

Internal Audit Progress Report



West Lindsey DC
March 2019

 Assurance
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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 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 07.12.2018 – 10.03.2019
- 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 nine reviews:

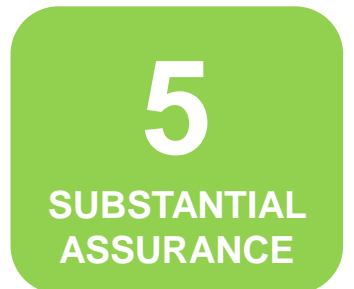
- Seven final assurance reports
- One consultancy report
- One Assurance Mapping report

Assurances

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

- Key Controls Insurance– High
- Key Controls VAT – High
- Customer First – Substantial
- Corporate Planning – Substantial
- Commercial Plans Follow Up – Substantial
- Key Controls Health & Safety – Substantial
- ICT Records Management - Substantial
- Good Governance – Consultancy
- Assurance Map

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.



During the period we have issued four reports giving high or substantial assurance.

High Assurance

Key Controls Insurance

The Council must have an insurance process in place, in order to mitigate risks. The main aim for an organisation handling insurance claims, is to ensure that each claimant is dealt with efficiently, effectively and professionally. It is equally important to make sure that each claim is legitimate.

The audit gave assurance that the insurance function within the Council is effectively managed whilst guaranteeing that claims are dealt with accurately, compliantly and timely.

Our assurance rating for insurance at West Lindsey District Council is High. A sample of claims was taken from the claim log sheet for analysis. For each claim log and claim form, the information is accurate, up to date and clear to follow.

There are no recommended actions from this audit.

Key Controls VAT

The aim of the audit is to give assurance that the VAT re-claiming function of the Council is effectively managed, accurate, compliant and timely whilst, guaranteeing that fines are not incurred. We are also checking that the VAT is correctly identified and recorded.

The sample of creditor invoices that we analysed, were exhibiting all the appropriate and valid information and there is a robust process for checking debtor VAT. The amount of VAT being re-claimed is correct and the process is easy to understand and check, as all of the relevant information is documented.

The VAT form was submitted correctly and it was signed off by an authorised employee. The submission was made within the deadline days, meaning that no fines were incurred.

The assurance rating for VAT is High and there are no recommended actions for this audit.

Substantial Assurance

The Customer First Programme is a transformational area of work for the Council, which will directly affect all customer facing services of the Council and will also have implications on its support services.

Overall, we can provide substantial assurance that a clearly defined strategic approach to the Customer First Programme exists. Governance and management arrangements for the Programme have been firmly established with regular, monitoring and reporting on the delivery of the Programme and its projects.

We have included five medium priority findings to support the Council in addressing identified issues from the review including –

- A Quality Management Plan should be developed detailing quality objectives, roles and responsibilities
- Formal role definitions to be documented for Project Sponsor, Programme Lead and Theme Leads
- Benefits identified at both the Programme and Theme Level should be both measurable and realistic
- Theme Leads should be appointed as benefit owners, responsible for tracking benefits and reporting on their progress to the Programme Board.

In October 2017 we reviewed the Council's Commercial Strategy and progress in delivering the key outcomes from this. The outcome was a low assurance report, based on the Council's approach, management and delivery of the Commercial plan at the time.

The purpose of this follow up review is to confirm that previously agreed actions to address the low assurance report for this area have been actioned and that there has been an improvement in the management and delivery of the commercial agenda.

Overall, we can provide substantial assurance that actions have been taken and that these have supported an improved approach to commercial aims at exactly the right time as the Council further explores commercialism to better support its financial position and delivery of key services.

Customer First

Commercial Follow Up

Substantial Assurance

Corporate Planning

This review has provided assurance on the corporate planning approach; how the Council sets and reviews its strategic priorities and monitors achievement of those priorities. It included a review of how previous Corporate plan learning can be used in the development of the new 2019 -2023 plan.

We were able to give positive assurance on how the new plan is being developed and confirm that the plan is being put together using learning gained from previous corporate plan development. There is wide management awareness of issues and clear actions are being developed to address these with the new plan.

We made several recommendations to support the Council in its development of the new Corporate Plan including -

- Ensure measures are SMART and there is early engagement with officers for ownership of measures.
- Issues identified during development and delivery of the current 2016-2020 Corporate Plan be collated, documented and formally reported.
- Create a Project plan to record key milestones, timescales and responsible officers for the development, approval, launch and progress reporting of the new Corporate Plan 2019-2023
- Support the understanding of the “golden thread” which links all officers with Corporate Plan aims and objectives.

The scope of the audit is to provide independent assurance that current records management practices support the organisations needs and are compliant with regulatory requirements.

Our review confirms that robust processes and controls are in place and embedded throughout the organisation. There are no findings around the storage, retention and disposal of electronic records. There are some areas that can be improved for hard copies of documents stored at the depot.

ICT Records Management

The Council needs to manage these risks and we have made several recommendations to support this area, including –

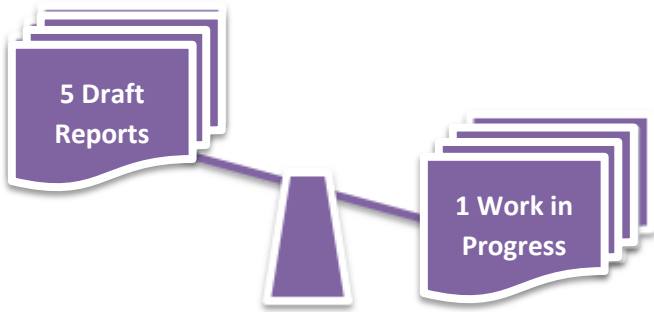
- Reviewing the storage of hard documents at the depot
- Ensuring document disposal records are recorded and accessible
- Clearly identifying retention records and responsible officers for records stored at the depot.
- Confirming that records management risks are updated and monitored and detail controls and mitigating actions.

Substantial Assurance

Key Controls Health & Safety

The purpose of the audit is to provide assurance on the Council's health and safety processes and the issue, and risk, of how incident and accident in the workplace are investigated.

Our audit work has given substantial assurance with a positive direction of travel. We are confident that the foundations are in place and plans for the future once implemented fully will further support the processes and delivery of strategy. This will allow WLDC to have a secure position through a robust Health and Safety management system should there be an accident or incident.



Audits reports at draft

We have four audit's at draft report stage:

- ICT Infrastructure Plans joint review with NKDC
- Planning Enforcement Follow Up Management
- Investment Programs
- PCI DSS Follow Up
- ICT Capacity and Capability joint with NKDC.

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

Work in Progress

We also have one final 2018/19 audit in progress

- Key Controls - Payroll





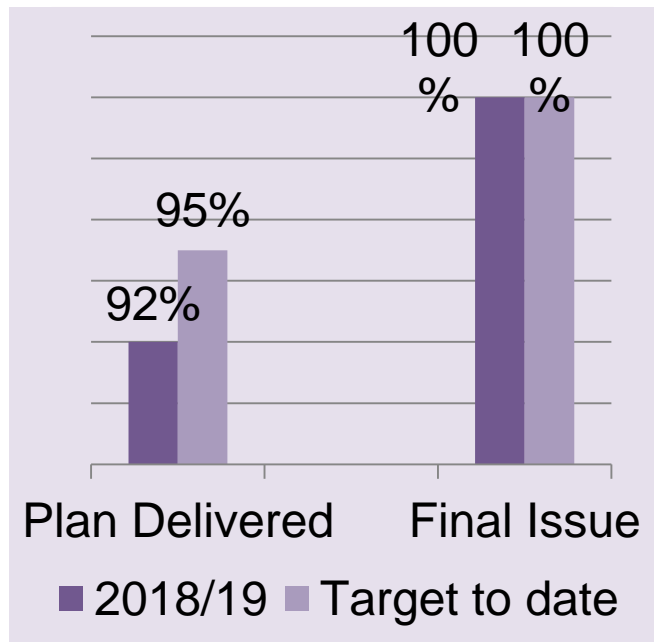
Internal Audit's performance is measured against a range of indicators. The statistics below show our performance on key indicators year to date.

Performance on Key Indicators

100%

Rated our service Good to Excellent

High achievement of Audit KPI's to date





Other Matters of Interest

A summary of matters that will be of particular interest to Governance and Audit Committee Members

CIPFA Better Governance Forum Update

In February 2019 CIPFA produced an audit committee update paper. This highlights recent reports from external auditors, in particular the National Audit Office report on Local Authority Governance. It also takes stock of local audit arrangements in the light of recent developments.

Understanding the work of external auditors is a key responsibility of the audit committee, and supporting and overseeing the organisation's response to the auditor recommendations is an essential role for the committee.

The report examined local arrangements, particularly those that support financial sustainability. These included:

- operation and independence of the audit committee
- priority given to ethical standards
- effective internal audit
- robust risk management arrangements
- effective scrutiny and challenge
- the right conditions for statutory officers to fulfil their roles.

The NAO surveyed the external auditors of the authorities on the extent to which they were satisfied that these arrangements were effective. In 50% of authorities, the external auditors had no concerns and 19% had concerns on one area only. However, 30% of authorities were scored as having two or more concerns, including 9% with four or more areas of concern.

The findings from the survey of external auditors was further supported by a survey of section 151 officers and a range of focus groups and interviews with stakeholders.

The document also covers the work of the Committee on Standards in Public Life who have published a report on their review of standards arrangements in English local authorities. The report, *Local Government Ethical Standards*, acknowledges that the vast majority of councillors and officers maintain high standards of conduct but that there is clear evidence of misconduct by some councillors, particularly around bullying and harassment.

While the report concludes that local responsibility for standards should be maintained, it recommends a number of improvements, including:

- a new model code of conduct
- extending regulations about the disclosure of interests
- strengthening and clarifying the role of the independent person
- a new sanction to suspend a councillor for up to six months
- disciplinary protection for the statutory officers in authorities (monitoring officer, section 151 officer and head of paid service) should be extended to all disciplinary action
- amendments to the Transparency Code to cover disclosures of code of conduct complaints and changes to whistleblowing.



Other Matters of Interest

A summary of matters that will be of particular interest to Governance and Audit Committee Members

In addition, there are 15 best practice recommendations made to local authorities.

Governance and Audit committee members should take account of the report as an individual councillor or independent member, but they should also be aware of the report when considering the strength of their authority's ethical framework for the Annual Governance Statement.

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
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.

Outstanding Audit Recommendations for all audits at 10.03.2019

Activity	Issue Date	Assurance	Total recs	Recs Imp	Priority of Overdue Recommendations			Recs not due
					High	Medium	Low	

There are no over due actions to report.

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 2018	June 2018	Sept 2018	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 2018	Sept 2018		Draft
Growth Programmes	To follow up on 2016 growth audit work and provide assurance on project and programme work in delivery.	Q1 May 18	June 2018	Nov 2018	Substantial
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 2018	Sept 2018	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 2018	Feb 2019	Substantial
Corporate Planning	Review the Council's systems and processes over the setting of its strategic direction.	Q2 July – Sept 2018	Sept 2018		Draft Report

Audit	Scope of Work	Start Planned date	Start Actual date	End Actual date	Status/ Rating
Financial Strategy & Budget Preparation	Review the Councils systems and processes in place to provide assurance on the process of budget preparation and it's alignment with the Council's strategic priorities. This will include budget setting and links to corporate priorities and the medium term plan.	Q2 July – Sept 2018	Aug 2018	Sept 2018	High
Budget management	Review the Councils systems and processes in place to provide assurance on the management of budgets. This will include budget monitoring, control and management of variations.	Q2 July – Sept 2018	Aug 2018	Sept 2018	High
Leisure Contract	Consultancy review of the new Leisure contract process.	Q2 July – Sept 2018	Sept 2018	Feb 2019	Consultancy
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	Nov 2018		Draft Report
Follow up PCI DSS	Follow up low or limited audit reports for assurance on improvement and implementation of findings.	Q3 Oct – Dec 2018	Jan 2019		Draft
Follow up Sales & Invoicing	Follow up low or limited audit reports for assurance on improvement and implementation of findings.	Q3 Oct – Dec 2018	Sept 2018	Nov 2018	High
Combined Assurance	Document the Council's critical areas to provide an assurance rating to inform the audit plan and report to management and members.	Q3 Oct – Dec 2018	Sept 2018	Dec 2018	Complete

Audit	Scope of Work	Start Planned date	Start Actual date	End Actual date	Status/ Rating
Follow up Planning Enforcement	Follow up low or limited audit reports for assurance on improvement and implementation of findings.	Q3 Oct – Dec 2018	Jan 2019		Draft
Follow up Commercial	Follow up low or limited audit reports for assurance on improvement and implementation of findings.	Q3 Oct – Dec 2018	Jan 219	March 2019	Substantial
ICT Records Management	Provide assurance on the Councils systems and controls for document management and compliance with legislation.	Q3 Oct – Dec 2018	Dec 2019		Draft Report
Key Controls Insurance & VAT	Provide assurance that key controls are operating effectively throughout the year	Q4 Jan – March 2019	Dec 2019	Feb 2019	High
Key Controls Payroll	Provide assurance that key controls are operating effectively throughout the year	Q4 Jan – March 2019	Feb 2019	Feb 2019	WIP
Key Controls Health & Safety	Provide assurance that key controls are operating effectively throughout the year	Q4 Jan – March 2019	Jan 2019	Jan 2019	Draft Report