



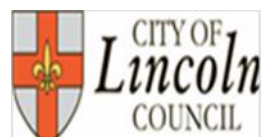
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Internal Audit Progress Report

City of Lincoln Council
September 2024



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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:

<p>High</p> <p>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.</p> <p>The risk of the activity not achieving its objectives or outcomes is low. Controls have been evaluated as adequate, appropriate and are operating effectively.</p>	<p>Substantial</p> <p>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.</p> <p>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.</p>
<p>Limited</p> <p>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.</p> <p>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</p>	<p>Low</p> <p>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.</p> <p>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</p>



Performance Dashboard

Performance is measured against a number of different performance measures. The results of which are included below covering the period to 31 August 2024:-

Description	Actual 2023/24	Target 2024/25	Current	Status	Explanation	Change from previous report
Plan Completed	87%	95% / 85% (High/ Low Target)	23%	On target	Quarter 1 was on target and we are currently above our low target of 20% for Quarter 2.	N/A
Audits completed within 2 months	27%	80%	50%	Below target	There have only been two audits completed so far this year. One of these was the subsidy review which is not expected to be completed within two months.	N/A
Draft Report Issued within 10 days	77%	100%	50%	Below target	Two reports were not issued on time. One was due to delays in the review and revision process and the other was due to the election process restricting availability of the auditee and the workload of the Audit Manager.	N/A
Management Response received within 10 days	30%	100%	33%	Below target	Two responses were received within time. The remaining four took between 20 and 67 working days.	N/A
Final Report Issued within 5 days	57%	100%	75%	Below target	Two reports were not issued within time. One was due to annual leave of staff and the other due to the contractor requiring additional clarification and sign-off.	N/A
Customer satisfaction	Excellent	Good to excellent	Excellent	On target	Two returned.	N/A



Performance is measured quarterly against annual targets and is therefore at a very early point in the audit plan cycle. This has led to the performance indicators for audit span and issuing draft reports becoming skewed due to the low numbers involved. Staff resources have also impacted on some of the performance indicators with leave and other workload increasing the turnaround time.

Management responses continue to be delayed despite raising our concerns and chasing. We are therefore implementing a new process which will ensure closure meetings are held and responses obtained at that point rather than afterwards.

The completion of the plan is also now reported as part of the strategic performance monitoring process and has quarterly targets.

Update on Internal Audit Activity

Since the last progress report, four audits have been finalised resulting in one High assurance, VAT/Tax and three Substantial assurance reports, Governance Health Check, Housing Benefit Subsidy and Online Services. Summaries of these are provided in the following sections of the report. We have also completed the first quarterly follow-up spot check and found that the actions were implemented as reported except one which was no longer relevant as the guidance had changed. 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.

Other work has also been completed with the administration of the whistleblowing referrals, recruitment of the Independent Member, supporting the work undertaken at the crematorium and reviewing performance against the new Internal Audit Standards.

Planning and Resourcing

Audits within the 2024/25 plan have been scheduled in and the schedule circulated to Managers. This was also included within the first quarterly reports to the Departmental Management Team meetings.

Work has been undertaken to produce the revised plan for the second half of the year to take into account the vacancies, sickness and unplanned work undertaken during the year to date. This also provides an opportunity to review what is being looked at and ensure that it remains relevant. A revised plan is being submitted to the Audit Committee for review in September.

The plan completion is currently on target with one of the largest audits being completed in the first six months (Housing Benefit Subsidy). The remaining audits for the first two quarters are underway or being planned.

The Principal Auditor started in July so the Team is now fully staffed.



Analysis of Audit Reviews

The schedule includes those transferred 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	Complete	High
2023/24 – Council Tax	N/A	Jan-24	N/A	Fieldwork	N/A
2023/24 – Governance Healthcheck	N/A	Feb-24	May-24	Complete	Substantial
2023/24 – Western Growth Corridor - 2	Jan-24	Apr-24	N/A	Fieldwork - paused	N/A
2023/24 – Access Control	Feb-24	Sept-24	N/A	Fieldwork	N/A
Housing Benefit Subsidy	Q1-Q2	May-24	Jul-24	Complete	Substantial
Follow-ups	Q1-Q4	Aug-24	N/A	Q1 Complete	N/A
2023/24 – UK Shared Prosperity	Q2	Not started	N/A	Planning	N/A
Business Continuity	Q2	N/A	N/A	Terms of Reference drafted	N/A
Risk Management	Q2	Jul-24	N/A	Draft Report	N/A
Fleet	Q2	Aug-24	N/A	Fieldwork	N/A
Housing Assistance	Q2	N/A	N/A	Planning meeting booked Sept 11	N/A
Western Growth Corridor - 3	Q2	N/A	N/A	Not started – Postponed to Q3	N/A
ICT Support and Helpdesk service	Q2	N/A	N/A	Planning	N/A
Debtors	Q3	N/A	N/A	Planning	N/A
Housing Benefit and Council Tax Support	Q3	N/A	N/A	Not started	N/A
Corporate Planning – Vision 2030	Q3	N/A	N/A	Not started	N/A
Housing Strategy	Q3	N/A	N/A	Not started	N/A



Audit	Start Planned date	Start Actual date	End Actual date	Current Status	Assurance Rating
Market Operations	Q3	N/A	N/A	Not started	N/A
Homelessness	Q3	N/A	N/A	Not started	N/A
Parking Services	Q3	N/A	N/A	Terms of Reference drafted.	N/A
Protection of vulnerable people	Q3	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
Budget Management	Q4	N/A	N/A	Not started	N/A
Project Management	Q4	N/A	N/A	Not started	N/A
Contract Management Follow-up	Q4	N/A	N/A	Not started	N/A
Planned Maintenance	Q4	N/A	N/A	Not started	N/A
GSW26	Q4	N/A	N/A	Not started	N/A



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: VAT/Tax				
Audit Sponsor/Director	Assurance Opinion	Management Actions		
Chief Finance Officer / Chief Executive	High	High 0	Medium 1	Low/Advisory 2
Summary of Key Observations:- <p>The audit found that there were robust systems of control in operation, ensuring that VAT is appropriately and accurately accounted for. A number of areas of good practice were identified including procedures in place, experienced staff, checking and approval of VAT returns and procurement card purchases, clearly documented calculations, standard templates and mandatory fields within the finance system.</p> <p>A single recommendation was made to strengthen the general information available to Budget Holders on VAT accounting, including setting out key processes and associated roles and responsibilities more clearly within documented guidance and updating VAT-related training. This was already recognised by the Council as an area needing strengthening. Development of a finance manual/ handbook and provision of Budget Holder training is planned within the coming year to remedy this matter, with both to include guidance on VAT.</p>				

Audit Review Title: Online Services				
Audit Sponsor/Director	Assurance Opinion	Management Actions		
Assistant Director – Strategic Development / Chief Executive	Substantial	High 0	Medium 3	Low/Advisory 0
Summary of Key Observations:- <p>There are robust and effective arrangements in place for the administration and management of the Council's online services. There is a contract in place with the provider including the terms of service which details responsibilities such as data confidentiality, back-up and compliance with Data Protection legislation. There are also password and account lockout policies to prevent unauthorised access to customer data.</p>				



The recommendations made concern ensuring that the website is subject to annual external penetration testing and annual IT disaster recovery testing and that PCI-DSS accreditation is obtained to ensure that the Council retains the ability to process card transactions. Actions have been agreed for all and will be followed up through the follow-up process.

Audit Review Title: Governance Health Check

Audit Sponsor/Director	Assurance Opinion	Management Actions		
City Solicitor / Chief Executive	Substantial	High 0	Medium 5	Low/Advisory 3

Summary of Key Observations:-

There are good governance arrangements in place with responsibility being well understood. There are processes in place for signing-off Committee reports, completing the Annual Governance Statement, project management, risk management and whistleblowing. There were a number of areas of good practice including:-

- The future priorities for the Council are set out within its 2025 Vision statement which was informed through consultation with staff, residents, businesses and those working in the city. Service plans and key performance indicators are closely aligned to these.
- There are Codes of Conduct in place for both staff and Councillors setting out responsibilities with training undertaken on these for new starters.
- Matters of interest and importance are communicated internally with both staff and members through briefing notes and videos.
- Training and development is in place and monitored for staff through their annual appraisal and 1-2-1 meetings.
- The Council consults with various relevant external groups when making decisions e.g. Lincoln Citizens panel, residents, tenants etc.
- There are a number of Scrutiny Committees in place including Performance Scrutiny.

The recommendations made were to draw up a Communications plan for the Council as a whole, improving the training records of Councillors, reviewing the responsibility for overseeing training and development for Councillors, updating the constitution to reflect the current practice of the Select Scrutiny Committee and completing a self-assessment or external assessment of the effectiveness of the Scrutiny Committees. All have been agreed and target dates set for implementation.



Audit Review Title: Housing Benefit Subsidy				
Audit Sponsor/Director	Assurance Opinion	Management Actions		
Assistant Director - Shared Revenues & Benefits / Chief Executive	Substantial	High 0	Medium 8	Low/Advisory 0
<p>Summary of Key Observations:-</p> <p>This is the annual work carried out to verify that the correct parameter figures had been input into the Housing Benefits system and check a sample of cases selected by the External Auditors for accuracy.</p> <p>There were a number of areas of good practice including the recording and referencing of supporting documentation used in the calculations and the experience and knowledge of the Benefits and Subsidy Officers.</p> <p>The areas where errors were found included self-employed income, claim start date, room rate change, deductions from payslips and inputting of Personal Independence Payments (PIP). The errors resulted in total overpayments of £75.75 over 2 cases and total underpayments of £791.31 over 3 cases.</p> <p>The recommendations made included improvements to the maintenance of the in-house calculators, ensuring checking of claims processed by trainees are completed within the subsidy year, ensuring every quality assurance sample includes self employed claims, quarterly monitoring of claims with a shared room rate and claims containing both standard and enhanced PIP. Further recommendations were made around providing training for staff for ATLAS system uploads and payslip deductions, action was agreed to provide a Memo to staff reminding them of the process. The agreed actions will be monitored through the normal follow-up process.</p>				



Other Matters of Interest

The following includes a summary of matters that will be of particular interest to Audit Committee members.



Councillor's guide:- Improvement and assurance framework for Local Government (Aug 2024)

Councils are responsible for their own performance and improvement. However there has not been a document or framework which sets out, in one place, the various required components of local government assurance, how they all fit together, how to use them effectively and what improvement support is available to help. This framework aims to achieve all of this. It provides details of what assurance is, accountability, the three lines model and the key principles of what good looks like. There is also reference to how members contribute towards the assurance of the Council. [Councillor's guide: Improvement and assurance framework for local government | Local Government Association](#)



Code of Practice on Good Governance for Local Authority Statutory Officers (Jun 2024)

CIPFA, LLG and SOLACE have collaborated to produce the Code of Practice on Good Governance. The document sets the expectations for the local government roles of Head of Paid Service, Chief Finance Officer and Monitoring Officer. The Code recognises these three roles as being the key roles in advising the authority and implementing decisions. Research had shown that where these three roles fail to work collaboratively within an open working relationship, the risk to the council in terms of failure is high. [Code-of-Practice-on-Good-Governance-for-Statutory-Officers-June-2024.pdf \(solace.org.uk\)](#)



Value for Money Audits: Lessons for Local Authorities (Jul 2024)

Grant Thornton carried out a review of the annual reports they had issued in 2022/23. They pulled together the recommendations made under similar themes and significance. The reports showed an escalation in significant weaknesses in financial sustainability and rising rates of significance in arrangements for financial governance, internal control, performance management and procurement. [Value for money audits: lessons for local authorities | Grant Thornton](#)



Code of Practice for the Governance of Internal Audit in UK Local Government (Aug 2024)

Following the publication of the Global Internal Audit Standards, CIPFA is publishing a revised set of standards for Local Government to replace the current Public Sector Internal Audit Standards. This Code will supplement the revised standards providing a clear roadmap to support internal audit teams, audit committees and senior management. The document is expected to be issued for consultation in the autumn for implementation by 1 April 2025. [CIPFA to introduce a Code of Practice for the Governance of Internal Audit in UK Local Government](#)