

Internal Audit Progress Report



**West Lindsey District Council
September 2020**

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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 June 2020 to September 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 one audit at draft report stage.

We commenced our audit work from the 20/21 plan in July 2020 and we will continue to work closely with management to ensure that we are focusing on the areas of greatest priority to the Council.

We would like to bring to Members attention a guide that has recently been produced by Audit Scotland *Covid-19 – Guide for Audit & Risk committees*. This guide focuses on the short term challenges facing public bodies in the response phase of the pandemic and sets out some key areas where Members may wish to seek assurance. Whilst it is written for public bodies in Scotland the contents of the guide are equally relevant to public bodies in England and a summary can be found on page 7.

Work completed

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

Assurances

- 2019/20 Food Safety, Environmental Protection & Enforcement Follow up – High Assurance
- 2019/20 Key Controls testing Debtors & Creditors – Substantial Assurance
- Housing Benefit Subsidy testing – High Assurance



High Assurance

Our follow up review has provided a High Assurance opinion for the implementation of the agreed actions from the audit of Food Safety and Environmental Protection and Enforcement back in 2018.

During this review we found that all actions had been implemented with the exception of one in respect of policies, procedures and guidance notes.

We found that the key policies/strategies had been updated and approved, however we were unable to verify that all service area procedures and guidance notes were fully up to date.

Overall management and officers have established a robust process to ensure that the actions agreed in the previous follow up audit review have been implemented. This has resulted in improved working practices and management oversight.

Follow up – Food Safety, Environmental Protection and Enforcement

High Assurance

We examined twenty-seven cases as part of the work undertaken to support the subsidy claim, in respect of payments made in the 2019/20 financial year.

One claim was found to contain two errors.

The first error was in respect of a weekly Child Tax Credit figure being applied as a monthly figure. This resulted in an overpayment of Housing Benefit amounting to £175.16.

A report of all Tax Credits included in claims since April 2017 was reviewed but only this case was found to contain a monthly tax credit figure. We do not propose a recommendation in relation to this error.

The second error was in respect of a small underpayment of £14.29 where an incorrect gross earnings figure was used in the calculation. This would appear to be as a result of incorrect data entry rather than a miscalculation. Quality controls are in place to ensure that claims are processed correctly and this is undertaken across a sample of claims processed by all assessors. There are therefore adequate controls in place to identify errors and possible areas for retraining.

Housing Benefit Subsidy Testing

Substantial Assurance

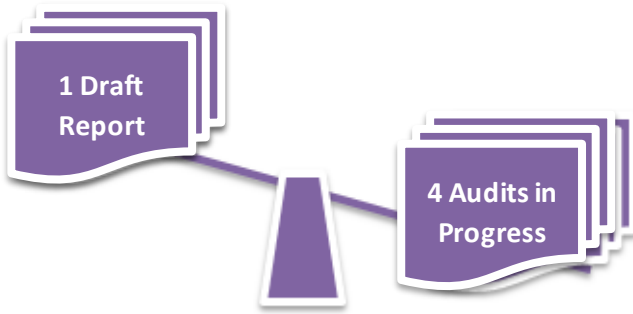
Key Controls Testing Debtors & Creditors

Our review of the effectiveness and efficiency of the key controls in Creditors and Debtors has provided a Substantial Assurance opinion.

We found that there are adequate authorisation processes in place for the raising of purchase orders, setting up of new creditors and debtors within the system and high value payments. Monthly control account reconciliations are completed as well as a clear process for the approval of write offs.

Further improvements could be made around:

- Embedding an authorisation process within the Benefits system for amendments to creditors
- Ensuring compliance with the Sundry Debt Recovery Policy (in respect of issuing a third reminder letter).



Audit reports at draft

We have one audit at draft report stage:

- 2019/20 ICT Cyber Security (Joint with NKDC)

Work in Progress

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

- Treasury Management
- Homelessness
- Strategic Risk – Inability to raise local educational attainment and skills
- Crematorium





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 31st August 2020

These key performance indicators are based on the 2020/21 audit plan commencing in Q2 and work being completed across three quarters of the year.

Performance Indicator	Year-end Target	Profile Target	Actual as at 31 st August
Percentage of revised plan completed	100%	22%	18%
Percentage of recommendations agreed	100%	100%	100%
Percentage of recommendations implemented	100% or escalated	100%	100%



Other Matters of Interest

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

Audit Scotland – Guide for Audit and Risk Committees

Audit Scotland produced the above guide in August 2020 for public bodies and auditors which sets out some key questions for them to consider in respect of Covid-19. Whilst it is written for public bodies in Scotland the contents of the guide are equally relevant to public bodies in England.

The guide focuses on the short-term challenges facing public bodies in the response phase of the pandemic. Key areas that Audit & Risk committees will need to focus on include:

Internal controls and assurance

The pressures faced by local authorities have led to the need for more rapid decision making and flexibility in the workforce therefore there has been a necessity for the relaxation of some internal controls. The implementation of remote working has also increased some other risks such as cyber-crime.

Financial management and reporting

The pandemic has had a significant impact on local authorities in terms of its sources of income and additional costs incurred. The pandemic may also impact on the value of investments, property and potentially the collection of outstanding debts. Accountants involved in the processing of the information and reporting may also be stretched.

Governance

The pace of change has led to the necessity for faster decision making which may have led to changes in the governance process, reducing the opportunity for scrutiny and due diligence. There may also have been increased collaborative working and reliance on partners.

Risk management.

Risks will need to be monitored carefully and frequently to ensure they reflect the current situation and decisions around the risk appetite will also need to be considered.

The guide includes suggested questions to help committee members effectively scrutinise and challenge these key areas and better understand how their organisation is responding to the pandemic and managing both the immediate and longer-term challenges that it creates.

[Covid-19: Guide for audit and risk committees | Audit Scotland](#)

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.

Outstanding Audit Actions at 31 August 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	September 2020		Fieldwork
Homelessness	The homelessness strategy is delivered to achieve targets on prevention and that statutory obligations are fulfilled.	Q2 July – Sept 2020	August 2020		Fieldwork
Treasury Management	Provide Assurance on the Councils Treasury Management processes and controls around borrowing, investment and cash flow.	Q2 July- Sept 2020	August 2020		Fieldwork
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	July 2020	August 2020	High
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			Fieldwork

2020/21 Audit Plan to date

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			Planning
ICT – Email Security (2019/20)	To review the Councils compliance with standards and best practice	Q3 Oct- Dec 20			Planning
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	<p>Joint review with NKDC to review the effectiveness and efficiency of the helpdesk</p> <p>The previously unallocated ICT days have been added to this review to enable a deeper dive into Performance & Delivery</p>	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