

# Internal Audit

## DRAFT Progress

## Report



**West Lindsey District Council**  
**March 2021**

 Assurance  
**LINCOLNSHIRE**  
*For all your assurance needs*



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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 November 2020 to February 2021
- Advise on progress of the 2020/21 plan
- Raise any other matters that may be relevant to the Audit Committee role

## Key Messages

During the period we have issued five reports and we have two audits at draft report stage.

We have reviewed our resources and the logistics around the delivery of the remainder of the plan, and we have agreed with Management to postpone our annual review of Follow ups until 2021/22. We continue to monitor audit actions as part of our quarterly reporting to this committee.

## Work completed

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

## Assurances

- Key Project: Waste Depot – High Assurance
- Public Services Network (PSN) Compliance (joint review with NKDC) – High Assurance
- Email Security – Substantial Assurance
- Homelessness - Substantial Assurance
- Strategic Risk: Inability to raise local educational attainment & skills levels – Substantial Assurance

**2**  
HIGH  
ASSURANCE

**3**  
SUBSTANTIAL  
ASSURANCE

**0**  
LIMITED  
ASSURANCE

**0**  
LOW  
ASSURANCE

# High Assurance

Overall, we can provide a high level of assurance that a clearly defined approach to the Waste Depot Project, that is in line with the WLDC Project Management Framework, exists.

- A comprehensive Business Case is in place, approved by Corporate Policy and Resources Committee, that clearly outlines the reason and overall objective of the project,.
- Governance and management arrangements for the Project are firmly established with regular, effective monitoring and reporting on Project delivery to both the Land Property and Growth Programme Board and Portfolio Board.
- A Project Group has been formed which includes members from relevant areas of the Council fully supported by the Performance and Programmes Team.
- Project Group meetings are held monthly, providing regular updates on the project.
- Outcomes and deliverables of the project have been identified and documented, together with how the project aligns with the Themes of the Corporate Plan. Our review confirms benefits of the project have also been established and documented, however work is ongoing to determine how they will link to the outcomes/deliverables, how they will be measured and responsibility for monitoring and reporting on their progress.
- Risks of the Waste Depot Project, including those specifically relating to procurement, have been determined and documented, with their likelihood and impact, controls and risk owners clearly identified.
- Key stakeholders have been identified and are outlined in the PID. We found regular engagement with stakeholders was clearly demonstrated.
- A detailed Communications Plan has been developed, clearly setting out its objectives, target audience, risks and how key messages will be communicated .
- Timescales and milestones for delivery of the project are regularly monitored.
- A Procurement Strategy outlines the procurement timetable and individual activities from issue of project brief to contract completion.
- Quality checks are carried out throughout the process to provide ongoing assurance to stakeholders that the project is being delivered on time, in budget and to required standards.
- A Change Management Agent has been appointed to ensure the efficient transfer of staff from existing sites to the new central depot.
- Staff, HR, and unions have been kept fully informed and consulted on all aspects relating to the transfer of staff to the new central depot

We have made one recommendation around the linkage of outcomes and deliverables to the benefits of the project and made a further three advisory points.

## Key Project – Waste Depot

# High Assurance

## PSN Compliance (Joint audit with NKDC)

The Public Services Network (PSN) compliance process exists to provide assurance that shared services and access to data is adequately protected by all who connect to the network. Both West Lindsay and North Kesteven District Councils successfully submitted to the PSN Council in 2020, and are measured as compliant until April 2021, when a new submission will be performed.

From the outset of this review, the ICT Team demonstrated a proactive approach to PSN compliance, with the implementation of effective controls and ongoing processes. This was evidenced via detailed process walkthroughs and subject matter discussions, supported by relevant documentation and system/console screenshots.

During the course of this review, the ICT Team demonstrated good technical knowledge of the many elements that must be addressed when submitting a connection request to the Public Services Network, also demonstrating an understanding that compliance is not just an annual event, it is something that requires ongoing maintenance, coupled with appropriate policies and processes, strong controls and team members who fully understand the relevance of the subject matter.

# Substantial Assurance

## Email Security

WLDC succeeds in utilising some of the advantages of the hybrid email model, as identified as areas of good practice during the review. However, we noted that the full potential of the multi-layered security model to the hybrid email deployment has not been reached. The next steps in the upgrading of email security at WLDC are mainly related to the implementation of the available cloud email security controls. These controls will provide an additional layer of security and further reduce the email attack surface at WLDC.

# Substantial Assurance

The Council continues to put in place appropriate measures which ensure successful implementation of the Joint Lincolnshire Homelessness Strategy and its local homelessness delivery plans. The achievement of the homelessness prevention targets is improving and overall, we are satisfied that the Council is fulfilling its statutory obligation.

Based on the audit work undertaken, we have given a Substantial level of assurance and this is supported by several factors including: -

- Senior Management Team and relevant Committee members critically review the performance indicators and there is a clear target setting process
- There has been a review of the resources allocated to the service which has led to allocation of additional human and financial resources to support the homelessness activity
- Effective joined up working arrangements with other internal teams including the Discretionary Housing Payments and the Housing and Enforcement services.
- Prioritisation in the provision of housing support to the residents who are at risk of becoming homeless
- Sufficient training arrangements are in place which ensure key staff involved in the day to day management of the homelessness activity are aware of the changes in the regulation and emerging issues

We have identified some areas where improvements are needed to ensure:-

- Improved performance outturn and achievement of targets, correct measurement of the key performance indicators
- Preparedness for the second wave of Covid-19 in order to ensure a proactive response.
- The Home Choices' Service and Business Improvement plan is reviewed and regularly updated to ensure its completeness and reflects the emerging issues.
- Provision of sustainable landlord support to address the repeated tenancy breaches caused by problematic tenants who are highly exposed to a risk of eviction .

## Homelessness

# Substantial Assurance

To carry out this review we met with the Communities Manager and the Senior Project and Growth Officer and viewed documentation they provided. From these discussions and review of evidence we are able to give a substantial assurance opinion.

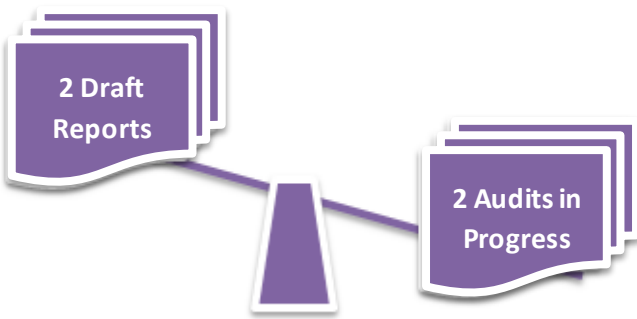
We found that:

- The Employment & Skills Partnership (ESP) had a Strategy and delivery plan which ended in September 2020. Many of the activities had been achieved but due to the pandemic outstanding work on the delivery plan has understandably stalled. From reviewing meeting minutes we found that most of the partners regularly attend the meetings and are working well together to deliver the plan
- WLDC have appointed a Member who is Champion for Employment & Skills and is invited to attend the ESP meetings. She supports the partnership by attending careers events at the schools and offers mentoring to students
- The Senior Project and Growth Officer has an annual appraisal with targets set including around the ESP. Regular one to ones are held with her line manager with performance being reported against these targets, against the delivery plan and the corporate plan.
- There is effective stakeholder engagement by the team utilising a wide network of organisations from the Department for Work & Pensions, training providers and local businesses who want to establish training in the area so they are able to employ skilled staff. The team are proactive in their engagement.
- The team have strong links with schools and colleges carrying out mentoring, working with them on their careers curriculums and working towards better Ofsted reports where appropriate. This partnership working is directly supporting the Council's strategic objectives.

We did find two areas where improvements could be made. These are:

- Increased strategic direction from senior management at WLDC. Having a strategic remit from them would help the Officer focus her work to achieve the Council's corporate plan. There should also be regular reporting to Members and management on the work being carried out to achieve the objectives.
- The Communities Team is a small team and although there is capacity to deliver the current projects, with partners taking on responsibility for work on specific projects, there will not be the capacity to deliver larger projects within the current resources. If the Council were to look at delivering such projects then the capacity to do this should be considered.

**Strategic Risk  
– Inability to  
raise local  
educational  
attainment and  
skill levels**



## **Audit reports at draft**

We have two audits at draft report stage:

- Crematorium
- Key Project CRM

## **Work in Progress**

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

- ICT Helpdesk – Fieldwork stage
- Key Controls testing – Fieldwork stage

## **Other Significant work**

### **Combined Assurance**

As part of the Annual Combined Assurance process we have now completed the discussions with relevant staff across all Council. Critical activities, key risks, key partnerships and key projects have been identified and assessed through our risk scoring process and rated Red, Amber or Green (RAG). This enables a clear visual map of assurances across the organisation to be created. The results of this have been reported to senior management and the Combined Assurance report is in the process of being produced for presentation to this committee.

### **Housing Benefit 40+ testing**

We have supported the Council with the completion of cases as part of Housing Benefit 40+ testing. This testing is completed on behalf of External Audit in order to support the annual Housing Benefit Subsidy claim.







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 31 January 2021

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	Standard Profile Target*	20/21 Profile Target**	Actual as at 31 January 21
Percentage of revised plan completed	100%	83%	77%	78%
Percentage of recommendations agreed	100%	100%	100%	100%
Percentage of recommendations implemented (of those due)	100% or escalated	100%	100%	77%

*There were 13 actions due this period – 10 had been implemented*

### Definitions

\*Standard profile target – This is the usual target where audits are scheduled and completed across 12 months

\*\*20/21 profile target – This is the target based on the plan commencing in Q2 and work being completed across 9 months. This profile target does not take into account any Covid- 19 related delays



# Other Matters of Interest

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

## CIPFA - Facing up to COVID-19 in the public sector

The COVID-19 pandemic presented an unprecedented challenge to public bodies. This created a challenge for public sector heads of internal audit who had to balance supporting their organisation and the wider public interest with their need to provide assurance to the leadership team and Committees as well as maintaining their professional standards.

This publication includes examples of how some internal audit teams have responded to the challenges providing some lessons to share and helping the leadership team and Committee understand the role and potential of internal audit.

### **Summary of the Key learning points for Maintaining effective engagement with clients, the leadership team and the audit committee**

- Be proactive in putting forward suggestions in how internal audit can help.
- Make it your business to find out how the governance of your organisation's response to the crisis is being managed.
- Consider how advisory work may contribute to the head of internal audit's annual opinion.
- Consider opportunities to place reliance on other sources of assurance within the first and second lines.
- Consider how the organisation has maintained wider governance arrangements that impact on the work of internal audit.
- Prompt audit reporting and good planning and focused scoping of work.
- Consider the use of shorter report templates with focused outcomes to enable a quicker response.
- Keep the audit committee informed of your work at regular intervals.
- Discuss with your audit committee chair what information they would most value to support them in their role.

### **Summary of Key Questions for Audit Committee members to ask**

1. Has the internal audit service redeployed any staff during 2020/21 to support COVID-19 related activity?
2. What impact have these had on the overall operation of the internal audit service?
3. Have key organisational risks been subject to internal audit review during 2020/21?
4. Has internal audit been able to follow up recommendations, any areas of concern?
5. Is there sufficient audit resource to deliver an internal audit opinion at the end of the year?
6. Will the head of internal audit be able to take assurance from any second line functions?
7. Which audit areas have been deferred or cancelled and the potential impact?
8. Has the head of internal audit been able to keep up to date with changes in the organisation's COVID-19 governance processes?
9. Is senior leadership providing the audit committee with regular information around key risks and governance developments arising from COVID-19?
10. Does the internal audit team need to undertake a skills assessment to ensure the skills mix is appropriate in a changing environment?

The full report can be found through this link:-  
[Facing Up to COVID-19 in the Public Sector | CIPFA](#)



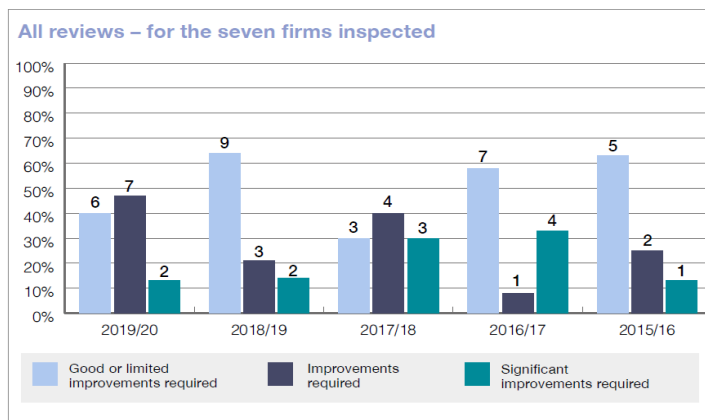
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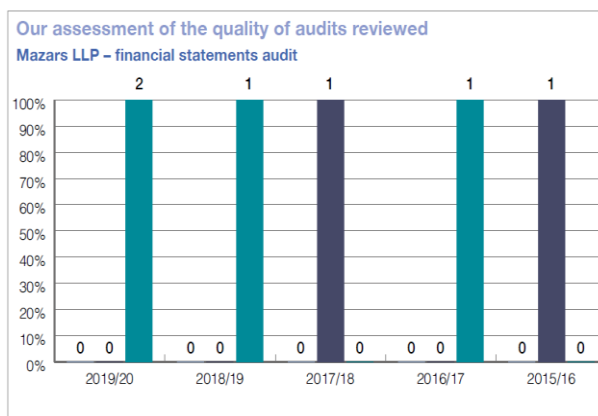
## Financial Reporting Council - Major Local Audits - Audit Quality Inspection

The Financial Reporting Council is responsible for monitoring the quality of Major Local Audits. The reports sets out it's findings arising from the 2019/20 inspection of 7 audit firms completing major local audits in England.

The overall assessment results were :-



The result for Mazars was:-



Both audits selected for Mazars required significant improvement and was shown as being unacceptable, following a trend of poor inspection results. It gave the key areas of quality to focus on as audit of property valuations, group audit oversight and ensuring sufficiency of testing on income and receivables and expenditure.

Each accountancy firm provided a detailed response. Mazars response was: Our commitment to audit quality is at the core of our values and we are dedicated to the continuous improvement of our audit work and the service we provide to our audit clients. Whilst we are pleased with the results of the AQR's reviews of our work on Value for Money conclusions (which show only limited improvements identified for a number of years), we are disappointed with its findings on our work on the audit of the financial statements at 2 of our local audit clients. The firm will robustly respond to the findings and has plans in place to improve the quality of our local audit work.

We have prepared a Local Audit Quality Plan, which is a sector-specific element of our firm-wide Audit Quality Plan. These draw together information on risks to audit quality from a range of sources including quality monitoring findings, changes to auditing and financial reporting standards, and feedback from auditors. The Local Audit Quality Plan has also taken account of the AQR's findings and emerging audit quality risks arising from the update of Practice Note 10 and the National Audit Office's Code of Audit Practice. This plan will be maintained by the firm's Audit Quality Team and subject to oversight from our Audit Board.

The full report can be found at <https://www.frc.org.uk/getattachment/da3446de-8d37-4970-828d-e816d7c0826c/FRC-LA-Public-Report-30-10-20.pdf>



# Other Matters of Interest

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

## **Internal Audit Standards Advisory Board – Conformance with the Public Sector Internal Audit Standards (PSIAS) during the coronavirus pandemic**

This guidance has been produced to support internal audit within the public sector in its compliance with the Public Sector Internal Audit Standards. It recognises the difficulties being experienced during the pandemic and the effects this could have on conformance with the PSIAS.

The guidance sets out some examples of how Internal Audit can protect organisational value and the challenges it might face in applying the standards. It sets out 7 key steps which the Head of Internal Audit should take.

A full copy of the document can be provided on request.

**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.

### Details of overdue Audit Actions at 31 January 2021

Activity	Issue Date	Assurance	Total Agreed Actions (High/Med)	Agreed Actions (AA's) Implemented	Priority of Overdue Agreed Actions		AAs not due
					High	Med	
Programme & Project Management	April 2020	Substantial Assurance	12	9	0	2	1
Key Controls Debtors & Creditors	Sept 2020	Substantial Assurance	11	10		1	

## Details of the overdue Agreed Actions for all audits at 31 January 2021

Audit	Priority	Agreed Action	Owner	Original due date	Current due date	Comments
Programme & Project Management	Medium	P3M3 maturity model assessments to be implemented for all programmes	Team Manager Performance & Programmes	Dec 2020	Nov 2021	Portfolio Board agreed to postpone with a review in the Autumn 2021
Programme & Project Management	Medium	Stakeholder Management Strategy will be reviewed	Team Manager Performance & Programmes	Dec 2020	May 2021	This review is scheduled to take place in May 2021.
Key Controls Debtors and Creditors	Medium	Financial Procedure rules will be updated to reflect consistency in the write off levels	Section 151 Officer	Sept 20	May 2021	This update has been aligned with the full review of updates to the constitution which will be completed in readiness for May 2021 Full Council

Audit	Scope of Work	Start Planned Date	Start Actual Date	End Actual Date	Rating
<b>Strategic Risk – Inability to raise local educational attainment and skills levels</b>	To review the controls and planned controls the Council has to mitigate and manage this key strategic risk.	Q2 July – Sept 2020	September 2020	January 2021	Substantial Assurance
<b>Homelessness</b>	The homelessness strategy is delivered to achieve targets on prevention and that statutory obligations are fulfilled.	Q2 July – Sept 2020	August 2020	January 2021	Substantial Assurance
<b>Treasury Management</b>	Provide Assurance on the Councils Treasury Management processes and controls around borrowing, investment and cash flow.	Q2 July- Sept 2020	August 2020	November 2020	High Assurance
<b>Housing Benefit Subsidy</b>	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 Assurance
<b>Combined Assurance</b>	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	November 2020	January 2021	Completed
<b>Key Project – Waste Depot</b>	Provide assurance over the management and delivery of the Council's key project	Q3 Oct- Dec 2020	November 2020	January 2021	High Assurance
<b>Key Project – CRM (Customer Relationship Management System)</b>	Provide assurance over the management and delivery of the Council's key project	Q3 Oct- Dec 2020	October 2020		Draft report
<b>Crematorium</b>	Provide assurance that the operational arrangements for the Crematorium are robust effective and efficient.	Q3 Oct- Dec 2020	September 2020		Draft report



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	October 2020	January 2021	High Assurance
ICT – Email Security (2019/20)	To review the Councils compliance with standards and best practice	Q3 Oct- Dec 20	October 2020	January 2021	Substantial Assurance
Key Controls Testing – General Ledger, Council Tax & VAT	To provide assurance that key controls are in place and operating effectively	Q4 Jan – Mar 20	November 2020		Fieldwork
ICT Helpdesk	Joint review with NKDC to review the effectiveness and efficiency of the helpdesk  The previously unallocated ICT days have been added to this review to enable a deeper dive into Performance & Delivery	Q4 Jan – Mar 20	November 2020		Fieldwork
Covid 19 Business Grants	To provide assurance over claims in relation to the Small Business Grant Fund (SBGF) and Retail, Hospitality and Leisure Grants (RHLG).	Q4/Q1 Mar- Jun 21			
Together 24	To provide assurance over the governance arrangements in place	Q4 Jan – Mar 21			

## Removal of audits from the Plan

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 <sup>th</sup> 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 <sup>th</sup> 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 <sup>th</sup> June 2020

## Removal of audits from the Plan

Audit	Rationale	Change	Approval
Audit Follow up work	As part of our quarterly reporting we follow up on all audit actions however the deep dive review of all 2019/20 limited assurance areas will be deferred until 2021/22 to allow our resources to focus on completion of audits.	Deferred until 2021/22  2020/21 Audit plan reduced by 10 days	Director of Corporate Services

## Addition of audits to the plan

Audit	Scope	Change	Approval
Covid 19 Business Grants	<p><i>The purpose of this audit is to provide assurance over claims in relation to the Small Business Grant Fund (SBGF) and Retail, Hospitality and Leisure Grants (RHLG).</i></p> <p>Our review will focus on the end-to-end process of the business grant funding from receipt of application to issue of payment and any post-event assurance undertaken. We will review a sample of applications received, undertaking due diligence on banking, business and applicant details.</p>	Addition	Management Team
Together 24	<p><i>To provide assurance that the Governance arrangements are effective</i></p> <p>Together 24 is the new transformational programme which aims to deliver its objectives via a series of technology-led service reviews in all front and back office service areas, it follows the closure of the Customer First programme</p>	Addition	Director of Corporate Services