

Internal Audit Progress Report



City of Lincoln Council
September 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 July – 30 September 2022
- Advise on progress with the 2022/23 Plan
- Raise any other matters that may be relevant to the Audit Committee role

Key Messages

Progress is being made on the current 2022/23 plan (Appendix 3). We have now completed 33% of the plan to date (including the 2021/22 work carried over). Progress is slower than planned due finishing 2021/22 audits, whistleblowing, recruitment and handover. A revised plan has been produced and is reported to Committee as a separate report. Once approved the following Progress Reports will monitor against the revised plan.

We have seven pieces of work in progress, three at draft report stage, three at testing stage, and one being prepared (Appendix 3). We are also involved in the co-ordination of the National Fraud Initiative which is taking place this year.

We have completed the certification of two grants, Contain Management Outbreak Fund (COMF) and Test and Trace. We continue to provide advice and assistance to the group administering the £150 energy support payment (Council Tax Rebate).

The team currently has two vacancies. The recruitment processes have been unsuccessful so far. The posts are currently being re-advertised.

Assurances

Three assurance reviews have been completed:-

- Medium Term Financial Strategy – High Assurance
- Housing Benefit Subsidy – Substantial Assurance
- Performance Management – Limited Assurance

Summaries of the reports are provided on the following pages. Appendix 1 contains an extended summary for the limited report.

1
HIGH
ASSURANCE

1
SUBSTANTIAL
ASSURANCE

1
LIMITED
ASSURANCE

0
LOW
ASSURANCE

2
CONSULTANCY

High Assurance

We have provided a High level of assurance as the Council has appropriate processes in place to prepare and monitor its Medium Term Financial Strategy (MTFS).

The MTFS is prepared annually by experienced and qualified staff in accordance with current guidance, considering external factors such as changes to local government finance and the economic climate as well as internal aspirations over the five year term. The plan is fully updated annually reviewing all of the years not just adding another year onto the end.

A robust production process is followed for the MTFS ensuring that the Corporate Management Team and Members are involved before it is finalised. Consultation with the public also took place on the budget levels as part of the budget setting process.

Assumptions made within the MTFS are supported by narrative setting out what they are and how they were arrived at. The reserve levels are considered by the Chief Finance Officer in compliance with the Councils Financial Procedure rules which require recommendations to be made to the Executive and Full Council. The reports to these meetings contained the reserve levels supported by explanations and also referenced the Financial Resilience Indicator which compares changes. The MTFS also includes a risk register which covers the various financial risks, assessing the exposure, likelihood and possible mitigating actions.

The MTFS clearly links to the Councils corporate plan 'Vision 2025' setting out that the MTFS underpins it ensuring that financial resources are directed towards its delivery. There are also clear links with the Capital Strategy and the Housing Revenue Account Business Plan. A review against the Financial Management Standards as set out within the CIPFA Code of Financial Management was undertaken and the results presented to the Audit Committee in March 2022.

We have not made any recommendations as a result of this audit.

MTFS

Substantial Assurance

Housing Benefit Subsidy

No errors were identified as part of Module 2 testing.

We examined sixty-three cases in respect of payments made in the 2021/22 financial year and five were found to contain errors;

Error 1 & 2 – Non HRA Rent Rebate

Incorrect split of cells 14 and 15 due to using a shared LHA rate rather than a self-contained 1 bed LHA rate (both claims were flats in the same building)

Error 3 – Rent Allowance

Incorrect rent protection used, resulting in an underpayment of £369.20

Error 4 – Rent Allowance Modified Scheme

Occupational Pension not used in the calculation, resulting in an overpayment of £2,182.60

Error 5 – Rent Rebate

Incorrect classification of an overpayment – should be LA error rather than Eligible.

We have made one recommendation that the errors identified should be incorporated into ongoing assessor training.

The level of errors found this year is a bit higher than last year but is still lower than in previous years.

Limited Assurance

Our review has identified significant weaknesses across the key scoped areas, and it is for this reason that a 'Limited' assurance opinion has been awarded. The full report summary can be found in Appendix 1. This also contains the management comments covering the reason for commissioning the audit, the actions already underway and areas where management did not fully agree with the findings.

The key findings are as follows:-

- Update of the Lincoln Performance Management Framework is overdue and its content needs strengthening to provide clarity and further detail on overarching performance monitoring and reporting arrangements in place and further demonstrate accountability ('set the tone' from the top).
- The Performance Measures Data Quality Policy contains insufficient detail on roles and responsibilities and key control measures relating to performance data collection and reporting.
- A set of current, complete and comprehensive control sheets is not in place that clearly defines each performance indicator measure and ensures that 'results' are accurate and reliable.
- The current PIMS system has significant constraints which are being exacerbated by the wider issues identified in this report; raising questions over whether it remains fit for purpose.
- It is not clearly evident that all outstanding question responses/information requests arising from Committee's scrutiny of the quarterly Operational Performance Reports are being responded to and/ or timely. Tracking of outstanding responses should be strengthened to ensure required actions are not 'lost' and to enforce accountability.

Areas of good practice identified include:-

- Operational performance is being regularly reported to senior management and Members, with evidence of scrutiny and challenge of the information presented.
- Performance data is reported in a formalised way through CMT, Performance Scrutiny Committee and Executive and also discussed at multiple levels within and across the Council
- As formally reported in March 2022, as part of 2022/23 target setting and target reporting for Q3 2021/22, several inconsistencies have already been highlighted and initial steps taken by Corporate Policy Team; to both identify and rectify inaccurate reporting processes and gather updated core information on current performance measures.

Work Completed / In Progress

Audits in Progress

- IT Programme & Project Management 21/22 – Draft report
- Stores 21/22 – Draft report
- De Wint Court – Draft report
- Staff Welbeing – Fieldwork in progress
- Climate Change – Fieldwork in progress
- Housing IT – First gateway review completed, others to be completed throughout the process.
- Combined Assurance - preparation

Lincoln Christmas Market – Fieldwork started but postponed until Q4

Other work

- COMF Grant certification
- Test and Trace Grant certification
- Council Tax Rebate - advice
- Recruitment process – advertised externally and no applicants. Re-advertised in different places and interviewed but not appointed. Re-advertised again.
- Revised plan drawn up to reflect vacancies
- NFI – co-ordination and returns.

Amendments to the Audit Plan

Additions:-

- COMF Grant certification
- Test and Trace Grant certification

Audit work undertaken for Assurance Lincolnshire

Covering the Principal role for the South East Lincolnshire Partnership. Two audits completed to draft report – Boston Borough Council Housing Benefit Subsidy and West Lindsey DC Contract Management. One Audit in progress Levelling up Fund and one consultancy piece at the partnership, Towns Fund.



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**

**33%
Plan
Completed**





Other matters of interest

A summary of matters that will be of particular interest to Audit committee members



Audit Committee Update 36

CIPFA issued update 36 in August 2022 covering the Guidance on Audit Committees in Local Authorities and Police and Internal Audit Untapped Potential.

Guidance on Audit Committees in Local Authorities and Police

Position statement issued in April 2022 replacing the 2018 edition. It take into account the changes in legislation and other developments that affect the role of the Committee. The guidance document to support the position statement was published in October 2022.

The guidance covers the purpose of the committee and sets out good practices that the committee should follow. These include:-

- Establishing an independent and effective model
- Ensuring that the committee covers the core functions:
 - Supporting the maintenance of governance, risk, and control arrangements
 - Financial and governance reporting
 - Appropriate and effective arrangements for audit and assurance
- Establishing a committee with the necessary expertise and understanding
- Engaging with those charged with governance, senior officers, auditors, and other committees
- Reporting annually
- Evaluation of its own impact and identifying areas for improvement

The statement puts a stronger emphasis on the Committee being independent of executive decision making and for financial reporting and external audit reporting to build on themes considered under the Redmond Review. It also recommends that Committee should have at least two lay members to provide appropriate technical expertise.

[Work will be undertaken to review the Audit Committee's Terms of Reference in line with the guidance and report back to a future Committee.](#)

Internal Audit Untapped Potential

This is a research report of internal audit across the public services. The report highlights how internal audit is having an impact and supporting their organisations. It also identifies opportunities to do more and for audit committees and management to better support internal audit.

[A full copy of the Update is included here](#)



Microsoft Edge
PDF Document

Performance Management

Scope

A high-level review to provide independent assurance that the Council's performance management framework is enabling the effective monitoring and reporting of operational performance and levels of service delivery.

To identify any issues or inefficiency within performance management and provide relevant and realistic recommendations to improve these.

Areas of focus included (but were not limited to):-

- PIMS and other key I.T systems being used to determine, monitor and report performance - high level only.
- Roles & responsibilities.
- Data quality and accuracy.
- Reporting.
- Corrective action.

The review has been informed by meetings with the Council's Corporate Policy Team, plus managers/officers responsible for performance monitoring within the following sampled Directorate areas:-

Chief Executive:-

- *Communications* – Communications Manager
- *Customer Services* – Customer Services Manager & Assistant Customer Services Manager

Communities & Environment:-

- *Sport & Leisure* – Leisure, Sport & City Services Manager & Leisure and Recreation Team Leader

Housing & Investment: -

- *Housing Voids and Housing Maintenance* – Housing Performance Team Leader

Due to the high-level nature of this review, detailed sample testing was not undertaken as part of the scope.

We are aware that an informal internal review of performance measures and targets (and the wider framework under which they operate) is currently underway by the Corporate Policy Team. Relevant early findings from this work have been considered as part of our review.

Executive Summary

Risk	Rating (R-A-G)	Recommendations*	
		High	Medium
Risk 1 – The I.T. system(s) in place for managing performance is ineffective.	Red	1	0
Risk 2 – The quality and accuracy of data is poor and does not promote sound decision-making.	Red	3	0
Risk 3 – Lack of accountability or clarity of roles and responsibilities in relation to performance management.	Red	3	0
Risk 4 – Performance reporting arrangements are inadequate and ineffective.	Amber	0	3
Risk 5 – Corrective action is not taken to address areas of under-performance.	Amber	0	2
Risk 6 – Performance measures are not reviewed, are outdated and/or no longer meet the needs of the Council.	Green	0	0

* Of the total five Action Plan Findings made, all cover multiple risks

For performance monitoring and reporting to be effective it is dependent on the information being used being reliable, relevant and accurate. Good quality performance data is imperative for the meaningful assessment of performance and to identify if performance outcomes are improving or under-performing, inform decision making, and ultimately, drive improvement in service delivery.

Ensuring a robust performance management framework and high quality performance data is a complex task, reliant on a multitude of factors; each is interlinked and dependant on others for the overlying 'performance management system' to work effectively as a whole.

At its simplest level we have judged this by assessing if there is clear corporate direction from the Council on what individuals (or groups) should be doing in respect of performance management, how they should be doing it and when (i.e. clear roles, responsibilities and accountability), and if a sound control environment exists and effective systems are in place/ being operated that are enabling their correct and consistent enactment.

Whilst an overarching framework, policy and associated guidance is in place, our review identifies key documentation in this regard is out of date and/ or lacks clarity. And whilst responsibility for maintaining a robust control environment resides predominantly with service areas, and our discussions confirm some control.

Executive Summary

processes are indeed in operation, due to lack of clear, current and comprehensive direction centrally, each is being interpreted differently. This is ultimately resulting in inconsistencies, inefficiency and is compromising the accuracy and reliability of performance data being produced.

Our review has identified significant weaknesses across the key scoped areas, and collectively it is for this reason that a '**Limited**' assurance opinion has been awarded. For the purpose of this audit report the 'issues' have been split into separate Action Plan findings, however it is important to note that they are not entirely discrete and have inter-dependencies. As such, there is a degree of overlap in the implications, associated risks and recommendations made for each.

At a headline level they are as follows:

- Update of the **LPMF** (the key overriding framework) is overdue and its content needs strengthening to provide clarity and further detail on overarching performance monitoring and reporting arrangements in place and further demonstrate accountability ('set the tone' from the top).
- The **Performance Measures Data Quality Policy** contains insufficient detail on roles and responsibilities and key control measures relating to performance data collection and reporting, which collectively ensure high quality data through consistent application/ operation by staff.
- A set of current, complete and comprehensive **control sheets** is not in place that clearly defines each performance indicator measure and ensures that 'results' are accurate and reliable.
- The current **PIMS system** is an adequate performance collation and reporting tool but has significant constraints which are being exacerbated by the wider issues identified in this report; raising questions over whether it remains fit for purpose.

- It is not clearly evident that all outstanding question responses/ information requests arising from Committee's scrutiny of the quarterly Operational Performance Reports are being responded to and/ or timely. Tracking of **outstanding responses** should be strengthened to ensure required actions are not 'lost' and to enforce accountability.

We do recognise there are areas of good practice. These include:

- Operational performance is being regularly reported to senior management and Members, with evidence of scrutiny and challenge of the information presented.
- Whilst performance data is reported in a formalised way through CMT, Performance Scrutiny Committee and Executive, performance is also discussed at multiple levels within and across the Council; within team meetings, quarterly to Directorate Management Teams (DMT's) and through various other means.
- As formally reported in March 2022, as part of 2022/23 target setting and target reporting for Q3 2021/22, several inconsistencies have already been highlighted and initial steps taken by Corporate Policy Team; to both identify and rectify inaccurate reporting processes and gather updated core information on current performance measures.

Management Response

In commissioning this review, we knew the policies and procedures were outdated and we had previously scheduled this work, but COVID 19 and the diversion of the policy team onto that work necessitated a planned delay. In addition, two members of the team have now left and with one team member being new, this has left a corporate capacity of two officers, one being junior. In response to the team capacity issues and the delay to the framework update, CMT have ensured that the full range of performance management information continues to be utilised to effectively identify and address performance issues across service areas". We recognised the need to update our LPMF prior to the audit - hence the request to examine this area. As such the audit has been helpful to further focus our attention.

Overall, the LPMF continues to work well. There is an acceptance that data quality can always be improved, and the recommendations within the audit report around introducing new data control sheets for each indicator will see a further improvement in data quality. The data being reported currently does not have material errors within it. Evaluating performance of any service comes from a range of information, not just the performance indicators but also levels of customer complaints, staff feedback (121's, Extended DMT, DMT), vacancy levels and budget position. The triangulation of this information already shows senior management and Members where focussed effort is required and hence management decisions over resource switching continue to be effectively taken in key service areas. The performance information collected correlates with these other information sources.

Plans are already progressing, in terms of a comprehensive management of change process, to bring two performance teams together and hence bolster capacity in this area and standardise processes. The recruitment of a new manager and Assistant Director will provide much needed additional capacity at a senior level to review the policy and supporting documents.

We continue to provide a full performance management system, against metrics agreed with portfolio holders and this leads to robust scrutiny at DMT, CMT, scrutiny committee and Executive levels. Our focus now will be on ensuring the data quality through the re introduction of the data control sheets and then move onto a review of the formal policies followed later in the year by a review of the indicator set.

Director for Communities and Environment

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.

Audit	Scope of Work	Start Planned date	Start Actual date	End Actual date	Status/ Rating
21/22 Performance Management	Assurance that the PM Framework enables the Council's performance to be effectively monitored.	Q4	Mar 22	Aug 2022	Limited
21/22 Stores	Assurance on the changeover of the contractor.	Q4	Apr 22		Draft Report
21/22 ICT Programme & Project Management	Assurance on general programme and project management.	Q4	Feb 22		Draft Report
21/22 Medium Term Financial Strategy	Assurance that assumptions, reserve levels, etc are appropriate and there is integration with other strategic documents	Q4	Mar 22	July 22	High
Annual IA Report	Audit opinion & coverage for 2021/22	Q1	May 22	June 22	Completed
Housing Benefit Subsidy	Detailed testing on behalf of External Audit	Q1-2	May 22		Substantial
Staff Wellbeing	Review of the impact of changes to working practices on staff and action being taken. Covering areas such as homeworking, health and safety and the impact on sickness, grievances, turnover.	Q1	Sept 22 Start delayed until September by auditee.		In Progress

Audit	Scope of Work	Start Planned date	Start Actual date	End Actual date	Status/ Rating
De Wint Court	To review the proposed arrangements in place for the Rent, allocations, staffing and other income in respect of De Wint Court .	Q1			Draft Report
Housing IT	System Implementation Gateway reviews on the project to upgrade the Universal Housing system	Q1-3			First gateway review completed
IT Disaster Recovery (IT Consultant)	Assurance on IT DR planning, incident response & infrastructure resilience.	Q1-2			Postponed until Q4 at request of auditee
Christmas Market	There are plans in place setting out the aims and objectives for the market measuring it's performance. Processes are in place for the secure collection of income and procurement of goods and services to support the operation of the market.	Q2			Started – put on hold until Q4 due to auditee capacity. Unexpected additional work. To remove if approved.
Economic Recovery – Post Covid	Work to be carried out on the Covid related grants - potential to look at third party providers, possible frauds, lessons learned.	Q2			To remove if approved.
Climate Change	Review of the Councils climate action plan to ensure that it links to the Councils vision and aspirations, sets clear targets for achievement and is embedded within the Council.	Q2-3			Fieldwork in progress

Audit	Scope of Work	Start Planned date	Start Actual date	End Actual date	Status/ Rating
Members	Review of the processes in place to ensure that Members receive the resources (kit & expenses) and development required including their responsibilities and communication especially via social media.	Q2-3			To remove if approved.
Electoral Registration	Review of the maintenance of the electoral register.	Q3			To remove if approved.
Fleet	Review to ensure that the fleet is procured & managed in accordance with the policies and procedures. There are controls in place to ensure that fuel and consumables are used on council fleet vehicles and policies on private use of fleet vehicles are in place.	Q3			
Housing Repairs	To provide assurance on the operation of the new repairs process and the void repairs process	Q3			To remove if approved.
Health & Safety	Review operation of new risk assessment process.	Q3			To remove if approved.
Insurance	Processes in place ensure that the responsibility for insurance is clearly defined and sustainable, adequate cover is in place, compliance with internal procedures and claims are dealt with promptly.	Q3			To remove if approved.

Audit	Scope of Work	Start Planned date	Start Actual date	End Actual date	Status/ Rating
Property, Plant & Equipment (Asset Control)	Review of the processes in place to ensure that the assets register held by accountancy is accurate (additions / disposals, valuations & reconciliation of the register).	Q3			
Organisational Development	To provide assurance that there is an effective workforce plan in place which meets the changing needs of the council in order to serve its communities. To consider the demographic and skills of staff and to ensure that key risks have been identified.	Q3-4			
Corporate Asset Management	There is an up-to-date Strategic Asset Management plan in place which is appropriately communicated.	Q3-4			To remove if approved.
Western Growth Corridor	To provide assurance that appropriate partnership governance and programme management arrangements are in place for the construction of Phase 1a.	Q3-4			
Housing Strategy & New Build / New Homes	The Council has a plan in place that includes the delivery of new homes which is realistic and adequately resourced. There are processes in place which ensure that any conditions of funding are adhered with.	Q4			To remove if approved.

Audit	Scope of Work	Start Planned date	Start Actual date	End Actual date	Status/ Rating
General Ledger (Journals, Control Accounts & Suspense Accounts)	Review to ensure that there are controls in place to ensure that journals made are appropriate, control accounts are reconciled and suspense accounts cleared promptly.	Q4			
CCTV	Review of the processes in place to ensure that the service complies with the regulatory requirements, is appropriately resourced and has processes in place for maintaining and sharing information in response to incidents. Equipment is maintained and secure.	Q4			To remove if approved.
IT Asset Management	Review of the processes and policies in place regarding the control of IT assets (Including mobile devices) including asset management, responsibility, use and the security of the devices to protect against unauthorised use, access to information and loss of assets.	Q4			
Income – Bank Reconciliation	Processes in place ensure that bank reconciliations are carried out promptly, accurately, reviewed and any discrepancies are rectified.	Q4			
Combined Assurance	Update of the Combined Assurance Map	Q4			Preparation being undertaken
Audit Strategy & Plan	Audit Strategy & Plan for 2023/24	Q4			