

# Internal Audit Progress Report



**City of Lincoln Council**  
**March 2021**

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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 audit work during the period January – March 2021
- Advise on progress with the 2020/21 plan
- Raise any other matters that may be relevant to the Audit Committee role

## Key Messages

In this period we have completed two assurance reviews, updated the Combined Assurance Report and produced a draft 2021/22 Audit Plan.

Audit Plan completion at the end of February is 80% against the target of 80%\* (Extended to 30<sup>th</sup> April)

20/21 planned work will continue to the end April 2021 – this has been accounted for in the completion figure above. This is due to impact of covid on the teams resources and also capacity of organisation to undertake some audits. The 21/22 audit is reduced as a result and is covered elsewhere on the agenda.

## Assurances

Two assurance reviews have been completed in this period;

Covid Assessment – Substantial Assurance  
Council Tax key controls - High Assurance

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.

1

**HIGH  
ASSURANCE**

1

**SUBSTANTIAL  
ASSURANCE**

0

**LIMITED  
ASSURANCE**

0

**LOW  
ASSURANCE**

0

**CONSULTANCY**

# High Assurance

We found that;

- All payment methods continue to operate with appropriate controls in place.
- Reasons for deferred payments are recorded and adjustment notices detailing the revised payment schedule are issued to the bill payer.
- Changes to payment instalments are correctly re profiled in accordance with the revised procedures.
- Rejected direct debits are promptly actioned and reversed; control totals ensure rejected direct debits between banking records and the council tax system agree.
- There is a process in place to guard against fraudulent refunds; refunds are reconciled and appropriately authorised.
- Division of duties exist to guard against fraudulent transactions / errors in processing.

One recommendation was made to consistently complete the refund reconciliation spreadsheet for NKDC.

## Council Tax key controls

Following the first lockdown, it was found that some taxpayers had failed to make any payments towards their current year's liability. To avoid placing additional financial pressure on residents who are already struggling financially, both Councils agreed to adopt a more flexible approach regarding the collection of any missed payments.

Both Councils initially engaged with residents by issuing "soft reminders" which reinforced their shared ethos "stay in touch not in debt" and also provided signposts to help and advice. Formal Council tax reminder notices were issued in batches from September onwards.

Taxpayers have been encouraged to set up direct debits and additional payment options have been introduced to enable arrears to be reduced and affordable payment plans to be put in place. Where taxpayers are facing genuine hardship, payment of current year bills can be extended to May 2021.

The closure of magistrate courts due to the pandemic has meant that the opportunity to obtain Liability Orders against taxpayers who continuously failed to make any payment has been diminished, with only two court dates being allocated during 2020/21 – in December 2020 and January 2021.

# Substantial Assurance

## Covid Assessment

A review has been undertaken, with Assistant Directors and selected service managers using a Covid risk register compiled by IA, to assess whether the lockdown had any detrimental impact on the Council's risk and control environment and any changes had been appropriately considered and managed.

We found that there have been no detrimental impacts on the Council's risk and control environment. Although we haven't found any areas requiring further work or improvement, we are unable to award High assurance due to the relatively limited nature of the work that has been undertaken.

Assistant Directors were generally able to give a Red-Amber-Green rating for their risks in our Covid risk register. No areas were rated as Red and only a few were rated as Amber – Towards Financial Sustainability, HR Policies, Kier contract, Trees, Leisure contract, Environmental Health, Licensing, Business recovery in the private sector, CT and NNDR income, NNDR Payment Holiday, HB payments, CTS hardship Funds and Self-Isolation payments. An Amber rating is not a concern and all areas have been assessed again as part of the update of the Combined Assurance Map that has just been completed.

From a functional perspective we have been assured that processes and controls are operating without any changes, other than staff being at home rather than in the office or operating in accordance with Covid safe working practices. Everyone acknowledged the significant amount of work done by the IT section at the start of the lockdown to allow home working to happen.

All AD's identified potential risks around staff wellbeing and performance management. These are all being considered at a corporate level so haven't been explored further as part of this review.

We identified a small number of potentially significant risk areas;

- a) Compensation claim to the Government for income losses (Amber risk)
- b) Use of Procurement Cards (Amber risk)
- c) Supplier Support
- d) Security of data and documentation obtained in the course of providing the Befriending Service and processing Business Grants & Self-Isolation Payments (Amber risk)

# Substantial Assurance

These risks have been discussed further with appropriate service managers and assurances have been given that they are being appropriately managed, so no further work is considered necessary.

Responsibility for the data collected for Business Grants, Self-Isolation payments and the Befriending Service sits with specific Information Asset Owners. To ensure that it is being safely stored and disposed of (when appropriate) it has been agreed that the annual IAO checklist will make specific reference to data collected for Covid-related purposes, and this area may be subject to further audit review in the future.

IT related risks have not been examined as part of this audit as a separate ICT Assurance audit was completed in December which provided R-A-G assurance over a number of areas. Areas which require attention have been included in an IT risk register which will be monitored by CLT, or are part of existing projects monitored through the Technology Board.

The Council's 2019/20 Annual Governance Statement contains a new significant governance issue linked to the impact of Coronavirus on the Council. Progress with significant governance issues is tracked through an established process which is regularly reported to Audit Committee (see elsewhere on this agenda).

## Covid Assessment (cont'd)

## Other work

### Work in Progress

- Western Growth – fieldwork stage..
- NNDR – fieldwork stage
- Debtors key controls – fieldwork stage
- Creditors key controls – fieldwork stage
- Accountancy key controls – fieldwork stage
- Housing Benefits & Council Tax Support – fieldwork stage
- ICT - Microsoft 365 – fieldwork stage
- ICT - Programme and project management – terms of reference agreed
- Governance & Risk – being prepared

The following pieces of work have been moved into 21/22 at the request of management, due to work priorities;

- All Weather Pitches (Consultancy)
- Rogue Landlord PIR (Consultancy)
- Health & Safety Risk Assessments

### Other work

- Combined Assurance

The annual process to refresh the Council's Combined Assurance Map and produce a Report has been completed. The Report is presented as a separate item.

- 2021/22 Audit Plan

A Draft Plan has been produced and is presented as a separate item.

### Non-Audit Work

The team are no longer involved in processing Business Grants.

Advice and guidance will continue to be provided in this, and other areas, where required.





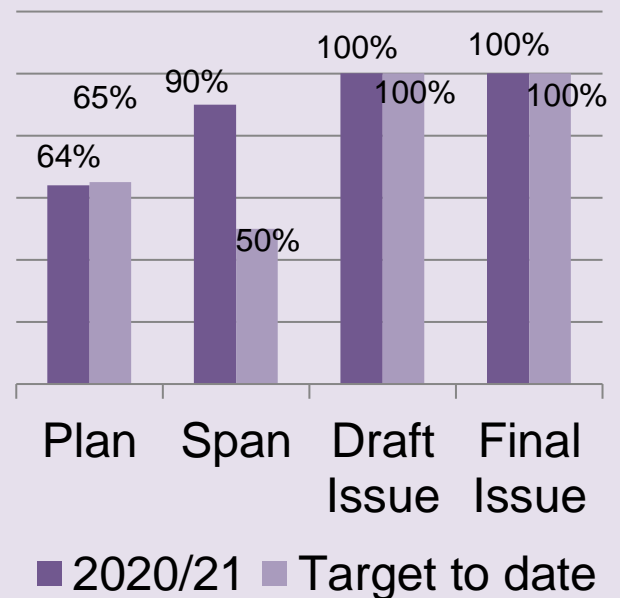
Internal Audit's performance is measured against a range of indicators. The statistics below show our performance on key indicators year to date.

### Performance on Key Indicators (2020/21)

**100%**  
**Rated our  
service Good  
to Excellent**

**80% Plan  
Completed**

**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.

## **Annual Governance Statement**

CIPFA have just issued new guidance to assist officers with the completion of the 2021 AGS

## **Local government and the EU**

Guidance to help local councils adapt to new rules after Brexit.

Ministry of Housing Communities and Local Government

**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.

An update is provided in a separate report.

Audit	Scope of Work	Start Planned date	Start Actual date	End Actual date	Status/ Rating
Covid-19 Assurance (NEW)	Determine any impacts on the risk & control environment.	Sept 20	Sept 20	Feb 21	Substantial
Finance & Accounting	Budgetary control key controls	Mar/April 21	Feb 21		In progress
Creditors	Risk Based Audit	January 21	Feb 21		In progress
Debtors	Risk Based Audit	January 21	Mar 21		In progress
Business Continuity / IT Disaster Recovery	Follow up of 2017/18 audit	See comment			IT DR project will complete in August 2021; audit delayed until 21-22
NNDR	Risk Based Audit	Nov 20	Dec 21		In progress
Council Tax	Key Controls	Nov 20	Oct 20	Feb 21	High
Housing Benefit & CTS	Risk Based Audit	Mar 21			
Partnerships	Annual assurance report to Audit committee  (Report scheduled June or July 2021)	Feb 21			Advice during 20-21. Allocation also included in 21-22
ICT 1	IT security - Combined Assurance follow up	Dec 20	Dec 20	Jan 21	Completed
ICT 2	Office 365	Jan 21	Jan 21		In progress
ICT 3	Programme management	Jan 21			Start date to be agreed
De Wint Court	Risk management support	-			Ongoing Risk Man support
Health & Safety	Risk assessment	Mar 21			Delayed until 21/22

Audit	Scope of Work	Start Planned date	Start Actual date	End Actual date	Status/ Rating
Growth & Regeneration	Town Deal Governance	Jan 21			Delayed until 21/22
Western Growth	Risk based audit (project management)	Oct 20	Oct 20		In progress
Counter Fraud	NFI Risk Register update Strategy update Strategy action plan	Oct 20 Jan 21 Mar 21 Mar 21			In progress Completed  Revised strategy to be completed but reported June 21 to AC
Governance	Annual assurance work	Apr 21			
Risk Management	Annual assurance work	Apr 21			
Combined Assurance	2020/21 report	Nov 20	Nov 20	Mar 21	Completed
Annual Internal Audit Report	2019/20 report				Completed
IA Strategy & Planning	2021/22 Audit Plan	Feb 21	Feb 21	Mar 21	Completed
<u>Additional Work</u>					
Rogue Landlord Project	Post Implementation Review	Oct 20	Oct 20		Completion delayed until 21/22
Self Isolation Payments	Advice & support				Completed
Local Restrictions Support Grant	Assist the Business Cell with grant processing				Completed Spotlight/NFI support ongoing