

# Internal Audit Annual Report 2023/24



**What we do best...**

**Innovative assurance services**  
**Specialists in internal audit**  
**Comprehensive risk management**  
**Experts in countering fraud**

**...and what sets us apart**

**Unrivalled best value to our customers**  
**Existing strong regional public sector partnership**  
**Auditors with the knowledge and expertise to get the job done**  
**Already working extensively with the not for profit and third sector**

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This report has been prepared solely for the use of Members and Management of City of Lincoln Council. Details may be made available to specified external organisations, including external auditors, but otherwise the report should not be used or referred to in whole or in part without prior consent. No responsibility to any third party is accepted as the report has not been prepared and is not intended for any other purpose.

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.

# Purpose of Annual Report

The purpose of the Annual Internal Audit Report is to meet the Head of Internal Audit annual reporting requirements set out in the Public Sector Internal Audit Standards (PSIAS) and the Accounts and Audit Regulations 2020. In particular:-

- Include an opinion on the overall adequacy of and effectiveness of the Council's governance, risk and control framework and therefore the extent to which the Council can rely on it;
- Inform how the plan was discharged and the overall outcomes of the work undertaken that supports the opinion;
- A statement on conformance with the PSIAS and the results of the internal audit quality assurance;
- Draw attention to any issues particularly relevant to the Annual Governance Statement

## Introduction

For the twelve months ended 31 March 2024 the Council has now settled into the new ways of working following the covid19 pandemic and the revised processes are now fully embedded.

The external factors such as the cost of living and inflation have continued to have an impact on the Council both in terms of the cost of and the demand for services. This can have an impact on the control environment as the provision of services is prioritised over the administrative tasks.

Our combined assurance work found similar levels of assurance to previous years. The work revealed a common theme throughout the Council; capacity due to both people and financial constraints. A number of staff from a management level left the Council this year resulting in a loss of knowledge and experience. The inability to recruit continues to put pressure on those staff remaining although the number of applications for vacant posts is increasing providing a more positive outlook.

Financially, the Council continues to be impacted by the effects of the economic climate resulting in a number of significant variances in income and expenditure. The

short term financial settlements is also making planning more difficult.

My opinion needs to take into account the impact of this on the Council's governance, risk and control environment. In doing this we rely on a number of sources of intelligence including the results of the Council's combined assurance work.









Whilst the work to be undertaken by ourselves is set out prior to commencement of the new year, it is reviewed and revised to reflect the risks faced by the Council as they change throughout the year and our resources. We formally reviewed and revised our audit plan following the half year point to reflect the impact of these.

The Internal Audit Team continues to experience vacancies. Following the introduction of a career graded post we successfully recruited to the Auditor post in February. Whilst the Principal post was appointed to in February, the new member of staff resigned. We continue to work with our partner and the vacancy will be readvertised.

# Annual opinion

Based on the work we have undertaken and information from other sources of assurance, my opinion on the adequacy and effectiveness of the Council's arrangements for governance, risk management and control is:-

Direction  
of Travel

<b>Governance</b> 	<b>Performing Well</b> – No concerns that significantly affect the Council's governance and control framework.	
<b>Risk</b> 	<b>Performing Well</b> – No concerns that significantly affect the risk management framework.	
<b>Internal Control</b> 	<b>Performing Adequately</b> – Some improvement required to manage a high risk in a specific business area and medium risks across the Council.	
<b>Financial Control</b> 	<b>Performing Well</b> – No concerns that significantly affect the financial control framework.	

## Governance



*"Achieving the Intended Outcomes While Acting in the Public Interest at all Times"*

It is comprised of systems, processes, culture and values, by which the Council is directed and controlled and through which they account to, engage with, and where appropriate, lead their communities.

## Governance Assurance



### Assessed as Performing Well

We have assessed governance as performing well as overall the Council has good Governance processes in place.

Each year the Council is required to reflect on how its governance arrangements have worked – identifying any significant governance issues that it feels should be drawn to the attention of the public – in the interests of accountability and transparency. There were no significant governance issues raised within the 2023/24 Annual Governance Statement (AGS). There were also none raised in 2022/23.

Corporate Governance was rated Green by management in the 2023 Assurance Map. The Council's Code of Corporate Governance was approved in February 2018 and has been reviewed annually until 2023 (excluding 2020). Minor changes have been made but nothing significant requiring approval. The 2024 review has been undertaken and is awaiting sign-off.

Six monthly updates on Information Governance are reported to the Audit Committee, the last one, in December 2023, did not raise any issues. There is one risk which has an assurance rating of Limited and a declining direction of travel – retention and disposal of personal data. Work is continuing to address this. E-learning refresher for all staff covering cyber security was rolled out in December 2023. Councillors had the option of completing the e-learning or attending face to face training in February 2024. The Information Governance Group have met several times this year to discuss relevant matters.

An assessment of Partnership Governance for the significant partnerships has been completed with the results reported to the Audit Committee in March 2024. All but one assessment had been given a green overall status with no specific concerns.

The Audit Committee helps to ensure that governance arrangements are working effectively. They regularly review the governance framework and consider the draft and final versions of the Annual Governance Statement. They have also completed a review of effectiveness against CIPFA best practice. The rate of compliance was high and an action plan has been produced to ensure the remaining areas are addressed.

## Governance



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A recent health check was completed by Internal Audit against the Centre for Governance and Scrutiny (CfGS) 'Governance Risk and Resilience Framework' which presents 7 Characteristics of Good Governance. This has resulted in an indicative substantial assurance rating.

There are some areas identified during the combined assurance work which require review and may affect the opinion next year if not addressed these include:-

- Members – Development, New Code of Conduct and values training
- Administration of Freedom of Information Requests
- Updating Contract Procedure rules
- Capacity within Legal, Internal Audit and Counter fraud

# Risk



Good risk management is part of the way we work. It is about taking the right risks when making decisions or where we need to encourage innovation in times of major change – balancing risk, quality, cost and affordability. This put us in a stronger position to deliver our goals and provide excellent services.

## Risk Management assurance



### Assessed as Performing Well

We have assessed risk management as performing well as there are adequate processes in place.

The Risk Management strategy was reviewed in June 2023 and presented to the Audit Committee in July along with the Annual update. As part of the annual update five actions were identified:-

- Refresh and update the Risk Strategy to incorporate categorisation of controls
- Refresh and update of E-learning on the Hub
- Training for Service Managers and project managers and Corporate Leadership Team
- Training for Members
- Benchmarking with East Midlands Risk Management Group

The Council's risk management arrangements were rated as Green by management in the 2023 Assurance Map.

30% of all Members attended. Three members of the Audit Committee attended including the Independent Member.

Over the year, the Council has continued with existing arrangements to monitor and report the quarterly strategic risk management position to the Performance Scrutiny Committee and Executive with the last report being made in February 2024. The Strategic Risk Register was updated in May 2024 and is due to be reported to the next Performance Scrutiny Committee and Executive.

There are currently fourteen Strategic Risks on the register of which six are red and seven amber. All but four have a substantial assurance status. The four with limited assurance status relate to ensuring compliance with existing and new statutory duties, protecting the Councils long term vision, resilience, capability and capacity to deliver services and projects, and uncertainty of Government's migration policy.

There are risk registers in other areas of Council work – major projects, IT, Information Governance, Fraud, significant Partnerships and directorate service risks. These have all been updated.

# Internal Control



We take account of the outcome of our audit work during the 2022/23 year. As our audit plans include different activities each year it is not unexpected that assurance varies. However the assurance levels still give insight into the Council's control environment.

## Internal Control assurance



### Assessed as Performing Adequately

Our opinion is based on several sources of intelligence including the outcome of our internal audit work and combined assurance work.

During 2023/24 there were again two Limited assurance opinions given. See appendices 1 and 2 for full details of audits completed during the year and changes made to the plan.

The number of High Risk recommendations made was low this year, with an increase in the number of Medium rated recommendations. At the time of writing there were a number of reports still to be finalised which will increase the number of recommendations from the 48 reported.

There remains good compliance with implementing recommendations as told with a High level of assurance provided again this year for the follow-up work undertaken.

There were 48 actions agreed during 2023/24 of which 24 have been implemented. However there are 8 medium actions from prior years remaining to be implemented. This is a slight increase on 7 reported last year. There are

currently 2 of these which are overdue, both of which have an explanation. One is waiting for implementation by the software provider and the other the implementation of the document management system. These continue to be monitored through CMT and the Audit Committee.

Our combined assurance work found similar levels of assurance to previous years. There were 5 areas with a Red level of assurance – further information is provided on the following page. The work revealed a common theme throughout the Council; capacity due to both people and financial constraints. The inability to recruit is putting greater pressure on those staff remaining. This is having an impact on internal controls as there is pressure to ensure that services are maintained and some of the administrative areas are being delayed or not completed.

Following a period of stability, there have been some significant changes in staff throughout the year. The biggest changes have occurred at the Service Manager level with a number of long term Managers leaving the Council. There have also been changes at Assistant Director level and other key staff. The skills and knowledge lost has been significant and it will take time for the new post holders to build these back up. This can have an impact on the internal control environment.

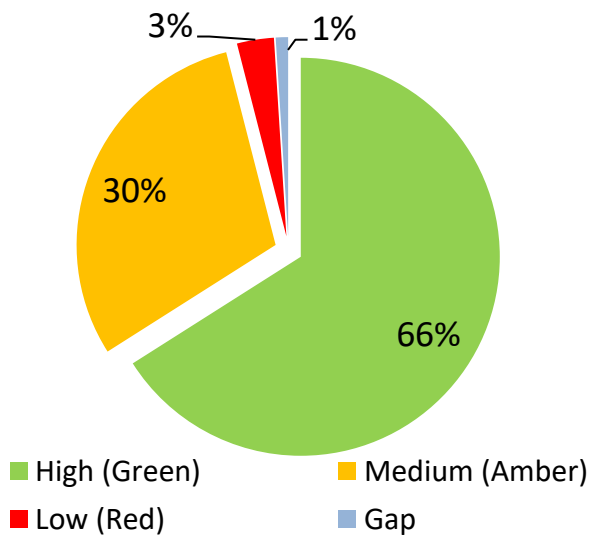
## Internal Control



An assurance mapping exercise is completed by the Council on the level of confidence they can provide on service delivery arrangements, management of risks, operation of controls and performance for their area of responsibility. This exercise provides key assurance evidence to support the Head of Internal Audit opinion.

## Combined Assurance

### Overall Assurance Status 23/24



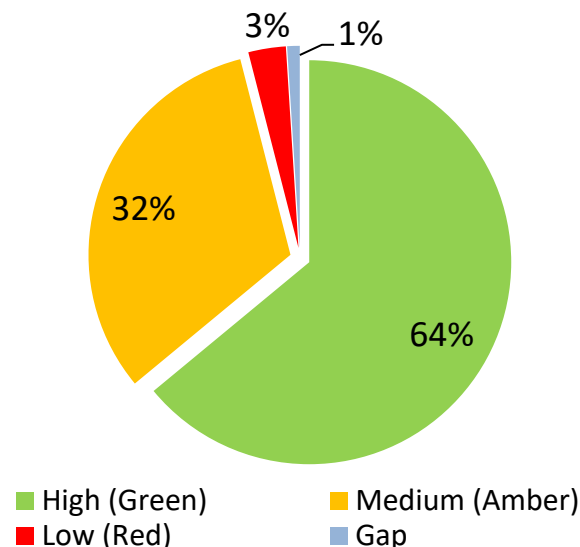
We gather the Council's assurance intelligence through an annual process across all Directorates. It provides a RAG rating assessment of the Council's Critical Activities, Key Projects and Key Risks.

Overall, there continues to be a positive assurance picture for the Council as there has been a slight change to the overall levels this year. There continues to be a high level of assurance (66%) an increase of 2% from last year.

Critical activities identified by Management as having a low level of assurance are:-

- Building control
- Legal services
- Gas servicing
- Electrical testing
- Leisure centres

### Overall Assurance Status 22/23



Management continue to take action to reduce the risks within these areas.

## Financial Control



Our audit plans include providing assurance over our key financial systems, this is done on a cyclical basis; however the level of risk will also influence frequency.

Our work provides an important assurance element to support the External Auditor's opinion on the Council's Statement of Accounts.

## Financial Control



### Assessed as performing well

We have assessed financial control as performing well as despite the financial uncertainties the Council is facing, no issues were identified during audit work, the Council has a Medium Term Strategy in place which has been updated to reflect the estimated impacts of external factors such as inflation and continues to be reviewed.

During the year we have undertaken work in the following financial areas:

- Housing Benefit Subsidy – High assurance
- Insurance – Substantial assurance
- Key Control NNDR – Substantial Assurance
- Key Control Treasury Management – Indicative - Substantial Assurance
- Creditors – Substantial Assurance

This is a slight decline than in 2022/23 where most audits received a high level of assurance.

The combined assurance work identified most of the financial systems as being Green. There are several rated as Amber (Revenues Fraud Prevention and Detection, Financial Resilience, Accountancy close down, Treasury Management, Housing Rents, Internal Audit and Counter Fraud

arrangements). Many of which are linked to staff capacity and changes.

There is a process in place for reviewing the financial position of the Council including quarterly reports to the Executive. The last one being February 2024.

The MTFS sets out the predicted position for the next five years and the savings targets required. This supports the opinion that financial controls continue to perform well.

The 23/24 AGS reports an assessment against the CIPFA Financial Management Code. Some actions were identified and progress is monitored through the Audit committee, who received the assessment findings in March 24.

The CIPFA Financial Management Code assessment 23/24 actions are:-

- Update the VFM statement to incorporate new productivity plan requirements.
- Continue to support professional development – ongoing action
- Review CPR
- Review Finance Business Partnering action plan – implementation complete now to review
- Consider options for an independent financial resilience assessment.
- Further development of the budget/strategic plan consultation – some work completed

## Our Work



The Council is responsible for establishing and maintaining risk management processes, control systems and governance arrangements. Internal Audit plays a vital role in providing *independent risk based and objective assurance* and *insight* on how these arrangements are working. Internal Audit forms part of the Council's assurance framework.

## Scope of Work

Our risk based internal audit plan was prepared taking into account the critical activities and key risks to support the basis of my annual opinion. It has remained flexible to enable us to respond to emerging risks and maintain effective focus.

Audit Committee approved the 2023/24 audit plan of 310 days in March 2023. The Plan was revised during the year and the days reduced to 236 due to available resources – see Appendix 2 for details.

We have delivered 87% of the revised plan - details of the work completed is set out in Appendix 1.

We have not experienced any impairment to our independence or objectivity during the conduct and delivery of the Internal Audit Plan.

## Restriction on Scope

In carrying out our work we identified no unexpected restrictions to the scope of our work.

We have worked closely with the Council's senior management team to agree audit scopes and to ensure audit work is progressed.

I do not consider the changes to the plan to have had an adverse effect on my ability to deliver my overall opinion. The combined assurance work undertaken has helped in this regard.



## Our Work



Internal Audit's role include advisory and related service activities, the nature and scope of which are agreed with CMT, are intended to add value and improve an organisation's governance, risk management and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation and training.

## Other Significant Work

During the year we completed testing of Housing Benefit Subsidy on behalf of the External Auditors, Mazars.

We completed the Combined Assurance work which maps all assurance across the Council using the 'three lines of assurance' model. This provided the Council with insight over the assurances present on its critical activities, key risks, projects and partnerships.

We have continued to provide advice and guidance to services as required.

We also:-

- Produced the six-monthly and annual fraud reports
- Reviewed the Counter Fraud and Anti-Corruption Policy and Strategy
- Refreshed the Fraud Risk Register
- Administered the Whistleblowing cases
- Administered the 2022 NFI exercise.
- Completed the review of Effectiveness of the

Audit Committee and Internal Audit.

- Reviewed the Audit Committee Terms of Reference.
- Completed the review of the Head of Internal Audit





We recognise the importance of meeting customer expectations as well as conforming to the UK Public Sector Internal Audit Standards (PSIAS). We continually focus on delivering high quality audit to our clients – seeking opportunities to improve where we can.

## Quality Assurance

Our commitment to quality begins with ensuring that we recruit, develop and assign appropriately skilled and experienced people to undertake your audits.

Our audit practice includes ongoing quality reviews for our assignments. These reviews examine all areas of the work undertaken, from initial planning through to completion and reporting. Key targets have been specified - that the assignment has been completed on time, within budget and to the required quality standard.

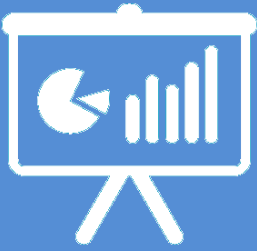
There is a financial commitment for training and developing staff. Training provision is continually reviewed through the appraisal process and regular one to one meetings.

The City of Lincoln Council conforms to the UK Public Sector Internal Audit Standards. An External Quality Assessment was undertaken in early 2022 and we were found to 'FULLY CONFORM'.

Our quality assurance framework helps us maintain a continuous improvement plan, which is refreshed periodically.

### External Audit

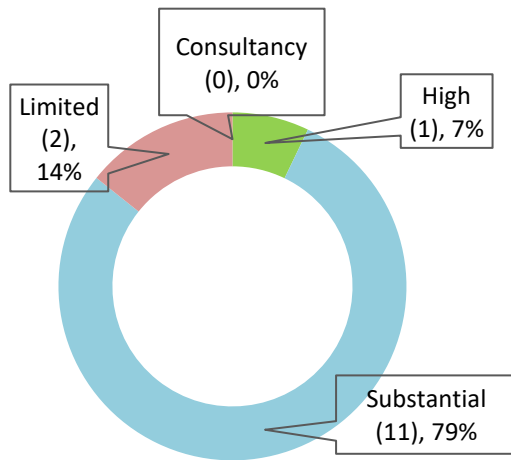
Although internal and external auditors carry out their work with different objectives in mind, many of the processes are similar and it is good professional practice that they should work together closely. Wherever possible, External Audit will place reliance and assurance upon internal audit work where it is appropriate.



Our audit plan includes different activities each year – it is therefore not unexpected that these vary; however, the assurance levels do give an insight on the application of the Council's control environment and forms part of the evidence that helped inform the overall annual opinion.

## Assurances

There has been a move in assurance opinions this year with no consultancy work. Full details are provided in Appendix 1.



**Increase in High and Substantial assurance opinions overall (from 67% to 86%).**

**Decrease in High assurance opinions (from 28% to 7%).**

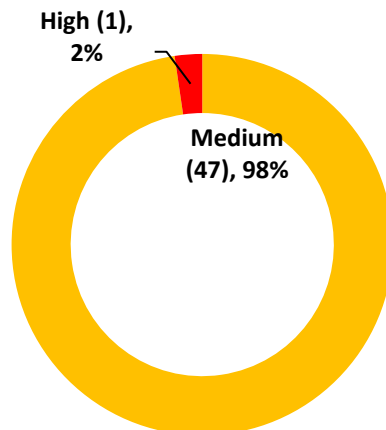


## Actions

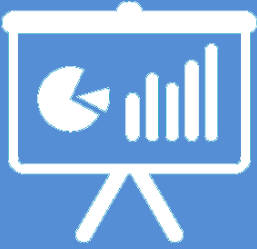
There has been a substantial change in the number of agreed actions given a high risk rating. However there are a number of reports included above with indicative assurance levels and the actions have not yet been agreed so are not included below.

**High priority agreed actions have decreased (from 36%)**

**Medium priority agreed actions have increased (from 64%)**



**Implemented agreed actions have increased to 52% (from 25%). Target 100%**

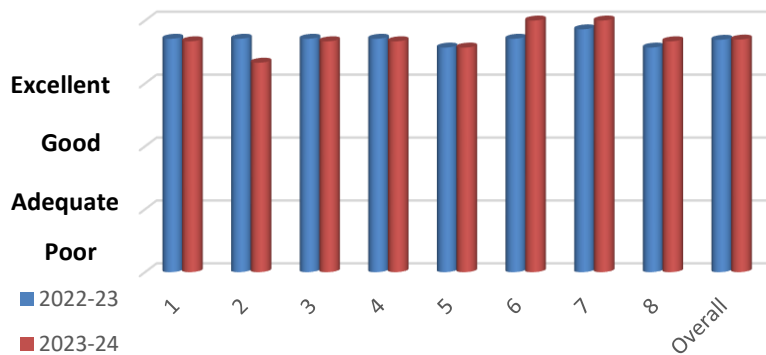


Internal Audit's performance is measured against a range of indicators. Our client feedback continues to be rated excellent.

## Performance on Key Indicators

Whilst it has been a challenging year we are pleased to report that satisfaction with our services remains high and we have completed 87% of the revised plan. We recognise that the inability to recruit to the vacant posts and sickness has impacted on our ability to complete audits within time which remains below target and has further decreased. In addition to the support from our partner, some of the audits were completed by the Manager and a temporary member of staff who works one day a week which increased the time span. Capacity within the service areas has also impacted on the timescales.

### Client Feedback – Post Audit Questionnaire Results



#### Audit Planning

1. Consultation on audit coverage
2. Fulfilment of scope and objectives

#### Audit Report

3. Quality of report
4. Accuracy of findings
5. Value of Report

#### Communication

6. Feedback during the audit
7. Helpfulness of auditor (s)
8. Prompt delivery of report

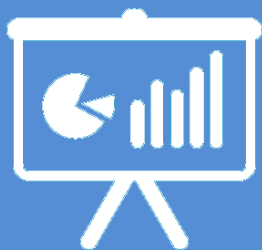
Very efficient and thorough audit. Thank you.

This was a very tricky audit, due to new staff and process changes however felt this was really well reflected and accounted for as part of the process

Thank you for a thorough and detailed audit.

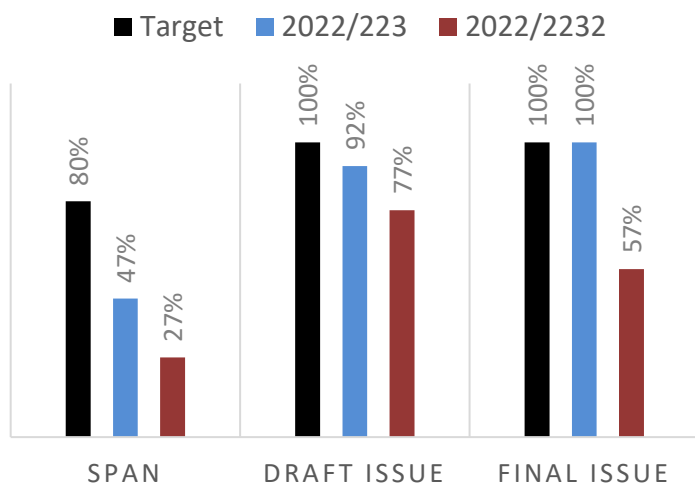


## Benchmarking



We are pleased to report a good level of achievement in the delivery of the revised plan, but we recognise that improvements are required in the time taken to undertake audits (Span) and obtaining management responses.

### Timeframes



**87%**  
Of the plan  
delivered

There has been a decrease in the issuing of the final reports due to clarification being required on some of the management responses. We will look at how these are captured going forward.

We continue to experience delays in obtaining responses to draft reports. 70% have not been received within 10 days. This is an increase on 60% in 2022/23. Some of this is due to service capacity and also capacity within the Audit Team to pursue. We will be looking at ways to improve this once fully staffed including greater liaison with the individual management teams to raise the issues and a more visible documented protocol.

The impact of these delays means that our reports are not being issued in a timely manner and additional resources are taken up chasing responses.

**30%**  
Management  
Responses received  
within 10 days

The following Audits have been completed during 2023/24:-

Audit	Rating	Type	High	Medium	Total	Implemented
Housing Benefit Subsidy	High Assurance	Risk Based Audit	0	1	1	1
Staff Wellbeing	Substantial Assurance	Risk Based Audit	0	10	10	10
Housing Repairs	Substantial Assurance	Risk Based Audit	1	12	13	9
IT Asset Management	Indicative – Limited Assurance	Risk Based Audit	N/A	N/A	N/A	N/A
Performance Management	Positive direction of travel	Follow-up	N/A	N/A	N/A	N/A
VAT/Tax	In Progress	Risk Based Audit	N/A	N/A	N/A	N/A
Insurance	Substantial Assurance	Risk Based Audit	0	4	4	0
Council Tax	In progress	Risk Based Audit	N/A	N/A	N/A	N/A
Creditors	Substantial Assurance	Risk Based Audit	0	1	1	0
Key control - NNDR	Substantial Assurance	Risk Based Audit	0	4	4	4
Key Control – Treasury Management	Indicative - Substantial Assurance	Risk Based Audit	N/A	N/A	N/A	N/A
Contract Management	Indicative – Limited Assurance	Risk Based Audit	N/A	N/A	N/A	N/A
Governance	Indicative – Substantial Assurance	Health Check	N/A	N/A	N/A	N/A
Staff Recruitment	Substantial Assurance	Risk Based Audit	0	10	10	0
Western Growth Corridor	In progress	Project Audit	N/A	N/A	N/A	N/A
UK Shared Prosperity	Not started	Project Audit	N/A	N/A	N/A	N/A
Cyber Security	Substantial	Risk Based Audit	0	5	5	0
	<b>Sub-total</b>		<b>1</b>	<b>47</b>	<b>48</b>	<b>24</b>

Audit	Rating	Type	High	Medium	Total	Implemented
Digital	Indicative - Substantial Assurance	Risk Based Audit	N/A	N/A	N/A	N/A
Access Control	Not Started	Risk Based Audit	N/A	N/A	N/A	N/A
Follow-ups	Indicative - High Assurance	Risk Based Audit	N/A	N/A	N/A	N/A
	<b>Total</b>		<b>1</b>	<b>47</b>	<b>48</b>	<b>24</b>

The approved Plan for 2023/24 was 310 days, but due to staff vacancies it was reduced to 278 and a revised plan approved at the September Audit Committee. The audits of Business Continuity, CCTV, Fleet and Electoral Registration were removed.

Following this further changes were made to remove the following audits:-

- Housing Strategy – agreed as a new strategy was being written. A review of the new strategy is included within the 2024/25 plan.
- Neighbourhood Management – agreed as the current work was coming to an end and consultants had been brought in to consider the success of the work undertaken and future plans. An audit would duplicate this work.
- Housing Rents – removed due to capacity both within the service and the audit team.
- Housing IT project – removed as an external consultant had been commissioned to

undertake a review of the project to date. An audit would be duplication of this.

Additional time was spent on the Contract Management audit to obtain evidence, increase the sample sizes and carry out a more in-depth review.

This resulted in a plan of 236 days for 2023/24. Whilst this is considerably lower than the plan, it is considered that there is enough coverage to provide an opinion in conjunction with the combined assurance work and sight of the external reviews carried out.

The annual audit plan remains flexible with a process to postpone and change audits. This means we can adapt our plan and coverage to emerging risks but maintain control and transparency on changes which must be approved by management, the S151 Officer and the Audit Committee.

**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.

**Significance**

The relative importance of a matter within the context in which it is being considered, including quantitative and qualitative factors, such as magnitude, nature, effect, relevance and impact. Professional judgment assists internal auditors when evaluating the significance of matters within the context of the relevant objectives.

**Head of Internal Audit Annual Opinion**

The rating, conclusion and/or other description of results provided by the Head of Internal Audit addressing, at a broad level, governance, risk management and/or control processes of the organisation. An overall opinion is the professional judgement of the Head of Internal Audit based on the results of a number of individual engagements and other activities for a specific time interval.

**Governance**

Comprises the arrangements (including political, economic, social, environmental, administrative, legal and other arrangements) put in place to ensure that the outcomes for intended stakeholders are defined and achieved.

**Risk**

The possibility of an event occurring that will have an impact on the achievement of objectives. Risk is measured in terms of impact and likelihood.

**Control**

Any action taken by management, the board and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved. Management - plans, organises and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved.

**Impairment**

Impairment to organisational independence and individual objectivity may include personal conflict of interest, scope limitations, restrictions on access to records, personnel and properties and resource limitations (funding).