

Internal Audit Progress Report



West Lindsey District Council
30.09.2018

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2018/19 Audit Plan to Date

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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.

Introduction

The purpose of this report is to:

- Provide details of the audit work during the period 01.07.2018 – 30.09.2018
- Advise on progress with the 2018/19 plan
- Raise any other matters that may be relevant to the Audit Committee role

Key Messages

During the period we have completed five audits:

- Five final assurance reports

Assurances

The following audit work has been completed and a final report issued:

- Key Control Testing, Treasury Management, Council Tax and Corporate Fraud – High
- Key Control Testing Property Plant & Equipment - Substantial
- Housing Benefit Subsidy Testing – High
- Budget Management – High
- Financial Strategy & Budget Preparation – High
- Food Safety & Environmental Protection - Limited

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.

4

**HIGH
ASSURANCE**

1

**SUBSTANTIAL
ASSURANCE**

1

**LIMITED
ASSURANCE**

0

**LOW
ASSURANCE**

High Assurance

Key Control Testing

We reviewed three key areas which were Treasury Management, Council Tax and Corporate Fraud.

We found that the Council has good processes and controls in place to ensure that the systems we reviewed operate effectively and protect the business from fraud and error.

We made one medium priority finding that all key spreadsheets used in Treasury Management are checked to ensure that there are no errors in Excel calculations.

Housing Benefit Subsidy Testing

We examined twenty-nine cases as part of the work undertaken to support the subsidy claim, in respect of payments made in the 2017/18 financial year.

One error was identified although this was picked up and corrected during the 2018/19 year prior to our own review of this claim. As such we have not recorded this as a "fail" in the overall assessment. No "fails" have then been recorded in the claims tested and staff should be congratulated on attaining such a high degree of accuracy.

Budget Management

Our review has provided a high assurance opinion that there are robust systems and controls in place for budget management. Overall there is a well-established step by step process in place for budget management.

There are no significant improvements to be made but we have included one finding to promptly remove leavers from the finance ICT system.

Financial Strategy & Budget Preparation

Our review has provided a high assurance opinion that there are robust systems and controls in place for budget preparation and its alignment with the Council's strategic priorities.

We found that the officers involved in the budget preparation have the skills and knowledge required, budget setting procedures are clearly defined and communicated to staff, and budgets are realistic and compliant with the procedures and timescales.

Substantial Assurance

Key Control Testing

We reviewed Property Plant & Equipment as part of key control testing and found that the Council has good processes and controls in place to ensure that the systems we reviewed operate effectively.

We made two medium priority actions, which are that all key Property and Plant policies are updated and completed in a timely manner and that there is improved controls and management oversight on action plans to maintain assets and comply with legislative policy for the upkeep and safety of assets.

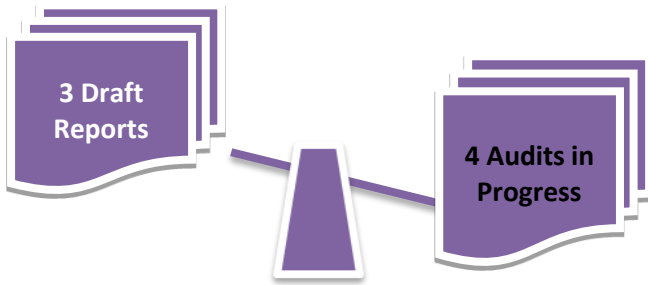
Limited Assurance

Our review found a number of good areas of practice and that the management of the service had improved with the recent management restructure and new team manager in place.

There are also a number of areas that need strengthening. The key areas for improvement are:

- Ensuring that the Council has appropriately qualified and experienced staff to undertake Contaminated Land inspections and external Health & Safety inspections and enforcement.
- Adjusting the target for the number of inspected food premises so that it is in line with the number of inspected premises required by regulations.
- Improve the reporting of progress and delivery to Committees, ensuring that accurate figures are reported.
- Reviewing, and where appropriate updating, all relevant policies as well as creating policies where they are absent.

**Food Safety
&
Environmental Protection**



Audits reports at draft

We have 3 audits at draft report stage:

- Good Governance Consultancy Review;
- Growth Programmes;
- Leisure Contract Consultancy.

These will be reported to the committee in detail once finalised.

Work in Progress

We also have 4 audits in progress :

- The Customer First Programme review;
- Investment Programmes review;
- Corporate Plan review;
- Assurance Mapping.



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 (assurance) 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.

Food Safety & Environmental Protection

Limited Assurance

Risk	Rating (R-A-G)	Recommendations	
		High	Medium
Risk 1 - Lack of staff capacity and capability to deliver an effective service	Amber	0	2
Risk 2 - No policy, legal compliance or guidance to support effective working and delivery of the service	Amber	0	3
Risk 3 - Failure to deliver a good service due to a lack of management oversight, clear targets and performance reporting	Amber	2	0

Background and Context

Environmental Protection, Food Safety and Community Safety now form part of the wider Housing and Environmental Enforcement service area. There has been a new manager since September 2017 and the teams have undergone a restructure in the early part of 2018. Their reporting lines and management structure have also changed. This area hasn't been audited previously and was raised as an amber risk area during the 2017 assurance mapping exercise.

Scope

To review the new structure of Environmental Protection, Food Safety and Community Safety teams and provide assurance on the consistent delivery and performance of this key service.

We identified the following as the key risks:

- Lack of staff capacity and capability to deliver an effective service;
- No policy, legal compliance or guidance to support effective working and delivery of the service;
- Failure to deliver a good service due to a lack of management oversight, clear targets and performance reporting;

To gain assurance on the risks we:

- Interviewed key staff;
- Reviewed legislation, regulatory requirements, policies and procedures;
- Reviewed management, monitoring and reporting arrangements.

Executive Summary

Our audit found that the Council is not meeting all of its regulatory requirements for environmental enforcement and food safety, in particular food safety, external health & safety, and contaminated land inspections.

There is currently a lack of expertise and skills to cover both external health & safety and contaminated land inspections. Regulatory policies and strategies are either not in place or are out of date, and have passed required review dates.

Executive Summary

We also found that there are inconsistencies in performance reporting and the way performance is reported does not always align to regulatory requirements; for example how different categories of food premises are inspected within different timescales.

The key areas for improvement are:

- Ensuring that the Council has appropriately qualified and experienced staff to undertake Contaminated Land inspections and external Health & Safety inspections and enforcement;
- Adjusting the target for the number of inspected food premises so that it is in line with the number of inspected premises required by regulations;
- Improve the reporting of progress and delivery to Committees, ensuring that accurate figures are reported;
- Reviewing, and where appropriate updating, all relevant policies as well as creating policies where they are absent.

We would like to thank all officers and the management who assisted us in this audit for their time and cooperation.

Management Response

The findings of the audit are welcomed and provide a good overview of the current position within the Environmental Protection and Food and Health and Safety work areas. There are a number of key areas where improvements are required and this audit has helped to clarify these and sets out the areas of priority which will need addressing in the short and longer term.

It is important to note that the work areas have been through a period of change over the last 9 months and the new structure implemented has only been in place since February 2018.

The new structure and emerging changes to the culture have identified additional areas of improvement that are needed due to the proactive approach that officers are taking in identifying and resolving service based and management issues.

A number of positive steps have been taken prior to the audit process commencing. Training needs have been identified, proper line management and one to ones are in place and regularly occurring and barriers in regards to resources have been identified.

Andy Gray - Housing and Environmental Enforcement Manager

Outstanding Audit Recommendations for all audits at 30.09.2018

*new dates and comments added for these actions – see Appendix 5

Activity	Issue Date	Assurance	Total recs	Recs Imp	Priority of Overdue Recommendations			Recs not due
					High	Medium	Advisory	
WLDC Patch Management Portfolio Board	July 2018	Substantial	7	0	0	5	0	2
	June 2018	Substantial	4	3	0	1*	0	0
	June 2018	Substantial	10	8	0	2*	0	0
Procurement	June 2018	Substantial	10	8	0	2*	0	0
PCI DSS Follow Up	April 2018	Limited	8	4	2	2	0	0
Total			29	15	2	10	0	2

Audit	Scope of Work	Start Planned date	Start Actual date	End Actual date	Status/ Rating
Environmental Protection & Enforcement	Review the recent changes in structures and management and provide assurance that services are being delivered as intended.	Q1 June 18	June 18	Sept 18	Limited
Investment programmes	Review the Councils approach to managing projected gaps in the budget and provide assurance on the delivery of projects which provide a commercial return to the Council.	Q1 June 18	Sept 18		Work In Progress (WIP)
Growth Programmes	To follow up on 2016 growth audit work and provide assurance on project and programme work in delivery.	Q1 May 18	June 18		Draft Report
Housing Benefits Subsidy	Test a sample of benefit cases to on behalf of the external auditor KPMG to provide assurance on the subsidy claimed by the Council	Q2 July – Sept 2018	Aug 18	Sept 18	High
Customer First	A key programme of work and business transformation for the Council. Provide assurance that the programme is being effectively managed and monitored.	Q2 July – Sept 2018	Sept 18		Draft Report
Corporate Planning	Review the Council's systems and processes over the setting of its strategic direction.	Q2 July – Sept 2018	Sept 18		WIP
Financial Strategy & Budget Preparation	Review the Councils systems and processes in place to provide assurance on the management of budgets. This will include budget setting, forecasting, monitoring, any key person dependencies and system access.	Q2 July – Sept 2018	Aug 18	Sept 18	High
Budget management	Review the Councils systems and processes in place to provide assurance on the management of budgets. This will include budget setting, forecasting, monitoring, any key person dependencies and system access.	Q2 July – Sept 2018	Aug 18	Sept 18	High

Audit	Scope of Work	Start Planned date	Start Actual date	End Actual date	Status/ Rating
Leisure Contract	Consultancy review of the new Leisure contract process.	Q2 July – Sept 2018	Sept 18		Draft Report
ICT Infrastructure joint with NKDC	Joint review with NKDC to cover the roadmap and spending plans for future ICT software and hardware.	Q2 July – Sept 2018			Agreeing Terms of Reference (TOR)
Follow up PCI DSS	Follow up low or limited audit reports for assurance on improvement and implementation of findings	Q3 Oct – Dec 2018			
Follow up Sales & Invoicing	Follow up low or limited audit reports for assurance on improvement and implementation of findings	Q3 Oct – Dec 2018			
Combined Assurance	Document the Councils critical areas to provide an assurance rating to inform the audit plan and report to management and members.	Q3 Oct – Dec 2018	Sept 18		WIP
Follow up Planning Enforcement	Follow up low or limited audit reports for assurance on improvement and implementation of findings	Q3 Oct – Dec 2018			
Follow up Commercial	Follow up low or limited audit reports for assurance on improvement and implementation of findings	Q3 Oct – Dec 2018			

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