

# Internal Audit Progress Report



## West Lindsey District Council June 2021

# Contents

## Key Messages

Page 2

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Introduction  
Summary  
Assurances

## Internal Audit work completed

Page 5

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Overview of Assurances  
Audit Reports at Draft  
Work in Progress

## Other Matters of Interest

Page 6

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Liverpool City Council: Best Value inspection report  
Lessons from recent Public Interest Reports Internal Audit Standards Advisory Board  
The governance risk and resilience framework

## Appendices

Page 8

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1 - Assurance Definitions  
2 - Details of Overdue Actions  
3 - Internal Audit Plan 2021/22 – Progress to Date

**Lucy Pledge** - Head of Internal Audit & Risk Management  
[lucy.pledge@lincolnshire.gov.uk](mailto:lucy.pledge@lincolnshire.gov.uk)

**Emma Bee** – Audit Manager  
[Emma.Bee@lincolnshire.gov.uk](mailto:Emma.Bee@lincolnshire.gov.uk)

**Amanda Hunt** – Principal Auditor  
[Amanda.Hunt@lincolnshire.gov.uk](mailto:Amanda.Hunt@lincolnshire.gov.uk)

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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 2021 to June 2021
- Advise on progress of the 2021/22 plan
- Raise any other matters that may be relevant to the Audit Committee role

## Key Messages

During the period we have completed two assurance audits and have three audits currently in progress with two of these at draft report stage. We have also started drafting the Terms of Reference for audits within the 2021-22 plan, scheduled for quarters one and two.

The two which have been completed are:-

- Key Controls – High Assurance
- Lea Fields Crematorium - Substantial Assurance

The three which are currently in progress include:-

- ICT Helpdesk – Draft report
- Covid business grants – Draft report
- Together 24 – Fieldwork stage

Further details of these are found within the body of the report and Appendix 3.

Overall there are 21 agreed actions remaining to be implemented (3 High, 15 Medium and 3 Low). There are no overdue actions outstanding. Appendix 2 sets out those actions where the implementation date has been extended.

1  
HIGH  
ASSURANCE

1  
SUBSTANTIAL  
ASSURANCE

0  
LIMITED  
ASSURANCE

0  
LOW  
ASSURANCE

0  
OTHER  
REPORTS

# High Assurance

Our review of Council Tax; General Ledger and Value Added Tax (VAT) found that processes are well controlled and operating effectively.

The Covid 19 pandemic has had an impact on council tax and this resulted in a softer approach to recovery action during 2020-21. However collection rates have remained comparable to previous years and the Council has used government grants to provide targeted assistance to the most vulnerable through discretionary housing relief payments.

During this review we found that the following key controls are in place:-

## Council Tax

- Prompt updating of Council Tax accounts where change of circumstances occur
- Relevant supporting documentation for discounts, exemptions, refunds and write-offs
- Independent authorisation of refunds and write offs by appropriate staff
- Daily reconciliation of Council Tax funds
- Tax base is verified and independently approved
- Annual billing is monitored for completeness

## General Ledger

- Monthly reconciliation of leavers/starters supported by an annual review of system access
- Journals were independently authorised with relevant supporting documentation
- Regular reconciliation of the Council suspense accounts, prior to monthly reconciliation which is independently checked

## VAT

- Accurate coding and VAT values on the Council VAT Returns
- Supporting documentation for VAT claims
- Monthly reconciliation of VAT Return with supporting documentation
- Independent authorisation of the monthly VAT Return
- Partial exemption calculation in line with HM Revenue & Customs guidelines

## Key Controls

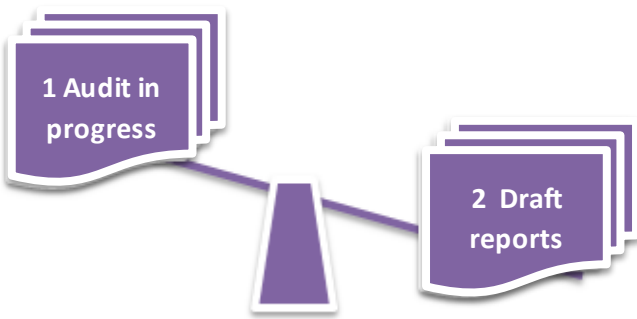
# Substantial Assurance

Overall, the operational and governance arrangements of the crematorium are working effectively. WLDC has adequate oversight over the crematorium operations and decision-making. Crematorium performance (income and number of cremations) is regularly monitored. The operational procedures were consistently followed for a sample of cremations tested in respect of the bookings and management of cremated remains. The key financial controls tested around expenditure and debt management were found to be operating effectively and are consistent with those performed at the Council.

The following areas of improvement are recommended to enhance the control environment:

- Although sales invoices are based on fees calculated by the BACAS system, the sales invoices raised in the finance system should be independently checked to ensure they are accurate and to reduce the risk of delays in the receipt of the income.
- As part of the monthly Budget Monitoring process, the Finance Business Partner should perform a reconciliation between expected income based on BACAS records and actual income per the general ledger. Any significant variances should be promptly investigated. This should provide greater assurance over the completeness and accuracy of income.
- The known issue with the feed from the CCTV cameras not being accessible on the three tablet devices used by crematorium staff should be addressed with the IT team to ensure the smooth running of cremation services and from a health and safety and security perspective.

## Lea Fields Crematorium



## Audit reports at draft

We have two audits at draft report stage:

- ICT Helpdesk
- Covid business grants

## Work in Progress

We have the following audits in progress :

- Together 24 – Fieldwork stage



# Other Matters of Interest

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



## Liverpool City Council: Best Value inspection report

The report sets out the detailed findings of the inspection including the inspector's conclusions, the evidence and methodology used, and proposals for the future. The report concluded :-

- There were major gaps in the documentary evidence to support the decisions and actions of the Council at both Member and Officer level.
- Compliance with the Council's Standing Orders, regulations and the overriding legislation was not part of the culture of the organisation .
- Failure to comply with the rules relating to Key Decisions, Scrutiny, Exempt reports and probity was evident. Processes were in place to ensure these matters can be drawn out, but there was no evidence that this was done.
- Officers drew attention to the risks and losses incurred by the Council but these were not always visible because of structures/resource limitations/reporting lines and in some cases these offices were not supported and exposed to aggressive challenge.
- Early steps have been taken to improve control and compliance and these are starting to have an impact. It is clear that there is insufficient resource at the top and in the corporate centre of the Council to drive changes and embed them Council wide.
- There is evidence that the failings reported in reviews of Nottingham City Council and London Borough of Croydon are reflected in what was noted in the Council's LATCO's .

The full report can be found at:-

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/976197/Liverpool\\_Best\\_Value\\_inspection\\_report.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/976197/Liverpool_Best_Value_inspection_report.pdf)

## Grant Thornton Lessons from recent Public Interest Reports

The pandemic has highlighted four essential factors about Local Government:-

1. Local government has provided fantastic support to its communities in working with the NHS and other partners.
2. The centralised approach to government has been exposed to some degree in terms of its ability to tailor pandemic responses to regional and local bodies.
3. Years of reduced funding have exposed underlying flaws in the local authority business model, with too much reliance on generating additional income.
4. Not all authorities exercise appropriate care with public money, exercise appropriate governance or have the capability of managing risk.

Local authorities have a variety of different governance models . Recent public interest cases have found that it is less about the system of governance and more about how it operates, who operates it and how willing they are to accept scrutiny and challenge.



# Other Matters of Interest

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

The report discusses the three main areas where lessons can be learned through reports on the context of local government in a Covid-19 world, Governance, scrutiny and culture and Council leadership.

A number of recommendations are made:-

- Councils are required to consider how they measure up against CIPFA 's new Financial Management Code
- Councils are mindful of reserve levels at all times, maintaining a clear strategy for maintain g adequate reserves.
- Internal Audit and risk assurance arrangements can be strengthened.
- Greater focus on establishing a healthy management culture – starting with the tone from the top
- Look for opportunities to learn fro the Council's past experience and that of others.
- Council members should strive to work more collegiately, particularly for strategic decisions with implications that reach many years in the future.

The full document can be found provided on request.



## The governance risk and resilience framework

The framework is designed to support individual council officers and councillors to play their part in understanding, and acting on, risks to good governance. It centres on an analytical framework which is designed to help councillors and officers to identify emerging risks to governance, and to tackle them proportionately. It is based on three stages:

- Anticipating – the framework supports councillors and officers (even if they aren't governance professionals) to observe and reflect on governance practice, through a set of characteristics and behaviours which are designed to give people a “common language” to talk about governance pressures;
- Managing – understanding and accepting where risks lie, and taking action to find solutions. The framework is designed to be bottom-up – to empower people other than senior managers to take active responsibility to find and implement solutions themselves. However, the support of people at the top of the organisation – and especially the principal statutory officers – is important;
- Adapting – learning from these experiences in the interests of continuous improvement.

It is envisaged councillors and officers use the framework to talk about their experiences with governance, with these insights – and concerns – being escalated to principal statutory officers in a council (the Chief Executive, the Monitoring Officer and the Chief Finance Officer) for review. In so doing, this insight can help councils to agree robust and accurate Annual Governance Statements.

The full framework can be found at: - [The governance risk and resilience framework - Centre for Governance and Scrutiny](#)



**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.

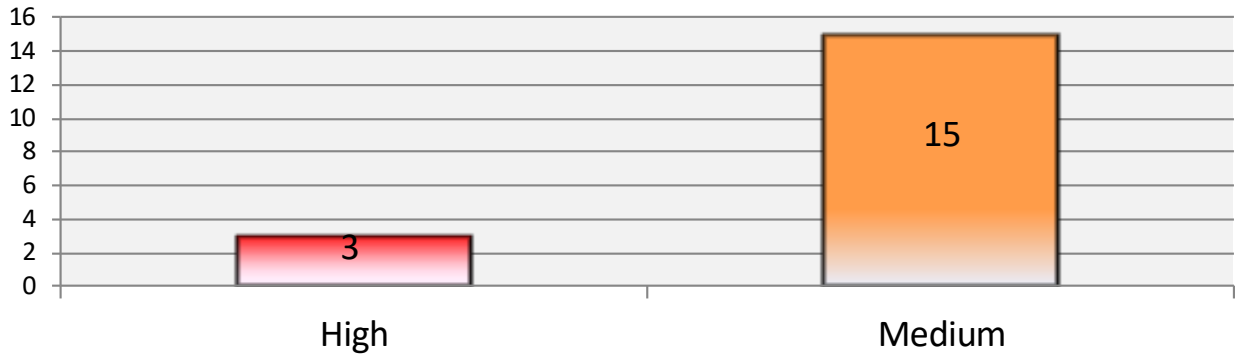
**Low**

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.

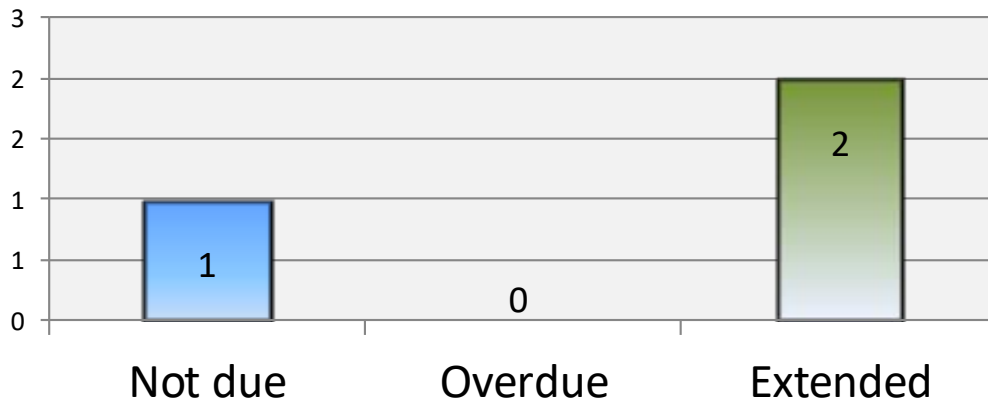
There are either gaps in the control framework managing the key risks or the controls have been evaluated as not adequate, appropriate or are not being effectively operated. Therefore the risk of the activity not achieving its objectives is high.

## Outstanding Audit Actions for all audits at 31 May 2021

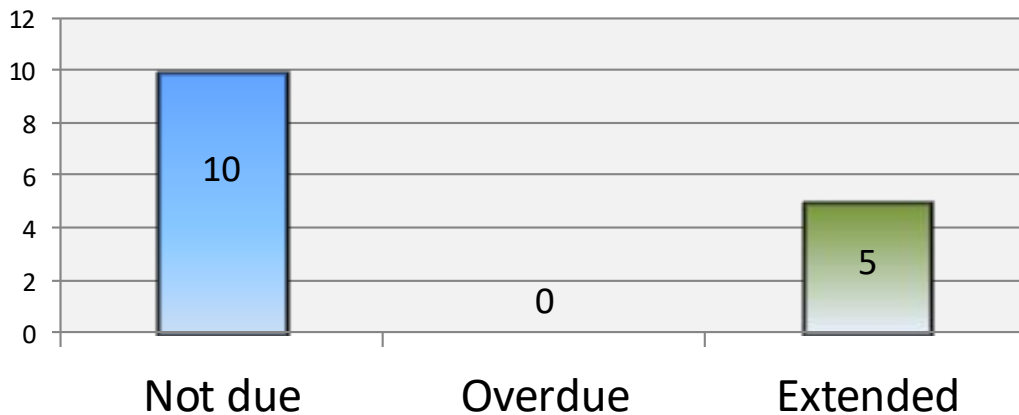
### All Actions remaining to be implemented



### High Priority Actions remaining to be implemented



### Medium Priority Actions remaining to be implemented



Details of the new extensions are provided in the following pages.

## Details of the overdue Agreed Actions where the implementation date has been extended since February 2021

Audit	Priority	Agreed Action	Owner	Original due date	Current due date	Comments
WLDC 2020/21-03 - Key Projects - The Waste Depot	Medium	1.1 Links between the project benefits and its outcomes/ deliverables to be determined together with how they will be measured.	Ady Selby	30/04/21	30/11/21	As highlighted, the benefits will be assessed as the projects moves forward. I will ensure the project team focus on ensuring project outcomes are achieved. Action won't be complete until depot is operational. Revised date 30/11/2021.
WLDC 2020/21-03 - Key Projects - The Waste Depot	Medium	1.2 Benefit measures and targets to be approved by Project Group and Portfolio Board with key officers appointed responsibility of the benefit measures.	Ady Selby	30/04/21	30/11/21	As above
WLDC 2020/21-02 - Key Projects - CRM	High	2.1 The plan will be regularly updated and checked prior to board meetings	Darren Mellors	31/31/21	30/09/21	The CRM Project Delivery plan is currently being defined by Management Team and the supporting PDP will be updated once agreed. Revised due date 30/09/2021

## Details of the overdue Agreed Actions where the implementation date has been extended since February 2021

Audit	Priority	Agreed Action	Owner	Original due date	Current due date	Comments
WLDC 2020/21-05 - Homelessness	Medium	Develop Change4Lincs delivery plan with partners	Andy Lee	30/06/21	30/09/21	June 2021 - Currently being actioned. This will not happen until Change4Lincs have appointed a new partnership lead. The timing of this is out of our control. Change4Lincs is a partnership led by SKDC. Revised date of 30/09/2021
WLDC 2020/21-05 - Homelessness	Medium	Develop lettings policy for Viable Housing Solution to provide pathway to housing solution for those not eligible for housing register	Andy Lee	31/07/21	30/09/21	June 2021 - Currently being actioned will be in place by end of July
WLDC 2019/20-01 - Vulnerable Communities	High	5.1 KPIs to be produced and reported through P&D. Annual Report to be produced as part of new Communities at Risk Policy document.	Grant White	31/03/21	31/03/22	P&D measures for the Communities Service are scheduled to be reviewed in October 2021 and will include setting new KPI's for reporting on performance around communities at risk. Annual reporting on communities at risk will then be included within the P&D reporting in March each year.

Audit	Scope of Work	Start Planned Date	Start Actual Date	End Actual Date	Rating
2020/21 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 &amp; Delivery</p>	Q4 Jan – Mar 20	November 2020		Draft Report
2020/21 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	May 2021		Draft Report
2020/21 Together 24	To provide assurance over the governance arrangements in place	Q4 Jan – Mar 21	April 2021		Finalising fieldwork
Key Control Testing	Delivery of key control testing to enable Head of Internal Audit to form an opinion on the Council's financial control environment.	Q4			
Grants awarded	To provide assurance that there are robust arrangements in place for the issuing of grants across the council and grant conditions are monitored and complied with	Q2			TOR agreed
Insurance	To provide assurance around the adequacy and effectiveness of processes within the insurance function	Q3			TOR being drafted
Value for Money (VFM)	To provide assurance that the Council takes all reasonable steps to achieve Value for Money in the delivery of its services.	Q1			TOR being drafted

Audit	Scope of Work	Start Planned Date	Start Actual Date	End Actual Date	Rating
Strategic Risk - TBC	To provide assurance that the processes in place to support the management of this strategic risk are operating effectively	Q3			
Flood Management	To provide assurance that adequate arrangements are in place between the council and the LLFA to both prevent and respond to flooding - Client wide review	Q2			
Carbon Management	To provide assurance that the plans in place to tackle climate change are relevant, fit for purpose and achievable	Q4			
Local Land Charges	To provide assurance over the operational arrangements in place with a core focus on performance management	Q2			TOR agreed
Wellbeing	Review of delivery and effectiveness of the Council's elements of the wellbeing contract. - Client wide review	Q4			
Enterprise Resource Planning system	Consultancy review to advise and support on system controls during the implementation of this new system	Q1-3			
ICT Disaster Recovery & Backup	To provide assurance that backups are robust, working effectively and that disaster recovery arrangements are in place and also periodically tested.	Q4			

Audit	Scope of Work	Start Planned Date	Start Actual Date	End Actual Date	Rating
ICT - Cloud/ Housed Services	Review of several cloud hosted solutions to ascertain the level of due diligence undertaken of selected providers and the adequacy of security arrangements in place	Q3			
ICT - Network Infrastructure & Security	Review of the network architecture and design from a security perspective to determine whether adequate security mechanisms are in place and operating effectively.	Sept'21			TOR drafted
Follow-ups	To provide management with assurance that actions from previous key audits have been implemented and this has led to improved outcomes.	Q1			TOR agreed
Combined Assurance	Updating the assurance map and completing the Combined Assurance report.	Q3			