
Growth & Regeneration	Strategies, investment, partnerships, infrastructure	Q4			Being Prepared
<b>Financial &amp; Governance</b>					
Counter Fraud	Fraud Strategy actions	Q1-4			In progress
Counter Fraud	Tenancy Fraud data matching	Q1-4			In progress
Counter Fraud	NFI data matching	Q1-4			In progress
Counter Fraud	Friends against Scams	Q1-2			Complete
Counter Fraud	Fraud Training	Q4			In progress
Counter Fraud	Identity fraud	Q4			May defer to 20/21
Welfare Reform	UC rollout and Welfare Advice	N/A			Deferred Q1 20/21
Counter Fraud	Fraud risk register update	Q3			Complete
Counter Fraud	Counter Fraud healthcheck	Q3-4			May defer to 20/21
Counter Fraud	Money Laundering risk assessment	Q4			



Audit	Scope of Work	Start Planned date	Start Actual date	End Actual date	Status/ Rating
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### Financial & Governance (cont'd)

Counter Fraud	6 & 12 month reports	July 19 Dec 19			12 mth report in July 19 Completed
Counter Fraud	Policy reviews	Q3-4			Anti-bribery – complete Whistleblowing – Feb

### Governance & Risk

Governance	Key controls for annual assurance	Q4			
Risk Management	Key controls for annual assurance	Q4			

### Information Management & Technology

ICT	Assurance mapping and plan	Q1-2			Completed
ICT	IT assurance map follow up and Strategy actions	Q4			Commencing
ICT	Anti-Malware arrangements	Q3	Oct		In progress
ICT	New Website	Q4			Health Check
ICT	Mobile Working/Office 365 Pilots	Q4			Likely move to 20/21

### Projects

Western Growth	Programme governance and project management	Q4			Being prepared
De Wint Court	Project and contract arrangements	Q4			Being prepared

Audit	Scope of Work	Start Planned date	Start Actual date	End Actual date	Status/ Rating
<b>Consultancy / VFM / No opinion work</b>					
Emerging Legislation	Preparation for new and emerging legislation & policy (merged with 18/19 work)	Q1		May	Completed Full assurance
Brexit	Assist with risk and control issues as part of working group	Q1	Q1	Q4	In progress
Refuse & Recycling	Procurement arrangements	Q4			
<b>Other work</b>					
2018/19 audits	Complete audits from previous year	Q1	April	Dec	Completed
Annual IA report	Report for 2018/19	Q1	April	May	Completed
Housing allocations	Serious offenders risk assessment	Q1	June	June	Completed
De Wint project	Risk management support	Q1-4	April		Ongoing
Follow up	Review progress on audit recommendations	Q1-4			Ongoing
Advice, Management	Advice & management, reactive investigations	Q1-4			Ongoing
Combined Assurance	Update the assurance map	Q3-4	Dec		In progress
IA Strategy & Plan	New Plan for 2020/21	Q4	Jan		In progress
<b>Housing Benefit Subsidy</b>					
2018/19 Subsidy claim	2018/19 HB Detailed testing on behalf of External Audit	Q1-2	May	July	Completed