Internal Audit
Progress Report

City of Lincoln Council
June 2023

Contents

Amanda Stanislawski – Audit Manager (Head of Internal Audit)
Amanda.stanislawski@lincoln.gov.uk

Overview and Purpose

The purpose of this report is to:

- Provide details of audit work from February 2023 to June 2023
- Advise on progress with the Audit Plan
- Raise any other matters that may be relevant to the Audit Committee role

Staffing

We continue to deliver the Internal Audit service using both internal and external resources. The service is currently being provided through support from Assurance Lincolnshire, purchase of support for IT Audit and a temporary casual auditor.

The service has not been fully staffed since July 2022 and we still hold two vacancies out of a team of three. Despite going through the recruitment process on a number of occasions we have not been successful in recruiting to the posts. We did briefly appoint to the Principal post in February 2023 but the postholder resigned shortly afterwards. This is a national issue with Audit posts in the public sector, along with others, not being easily recruited to. To provide support in the interim we are in the process of putting in place more robust arrangements with an external contractor for general audit work and another for IT Audit.

Progress & Performance

Most of the audits remaining from the 2022/23 plan have now been completed to at least draft report. There is just one audit still in progress, Housing Repairs. We are currently in the process of scheduling in the 2023/24 plan and have started one audit, Housing Benefit Subsidy. Further details are provided within the following pages and a full breakdown in Appendix 2. There is no additional Benchmarking data to report since the Annual Report was produced.

We have completed the following pieces of work since the previous report (Summaries of these reports are provided in the following pages) :-

High Assurance	Substantial Assurance	Limited Assurance	Low Assurance
Key Controls - Ledger	Climate Change	None	None
Key Controls – Bank Reconciliation	Organisational Development		
Key Controls – Property, Plant and Equipment	IT Disaster Recovery		
Follow-ups	De Wint Court		

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.

Report Summaries

The following are summaries from the Internal Audit reports issued since the previous report and key recommendations made.

High Assurance

Key Controls – Ledger

We are able to give High assurance that the key controls are in place and operating as expected. We found that:

- Access to the Main Accounting System (Agresso) is restricted.
- The Agresso system for posting journals is an automated process that does not require any authorisation; there is a division of duties in that the same officer cannot create and process a journal.
- Journals are completed in full; in built control features ensure that the journals balance and cost codes are valid before they can be processed. A further control has recently been introduced which requires each line to include supporting narrative before the journal can be posted.
- Control account reconciliations are undertaken regularly, independently verified and any discrepancies are promptly resolved.
- There is a regular review of the suspense account

We have identified access to Agresso as an area for improvement.

Recommendations	Priority
1.1 A review is undertaken by Financial Services (suggested bi-annual) to identify any users who no longer require access to Agresso and to ensure that the level of access is proportionate to their role.	Medium
1.2 Human Resource circulate the list of leavers to Financial Services and other system administrators.	Medium
1.3 Work flow routing for the electronic IT access request form is set up to ensure that the same officer cannot authorise both levels	Medium

High Assurance

Key Controls – Bank Reconciliation

We are able to give High assurance that the key controls are in place and operating as expected. We found that:

- All income processed is regularly reconciled to ensure that it has been received and is correctly posted into the financial ledger.

- Collection of income by service areas is regularly monitored to ensure that it is banked and posted into the nominal ledger

- Bank reconciliations are undertaken monthly and are up to date

- Suspense accounts are continuously monitored and regularly reviewed

- Online banking access is restricted to appropriate users and authorisation levels for active users are in line with Treasury Management Practices.

- There is an adequate separation of duties for on line banking.

We have not made any formal recommendations.

High Assurance

Key Controls – Property, Plant and Equipment

We are able to give High assurance that the key controls are in place and operating as expected. We found that:-

- Capital schemes are approved by Executive. Expenditure against capital programs and asset purchase codes are reviewed by Accountancy at the year end to identify additions or enhancements to existing assets.

- The process for depreciation has been correctly applied and is clearly recorded on the asset register

- There is a process in place for impairment losses and that any reductions in value are identified and recorded on the asset register.

- There is an annual reconciliation between the asset register and Agresso (finance system)

- A joint review of assets between Financial Services & Property Services is undertaken and would identify any variances between the two systems.

- There is a process in place regarding the acquisition and disposal of assets that includes a report to Executive, a valuation and update of the register.

We have made the following recommendation:

Recommendation	Priority
The asset register is password protected and access limited to key staff	Medium

High Assurance

We are pleased to confirm that there was evidence that all the actions had been satisfactorily implemented – demonstrating a good control environment where management actions are taken to improve systems and processes. **High Assurance** has been given to this area.

Audit	Actions Followed-up	Actions implemented as told
Licensing	2	2
Values and Behaviours	1	1
Western Growth Corridor	1	1
Visitor Information Centre	1	1
Planned Maintenance	2	2
Stores	1	1
Safeguarding	1	1
Performance Management	1	1
Totals	**10**	**10**

Substantial Assurance

Overall we have given a substantial level of assurance for the Councils response to Climate Change as there are plans in place with progress being reported to various stakeholders. Communication with stakeholders has taken place, and the Council works closely with the Lincoln Climate Commission, further widening the scope of climate related activities and ensuring that the activities undertaken by the Council support the wider plans for the County. In summary we found that:-

- There are a number of documents in place setting out the various aspirations of the Council in respect of climate change and covering the actions proposed.

- Monitoring and reporting is being undertaken against the various action plans which shows that the aspirations are becoming embedded.

- There is a Climate Change Vision Group in place which meets periodically.

- Communication with stakeholders has taken place with surveys being undertaken feeding into the various action plans. Events have also taken place between June and September 2022.

Recommendation	Priority
1.1 A review of the various documents is undertaken to form an overriding strategy which either covers all aspects or refers to the other documents so that all aspirations are covered/referenced in one document. The strategy considers the resources available to ensure that they are sufficient.	Medium
2.1. A table is added to the policy setting out the required review frequency and detailing the reviews undertaken, when and by whom. When a review is undertaken it is entered onto the table as evidence of review.	Medium
2.2. Managers review the requirement to review the policy annually to establish if this frequency is appropriate.	Medium
3.1. The progress update section of the Action Plan is removed from the Strategy itself, with reference being made to its existence and the fact that it will be updated periodically and reported to the Vision group.	Medium
3.2. The Action Plan is improved to include a responsible officer, a timeframe for completion and a specific target for each action.	Medium
4.1 The information on both the Council's and the Lincoln Climate Commission website is kept up to date.	Medium
5.1. The meetings of the Climate Change Vision group are either minuted or a detailed action plan completed.	Medium
5.2. The Terms of Reference for the group are agreed and adopted.	Medium
6.1 Reports are made to Senior Management on a periodic basis to ensure that they are kept aware of progress and are able to feed into any issues.	Medium
7.1 A communications strategy is implemented setting out what the Council is going to do when and by whom.	Medium

Climate Change

Substantial Assurance

A Substantial level of assurance has been given to reflect that, overall, the Council has a robust People Strategy in place with high levels of engagement with staff evident to inform its progression. The assurance level is further substantiated by the existence of the Organisational Development (OD) Board, set up to oversee all matters relating to workforce planning and to support the delivery of the Council's Vision 2025. In summary we found that:-

- The People Strategy clearly sets out how the Council will develop its working practices, people, and culture and how it will mitigate future challenges faced. The Strategy is aligned to the Council's vision and strategic priorities.

- Actions required to support the Council's priorities, outcomes expected and how achievement would be demonstrated are monitored on an ongoing basis within the OD and Staff Survey Action Plans and submitted periodically to the OD Board for review and comment..

- Regular meetings of the OD Board with a detailed Terms of Reference ensures robust governance arrangements are in place for overseeing workforce matters.

- The Staff Charter 'The Lincoln Way', clearly sets out the values, behaviour and commitment expected from staff to realise the Council's Vision 2025.

- Engagement with the workforce is undertaken at multiple levels. Staff surveys, carried out in 2017 and 2022, ensured staff views are understood and considered.

- Updates on key aspects of the OD and Staff Survey Action plan are included in HR update reports submitted quarterly to the Corporate Management Team.

- Key performance information relating to sickness, staff turnover and vacancies reported quarterly to Performance Scrutiny Committee and Executive.

- Key risks relating to organisational development are identified on the Strategic Risk Register and Chief Executive Directorate Risk Register, together with current controls and mitigating actions.

We have made the following recommendations:-

Recommendation	Priority
1.1 The People Strategy is updated to ensure reference is made to the Council's Vision for 2025 document and Strategic Plan, and also the 2022 Staff Survey. The date of the People Strategy to be amended and a table added enabling version control, ownership, and future reviews to be evidenced.	Medium

Organisational Development

Substantial Assurance

Recommendation	Priority
Organisational Development 1.2 The updated People Strategy is submitted to the OD Group for formal approval. Submission to the Executive Board and/or Full Council should also be considered.	Medium
2.1 The OD Action Plan is updated to ensure it includes outcomes and potential blockers of success for all actions. Timescales for completion of each action also to be included.	Medium
3.1 To enable the impact of actions taken to address staff concerns to be more effectively measured, and to identify whether there are any new concerns, staff surveys are carried out more regularly i.e. annually.	Medium

Substantial Assurance

We have provided a substantial level of assurance as the Council has developed a comprehensive IT Disaster Recovery Plan although there were areas where additional information, such as managing a disaster out of hours and carrying out post-disaster lessons learnt exercises, would enhance the plan. We were asked to review the plan before it was finalised so that any recommendations could be taken on board.

Recommendations	Priority
IT Disaster Recovery 1.1 The IT Disaster Recovery Plan is completed and updated to include areas below:- • Emergency and out of hours contact details for key IT management and staff • Inclusion of process to carry post disaster lesson learnt exercises • Inclusion of version control information	Medium
1.2 Once updated the plan is reviewed, approved by senior management, and communicated to the relevant staff.	Medium
2.1 The Council develops a schedule to carry out disaster recovery testing for critical infrastructure and systems on a periodic basis. Action logs and recovery instructions are developed as part of testing to support future tests and/or live recoveries when required.	Medium
3.1 The Council carries out disaster recovery scenario-based exercises on a periodic basis. Any actions and lessons learnt from the exercises are updated to plans and procedures for future use.	Medium

Substantial Assurance

Our review gives Substantial Assurance that there are effective procedures in place for the management and operation of De Wint Court Extra Care accommodation. Applications for De Wint Court are made through Lincoln Homefinder. A Local Lettings Policy (LLP) approved by Executive sets further criteria for applicants to meet (local connection and age) as well as setting out how applications will be assessed in terms of housing and support needs, with the aim of ensuring that there is a balance of care needs in the scheme. We found that:

- A comprehensive list of all applications is maintained; details include who nominated to ensure that a 50:50 split of nominations between City of Lincoln Council and Lincolnshire County Council is maintained.
- The De Wint Care Extra Care Panel meet regularly to review applications and award a care need. We found that all the applicants who have been accepted onto the De Wint Court housing register meet the criteria set out in the LLP.
- Weekly rent and service charges for tenancies have been approved and the correct rent debit figure has been input to Universal the Housing I.T rent system.
- Contract and lease agreements for the hire of a carers room and provision of catering services have been signed and are held under seal with Legal. A lease for the hair salon was being negotiated at the time of the audit.
- A risk assessment of the facility and play area were carried out with the assistance of the Health & Safety Team.
- A fire risk assessment was carried out by a contractor prior to occupation.
- Staff roles and responsibilities are set out in job descriptions. The training needs for staff have been identified.

There were 20 recommendations made, a summary of these is provided below:-

Recommendation	Priority
The LLP is amended to include the authority of the Allocations Panel for making direct lets and the decisions are fully documented. The criteria is agreed and documented. (3)	Medium
Process and responsibility for invoicing leases and collecting payments for utility costs are documented. The tenancy booklet is amended to include how utility costs will be charged. (3)	Medium
Processes are put into place to ensure actions from fire risk assessments are implemented, all fire safety checks are documented and audited and training records kept in the manual. Issue logs are fully completed. (4)	High

De Wint Court

Substantial Assurance

De Wint Court

Recommendation	Priority
The additional control measures for the play equipment are put into place and evidence of the checks maintained.(2)	Medium
Liaise with the catering contractor to ensure that the outstanding additional risk areas are completed.	Medium
Review the process for DBS renewals and update guidance. Add in safeguarding agreement to relevant job descriptions. (4)	High
Review and update the training matrix ensuring necessary staff have Responsible Officer Training. Log training on i-trent. (3)	Medium

Work Completed / In Progress	Audits in Progress • Staff Welbeing – Draft report • Housing Repairs – Fieldwork • IT Asset Management – Draft report • Housing Benefit Subsidy Other work • Annual Opinion completed • NFI – co-ordination. Amendments to the Audit Plan The Western Growth corridor audit has been moved fully to 2023/24. Audit work undertaken for Assurance Lincolnshire Covering the Principal role for South Kesteven District Council – completed the Combined Assurance work.

GOV.UK   Thurrock Council: Best Value Inspection Report

Following the failings at Thurrock Council the Secretary of State appointed Essex County Council as Best Value Inspector to review not only the financial difficulties but also the wider factors such as leadership, culture, governance and the system of checks and balances.

They found that '*although serious mistakes have been made by individuals, the challenges facing Thurrock stem from a series of self-sustaining, systemic weaknesses which have allowed for repeated failure over many years*.'

Parts 4 and 5 of the report set out the failings within the Governance and the Council's control environment including scrutiny and Internal Audit.

Some of the recommendations made could impact on Councils generally:-

8 – To carry out a review of external audit considering the role they currently play in the assurance framework and make recommendations on how to strengthen the quality of the service and reporting requirements, particularly enabling an early warning mechanism.

9- Strengthening the role of the three statutory officers requiring them to work together. Making legislation to strengthen and clarify the role of the Monitoring Officer and Head of Paid Service.

The full report can be found here.

Woking Borough Council Issues S114

The Department for levelling Up Housing and Communities (DLUCH) have been in discussions with the Council concerning its financial position since the summer of 2022. The Secretary of State commissioned a non-statutory review of the sustainability of Woking's financial position which led to the issue of the S114 notice in June as it was not able to produce a balanced budget beyond 2024/25. The reason for this is the level of debt, predominantly used to support commercial activities, and the costs of financing it.

The full report can be found here.

Consultation on Internal Audit Standards

The Institute of Internal Auditors (IIA) provides internal audit professionals with guidance in the form of the International Professional Practices Framework (IPPF). Some aspects of the framework are mandatory and others recommended guidance. The mandatory elements of this are adopted by CIPFA within the Public Sector Internal Audit Standards (PSIAS). As stated by the IIA the main changes proposed are:-

- The new Standards incorporate the five mandatory elements of the current framework (Mission of Internal Audit, Definition of Internal Auditing, Core Principles for the Professional Practice of Internal Auditing, Code of Ethics, and Standards) as well as one of the recommended (nonmandatory) elements, the Implementation Guidance. These will no longer exist as separate entities.
- The proposed Standards are not divided into "attribute" and "performance" categories and do not contain "interpretations" as a separate section of the standard. The ".A" and ".C" implementation standards have been incorporated into the main body of the proposed Standards. The numbering system and order of the Standards has changed completely.
- Guidance will still exist as a recommended element in the new IPPF, which allows for more in-depth attention to internal audit practices and subjects.
- Topical Requirements are under consideration as an addition to the IPPF to enhance the consistency and quality of internal audit services.
- The unique characteristics of the public sector are for the first time highlighted in the proposed standards.

The IIA has recently consulted on the proposed changes being made to the framework and CIPFA , along with other relevant bodies and individuals, has sent their comments through to them here. The IIA expects to release the new standards by the end of 2023 after which time CIPFA will review the implications for the PSIAS. This may lead to changes in the processes which Internal Audit need to adopt to remain compliant.

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
2022/23 Housing Repairs	To provide assurance on the operation of the new repairs process and the void repairs process	Q3			Fieldwork
2022/23 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			Draft Report
2022/23 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.		Draft Report
Annual IA Report	Audit opinion & coverage for 2021/22	Q1	May 23	June 23	Completed
Housing Benefit Subsidy	Detailed testing on behalf of External Audit	Q1-2	May 23		
VAT/Tax	Assurance that VAT has been correctly accounted for and claims submitted in-line with HMRC requirements.				
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.	Q2			

Audit	Scope of Work	Start Planned date	Start Actual date	End Actual date	Status/ Rating
Council Tax	There are effective arrangements in place which ensure that council tax due to the Council is correctly identified, calculated, requested and accounted for. Refunds, discounts, exemptions and write-offs are correctly applied.				
Creditors	Assurance that there are effective processes and procedures in place which ensure payments are made to the correct suppliers in a timely manner and in accordance with the Council's Financial Procedure Rules.	Q2			
Housing Rents	To review the processes in place which ensure that voids are managed effectively reducing the loss of income. Rent is charged correctly to the correct people, collected promptly, accounted for accurately and arrears are managed effectively in accordance with policies.				
NNDR	To carry out a review of the key controls to provide assurance that NNDR is accurately charged and promptly collected in accordance with procedures. Refunds, discounts, exemptions and write-offs are correctly applied.	Q4			

Audit	Scope of Work	Start Planned date	Start Actual date	End Actual date	Status/ Rating
Treasury Management	To carry out a review of the key controls to provide assurance that separation of duties are maintained, system access is restricted, procedure rules are adhered to and monitoring and reporting undertaken.	Q4			
Contract Management	To review the processes in place for managing contracts throughout the Council.				
Governance Health Check	Health check of COLC against the 7 governance characteristics within the Centre of Governance and Scrutiny's Governance, Risk and Resilience Framework.				
Business Continuity	Review to ensure there is a process and plans in place for all relevant areas. The revised plans take on board lessons learned from the pandemic.	Q4			
Electoral Registration	Review of the maintenance of the electoral register and implementation of new legislation.				
Housing Strategy and 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.				

Audit	Scope of Work	Start Planned date	Start Actual date	End Actual date	Status/ Rating
CCTV	Reviewof 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.				
Fleet	Review to ensure that the fleet is procured and managed in accordance with the policies and procedures. There are controls in place to ennsure that fuel and consumables are used on council fleet vehicles and policies on private use of fleet vehicles are in place.				
Neighbourhood Management and Regeneration	There are structures, processes and plans/strategies in place which ensure that neighbourhood management is effective and achieves its intended outcomes now and in the future.				
Staff Recruitment, Retention and Talent Management	Staff recruitment, selection and retention processes ensure compliance with the relevant legislations, policies and procedures. Processes in place to address the long term vacancies and 'grow' staff.	Q3			

Audit	Scope of Work	Start Planned date	Start Actual date	End Actual date	Status/ Rating
Performance Management Follow Up	To follow-up the implementation of recommendations made in the previous Limited assurance report to ensure they have been completed and the assurance level improved.	Q4			
Housing IT	System Implementation Gateway reviews				
Western Growth Corridor	To provide assurance that appropriate partnership governance and programme management arrangements are in place for the construction of Phase 1a.				
UK Shared Prosperity	The processes in place for the governance and management of the Fund including the management of the Expressions of Interest for projects.				
Cyber Security	To provide assurance that the key areas of cyber security have been addressed in accordance with the National Cyber Security Centre 10 steps.	Q4			
Digital	To ensure security of on-line services (web-site/forms/applications etc)	Q4			

Audit	Scope of Work	Start Planned date	Start Actual date	End Actual date	Status/ Rating
Access Control	To provide assurance over the processes in place for controlling access to systems, network and suppliers remote access control arrangements.				
Combined Assurance	Update of the Combined Assurance Map	Q4			
Audit Strategy & Plan	Audit Strategy & Plan for 2024/25	Q4			