

# Internal Audit Progress Report



**City of Lincoln Council  
February 2022**

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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 December 21 – January 2022
- Advise on progress with the 2021/22 Plan
- Raise any other matters that may be relevant to the Audit Committee role

## Key Messages

The Plan was revised in December, with some audits being removed and some being undertaken by an external providers.

58% of the revised Plan has been completed at the end of December.

Following determination of the Western Growth Corridor planning application the findings of a governance report completed in July 2021 are being reported.

## Assurances

One assurance review has been completed;

Western Growth Corridor (governance) – Substantial 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.



# Substantial Assurance

The review examined a range of governance areas;

## Agreements and Board oversight

There is a joint Delivery Agreement between the landowners and a number of Boards, including the strategic Charterfields Board, the Management Board and an internal City of Lincoln Council Western Growth Corridor Programme Board.

## Resources

Resources are sourced from COLC and LWGC, including legal and financial advice, plus external consultants / contractors as required. Management have highlighted resource as a risk and are taking steps to increase administrative and project management resources.

## Communication

There have been a range of communication strategies in the past including public consultation exercises. There is a need to develop communication actions for Phase 1 infrastructure and housing.

## Conduct

Any conflicts of interest would be directed through the appropriate Boards. Officers have local guidance on conduct, interests, gifts and hospitality. Prior to the recent Planning meeting the Council provided training to cover interests, pre-determination and ward advocates.

We have been advised that the ethical wall policy to separate the Council's roles of landowner and planning authority is working well.

## Planning

Legal advice has been obtained on some Planning matters and there are separate internal lawyers advising the applicant and the LPA.

## Risk management

There is a (COLC) strategic Programme Board project risk register, which is not taken to the main Board. There is also a joint risk and opportunity schedule register which requires updating. Risks are however "actively" managed and discussed at the different Boards.

**Western  
Growth  
Corridor  
(governance)**

# Substantial Assurance

## Project and Programme Management

A detailed project plan covers Phase 1a infrastructure and COLC homes. A programme overview schedule is periodically reported to Charterfields.

## Budget / Finance

Budgets are approved by the Executive. Planned expenditure is approved via Charterfields and is appropriately authorised. Contract costs are regularly reported through to Board (WGC Programme and Charterfields). Budget monitoring is in place and supported by Finance.

## Procurement

There have been a range of joint procurement contracts for planning support and Pre-planning Phase 1a delivery - these are ongoing and are compliant with contract procedure rules. The Procurement manager (COLC) provides support.

A small number of improvement areas were identified, the key one being to periodically take the risk register to the main board.

**Western  
Growth  
Corridor  
(governance)**

## Other work

### Audits in Progress

- Visitor Information Centre – report being agreed
- Safeguarding – report being agreed
- Income – fieldwork in progress
- Rogue Landlord – in progress
- Town Deal – fieldwork in progress
- Planned Maintenance – fieldwork in progress

### Combined Assurance

Meetings have been held with Assistant Directors and service managers to refresh the Council's Combined Assurance Map. A new Combined Assurance Report will be produced for consideration by CMT before it is presented to Audit Committee in March.

### Other Audit work

- Election Claims – Three elections were held in May 21 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 Policy / Strategy review – completed July 21
  - Anti-bribery Policy update – completed Dec 21
  - Whistleblowing Policy update – completed Mar 21
  - Money Laundering risk assessment – in progress
  - Fraud Risk Register update – in progress
  - Scam awareness – work undertaken as required
  - Lincolnshire Counter Fraud Partnership liaison – ongoing
- Business Grants
  - Assistance is given as required

### Amendment to the Audit Plan

Following initial discussions with the Strategic Director Communities & Environment it has been decided that the work required on Leisure Centres is not within the skillset of the IA team and will be procured from external specialists. The audit has not yet been replaced.

## Other work

### Audit work undertaken for Assurance Lincolnshire

In mid-2021 the responsibility for managing the contract to provide audit services to Boston Borough Council was passed from the City Council to the County Council, but COLC audit staff continue to provide resources as a way of reducing the cost of internal audit.

Audits completed so far include Town Deal, Housing Benefit Subsidy, Brexit and Income.

The level of resource to be provided up to the end of the year has been reduced.



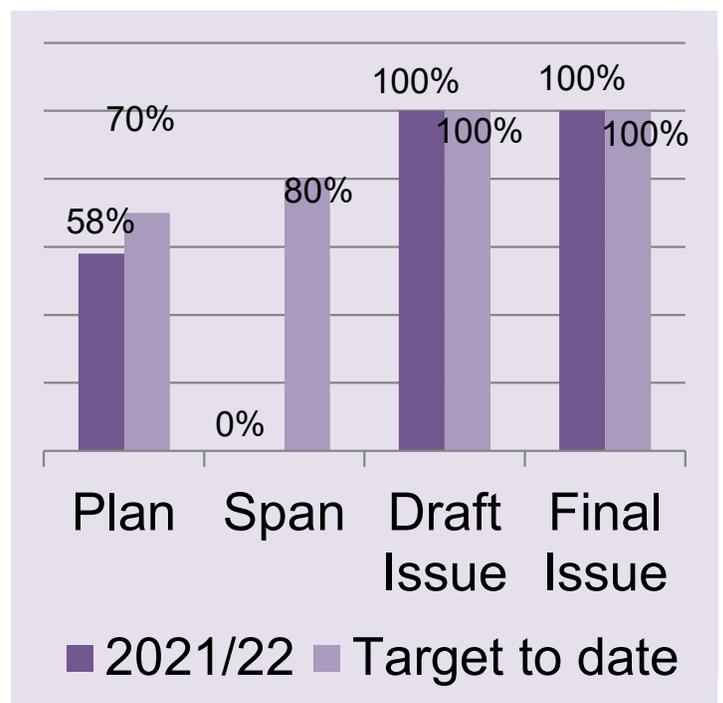
Internal Audit's performance is measured against a range of indicators. The statistics below show our performance on key indicators year to date.

## Performance on Key Indicators

Rated our service Good to Excellent

58% revised 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.



Chartered Institute of  
Internal Auditors

### **Harnessing Internal Audit Against Climate Change Risk - Oct 21**

Below are some of the key extracts from the IIA report:-

Climate change is arguably the most acute challenge facing our planet right now and is an issue that is firmly moving up the agenda. It is one that organisations simply cannot afford to ignore or side line any longer, for those that do not take action face the genuine risk of an existential crisis.

Internal audit has a responsibility to add true value to the work of organisations on climate risk from two perspectives:

- to act as a trusted advisor to the organisation in terms of how it is identifying, managing and mitigating the risks and opportunities associated with climate change.
- to comment on and assess the measures that the organisation puts in place to reduce its environmental impact and contribution to climate change.

But the responsibility to rise to these challenges does not rest solely on the shoulders of internal audit. Audit committees need to look at their organisation and ask themselves whether they are fully prepared for climate change.

#### **Why should climate change matter to Boards?**

As well as the need to prepare for the physical impacts of climate change, Boards must help their organisations adapt to the requirements of new national and international laws and regulations that will embed sustainability in products and services.

#### **Skills and training, knowledge and resources**

It is the Audit Committees responsibility to ensure that:-

- its internal audit activity has the right combination of resources, skills and training to address climate change risk
- an appreciation of climate change risk is embedded within an organisation's strategy
- they begin having conversations about climate change preparedness with their internal audit teams.

A copy of the full report is available on request.



### Department for Levelling Up, Housing & Communities

The Department for Levelling Up, Housing and Communities (DLUHC) has announced a package of measures to tackle delays in local audit, following the news that only 9% of 2020-21 local authority audited accounts met the 30 September 2021 deadline.

The planned measures include:

- A consultation in early 2022 on reforms to the Key Audit Partner (KAP) eligibility criteria, including the introduction of alternative routes for experienced Responsible Individuals.
- Development of additional support for audit firms including a technical advisory service and additional training.
- An additional £45m of funding over the three-year Spending Review period to support local authorities to invest in finance teams and meet the costs of audits.
- Strengthened guidance for local authority audit committees including a clear recommendation for the inclusion of independent members with a view to making this a statutory requirement in future. To further strengthen the capability and skills of audit committee members the LGA will establish a number of targeted forums.
- Specific grants for training for audit committee chairs.
- Agreement with CIPFA/LASAAC on a project to improve the presentation of local authority accounts in time for the 2022-23 financial year.
- A request to CIPFA/LASAAC to consider temporary changes to the Accounting Code over the valuation of operational property.
- An extended deadline for the publication of audited accounts of 30 November for 2021-22 and then a deadline of 30 September for the following five years (Council's will still have to meet the 31st May deadline to complete the accounts, they are just giving the auditors longer to audit)
- An industry-led workforce strategy for local audit.

These proposals seek to address some problems identified by the Redmond Review into local authority financial reporting and audit, including the need to improve the understandability of local authority accounts and to strengthen local authority audit committees.

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 recommendation update will be provided in March.

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	Removed as part of Dec 21 Plan review - 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	To be undertaken by external specialists.			
Planned Maintenance (being undertaken by Julia Raftery Consulting Ltd)	Assurance on the closedown of the Kier contract and the establishment of new arrangements	Q4	Jan		In progress
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	Removed as part of Dec 21 Plan review			
Rogue Landlord	Consultancy work on the PIR	Q3-4	Dec		In progress
Health & Safety	Risk assessment processes	Q4			
Income	Assurance on income controls in key areas	Q3	Oct		In progress

Audit	Scope of Work	Start Planned date	Start Actual date	End Actual date	Status/ Rating
Stores	Assurance on the changeover of contractor	Q3-4			To be undertaken by Julia Raftery Consulting Ltd
Combined Assurance	Update the assurance map and produce a 2022 Combined Assurance report	Q4	Dec		In progress
IA Strategy & Planning	Produce a 2022/23 Audit Plan	Q4			
Town Deal (being undertaken by Julia Raftery Consulting Ltd)	Assurance on governance, programme & project management arrangements	Q4	Jan		In progress.
ICT – Projects & Programmes	Assurance on general project management plus specific projects for PSN and IT security training	Q4			Will include input from AuditOne, an external ICT auditor
ICT – Disaster Recovery	Assurance on IT DR planning, incident response & infrastructure resilience	Q4			To be undertaken by AuditOne, an external ICT auditor
Medium Term Financial Strategy	Assurance that assumptions, reserve levels, etc are appropriate and there is integration with other strategic documents	Removed as part of Dec 21 Plan review			
Performance Management	Assurance that the revised PM Framework enables the Council's performance to be effectively monitored.				To be undertaken by Julia Raftery Consulting Ltd
Housing Repairs	Assurance on the operation of the new repairs process and the void repairs process	Removed as part of Dec 21 Plan review			