

Internal Audit Progress Report



City of Lincoln Council December 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. ¹

Introduction

The purpose of this report is to:

- Provide details of audit work during the period September – November 2021
- Advise on progress with the 2021/22 Plan
- Raise any other matters that may be relevant to the Audit Committee role

Key Messages

The 2021/22 Plan is progressing and at the end of October 43% has been completed against the target of 54%.

Due to a temporary reduction in resources the Plan is being amended (see separate report) and as a consequence progress has slipped but this should be recovered in quarter 4. Plan details can be found in Appendix 4.

The report summary for the Western Growth review will be presented to a future meeting once the planning application has been determined.

Assurances

No assurance reviews have been completed in this period.

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.



Other work

Audits in Progress

- Visitor Information Centre – report being agreed
- Safeguarding – report being agreed
- Income – fieldwork in progress

Other Audit work

- Election Claims – Three elections were held in May and the expenses claims are being reviewed as they are completed. When they are all done an Advice Note will be issued
- Counter Fraud
 - National Fraud initiative – work is ongoing on matches received and new data required
 - Fraud policies – fraud strategy (completed)
 - Anti-bribery policy update (December 21 - see separate report)
 - Whistleblowing policy update (March 2021)
 - Money Laundering risk assessment – in progress
 - Scam awareness – linking into national schemes
 - Annual fraud report - completed
 - Lincolnshire Counter Fraud Partnership liaison – ongoing
- Business Grants
 - Assistance is given as required

Audit Plan changes

A separate report is being presented to the December 2021 meeting.

Benchmarking



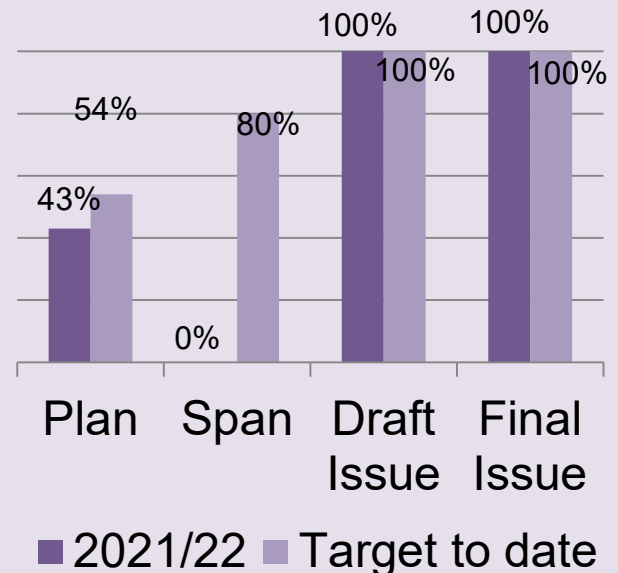
Internal Audit's performance is measured against a range of indicators. The statistics below show our performance on key indicators year to date.

Performance on Key Indicators

Rated our service Good to Excellent

43% 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.



National Audit Office

NAO Cyber and information security: Good practice guide Oct 2021

Audit committees should be scrutinising cyber security arrangements. To aid them, this guidance complements government advice by setting out high-level questions and issues for audit committees to consider.

Audit committees should gain the appropriate assurance for the critical management and control of cyber security and information risk.

Cyber security is the activity required to protect an organisation's data, devices, networks and software from unintended or unauthorised access, change or destruction via the internet or other communications systems or technologies. Effective cyber security relies on people and management of processes as well as technical controls.

Our guide supports audit committees to work through this complexity, being able to understand and question the management of cyber security and information risk.

It takes into account several changes which affect the way in which we interact with and manage our information and can drive increased risk. These include changes to the way we work and live due to the COVID-19 pandemic and the ongoing demand to digitise and move to cloud-based services.

The strategic advice, guidance and support provided by government has also been updated to keep pace with these changes, detailing the impact and risks on the management of cyber security and information risk.

The guide provides a checklist of questions and issues covering:

- The overall approach to cyber security and risk management
- Capability needed to manage cyber security
- Specific aspects, such as information risk management, engagement and training, asset management, architecture and configuration, vulnerability management, identity and access management, data security, logging and monitoring and incident management.

The full document can be provided on request.

Other matters of interest

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



Please find below some of the key extracts from the CIPFA Audit Committee Update Issue 35:

Supporting improvements to risk management arrangements

The Better Governance Forum held two discussion groups with members in April 2021 to discuss the experience of the pandemic and what it meant for risk management. The groups discussed how their arrangements had fared in supporting the organisation's management through the pandemic. The key areas for improvement identified by the groups were as follows:

- better integration with plans and management processes
- consistency across the organisation, and
- a focus on action.

When asked how improvements to risk management arrangements could be achieved both groups were consistent in their choice of the best action to take – investment in staff training and awareness of risk management.

Audit Committee Guidance

In July the Ministry of Housing Communities and Local Government (MHCLG) issued a further update on progress against the Redmond Review recommendations. One of the areas reviewed as part of the consultation was guidance for Audit Committees which the MHCLG has recommended to be strengthened and updated to support effective audit committee arrangements. The consultation asks for comments on this proposal and whether it is agreed.

The updated guidance is likely to include the following:

- structure
- role of independent members
- how the committee interacts with full council
- reporting to those charged with governance
- core functions
- knowledge, expertise and training of audit committee members
- facility to meet privately with auditors.

Continues on next page.

Other matters of interest

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

Key extracts from the CIPFA Audit Committee Update Issue 35 (cont'd)

Reporting to full council / those charged with governance

MHCLG is proposing to amend the Accounts and Audit Regulations so that the full council should receive the auditor's annual report from the local auditor. The purpose of this is to improve transparency to the public and ensure all members are aware of issues raised by the auditor and recommendations. It is also proposed that it is accompanied by a report from the audit committee containing its responses to the auditor's annual report.

The full CIPFA Audit Committee Update Issue 35 (July 2021) can be provided on request.

Treasury Management

CIPFA has announced that it is revising the Prudential and Treasury Management Codes, primarily to address concerns about property investments. A soft implementation is planned for 2022-23 with full implementation expected for 2023-24.

An update will be provided to members as part of part of annual Treasury Management training in February 2022.

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.

A recommendation update is presented as a separate report.

Appendix 4

2021/22 Audit Plan Progress

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			Removed - no IA input required.
Housing Benefit Subsidy	Detailed testing on behalf of External Audit	Q1-2	May 21	Sept 21	High assurance
Housing Benefit & CTS	Assurance that HB, CTS, DHP & CTS Hardship Fund are administered correctly	Q1	May 21	Sept 21	High assurance
Leisure Centres	Assurance that appropriate contingency planning is being undertaken	Q4			Rescheduled
Planned Maintenance	Assurance on the closedown of the Kier contract and the establishment of new arrangements	Q3-4			Rescheduled (was Q2)
Elections / Electoral Registration	Review of the 2021 expenses claim & maintenance of the electoral register	Q2	May 21		2 claims completed & 1 still to do.
Safeguarding	Review of Protecting Vulnerable People processes during Covid	Q2	Sept		Report being agreed
Visitor Information Centre	Assurance on the operation of the service	Q2-3	Aug 21		Report being agreed
Western Growth Corridor	Assurance on partnership governance and programme management arrangements for Phase 1a	Q4			To be removed
Rogue Landlord	Consultancy work on the PIR	Q3-4			Rescheduled (was Q2)
Health & Safety	Risk assessment processes	Q4			Rescheduled (was Q2)
Income	Assurance on income controls in key areas	Q3	Oct		In progress
Stores	Assurance on the changeover of contractor	Q3-4			

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			With input from external ICT auditor
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			To be removed
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			To be removed
Counter Fraud	Consultancy / advice work on strategy, training, NFI, money laundering, identity fraud, business grants	Q1-4	April		In progress