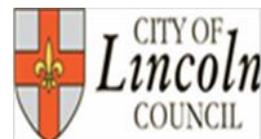


Internal Audit Progress Report



**City of Lincoln Council
September 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 June – August 2021
- Advise on progress with the 2021/22 Plan
- Raise any other matters that may be relevant to the Audit Committee role

Key Messages

In this period two assurance reviews have been finalised.

The 2021/22 Plan is progressing and at the end of August 35% has been completed against the 35% target.

Some audits have had to be deferred to later quarters and a review of the plan and available resources will take place in September / October. Plan details can be found in Appendix 4..

The report summary for the Western Growth review will be presented to the next meeting in December.

Assurances

Two assurance reviews have been completed in this period;

- Housing Benefit Subsidy Testing – High Assurance
- Housing Benefit & Council Tax Support – 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.



High Assurance

We have completed annual testing on 2020/21 Housing Benefit subsidy on behalf of, and in conjunction with, the External Auditor Mazars.

The first part of the work was to verify that the figures set by the Government for the calculation of benefit have been correctly uprated in the Northgate Benefit system – this is known as Module 2 testing.

The second part was to test a sample of benefit cases to provide assurance on the accuracy of the Housing Benefits caseload and to confirm that the correct level of subsidy has been claimed by the Authority.

We didn't identify any errors as part of Module 2 testing.

We examined sixty-three cases in respect of payments made in the 2020/21 financial year and only two (both Rent Allowance) were found to contain errors – one was an underpayment (approx. £275) and one was an overpayment (approx. £20). We have looked into the cause of the errors and neither require a recommendation to address a procedural weakness.

The level of errors found this year is significantly lower than in previous years.

Housing Benefit Subsidy Testing

High Assurance

We found that;

- There is an adequate separation of duties between the administration of Housing Benefit claims and processing payments.
- Checking and reconciliation of payments is undertaken at each stage of processing, high value payments are reviewed and payments are approved by a manager.
- A process is in place to review any returned letters, which may be an indication that the claimant is no longer at the address.
- Awards of Council Tax Support Hardship Funding payments have been made in accordance with Government guidance; testing of a sample confirmed that payments had been awarded to working age recipients of CTS and the amounts were correct. Financial modelling was undertaken to identify options regarding how the remaining hardship grant could be spent; testing confirmed that payments had been awarded in accordance the proposals approved by both authorities.
- A quality assessment process is in place which measures accuracy of processing over a range of different changes. Any errors in processing are addressed and training needs identified. A 95% accuracy target has been set and at the time of the audit the current level of % accuracy was 95.10%
- Overpayments are being proactively managed; performance is reported to Shared Services Committee on a quarterly basis. A comparison of the annual outturn for the preceding financial years shows an improved performance in the percentage of overpayments collected.
- A full audit trail is available to support the assessment and award of Discretionary Housing Payments

Two formal recommendation were made, and agreed, to;

- Ensure that quality assurance spreadsheets are amended where any errors are subsequently found to be correct, so that performance data is accurate
- ensure that DHP record sheets are not held in more than one place or for longer than is necessary.

**Housing
Benefit &
Council Tax
Support**

Other work

Audits in Progress

- Housing Benefits & Council Tax Support – report being agreed
- Visitor Information Centre – fieldwork in progress
- Safeguarding – prepared
- Planned Maintenance – prepared
- Income – being prepared

Other work

- Housing Benefit Subsidy testing – work has been completed and the report is being agreed
- Counter Fraud
 - National Fraud initiative- ongoing work (report December)
 - Fraud policies – fraud strategy (completed)
 - Anti-bribery policy update (December 2021)
 - Whistleblowing policy update (March 2021)
 - Money Laundering risk assessment – in progress
 - Scam awareness – linking into national schemes (June)
 - Annual fraud report - completed
 - LCFP liaison – ongoing
- Grants
 - Assistance as required

Non-Audit Work

Partnership Governance – IA will continue to liaise with the Chief Finance Officer and Assistant Director's on this area assisting with assurance reviews and Audit Committee reporting. A report will be presented in December 2021

Audit Plan changes

A separate report will be presented in December 2021.



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 (2021/22)

Two audits have only just been completed so only plan completion data is available

Rated our service **Good to Excellent**

35% 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.



Liverpool City Council: Best Value inspection report

The report sets out the detailed findings of the inspection including the inspector's conclusions, the evidence and methodology used, and proposals for the future. The report concluded :-

- There were major gaps in the documentary evidence to support the decisions and actions of the Council at both Member and Officer level.
- Compliance with the Council's Standing Orders, regulations and the overriding legislation was not part of the culture of the organisation .
- Failure to comply with the rules relating to Key Decisions, Scrutiny, Exempt reports and probity was evident. Processes were in place to ensure these matters can be drawn out, but there was no evidence that this was done.
- Officers drew attention to the risks and losses incurred by the Council but these were not always visible because of structures/resource limitations/reporting lines and in some cases these offices were not supported and exposed to aggressive challenge.
- Early steps have been taken to improve control and compliance and these are starting to have an impact. It is clear that there is insufficient resource at the top and in the corporate centre of the Council to drive changes and embed them Council wide.
- There is evidence that the failings reported in reviews of Nottingham City Council and London Borough of Croydon are reflected in what was noted in the Council's LATCO's .

The full report can be found at <https://www.gov.uk/government/publications/liverpool-city-council-best-value-inspection-report>



Grant Thornton

Lessons from recent Public Interest Reports

The pandemic has highlighted four essential factors about Local Government:-

1. Local government has provided fantastic support to its communities in working with the NHS and other partners.
2. The centralised approach to government has been exposed to some degree in terms of its agility to tailor pandemic responses to regional and local bodies.
3. Years of reduced funding have exposed underlying flaws in the local authority business model, with too much reliance on generating additional income.
4. Not all authorities exercise appropriate care with public money, exercise appropriate governance or have the capability of managing risk.

Local authorities have a variety of different governance models . Recent public interest cases have found that it is less about the system of governance and more about how it operates, who operates it and how willing they are to accept scrutiny and challenge.

Other matters of interest

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

The report discusses the three main areas where lessons can be learned through reports on the context of local government in a Covid-19 world, Governance, scrutiny and culture and Council leadership.

A number of recommendations are made:-

- Councils are required to consider how they measure up against CIPFA 's new Financial Management Code
- Councils are mindful of reserve levels at all times, maintaining a clear strategy for maintaining adequate reserves.
- Internal Audit and risk assurance arrangements can be strengthened.
- Greater focus on establishing a healthy management culture – starting with the tone from the top
- Look for opportunities to learn from the Council's past experience and that of others.
- Council members should strive to work more collegiately, particularly for strategic decisions with implications that reach many years in the future.

The full document can be found provided on request.



The governance risk and resilience framework

The framework is designed to support individual council officers and councillors to play their part in understanding, and acting on, risks to good governance. It centres on an analytical framework which is designed to help councillors and officers to identify emerging risks to governance, and to tackle them proportionately. It is based on three stages:

- Anticipating – the framework supports councillors and officers (even if they aren't governance professionals) to observe and reflect on governance practice, through a set of characteristics and behaviours which are designed to give people a "common language" to talk about governance pressures;
- Managing – understanding and accepting where risks lie, and taking action to find solutions. The framework is designed to be bottom-up – to empower people other than senior managers to take active responsibility to find and implement solutions themselves. However, the support of people at the top of the organisation – and especially the principal statutory officers – is important;
- Adapting – learning from these experiences in the interests of continuous improvement.

It is envisaged councillors and officers use the framework to talk about their experiences with governance, with these insights – and concerns – being escalated to principal statutory officers in a council (the Chief Executive, the Monitoring Officer and the Chief Finance Officer) for review. In so doing, this insight can help councils to agree robust and accurate Annual Governance Statements.

The full framework can be found at <https://www.cfgs.org.uk/governancerisk/#link-seven>

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 next update will be presented at the December meeting.

Audit	Scope of Work	Start Planned date	Start Actual date	End Actual date	Status/ Rating
Annual IA Report	Audit opinion & coverage for 2020/21	Q1	May	June	Completed
Partnership Governance	Consultancy to assist in providing assurance for management & Audit cttee	Q1-2			In progress Report Dec 2021
Housing Benefit Subsidy	Detailed testing on behalf of External Audit	Q1-2	May 21	Sept 21	Report being agreed
Housing Benefit & CTS	Assurance that HB, CTS, DHP & CTS Hardship Fund are administered correctly	Q1	May 21	Sept 21	Report being agreed
Leisure Centres	Assurance that appropriate contingency planning is being undertaken	Q3-4			Moved from Q2
Planned Maintenance	Assurance on the closedown of the Kier contract and the establishment of new arrangements	Q2			Prepared & scheduled for Sept
Elections / Electoral Registration	Review of the 2021 expenses claim & maintenance of the electoral register	Q2	May 21		PCC claim completed
Safeguarding	Review of Protecting Vulnerable People processes during Covid	Q2			Prepared & scheduled for Sept
Visitor Information Centre	Assurance on the operation of the service	Q2-3	Aug 21		In progress
Western Growth Corridor	Assurance on partnership governance and programme management arrangements for Phase 1a	Q4			Moved from Q3
Rogue Landlord	Consultancy work on the PIR	Q3			Moved from Q2
Health & Safety	Risk assessment processes	Q3			Moved from Q2
Income	Assurance on income controls in key areas	Q3			Being prepared
Stores	Assurance on the changeover of contractor	Q3			

Audit	Scope of Work	Start Planned date	Start Actual date	End Actual date	Status/ Rating
Combined Assurance	Update the assurance map and produce a 2022 Combined Assurance report	Q4			
IA Strategy & Planning	Produce a 2022/23 Audit Plan	Q4			
Town Deal	Assurance on governance, programme & project management arrangements	Q4			
ICT – Projects & Programmes	Assurance on general project management plus specific projects for PSN and IT security training	Q4			
ICT – Disaster Recovery	Assurance on IT DR planning, incident response & infrastructure resilience	Q4			To be undertaken by an external ICT auditor
Medium Term Financial Strategy	Assurance that assumptions, reserve levels, etc are appropriate and there is integration with other strategic documents	Q4			
Performance Management	Assurance that the revised PM Framework enables the Council's performance to be effectively monitored.	Q4			
Housing Repairs	Assurance on the operation of the new repairs process and the void repairs process	Q4			
Counter Fraud	Consultancy / advice work on strategy, training, NFI, money laundering, identity fraud, business grants	Q1-4	April		In progress