

Internal Audit Progress Report



West Lindsey District Council
June 2020

 Assurance
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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 February 2020 to June 2020
- Advise on progress of the 2019/20 and 2020/21 plan
- Raise any other matters that may be relevant to the Audit Committee role

Key Messages

During the period we have issued three reports and we have four audits at draft report stage.

The onset of Covid-19 and subsequent lockdown has had a significant impact on all areas of the public sector. Operationally, the Council has had to react quickly to rapidly changing circumstances. This has had an impact on the pace of progression for some of our audits, however we continue to work closely with the Council in order to finalise the 2019/20 audit work.

Given the current situation, it was agreed with management that no new Internal Audit work would be completed during Quarter 1.

We are currently in the process of reviewing our resources and the logistics around the delivery of the remainder of the plan. We will continue to focus on the areas of greatest priority during Q 2-4 and we will continue to discuss all issues with Management & Members.

In order to ensure that our work continues to focus on the areas of greatest risk to the Council, we have prioritised our Internal Audit plan and identified three areas which have been approved for deferral by the Governance & Audit Committee. These details can be found at Appendix 5. We will look to work with senior management to identify where our independent assurance will add the most value.

Work completed

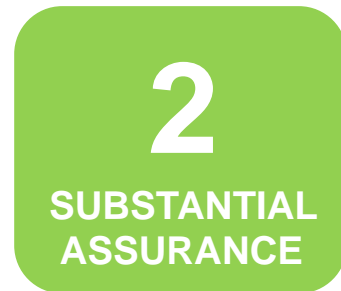
The following audit work has been completed and a final report issued:

Assurances

- Good Governance Follow up – High Assurance
- Programme & Project Management – Substantial Assurance
- Golden Thread & Corporate Plan

Split opinion –

- Golden Thread - Limited Assurance
- Corporate Plan - Substantial Assurance



High Assurance

The original 2018 review, based on detailed testing, interviews and a workshop resulted in an agreed level three out of five maturity rating when assessed against our maturity model. Twenty Two actions to further strengthen governance were agreed with management.

The follow up audit confirmed that all agreed actions have been implemented by the Council. Evidence of implementation was provided by the Director of Governance and the Corporate Governance & Policy Manager. As such the assessment of maturity has been reviewed and all the strands have achieved level 4 as outlined in the table below:

Revised Strand Assessment of Maturity

Strand	Assessment of Maturity	
	Score	
Leadership and Management	4	Embedded and integrated
People	4	Embedded and integrated
Culture, Values and Consistency	4	Embedded and integrated
Process and Procedures	4	Embedded and integrated
Assurance and Accountability	4	Embedded and integrated

The impact of these actions having been implemented has enabled us to provide assurance that good culture and values continues to be applied to Council work and that it is embedded in Council thinking and decision making.

Values, behaviors and culture are a key foundation for the Council and further work should be planned through internal review and independent audit to provide management with ongoing assurance and overview of this area.

**Good
Governance
Follow up**

Substantial Assurance

Our review has provided a substantial assurance opinion that project managers understand the definitions of projects and programmes as well as the way to progress, develop, monitor and manage these for effective delivery for the Council.

We found that there is a robust project management framework in place which was last updated July 2019. Strategies to manage programmes have also been developed.

Each strategy also has a board overseeing the decision for the relevant projects which provides another layer of governance. Further to that there is a Portfolio board which is responsible for managing programmes and high level projects as well as co-ordination of the interdependencies between key projects and programmes. There are also regular progress reports to Portfolio and programme boards.

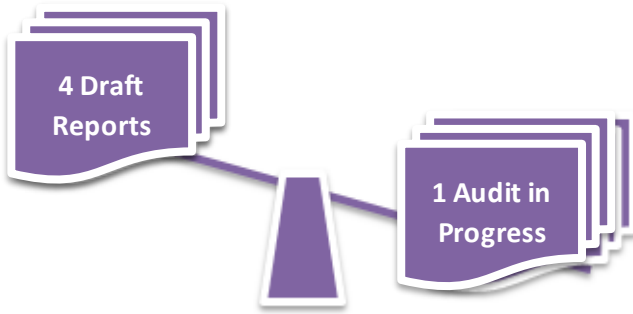
The Council also conducts annual Portfolio, Programme, and Project Management Maturity Model (P3M3) assessment of its programmes. P3M3 assessment is an industry standard for assessing levels of maturity in an organisation's approach to portfolio, programme and project management processes.

We identified the following areas where improvement will further strengthen the governance of projects and programmes:

- Some of the programme boards have missing or out of date terms of reference
- Some of the programme progress reports are incomplete

We found that overall there is a good level of governance over projects and programmes and management overview on delivery in place.

Programme & Project Management



Audits reports at draft

We have four audits at draft report stage:

- ICT Cyber Security (Joint with NK)
- Food Safety and Environmental Protection & Enforcement Follow up review
- Key Controls – Debtors
- Key Controls - Creditors

Work in Progress

We have the following audit in progress from the 2020/21 plan:

- Housing Benefit Subsidy testing preparation

Other Significant work

Internal Audit have developed a Covid-19 Impact questionnaire which has been designed to capture some of the key data around the Council's response to the virus. The questionnaire has been completed by the Strategic Lead- Governance & People and we will use this data to help focus our work in supporting the Council in the most effective way.





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 as at 12 June 2020

At the time of writing this report we have not issued any further audit reports in quarter 1 that have not already been reflected within the Annual report.

The delivery of 20/21 audit plan will commence in quarter 2 as agreed with management and performance will be reported in the quarter 2 progress report.

**No
overdue
audit
actions**



Other Matters of Interest

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

Cabinet Office Public Sector risk update

The Government Counter Fraud Function has confirmed the key fraud risks during Quarter 1 of 2020/21 across the public sector:

Fraudulent claims	We have received reports of a detected fraud that involves over 20 Small Business Grant Fund (SBGF) payments and is worth approximately £250,000
Impersonation of officials	We have received intelligence to suggest the risk of scammers spoofing email addresses to pretend to be employers, seeking personal details as part of the return to work process
Government grants	Fraudsters are attempting to use the closure of premises or homeworking to justify the enquiry for information relating to premises, reference numbers and/or Extended Retail Discount in order to obtain business information for fraudulent applications for the retail & hospitality and leisure grant.
Cyber fraud	We are beginning to see phishing attempts by online fraudsters impersonating senior staff in well-known retail and food chains targeting loans and grants administered by Local Authorities. The emails target the authorities using open source data such as logo and head office addresses, to obtain genuine business rates details of branches in the area and submit fraudulent claims which are then paid into fraudsters accounts.

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.

Risk	Rating (R-A-G)	Recommendations	
		High	Medium
Risk 1 – Corporate Plan up-to-date and relevant	G	0	0
Risk 2 – Shared Purpose across the Council	A	0	1
Risk 3 – Communications from the top down	A	0	1
Risk 4 – Service Plans and Appraisals	A	0	1
Risk 5 – Celebrating Success of all teams	A	0	1

Substantial Assurance – Corporate Plan

Limited Assurance – Golden Thread

Background and Context

The Council has refreshed its Corporate Plan to run from 2019 to 2023. The Corporate Plan underpins all that the Council does and has a 3-way focus; Our Council, Our People and Our Place.

The Golden Thread is the alignment of individual performance metrics with organisational objectives. Having this mechanism in the Council allows staff to see their contribution towards corporate goals and how they work together towards a shared purpose.

To promote a strong Golden Thread within an organisation, there needs to be strong communication, a clear understanding of the corporate objectives and acknowledgement of the shared purpose that every staff member has.

Scope

The purpose of this audit review was to provide management with assurance that the Golden Thread does exist and that managers, services and individuals understand their contribution to corporate objectives.

Executive Summary

In 2019 the Council published a new Corporate Plan for the period 2019-23. We found that the Plan has been well accepted by Managers who generally remarked how much an improvement it is on the previous plan. The plan is easier to read, is more understandable, clearly states the Council's objectives, and is more deliverable. A review of individual service contributions to the plan is planned.

An effective Golden Thread is created when the Corporate Plan feeds into everything that everyone does in the organisation, creating a shared purpose, and performance is related back to the Corporate Plan, and these links are explicitly and comprehensively made. In our opinion the Council has not achieved this state yet.

The Golden Thread concept is not about just making the links across an organisation, but knowing how to use these links in the right way, to unlock the potential that it has to offer and to improve the performance of the organisation as a whole and further work is required to achieve this.

We got no feeling that there is a shared purpose or a shared understanding amongst managers and that will surely be the same for staff. We noted in a recent audit of the Vulnerable Communities Strategy that different teams are contributing to the outcomes of the strategy but with no overall shared purpose, this is the same for the Corporate Plan.

The Golden Thread is acknowledged at varying levels across the Council's teams. Staff who work on the frontline, or deliver services and projects that contribute directly to Corporate Plan outcomes, are far more likely to recognise their impact on local communities and the Corporate Plan. Staff who undertake what one manager described as "low profile" work, find it harder to visualise how they contribute to the Plan's outcomes.

A number of managers noted that the Plan has little or no relevance for their staff, and is not necessarily motivational. We also noticed that managers and teams that are physically located near to the Corporate Core have a greater awareness, and understanding, of the plan.

Several managers stated that there is a necessity for better communication between senior management and managers and staff. This was also identified in the recent Peer Review. This is needed to develop the shared purpose and identify the links from the Plan to team performance. Communication between teams needs strengthening also so that teams support each other. This can allow staff to view the support and data that they provide to others as a contribution to Council targets.

There was an example of a manager being unaware that there was an up to date Corporate Plan, instead working from the 2016 version, this emphasises the compulsion for the improvement of communication across the Council.

Executive Summary

We noted that there are posters around the Guildhall showing the main elements of the Plan. In our opinion, these could be more meaningful if used to make the link from individual members of staff to the Plan outcomes more associative and accessible on a personal level.

Managers also revealed that there is very little appreciation and acknowledgement of the successes of particularly “low profile” teams. This is an opportunity to strengthen the Golden Thread that is lost. It is also associated with the absence of shared understanding; staff are unaware of how other teams work contributes, and vice versa, through lack of recognition of achievements.

Areas of Good Practice

The refreshed Corporate Plan is a significant improvement on the previous plan. The review of individual service contributions to the plan will be an important step in creating stronger ties between the Plan and individual service plans in the future. This suggests a positive direction of travel.

Some managers have made the link between their own Service Plan and Corporate Plan and have shared this with staff, however in some cases this seemed a little forced. Some, but not all, have attempted to reflect the Corporate Plan in individual appraisals this is a useful technique, which could be used on a wider scale.

Management Response

The findings of the audit reflect the significant and inclusive nature of the work that was undertaken to produce the Council's Corporate Plan 2019-2023 which is regarded as a meaningful document that has been well received by colleagues and Members alike. The Plan has clearly set out the key outcomes it wants to achieve over the four year period and the rationale is understood. Awareness of its existence is generally high among service areas, with one or two exceptions.

However, while it appears that at Team Manager level the concept of the Golden Thread exists in the main, further work is required to support Team Managers to ensure that they have the ability to cascade into their teams the relevance of service level activity to the achievement of corporate outcomes. Key vehicles for this would seem to be one to ones, the appraisal system and business planning, whereby the linking of individual/team work objectives to key outcomes should be strengthened and managers provided with additional support and guidance to achieve this. Thought is also required on how to ensure on-going awareness and communication of the relevance of day to day service and individual activity to corporate objectives and how this can be widely shared.

At the time of the audit, further work was underway with service areas to determine key activity and projects they are involved in; the product of which supports and contributes to the achievement of the Corporate Plan. This work has completed and as the Corporate Plan's first anniversary has been reached, teams will be asked for information and data to be used for a Corporate Plan progress report. Teams will be actively involved in this and this will strengthen the concept of the Golden Thread as service level contributions will be highlighted and reported.

There has been significant discussion with the Audit Team in the production of the report and their willingness to review additional supporting evidence and amend the structure of the report before providing their concluding remarks is really appreciated.

- James O'Shaughnessy Corporate Policy Manager

Outstanding Audit Actions at 12 June 2020

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

There are no overdue actions to report

Audit	Scope of Work	Start Planned Date	Start Actual Date	End Actual Date	Rating
Strategic Risk – Inability to raise local educational attainment and skills levels	To review the controls and planned controls the Council has to mitigate and manage this key strategic risk.	Q2 July – Sept 2020			
Homelessness	The homelessness strategy is delivered to achieve targets on prevention and that statutory obligations are fulfilled.	Q2 July – Sept 2020			
Treasury Management	Provide Assurance on the Councils Treasury Management processes and controls around borrowing, investment and cash flow.	Q2 July- Sept 2020			
Housing Benefit Subsidy	Test a sample of benefit cases on behalf of the external auditor to provide assurance on the subsidy claimed by the Council.	Q2 July- Sept 2020			
Combined Assurance	Completing the integrated assurance mapping process for the Council by helping to map assurance against critical activities and key risks. Helping coordinate the development of the annual status report.	Q2/ Q3 July- Dec 2020			
Key Project – Waste Depot	Provide assurance over the management and delivery of the Council's key project	Q3 Oct- Dec 2020			
Key Project – CRM (Customer Relationship Management System)	Provide assurance over the management and delivery of the Council's key project	Q3 Oct- Dec 2020			
Crematorium	Provide assurance that the operational arrangements for the Crematorium are robust effective and efficient.	Q3 Oct- Dec 2020			

Audit	Scope of Work	Start Planned Date	Start Actual Date	End Actual Date	Rating
ICT – PSN Compliance	Joint review with NKDC to review the Council's compliance with standards and best practice	Q3 Oct- Dec 20			
ICT – Email Security (2019/20)	To review the Councils compliance with standards and best practice	Q3 Oct- Dec 20			
ICT – Other area to be agreed	To be confirmed	Q3 Oct- Dec 20			
Key Controls Testing – General Ledger	To provide assurance that key controls are in place and operating effectively	Q4 Jan – Mar 20			
Key Controls Testing – Council Tax	To provide assurance that key controls are in place and operating effectively	Q4 Jan – Mar 20			
Key Controls Testing - VAT	To provide assurance that key controls are in place and operating effectively	Q4 Jan – Mar 20			
ICT Helpdesk	Joint review with NKDC to review the effectiveness and efficiency of the helpdesk	Q4 Jan – Mar 20			
Audit Follow up work	Follow up 2019/20 limited assurance areas to provide assurances that improvements have been implemented	Q4 Jan – Mar 20			
Contingency	Areas to be confirmed and agreed but may include Post Covid-19 assurance work	Q4 Jan- Mar 20			

Audit	Rationale	Change	Approval
Key Project – Enterprise Resource Planning System (ERP) (10 days)	The Council was due to sign a contract for the implementation of an ERP finance system on 31.3.2020, however, due to the Covid-19 pandemic and the uncertainty around the financial impacts, Management Team made the decision to put the project on hold.	Deferred until 2021/22. Days will be allocated to other areas of focus – to be agreed	Governance & Audit Committee - 16 th June 2020
ICT – ERP system (10 days)	The Council was due to sign a contract for the implementation of an ERP finance system on 31.3.2020, however, due to the Covid-19 pandemic and the uncertainty around the financial impacts, Management Team made the decision to put the project on hold.	Deferred until 2021/22. Days will be allocated to other areas of focus – to be agreed	Governance & Audit Committee - 16 th June 2020
Wellbeing Lincs (8 days)	Joint review with NKDC and ELDC. Both ELDC & NKDC have also agreed to postpone this review. Wellbeing Lincs has been and remains pivotal during the Covid-19 pandemic and continues to work very closely with the community and other partners. Consideration to defer this review to 21/22 will allow the service to focus on the recovery phase and our audit can then review the effectiveness of the Council's elements of the contract during and post Covid-19.	Deferred until 2021/22. Days will be allocated to other areas of focus – to be agreed	Governance & Audit Committee - 16 th June 2020