

Internal Audit Progress Report



City of Lincoln Council
March 2024

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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 on 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 Nov 2023 to 19 February 2024
- Advise on progress with the Audit Plan
- Raise any other matters that may be relevant to the Audit Committee role

Staffing

Following a successful recruitment exercise, we have recruited a trainee Auditor to the career graded post, the Principal Auditor position is however currently vacant. For the remainder of the year we will continue to deliver the Internal Audit service using both internal and external resources.

Progress & Performance

There is one audit remaining from the 2022/23 plan to be completed. This is currently at draft report stage and should be finalised before the end of March. We continue to work through the audits within the 2023/24 plan with three currently at draft report stage and two issued since the previous progress report in December. Progress is slower than anticipated due in part to delays in receiving responses to draft reports and auditee availability. Other delays have occurred due to the time taken for the recruitment process, reduced staffing to cover other tasks and sickness. Further details are provided within the following pages and a full breakdown in Appendix 2.

We have completed the following piece 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	Creditors	None	None
	Insurance		

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 63% of the revised plan and are currently on track to complete the remaining audits prior to issuing the Annual report.

The target for the span of the audits continues to not be met partially due to the availability of auditees. The draft reports continue to be 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

A Substantial level of assurance has been given to reflect the robust and effective systems of control in overall operation throughout the Council's Creditors (Accounts Payable) function.

A single Action Plan finding has been put forward to strengthen the documentation of key operational procedures and user manuals for use by the extended Exchequer team.

Whilst there are some permitted exceptions (e.g. utility accounts), the Financial Procedure Rules state that purchase orders should be raised for all work, goods or services to be supplied. Concerns have recently been raised by Members regarding the overall numbers of orders being raised, including whether the current associated performance indicator target (DCT2 - Percentage of invoices that have a purchase order completed) is sufficiently challenging. These concerns have been actively considered by senior management (CMT) and at its 24th July 2023 meeting, Executive resolved the resulting actions put in place to be acceptable. These actions include reminders to Managers that purchase orders must be raised for the majority of purchases, provision of training and ongoing monitoring.

Our testing identified 3 of 10 purchase invoices where the orders had been raised retrospectively after the invoice date. However this is not being raised as a repeat issue due to the wider actions which have been put in place and remain ongoing, with further time needed to fully embed. Achievement towards the anticipated longer-term improvement in performance will be assessed by Audit as part of the next periodic Creditors key control audit.

We have made the following recommendation:-

Recommendation	Priority
1.1 Procedures and operational guidance relating to key Accounts Payable processes and activities (including team structure) are formally documented and updated and made available to all relevant staff.	Medium

Substantial Assurance

A Substantial level of assurance has been given to reflect the overall robust and effective arrangements in place for the administration and management of the Council's insurances.

Recommendations have been made to update and enhance the documentation of key operational procedures, user manuals and intranet content; for use within the Insurance section and to provide general information, clarity on roles and responsibilities and key insurance processes to officers more widely.

Introduction of routine formal performance reporting to senior management and/or members is recommended to aid improved oversight of claims data and trends with claim processing timescales being more actively assessed to ensure compliance with sector standards and good practice.

Our review coincided with a period of recruitment to the Insurance team, and since completion of audit fieldwork a Finance Assistant (Insurance) has been successfully appointed. This should address known overdue 'housekeeping' tasks that due to stretched resource in the team previously had been deferred over the prioritisation of more critical functions, namely day-to-day claims handling and annual renewal.

Positively, verbal assurances have been received that many of the recommended tasks put forward by Audit have already (prior to the audit's undertaking) been set as formal personal objectives of the Insurance Officer in the coming 12 months.

We have made the following recommendations:-

Recommendation	Priority
1.1 Procedures and operational guidance relating to key Insurance processes and activities are formally documented, updated and made available to all relevant staff.	Medium
1.2 Information platforms for communicating key information regarding the Council's insurances and arrangements are reviewed for the clarity and comprehensiveness of their content to relevant stakeholders, and to ensure up-to-date.	Medium
2.1 Introduce active monitoring of claims handling/ processing timeframes to ensure statutory and good practice requirements are being achieved and highlight any slippages where remedying actions may be required.	Medium
3.1 Regular formal management reporting of claims data to enable corporate overview of insurance issues, trend identification and highlight areas where remedying actions may be required to reduce claims / minimise costs to the Council.	Medium



Audits in Progress

- IT Asset Management (2022/23) – Draft report
- VAT/Tax – Fieldwork
- Contract Management – Draft Report
- Staff Recruitment, retention and talent management – Draft report
- Housing IT - Terms of Reference
- Western Growth Corridor – Fieldwork due to start
- Council Tax – Fieldwork
- Treasury Management – Fieldwork
- NNDR – Draft report
- Governance – Fieldwork

Changes to the Plan

The audit of Housing Strategy has been removed from the plan and is now planned for April 2024. Discussions with the auditee found that they were currently revising the strategy and there would be more value from the audit if we reviewed the new draft plan.

Other work

- NFI – co-ordination.
- Recommendation follow-up – in progress
- Combined assurance – Completed
- Effectiveness of Audit Committee review – Completed
- 2024/25 Audit Plan – Completed
- Counter Fraud and Anti-Corruption Policy Statement and Action Plan – drafted.

Staffing

- Trainee Auditor post is now filled and working on the training and development plans for staff.
- Recruitment to Principal Auditor post to commence in March 2024.

Benchmarking

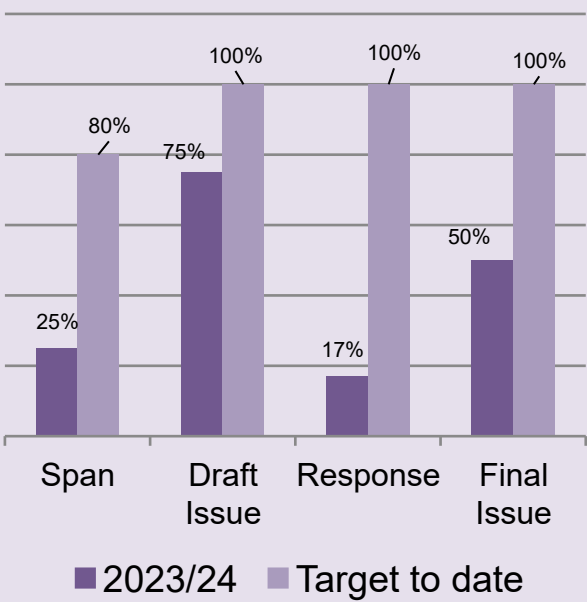


Internal Audit's performance is measured against a range of indicators. The statistics below show our performance on key indicators year to date.

Performance on Key Indicators

**Rated our
service Good
to Excellent**

**63%
Plan
Completed**





Other matters of interest

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

Standards



The international Internal Audit Standards Board have issued the Global Internal Audit

The IIA state that the Standards are the culmination of years of research, outreach, feedback, and due diligence, all of which were vital to crafting Standards that reflect the vision, breadth, and depth of the profession and the needs of the organisations served. The IASB has a recent [webinar](#), during which they discussed the Standards project and the final contents of the new standards.

The full document can be found [here](#). Internal Audit Services in all sectors are expected to comply with the revised standards by 2025.



CIPFA are currently considering the implications for the Public Sector Internal Audit Standards and are meeting with the Internal Audit Standards advisory board on 6 March. The expectation is that there will be a consultation on the new PSIAS during the summer for implementation in 2025.



Developing an effective assurance framework in a local authority

CIPFA has release a briefing aimed at everyone with an interest in assurance in a local authority. It sets out what assurance frameworks are, assurance within local authorities, roles and responsibilities and appetite. It briefly covers developing an assurance framework which should set out the source of assurances available to the leadership team and reflect the needs of the authority. The process should have a clear structure, identify the main types and sources , set out how assurance providers should work together, assess the effectiveness, identify gaps and duplications and facilitate regular review. The full briefing can be found [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.		Nov 23		Fieldwork
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	Feb 24	Completed

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.		Dec 23		Fieldwork
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	Dec 23	Completed
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.	Q4			Not started
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	Nov 24		Draft Report

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	Jan 24		Fieldwork
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.		Feb 24		Fieldwork
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.				Postponed to April 2024

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.		Feb 24		Terms of Reference
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	Nov 23		Draft report

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			Planned for 27 Feb
Housing IT	System Implementation Gateway reviews	Various			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.	Q3	Jan 24		Fieldwork to start
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.	Q4			Not started
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	Jan 23		Fieldwork
Digital	To ensure security of on-line services (web-site/forms/applications etc)	Q4	Feb 24		Terms of Reference

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.	Q4			Terms of reference
Combined Assurance	Update of the Combined Assurance Map	Q4		Feb 24	Completed
Audit Strategy & Plan	Audit Strategy & Plan for 2024/25	Q4	Jan 24	Mar 24	Completed