

**City of Lincoln Council**

**TOWN DEAL INTERNAL AUDIT REPORT**



CITY OF  
*Lincoln*  
COUNCIL

**2024/2025**

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<b>Date</b>	3 <sup>rd</sup> April 2025



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## **1. Introduction and Background**

- 1.1 The City of Lincoln Council is the accountable body for implementing the Town Deal and working in partnership with the Town Deal Board, is responsible for ultimate decision making in respect of the Town Deal programme. The Council's S151 Officer provides financial oversight of the programme and project funding arrangements, with the City Solicitor providing legal oversight. Wider support is provided by the Council's Growth and Development Service Area and its Legal, Democratic and Financial Services.
- 1.2 The Lincoln Investment Plan, submitted to Government in October 2020, approved by the Council's Executive and Town Deal Board, requested £24.75m Town Funding to support 15 regeneration schemes to be delivered over 5 years. The conditional 'Heads of Terms' funding offer received from the Government was for £19m to support 13 projects 'in scope'
- 1.3 As part of the 2024/25 internal audit plan, an audit was agreed to provide independent assurance of the effectiveness of the Town Deal governance and financial management arrangements, focusing on the responsibilities of the City of Lincoln Council (CoLC) as the accountable body, to ensure robust and legally compliant.

## **2. Audit Approach**

2.1 The audit assignment included ensuring that:

- Governance arrangements, including reporting and decision making, are effective
- Heads of Terms funding/reporting requirements and policies/procedures, including delegated authority, are complied with
- Effective overall programme/project management arrangements are in place, including performance monitoring, financial oversight and reporting arrangements
- Programme/project risks are identified, managed and reported.

2.2 Meetings were held with appropriate officers to determine the governance and financial management processes. Key documentation, including government guidance, project documentation, Board and Sub-Committee meeting minutes and submissions were reviewed.

2.3 The review was undertaken by Jayne Worrall, Principal Auditor, Julia Raftery Consulting Ltd on behalf of City of Lincoln Internal Audit and was overseen by



Amanda Stanislawski, the Internal Audit Manager. There were no conflicts of interest identified.

### 3. Management Summary

#### 3.1 Internal Audit - Assurance Opinion

##### **Substantial Assurance**

The review found effective governance, performance and financial management arrangements are in place for the Town Deal Programme.

A fully documented and clearly defined governance structure exists. The Town Deal Board provide oversight of the programme, with full support from the Town Deal Investment Sub-Committee. Roles and responsibilities of all are clearly outlined and formally documented with members appropriate and in line with government guidance. Town Deal Board meetings however need to be held more regularly. Minor improvements to the Town Deal Board website are also suggested to improve transparency.

Reporting lines and mechanisms, together with delegated authority, are clear and formally documented. Complete and timely information in respect of the programme overall and individual projects is provided regularly to the Investment Sub-Committee and Town Deal Board to enable informed decision making.

Our review has confirmed effective programme and project management arrangements are in place. Grant Funding Agreements for individual projects ensure grant terms and conditions and requirements in respect of performance, finance, risk and progress reporting are clearly defined and understood.

Detailed project Performance Monitoring Reports, Output Forms and Claim Forms submitted by Project Leads quarterly, are subject to comprehensive review by the Senior Project Officer and Finance, with final 'sign off' by the Chief Finance Officer. Regular update, monitoring and evaluation of the programme and project progress, performance, finances and risks are evident.

Effective financial management and reconciliation of the Town Deal Fund and Town Deal projects is undertaken. Comprehensive analysis and scrutiny of claim forms ensures expenditure is eligible and can be fully supported. Funding is only released when queries have been resolved and claims approved by the Chief Finance Officer.

A central Town Deal Programme monitoring spreadsheet ensures a complete record is retained of information/data relating to the programme and individual projects. Funding, expenditure and outputs are regularly monitored to ensure delivery of the Programme. Our testing of sample projects confirmed the information/data recorded on this central record as accurate.



Performance Monitoring Returns, required by Government six monthly, are appropriately signed and submitted within required timescales. Our review and sample testing of the November 2024 return confirmed it accurately reflects verified information/data submitted by projects. Returns however do need to be shared with Town Deal Board Members prior to submission, for overview and comments.

Risks in respect of the Programme and its projects have been identified and formally documented. Updates on key risks, together with mitigating controls are provided by Project Leads, as part of the quarterly monitoring report. These risks together with the key risks facing the Programme are included as part of the performance monitoring submissions to Government.

## 4. Recommendations and Actions

- 4.1 Detailed findings, recommendations and management actions are shown in the attached Action Plan. (Appendix 1)
- 4.2 The following table shows the number of recommendations for each risk reviewed by priority category. In order to differentiate issues of greater significance and the risks posed by each finding they are categorised as high, medium or low priority. The definitions of the ratings are shown in Appendix 2.

Risk	Recommendations			
	High	Medium	Low	Total
1. Governance arrangements are not fit for purpose, including those for managing the governance structure and meetings.	0	2	2	4
2. Ineffective processes in place to ensure compliance with the Heads of Terms funding and reporting requirements.	0	0	1	1
3. Conditions of Grant Funding Agreements are not met; ineffective delivery/performance of projects.	0	0	0	0
4. Financial controls are ineffective to ensure that projects are operated within approved budget/funding levels.	0	0	0	0
5. There are ineffective risk management systems in place to manage programme/project risks.	0	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>2</b>	<b>3</b>	<b>5</b>





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## **5. Positive Outcomes**

- 5.1 The Town Deal Board and CoLC, as the Accountable Body, are clearly working within their Terms of Reference and delegated powers. Detailed meeting minutes of the Town Deal Board and Investment Sub-Committee reflect effective oversight of the programme and projects, including delivery of progress, outputs, finance and risk.
- 5.3 Performance reports and financial claims are requested quarterly from projects to allow sufficient time for information/data to be checked and verified and any supporting evidence obtained, prior to inclusion on the six monthly Government Performance Monitoring Returns. Expenditure is checked on a 'line by line' basis to ensure eligible and fully supported.
- 5.4 Following the withdrawal of one project from the Town Deal Programme, a fair and transparent process was followed to determine how the funding would be re-allocated and to which existing projects. Due diligence checks and review and approval by the Investment Sub-Committee and Town Deal Board evident.

## **6. Culture**

- 6.1 There is considered to be an open and transparent environment in respect of the Town Deal Programme, where officers, project leads and Members can discuss issues identified, and the approaches and controls required to minimise risk.
- 6.2 The Internal Audit Team would like to thank the Growth Strategy and Funding Manager and Senior Project Officer for giving their time for the audit and responding to questions and providing requested documentation.

## Appendix 1 – Action Plan

Risk 1: Governance arrangements are not fit for purpose, including those for managing the governance structure and meetings.				
No	Finding	Proposed Recommendation	Management Action	Owner and Timescale
1.	<p>The Town Deal Board Terms of Reference confirm the Board shall meet on a quarterly basis as a minimum.</p> <p>We found however that during 2024/2025 meetings have only been held in June and October 2024, with one further meeting scheduled for March 2025. It is understood a meeting scheduled for December 2024 was cancelled due to a lack of agenda items.</p> <p>As per Government guidance, Boards are expected to meet regularly.</p> <p>Priority: Medium</p> <p>Impact: Lack of adherence to Government guidance. Lack of opportunity to discuss progress, identify issues/concerns.</p>	Ensure that the Town Deal Board meet as a minimum on a quarterly basis to ensure that progress of the programme and individual projects can be effectively monitored and any issues/concerns addressed.	We will ensure that a programme of quarterly Town Deal Board meetings is diarised and that all meetings are held. Meetings will only be cancelled if approved by the Chair, on the basis that there is no requirement to discuss programme progress etc.	<p>Assistant Director for Development &amp; Growth &amp; Democratic Services</p> <p>1<sup>st</sup> April 2025</p>
2.	Annual checks on publicly available records are carried out by Government to ensure that governance requirements, as set out in the	To ensure adherence to the Towns Fund Prospectus and subsequent guidance, profiles for Town Deal Board Members to be	Profiles will be added to the Town Deal Website	Assistant Director for Development & Growth &

	<p>Towns Fund Prospectus 2019 and subsequent guidance, are met.</p> <p>One requirement is to ensure profiles of Board Members are published. The Lincoln Town Deal Board website however only includes the names and roles of members and the sector they represent.</p> <p>There is also a requirement to publish ways of working i.e. how the Board will engage with stakeholders. Whilst the existence of a Communications and Engagement Strategy was confirmed, approved by the Board January 2022, this Strategy can only be located by searching Board meeting minutes/papers.</p> <p>Priority: Medium</p> <p>Impact: Lack of adherence to Government guidance. Arrangements may not be transparent.</p>	<p>published on the Towns Deal website.</p> <p>Include on the website a clear link to the Board's Communications and Engagement Strategy.</p>	<p>A link to the Board's Communications and Engagement Strategy will be included on the website.</p>	<p>Democratic Services</p> <p>30<sup>th</sup> Sept 2025</p> <p>Assistant Director for Development &amp; Growth &amp; Communications Officer</p> <p>30<sup>th</sup> Sept 2025</p>
3.	<p>Review of the Town Deal Board website identified that whilst the latest version of the Board's Terms of Reference, reviewed and updated August 2024, is held on the website (within downloads), the Terms of Reference 'link' takes the reader to a previous version of the document, dated June 2021.</p>	<p>The Town Deal Board website to include only the latest version of its Terms of Reference.</p> <p>For greater transparency, include the Declaration of Interest Register for Board Members and the Investment Sub-Committee</p>	<p>The Town Deal Board website link will be reviewed to ensure it links to the up to date version of the Terms of Reference.</p> <p>As declarations of interest are declared at all Town Deal Board meetings, we don't believe there is a need to also include the</p>	<p>Assistant Director for Development &amp; Growth &amp; Communications Officer</p> <p>30<sup>th</sup> Sept 2025</p>



	<p>Whilst acknowledged not a formal requirement, we noted that the Declaration of Interest Register for Board Members nor the Investment Sub-Committee Terms of Reference are held on the website.</p> <p>Priority: Low</p> <p>Impact: Arrangements may not be fully transparent.</p>	<p>Terms of Reference on the website.</p>	<p>register on the website. The issue of identifying interests will in some way be addressed by including member profiles.</p> <p>The Terms of Reference for the Investment Sub-Committee won't be included on the website. It is considered sufficient that meeting updates are provided at each Town Deal Board meetings and minuted. Minutes available on the website.</p>	
4.	<p>A Code of Conduct exists to ensure members adhere to the 'Nolan Principles' of public life. This however has not been reviewed since March 2021.</p> <p>Only an earlier version of the Code of Conduct dated January 2020, could be located on the Town Deal Board website</p> <p>Priority: Low</p> <p>Impact: The Code of Conduct may not be 'fit for purpose'.</p>	<p>The Code of Conduct for members of the Town Deal Board is reviewed to ensure it still remains 'fit for purpose'.</p> <p>The latest version of the Code of Conduct is placed on the Town Deal Board website, and the earlier version removed.</p>	<p>Code of Conduct will be reviewed and the final version updated on the website.</p>	<p>Assistant Director for Development &amp; Growth &amp; Communications Officer</p> <p>30<sup>th</sup> June 2025</p>



**Risk 2: Ineffective processes in place to ensure compliance with the Head of Terms funding and reporting requirements.**

No	Finding	Proposed Recommendation	Management Action	Owner and Timescale
5.	<p>Government guidance requires Town Deal Boards to have sight of the six monthly Performance Monitoring returns prior to submission to the MHCLG.</p> <p>Our review identified that neither the May 2024 nor November 2024 returns were shared with Town Board members prior to submission.</p> <p>We understood this was not possible re the May 2024 return due to the submission date being brought forward by Government, we acknowledge it was shared at the August 2024 Board meeting, following confirmation by the MHCLG that this was satisfactory.</p> <p>The November 2024 submission has not yet been shared.</p> <p>Priority: Low</p>	<p>In accordance with Government guidance, ensure that the Town Deal Board have sight of the six monthly Performance Monitoring Returns prior to submission to the MHCLG, to ensure they have the opportunity to feed into them if required.</p>	<p>Will ensure Town Deal Board Members have sight of the return prior to submission, wherever possible. If we are unable to do this, we will advise MHCLG and seek approval for subsequent reporting to the Board.</p> <p>We can confirm that the returns are always signed by the Chair of the Board and that the November 2024 submission has now been reported to the Board.</p>	<p>Assistant Director for Development &amp; Growth</p> <p>31<sup>st</sup> March 2025</p>

	Impact: Lack of adherence to Government guidance. Lack of opportunity to feed into Performance Monitoring submissions.			
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## Appendix 2 - Definitions

### Opinion on the Adequacy of the Internal Control System

The following defines the levels of assurance (Assurance Opinions) used to indicate the adequacy of internal control identified within the review:-

<p><b>High</b></p> <p>Our critical review or assessment on the activity gives us a high level of confidence (assurance), governance 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><b>Substantial</b></p> <p>Our critical review or assessment on the activity gives us a substantial level of confidence (assurance) on governance arrangements, management of risks, and operation of controls and / or performance.</p> <p>Some issues were identified which may put at risk the achievement of objectives. However, the controls have been evaluated as largely adequate, appropriate and operating sufficiently so that the risk of the activity not achieving its objectives is medium to low.</p>
<p><b>Limited</b></p> <p>Our critical review or assessment on the activity gives us a limited level of confidence on governance arrangements, management of risks, and operation of controls and / or performance.</p> <p>Some significant gaps, weaknesses or non-compliance were identified which may put at risk the achievement of objectives. The controls evaluated are unlikely to give a reasonable level of confidence (assurance) that the risks are being managed effectively.</p>	<p><b>Low</b></p> <p>Our critical review or assessment on the activity identified significant concerns on governance arrangements, management of risks, and operation of controls and / or performance.</p> <p>There are either fundamental gaps, weaknesses or non-compliance in the control framework managing the key risks or the controls have been evaluated as inadequate, appropriate or are not being effectively operated. Therefore the risk of the activity not achieving its objectives is high.</p>

### Levels of Action Priority

The following defines the priority allocated to the recommendation based on the level of risk identified:-

<b>High:</b>	Immediate management attention is required - an internal control or risk issue where there is a high certainty of: substantial loss / non-compliance with corporate strategies, policies or values / serious reputational damage / adverse regulatory impact and / or material fines (action taken usually within 3 months)
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Medium:	Timely management action is warranted - an internal control or risk issue that could lead to financial loss / reputational damage / adverse regulatory impact, public sanction and / or immaterial fines (action taken usually within 6 to 12 months).
Low:	Best Practice - These will make the function as good as possible and should be implemented over the course of 9-12 months.



### Disclaimer

The matters raised in this report are only those which came to our attention during our internal audit work. Our quality assurance processes ensure that our work is conducted in conformance with the UK Public Sector Internal Audit Standards and that the information contained in this report is as accurate as possible – we do not provide absolute assurance that material errors, fraud or loss do not exist.

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.

