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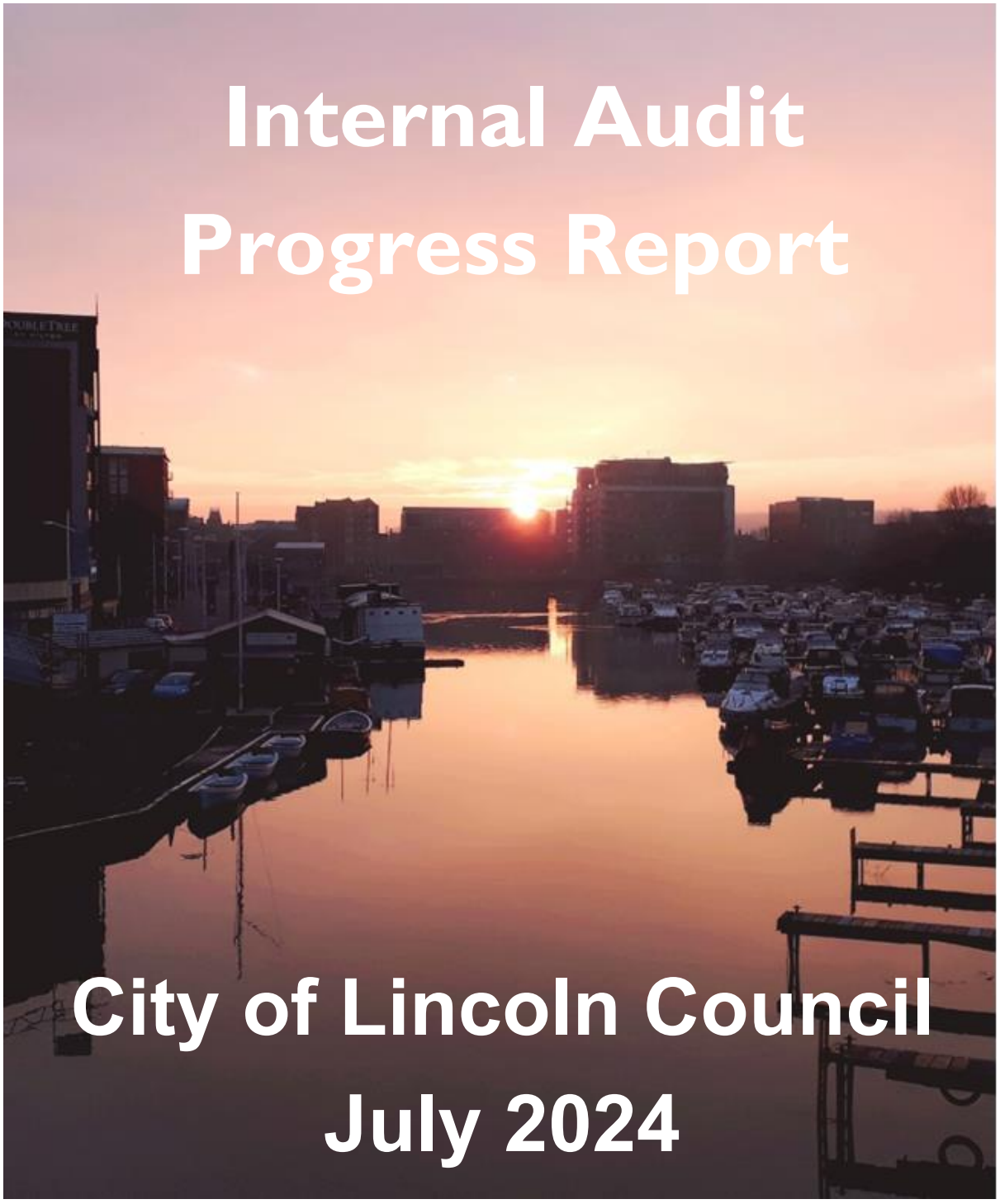

Internal Audit Progress Report

City of Lincoln Council

July 2024

CITY OF Lincoln COUNCIL

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Role of Internal Audit

The requirement for an internal audit function in local governance is detailed within the Accounts and Audit (England) Regulations 2015, which states that a relevant body must:

'Undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards and guidance.'

The Global Internal Audit Standards 2024 state the purpose of Internal Audit as:-

Internal auditing strengthens the organisation's ability to create, protect, and sustain value by providing the board and management with independent, risk based, and objective assurance, advice, insight and foresight.*

Internal auditing enhances the organisation's:-

- *Successful achievement of its objectives.*
- *Governance, risk management, and control processes.*
- *Decision making and oversight.*
- *Reputation and credibility with its stakeholders.*
- *Ability to serve the public interest.*

Internal auditing is most effective when:-

- *It is performed by competent professionals in conformance with the Global Internal Audit Standards, which are set in the public interest*
- *The internal audit function is independently positioned with direct accountability to the board*.*
- *Internal auditors are free from undue influence and committed to making objective assessments.*

*Board – Highest level body charged with governance i.e. The Audit Committee.

The Purpose of the Report

In accordance with the Internal Audit Standards and the Internal Audit Charter, the Head of Internal Audit is required to provide a written status report to Senior Management and Members summarising:

- the status of live internal audit reports.
- an update on progress against the internal audit plan.
- a summary of internal audit performance, planning and resourcing issues; and
- a summary of significant issues that impact of the Head of Internal Audits annual opinion.

Assurance opinions are categorised as follows:

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

Update on Internal Audit Activity

Since the last progress report, two limited assurance reviews have been finalised, Contract Management and IT Asset Management. A further five reviews have been completed with four substantial assurance, NNDR, Staff Recruitment, Selection and Retention, Cyber Security and Treasury Management and one high assurance, Follow-ups. Summaries of these are provided in the following sections of the report. Progress on the remaining work from the 2023/24 plan and the work within the 2024/25 plan are also included within the following sections of the report. Future Progress reports will monitor performance against this plan.

We have completed a follow-up review of Performance Management which received Limited Assurance in 2022/23. Most of the actions have now been completed resulting in a positive direction of travel. There is one remaining action concerning the updating of the Lincoln Performance Management Framework. This will be followed up through the action tracking process and progress reported through the recommendations report.

Changes to the 2023/24 plan have been included within the Annual report and so far there are no changes to the 2024/25 plan

The audits within the 2024/25 plan have now been scheduled in. The plan has been circulated to Managers setting out the proposed timeframes for each audit. In line with our processes the timescales will be included within the quarterly reports to the Departmental Management Team meetings.

We continue to carry out other work which has included the completion of the Counter Fraud and Anti Corruption Policy, co-ordination of the National Fraud Initiative and updating the Fraud Risk Register.

Planning and Resourcing

As mentioned within the Annual report for 2023/24 planning and completion of the audits has been difficult for over two of years due to staff vacancies and sickness within the Team. We have again recently secured a contract with an external provider to assist us with resources for 2024/25. The two vacancies are now filled with the Auditor starting in February and the Principal starting in July. The Auditor post is a career graded post and additional allowance for training and development has been provided for without impacting on the audit plan.

Analysis of Audit Reviews

The schedule includes those audits not at draft report stage from the 2023/24 plan as well as those within the 2024/25 plan.

Audit	Start Planned date	Start Actual date	End Actual date	Current Status	Assurance Rating
2023/24 – VAT/Tax	N/A	Nov-23	Apr-24	Draft report	Indicative - Substantial
2023/24 – Council Tax	N/A	Jan-24	N/A	Fieldwork	N/A
2023/24 – Western Growth Corridor (2)	Jan-24	Apr-24	N/A	Fieldwork	N/A
2023/24 – UK Shared Prosperity	N/A	Not started	N/A	Not started	N/A
2023/24 – Access Control	Feb-24	Not started	N/A	Terms of Reference agreed	N/A
Budget Management	Q4	N/A	N/A	Not started	N/A
Debtors	Q3	N/A	N/A	Not started	N/A
Housing Benefit and Council Tax Support	Q3	N/A	N/A	Not started	N/A
Business Continuity	Q2	N/A	N/A	Audit Brief completed	N/A
Corporate Planning – Vision 2030	Q3	N/A	N/A	Not started	N/A
Project Management	Q4	N/A	N/A	Not started	N/A
Risk Management	Q2	Jul-24	N/A	Terms of Reference agreed.	N/A
Contract Management Follow-up	Q4	N/A	N/A	Not started	N/A
Housing Strategy	Q2	N/A	N/A	Audit Brief completed	N/A
Market Operations	Q3	N/A	N/A	Not started	N/A
Planned Maintenance	Q4	N/A	N/A	Not started	N/A
Fleet	Q2	N/A	N/A	Audit Brief completed	N/A
Homelessness	Q3	N/A	N/A	Not started	N/A

Audit	Start Planned date	Start Actual date	End Actual date	Current Status	Assurance Rating
Parking Services	Q3	N/A	N/A	Planning	N/A
Housing Assistance	Q2	N/A	N/A	Audit Brief completed	N/A
Protection of vulnerable people	Q3	N/A	N/A	Not started	N/A
Western Growth Corridor (3)	Q4	N/A	N/A	Not started	N/A
GSW26	Q4	N/A	N/A	Not started	N/A
Towns Fund	Q3	N/A	N/A	Not started	N/A
IT Strategy and Infrastructure	Q3	N/A	N/A	Not started	N/A
ICT Support and Helpdesk service	Q2	N/A	N/A	Audit Brief completed	N/A
Housing Benefit Subsidy	Q1-Q2	May-24	N/A	Nearly completed	N/A

Executive Summaries of 'Limited' or 'No' Assurance Opinions

The table below provides a summary of the limited or no assurance reports published since the last progress report. It also contains any management updates and progress made since the report was issued.

<table>
<tr><td colspan="5">Audit Review Title: Contract Management</td></tr>
<tr><td>Audit Sponsor / Director</td><td>Assurance Opinion</td><td colspan="3">Management Actions</td></tr>
<tr><td>City Solicitor / Chief Executive</td><td>Limited</td><td>High 1</td><td>Medium 9</td><td>Advisory 2</td></tr>
<tr><td colspan="5">Summary of Key Observations:-

Whilst the Council has Contract Procedure Rules (CPRs) in place it was found that the aspects relating to contract management were not fully complied with in all of the contracts which were tested. The main points of failure were the lack of regular formally minuted contract meetings and not adding contracts to the contract register. A further area was not maintaining evidence of approval to extend the contract.

The CPRs have not been formally reviewed/updated since April 2018. This is partially due to waiting for the new Procurement Act to be passed. The audit identified a number of areas for improvement for the CPRs:-

• Greater clarity/guidance on the level/depth of contract management required on each contract.
• Guidance on what constitutes a 'high' risk contract.
• Overall responsibilities of key officers in respect of contract management.
• Guidance on what details should be included within the contract register.
• Update references to the new regulations.

The CPRs are now being reviewed and action has already been taken to define what a 'high' risk contract is and the other levels including the depth of contract management required for each level. Current contracts have been assessed against this framework.

A lack of contract management training was identified during the audit. Training has now been provided and further training is planned once the new CPRs are complete.

There were a number of areas of good practice such as contract managers being assigned to contracts, contract management guidelines are in place, contracts are appropriately signed, include clear, detailed terms and conditions and are reviewed by Legal services prior to issue.</td></tr>
</table>

Audit Review Title: IT Asset Management				
Audit Sponsor / Director	**Assurance Opinion**	**Management Actions**		
AD Transformation and Strategic Development / Chief Executive	Limited	**High** 0	**Medium** 6	**Advisory** 0

Summary of Key Observations:-

A number of areas were identified where vulnerabilities exist or where existing arrangements require improvement.

The password policies in place to access the application which manages all software and hardware installed on the Council network require improvement. There is currently no restriction on the age or complexity of the password or the requirement to change the password on first use.

There are a high number (66/408) of android mobile devices which have reached their end of life and are no longer supported but are still in use. This means that new security patches are not issued and users will not be able to install the new versions of any Apps. This increases the risk of cyber security attacks. A review of mobile devices is currently in progress as part of future planning. A similar point found that replacement dates are not recorded for any IT assets.

Whilst there is a log of IT assets the information required to be documented is spread over a number of different systems and not all of it is captured. There is also no annual check of assets or check of stewardship.

Improvements are required to manage assets no longer used within service areas to ensure they are returned to IT for re-distribution or disposal. Whilst there are processes in place for the disposal of IT equipment, there is no contract in place to ensure the secure disposal of hardware and data.

Action has been agreed for all of the recommendations made.

There were a number of areas of good practice including there being an up-to-date Asset Management policy, Intune is in place to manage mobile device patching and security including disabling or wiping lost or stolen devices and all IT equipment received and waiting to be issued is held securely in a locked store room.

Executive Summaries of 'High' or 'Substantial' Assurance Opinions

The table below provides a summary of the high or substantial assurance reports published since the last progress report. It also contains any management updates and progress made since the report was issued.

Audit Review Title: NNDR				
Audit Sponsor/Director	**Assurance Opinion**	**Management Actions**		
AD Shared Revenues and Benefits / Chief Executive	Substantial	**High** 0	**Medium** 3	**Advisory** 1
Summary of Key Observations:- There were a number of areas of good practice within the administration of NNDR. These included controlling access to the system and system parameters and carrying out checks to ensure that the bills produced from the system are accurate. There are also processes in place to guard against fraudulent refunds, ensure discounts and reliefs are correctly administered and debts are only written off in compliance with the Financial Procedure Rules. The recommendations made to improve the processes include:- • Recording additional information on the refund checklist to include full details of number, value and accountability. • Introduction of supervisory reviews for reliefs. • Supervisory reviews for accounts on hold is evidenced on the system. All of the actions agreed have been implemented.				

Audit Review Title: Staff recruitment, selection and retention				
Audit Sponsor/Director	**Assurance Opinion**	**Management Actions**		
City Solicitor / Chief Executive	Substantial	**High** 0	**Medium** 6	**Advisory** 2
Summary of Key Observations:- The audit found that the Council has effective processes in place regarding staff recruitment and selection that ensure compliance with relevant legislations, policies, and procedures. The Organisational Development (OD) Board oversee all matters relating to workforce planning and support the delivery of the Council's Vision 2025, providing assurance that staff retention is a key priority and acknowledging the need for the Council to retain and develop its existing staff.				

There are comprehensive Recruitment Policy and procedures in place which are being consistently applied across the Council.

Other areas of good practice include the pro-active advertising of vacant posts, active involvement of HR during the recruitment process, detailed people strategy, risks clearly identified in the Council's Strategic Risk Register and vacancy levels and staff turnover rates are regularly monitored with actions put in place.

The recommendations made to improve the processes include:-

- Evidencing review of the Job Descriptions/Person specifications.
- Improvements to the guidance and training of managers on recruitment panels.
- Ensuring all documentation is returned to and retained by HR.
- Review of the Recruitment policy and guidance document is undertaken to update for current practice.

Audit Review Title: Cyber Security				
Audit Sponsor/Director	**Assurance Opinion**	**Management Actions**		
AD Transformation and Strategic Development / Chief Executive	Substantial	**High** 0	**Medium** 5	**Advisory** 4

Summary of Key Observations:-

The audit found that overall, the arrangements for compliance to the National Cyber Security Centre steps for ensuring security of information assets and managing cyber risk was good.

There were a number of areas of good practice including the establishment of an Information Governance working group, mandatory user security training and awareness (cyber ninjas), standardised account management procedure and endpoint and server protection and network monitoring.

The recommendations made to improve the processes include-:-

- Reviewing and updating the risk registers to include all of the essential information.
- Regular reporting of risks to the Information Governance Group and Executives.
- Review the process for managing non-compliant devices.
- Update the incident log and review through the Information Governance Group meetings.
- Develop a testing schedule for the incident response plan.

Audit Review Title: Treasury Management				
Audit Sponsor/Director	**Assurance Opinion**	**Management Actions**		
Chief Finance Officer / Chief Executive	Substantial	**High** 0	**Medium** 2	**Advisory** 1

Summary of Key Observations:-

Our review gives Substantial assurance that controls are in place, and operating as expected, to manage the key risks associated with treasury management activities.

There were a number of areas of good practice including restricted access to the banking system, separation of duties, performance management and monitoring of cashflow. There is also a treasury management strategy statement and other documents in place to comply with the Treasury Management Practices and these are generally being complied with.

The recommendations made to improve the processes include-:

- Regular review to be introduced to ensure that the Lloyds Link user roles align to the statements and duties/responsibilities for each treasury post as detailed in Treasury Management Practice 5.
- Introduction of a checklist to ensure all requirements of the Treasury Management Strategy are actioned.

Audit Review Title: Follow-up				
Audit Sponsor/Director	**Assurance Opinion**	**Management Actions**		
AD Transformation and Strategic Development / Chief Executive	High	**High** 0	**Medium** 0	**Advisory** 0

Summary of Key Observations:-

We carried out a review of a sample of 16 completed actions to ensure that they had been implemented and therefore the risk previously identified had been mitigated. We found that for all of those reviewed there was evidence to support their implementation.