

Internal Audit Progress Report



**City of Lincoln Council
December 2023**

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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.

Overview and Purpose

The purpose of this report is to:

- Provide details of audit work from July 2023 to 15 November 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 purchase of support for general audit and IT audit and a temporary casual auditor.

The service is still not fully staffed and we continue to follow the recruitment process. We now have robust measures in place to ensure that there is sufficient resource to complete the revised audit plan as agreed at the September Committee.

Progress & Performance

All of the audits remaining from the 2022/23 plan have now been completed to at least draft report. We are currently in the process of completing the 2023/24 plan and have started many of the audits, completing one, Housing Benefit Subsidy. Further details are provided within the following pages and a full breakdown in Appendix 2.

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
None	Housing Benefit	None	None
	Housing Repairs		
	Staff Wellbeing		

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.

Benchmarking data.

We have completed 27% of the revised plan and are currently on track to complete the remaining audits within the year.

The target for the span of the audits is not currently being met due to the staffing issues within the team for the first half of the year. This has also had an impact on issuing final reports with one not issued on time due to staff leave. The draft reports are being issued promptly following completion of the audit although there remains some delays in getting management responses. The data is included within the following pages.



Substantial Assurance

Housing Benefit Subsidy

A substantial level of assurance has been given as there were no errors identified with the Module 2 testing and only three in the other testing. The errors found were:-

- Error 1 - Modified Scheme Rent Allowance; incorrect amount of Mobility Supplement for a Modified Scheme resulting in an overpayment of £263.23
- Error 2 - Rent Allowance; incorrect figures were used for Pension Credit Savings Credit & Pension Credit Assessed Income figure resulting in an overpayment of £11.10
- Error 3 - Rent Rebate; claim continued to be passported following the claimant reaching state pension age, no financial impact on claim.

We have made the following recommendation:-

Recommendation	Priority
1.1 The errors identified as part of the testing are incorporated into ongoing assessor training.	Medium

Housing Repairs

We have provided a Substantial assurance rating for Housing repairs as there are good processes and procedures in place which are being reviewed and strengthened as issues are identified. Throughout the audit it was found that changes were being made to improve the relationships between the Housing Repairs team and the Customer Services team. Processes have been improved with a number of manual workarounds being put into place for issues identified with the current IT systems whilst the implementation of the new system is in progress. In summary we found that:-

- Roles and responsibilities for housing repairs are documented and shared with the Housing repairs team.
- There are good contract management processes in place for the larger contracts.
- Reporting on performance is fairly robust with various indicators in place which are reported to management and members on at least a quarterly basis.
- The service has a process in place for obtaining views from tenants on the service provided.

Substantial Assurance

We have made the following recommendations:-

Recommendation	Priority
1.1 The process notes maintained by Housing Repairs are shared with the Customer Services Team.	Medium
2.1 Process notes are provided for the Customer Services Advisers, setting out the process for repairs.	Medium
3.1 Monitoring is undertaken to ensure that completion dates are all entered onto DRS.	Medium
3.2 Checks are carried out to ensure that where a job is not completed within the required timescale the reasons for any delays are fully recorded.	Medium
4.1 Notes are maintained on the system of all action taken in respect of missed appointments.	Medium
4.2 Operatives are reminded to inform the planners when appointments are going to be/have been missed.	Medium
5.1 Records are made for all inspections carried out and monitoring undertaken to ensure that the minimum standard is maintained.	Medium
5.2 Action is taken where work is identified as not meeting the required standard.	Medium
6.1 A KPI is added to the performance reporting to include the 100 day scheduled repairs performance in the same way as the urgent and priority repairs.	Medium
6.2 The reasons for performance being below target are added to management reports and used to produce an action plan for improvement.	Medium
7.1 The process for collecting tenant satisfaction is reviewed to include issuing reminders and considering different ways to ensure inclusivity.	Medium
7.2 A process is put into place to record the actions taken to address areas which were scored low within the surveys or record why no further action is being taken.	Medium
8.1 Whilst the revised complaints process becomes embedded, spot checks are carried out to ensure that the process is complied with.	Medium
9.1 Contract monitoring arrangements are strengthened to ensure that the terms of all contracts are adhered to.	High

Housing Repairs (Continued)

Substantial Assurance

We have provided a substantial level of assurance for Staff Wellbeing; the Council has a Strategy and procedures in place and proactively promotes and signposts support which is in place. The recent staff survey found that 82% of respondents agree that the Council takes positive action on health and wellbeing.

Turnover rates are currently below the national average and the levels of sickness have reduced slightly from last year, all of which are indications of the health and wellbeing of staff.

We have made the following recommendations:-

Recommendation	Priority
1.1 Managers/Supervisors are provided with training on stress as part of their induction process.	Medium
1.2 Periodic training is provided for all staff on stress.	Medium
2.1 Policies are reviewed in accordance with the timescales set out within them. A table is added enabling version control, ownership, and future reviews to be evidenced.	Medium
2.2 A review is carried out of the Home Working Policy, Health and Safety Policy, News Ways of Working document and the Council Workstyles Guide to ascertain whether all are needed and to ensure that there are no conflicts between them. All policies and documents maintained are brought up to date and linked together.	Medium
3.1 All Managers are reminded of the requirements to ensure that all staff who work from home have completed the DSE work station assessment in accordance with the procedure.	Medium
3.2 The procedure is revised to ensure that it is accurate and reflects the current legislative requirements. This is then circulated/communicated to all staff.	Medium
4.1 The Strategy is revised to cover the current period and contains version control together with a review table and ownership.	Medium
4.2 The Strategy is published on Net Consent to make it available to staff and ensure that it is updated as required.	Medium
5.1 The reports to JCC are made at least annually covering the relevant figures supported by the measures being put in place to maintain or reduce them and the impact the measures are having.	Medium
5.2 Consideration is given to including this information on the quarterly reports made to Members and management.	Medium



Audits in Progress

- IT Asset Management – Draft report
- VAT/Tax – Terms of Reference
- Insurance – Fieldwork
- Creditors – Draft report
- Contract Management – Draft Report
- Staff Recruitment, retention and talent management – Terms of Reference
- Housing IT - Terms of Reference
- Western Growth Corridor - Terms of Reference

Other work

- NFI – co-ordination.
- Recommendation follow-up – in progress
- Combined assurance – Planning
- Effectiveness of Audit Committee review – in progress
- Effectiveness of Internal Audit review – completed
- Review of the Audit Committee Terms of reference – completed
- Review of the Head of Internal Audit – completed

Staffing

- Career grade post Job Description and Person specification completed
- Adverts arranged and Interviews conducted for Principal post
- Liaison with contractors

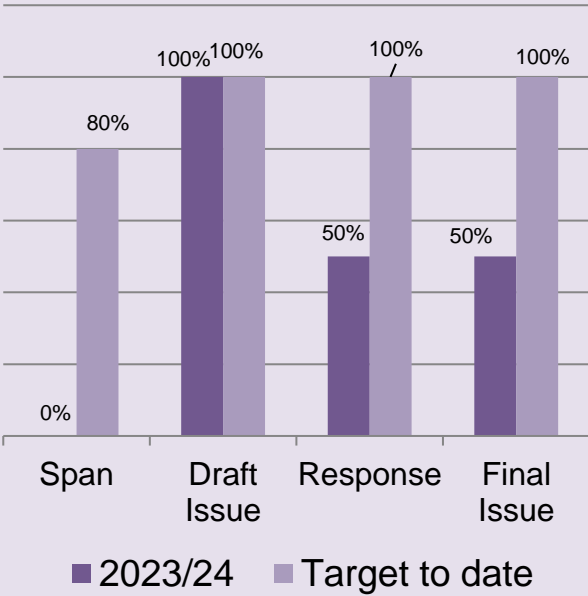


Internal Audit's performance is measured against a range of indicators. The statistics below show our performance on key indicators year to date.

Performance on Key Indicators

**Rated our
service Good
to Excellent**

**27%
Plan
Completed**





Other matters of interest

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



The international Internal Audit Standards Board have completed the review of public comments on the Global Internal Audit Standards

The consultation received nearly 19,000 comments from 1,612 completed surveys. The most frequent areas of concern were:-

- An increased usage of the word “must,” making the Standards seem too prescriptive.
- Unclear requirements for external quality assessments.
- The applicability of the Standards to public sector and small internal audit functions.
- Missing or vague terminology in the Purpose of Internal Auditing.
- Requirements for 20 hours of continuing professional education and specific competencies for all internal auditors.
- Requirements for board actions stated too directly and missing responsibilities for senior management.
- Unclear distinction between internal audit mandate and the internal audit charter.
- Confusion about appropriate measures of internal audit performance.
- The applicability of requirements to both assurance engagements and advisory engagements.
- Requirement for internal auditors to make recommendations related to findings.
- Perceived requirement of “ratings” and “rankings” for findings and conclusions.
- Requirement for a statement of conformance or nonconformance in final engagement communications.

The final version is expected to be approved at the end of 2023 and released in early 2024. Further information can be found <https://www.theiia.org/en/standards/ippf-evolution/>.

In the news



Audit Backlog

There have been several articles concerning the backlogs in signing off the Accounts of Local Authorities.



Other matters of interest

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



On 6 November the Local Government Chronicle contained an article from the Institute of Chartered Accountants in England and Wales (ICAEW) highlighting that there was an urgent need for this to be addressed. It stated that there were urgent failures in the audit system with over 1000 delayed audits and most local authorities in England are currently two or more years behind on publishing their statements. The full article is available [Here](#).

Council Financial Pressures

Another area which has had several reports is the financial pressures being experienced by councils.



On 6 November Local Gov published an article on bankruptcies underlining the need for good governance. It sets out that Councils have looked for innovative solutions to managing demand against a difficult economic climate. To be successful these need to have a robust business case to ensure viability and benefit to the public. They also need good record keeping to support long term decision making ensuring that the reasons for decisions made are documented, and passed on when staff change, avoiding problems and mistakes in the future. The full article is available [Here](#).



A number of councils have declared financial pressures:-

- Somerset County Council has declared a financial emergency due to £100m budget gap. Mainly driven by rising adult social care costs [Full article here](#)
- Birmingham outlines 'precarious financial' position with £177m funding gap. An unaddressed budget deficit and lack of useable reserves have led to a need for £200m of cuts in the next two years [Full article here](#)
- Districts warn of disastrous service cuts. Inflation, council tax support and demand for temporary housing accommodation will force authorities to cut services. Forecast shortfall is equal to 15% of district authorities' net spending. 52% of those responding to a survey by the District Council Network say they won't be able to balance next year's budget without use of reserves and 84% say council tax is likely to rise by the maximum amount. [Full article here](#)
- Leeds outlines 'unpalatable' proposals to reduce £163m funding gap. The expected deficit has been caused by high costs, rising service demand and a decade of funding cuts. It is looking at losing 750 full time equivalent posts by the end of 2024/25, building closures, asset sales and stopping or reducing services. Havering and Coventry may also be forced to issue the statutory notice later this year. [Full article here](#)

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	Mar 23	Oct 23	Completed
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	Feb 23		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.	Apr 23	Completed
Annual IA Report	Audit opinion & coverage for 2021/22	Q1	May 23	Jun 23	Completed
Housing Benefit Subsidy	Detailed testing on behalf of External Audit	Q1-2	May 23	Oct 23	Completed
VAT/Tax	Assurance that VAT has been correctly accounted for and claims submitted in-line with HMRC requirements.				Terms of reference
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	Sept 23		Fieldwork

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	Aug 23		Draft report
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			Terms of reference

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.		Aug 23		Draft Report
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			Removed
Electoral Registration	Review of the maintenance of the electoral register and implementation of new legislation.				Removed
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	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.				Removed
Fleet	Review to ensure that the fleet is procured and 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.				Removed
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			Terms of reference

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				Terms of reference
Western Growth Corridor	To provide assurance that appropriate partnership governance and programme management arrangements are in place for the construction of Phase 1a.	Jan'24			Terms of reference
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			Planning
Audit Strategy & Plan	Audit Strategy & Plan for 2024/25	Q4			