

# Internal Audit Progress Report



## West Lindsey District Council November 2021

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This report has been prepared solely for the use of Members and Management of **West Lindsey District Council**. Details may be made available to specified external organisations, including external auditors, but otherwise the report should not be used or referred to in whole or in part without prior consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended for any other purpose.

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 2021 to October 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 four assurance audits and have six audits currently in progress with one of these at draft report stage. We have now completed 40% of the revised plan (Appendix 3).

The four audit which have been completed are:-

- Together 24 – High
- Housing Benefit Subsidy – High
- Grants Given - High
- Covid Business Grants – Substantial

The seven which are currently in progress include:-

- ICT Helpdesk – Draft report
- Local Land Charges – Draft report
- Follow-up – Fieldwork
- Insurance - Fieldwork
- ICT Network infrastructure – Fieldwork
- Flooding – Terms of Reference
- Key Project Enterprise Resource Planning System – Terms of Reference

We have put the Value for money audit on hold whilst we establish the External Audit coverage to avoid any duplication.

We have commenced the Combined Assurance work with an initial session being held in October with Management Team outlining the purpose and responsibilities. Meetings with the Assistant Directors are being set up.

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

Overall there are 12 agreed actions remaining to be implemented (1 High, 10 Medium and 1 Low). There are no overdue actions outstanding. Appendix 2 includes the statistics and sets out those actions where the implementation date has been extended.

**3**  
**HIGH**  
**ASSURANCE**

**1**  
**SUBSTANTIAL**  
**ASSURANCE**

**0**  
**LIMITED**  
**ASSURANCE**

**0**  
**LOW**  
**ASSURANCE**

**0**  
**OTHER**  
**REPORTS**

# High Assurance

## Together 24

The Together 24 Programme is being managed and monitored through a formal programme management process. In our view this represents a sound framework of control, and continued implementation of the arrangements as the programme progresses through its successive tranches will put the Council in a good place to achieve its five approved objectives.

The Programme's objectives, governance and management arrangements are clearly and collectively set out in the Programme's Business Case and supporting project documentation, including its Stakeholder-, Benefit- and Risk-Management strategies. This is in addition to extensive supporting methodology documentation and timetabled implementation plans which robustly set out how the planned tranches and key activities (service reviews, resulting business cases etc.) will be conducted as and when.

The Programme formally commenced in August 2020 and whilst COVID-19 lockdowns have had a direct impact on staff resource, to-date the Programme remains broadly on-track; with evidence that implementation plans are being suitably adjusted to ensure effective progression of the Programme towards its ultimate December 2024 deadline.

The Council's recognition of the need for sound engagement with stakeholders is apparent; key stakeholder groups have been profiled, and tailored engagement and communication plans put in place are being operated as part of a managed change management process.

## Housing Benefit Subsidy

As part of the work undertaken to support the subsidy claim, we examined thirty cases in respect of payments made in the 2020/21 financial year.

One error was identified. Whilst the total benefit paid was accurately calculated, the subsidy classification for temporary accommodation was incorrect in one claim examined. This was in relation to a part-week benefit award and is a known fault with the Northgate Revenues and Benefits application. We are advised that the Council, along with external audit and the supplier of the system, are aware of this issue. As such there is no recommendation necessary at this time. Within the one claim where this error was present, this resulted in an under claim of subsidy of £3.75.

# High Assurance

## Grants Given

Our review of the effectiveness of the controls in place in the awarding of Community grants from the Councillor Initiative fund and Match Funding has provided a high assurance opinion.

There is a clear process and criteria in place for determining whether or not applicants are eligible for funding from both funds. This is supported by detailed guidance notes for applicants which is readily available. This includes all stages of the grant process from submitting application through to project monitoring and evaluation.

Processes in place ensure that applications are reviewed ensuring separation of duties and alignment with core outcomes. Match funding grants go through a panel of Councillors after officer recommendation.

Funding is supported by a grant funding agreement, no funding is released prior to the signing of this by applicants.

There is a reconciliation process in place ensuring grant spend is monitored and aligned to budgets. This is completed on a regular basis ensuring budgets are maintained and all payments from the grant are accounted for.

# Substantial Assurance

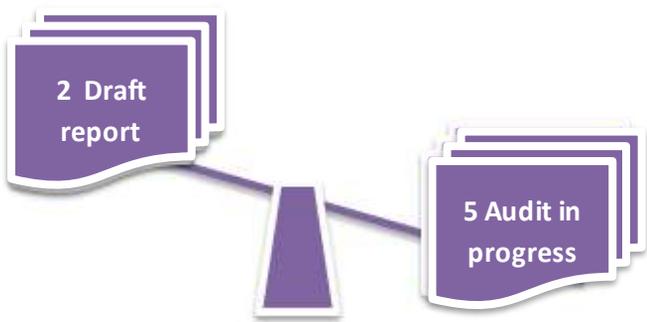
## Covid Business Grants

The purpose of the Covid Grant Schemes was to provide funding to eligible businesses impacted by Covid-19. In line with Government guidance, WLDC's emphasis was very much around the speed of payments to support businesses early on in the pandemic, with additional assurance checks (which applications would normally be subject to) being captured through Post Payment checks. Our review of the initial Covid Grant Schemes confirmed government guidelines on initial checks were followed and that the additional assurance checks around eligibility of businesses and the verification of bank account details prior to payment; have been introduced for subsequent grant schemes allocated to support businesses through the ongoing pandemic. Where checks were not initially carried out, these form part of the ongoing post payment checks. As a result we have awarded a substantial assurance to this audit.

Processes were promptly and effectively introduced for the assessment of applications and subsequent distribution of funding. Where initial applications matched the information held by Business Rates, applications were automatically highlighted for payment, subject to the completion of the declaration. Where applications were not an exact match, these were subject to checks carried out by the Growth Team; initially these checks did not extend to bank account verification which may have indicated a fraudulent application. The checks carried out were in line with Government guidance for initial checks, with further checks being captured through the Post Payment checks. If this criteria was not met then payments to applicants, not eligible for the grant, may have been processed and therefore payments/overpayments would have been made.

We found that an amendment to the approved Discretionary Business Grants Fund Policy relating to the % of business-related costs against income had not been formalised. A lack of transparency around the assessment criteria may lead to potential for challenge, particularly from unsuccessful applicants.

It would be good practice for individuals involved in the assessment, verification, and payment of grant payments to have completed a declaration of interest form. We note that there was no requirement for individuals to have completed such a form prior to the administration of the Covid 19 schemes.



## **Audit reports at draft**

We have two audits at draft report stage:

- ICT Helpdesk
- Local Land Charges

## **Work in Progress**

We have the following audits in progress :

- Follow-up – Fieldwork
- ICT Network infrastructure – Fieldwork
- Insurance – Fieldwork
- Flooding – Terms of Reference
- Key Project ERP – Terms of Reference

## **Other Significant Work**

We have completed a session with Management Team on the combined assurance process and are currently setting up meetings to discuss the Assurance map with each of the Assistant Directors. This will feed into the Combined Assurance report which will be presented to Committee in March 2022.



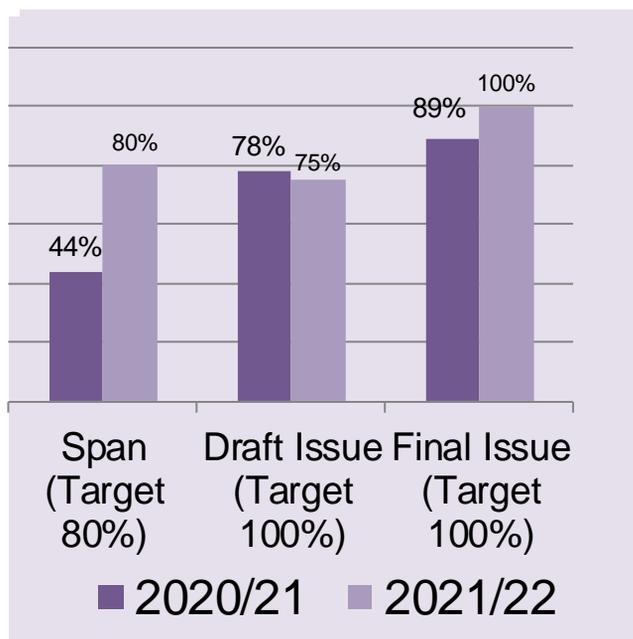


Internal Audit's performance is measured against a range of indicators. The statistics below show our performance on key indicators year to date.

## Performance on Key Indicators

**Positive feedback has been received**

**Plan completed 40%**



# Other Matters of Interest

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

The CIPFA logo consists of the letters 'CIPFA' in a bold, blue, sans-serif font, followed by a blue diagonal line.

30  
JUL  
2021

**Please find below some of the key extracts from the CIPFA Audit Committee Update Issue 35:**

## **Supporting improvements to risk management arrangements**

The Better Governance Forum held two discussion groups with members in April 2021 to discuss the experience of the pandemic and what it meant for risk management. The groups discussed how their arrangements had fared in supporting the organisation's management through the pandemic. The key areas for improvement identified by the groups were as follows:

- better integration with plans and management processes
- consistency across the organisation, and
- a focus on action.

When asked how improvements to risk management arrangements could be achieved both groups were consistent in their choice of the best action to take – investment in staff training and awareness of risk management.

The detailed results of the discussions are available in a briefing, the link to which can be found within the CIPFA Audit Committee Update Issue 35 (July 2021). The paper contains a summary of the findings identifying strengths and areas for improvement.

## **Audit Committee Guidance**

In July the Ministry of Housing Communities and Local Government (MHCLG) issued a further update on progress against the Redmond Review recommendations. One of the areas reviewed as part of the consultation was guidance for Audit Committees which the MHCLG has recommended to be strengthened and updated to support effective audit committee arrangements. The consultation asks for comments on this proposal and whether it is agreed.



# Other Matters of Interest

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

The updated guidance is likely to include the following:

- structure
- role of independent members
- how the committee interacts with full council
- reporting to those charged with governance
- core functions
- knowledge, expertise and training of audit committee members
- facility to meet privately with auditors.

## **Reporting to full council / those charged with governance**

MHCLG is proposing to amend the Accounts and Audit Regulations so that the full council should receive the auditor's annual report from the local auditor. The purpose of this is to improve transparency to the public and ensure all members are aware of issues raised by the auditor and recommendations. It is also proposed that it is accompanied by a report from the audit committee containing its responses to the auditor's annual report.

The full CIPFA Audit Committee Update Issue 35 (July 2021) 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.

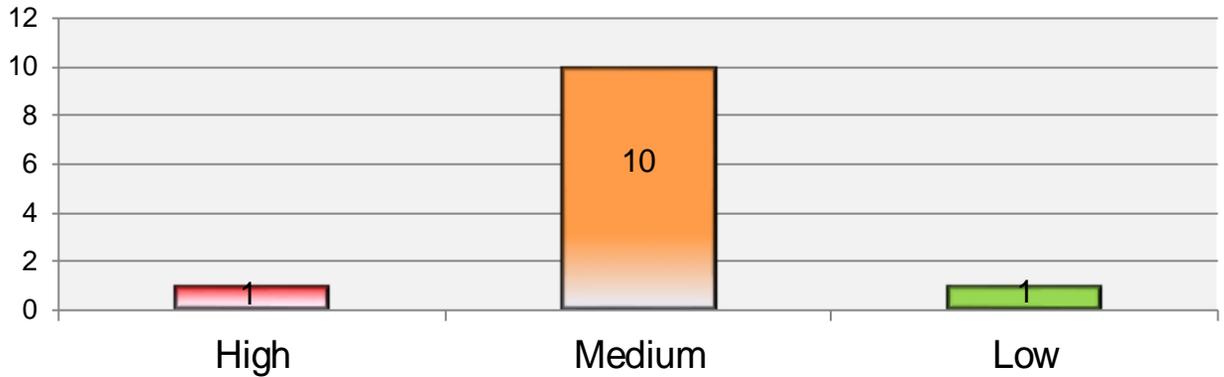
**Low**

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.

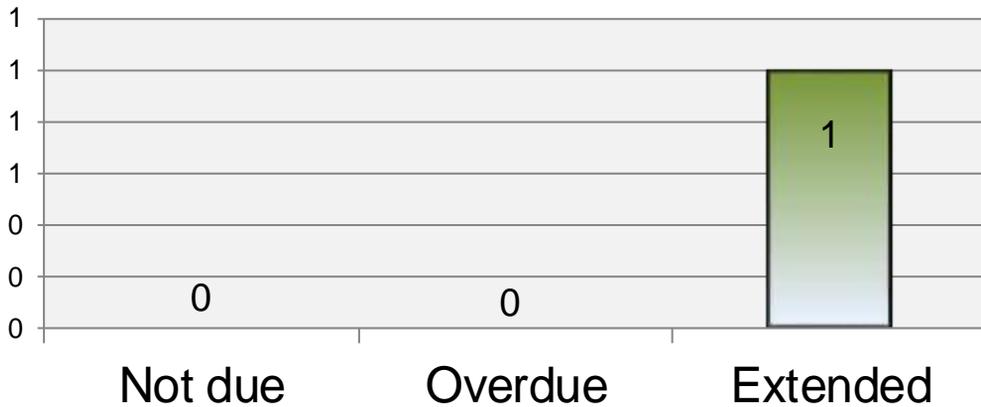
There are either gaps in the control framework managing the key risks or the controls have been evaluated as not adequate, appropriate or are not being effectively operated. Therefore the risk of the activity not achieving its objectives is high.

**Outstanding Audit Actions for all audits at 30 September 2021**

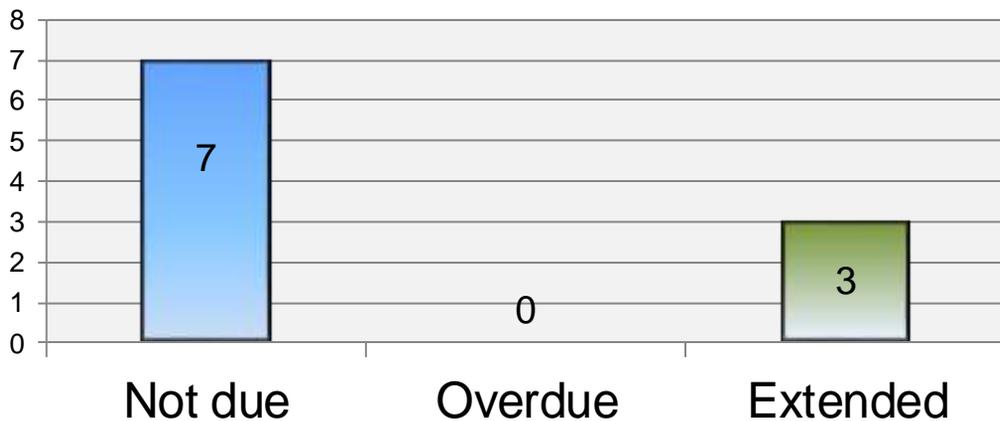
**All Actions remaining to be implemented**



**High Priority Actions remaining to be implemented**



**Medium Priority Actions remaining to be implemented**



Details of those outstanding are provided in the following pages.

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

Audit	Priority	Agreed Action	Owner	Original due date	Current due date	Comments
WLDC 2019/20-08 - Programme and Project management	Medium	Implement P3M3 maturity model assessments for all programmes.	Darren Mellors	31/12/2020	31/12/2021	In Feb'21 the Portfolio Board agreed to Postpone P3M3 until Autumn 2021. Work started in September to establish appropriate external resource. A report is ready to progress to MT in October with the recommendation to commission an external consultant. With the work to be fully completed by 31/12/21.
WLDC 2020/21-05 - Homelessness	Medium	Develop Change4Lincs delivery plan with partners	Rachel Parkin	30/06/2021	31/10/2021	In June 2021 was awaiting Change4Lincs to appoint a partnership lead and date extended to Sept. 2021. A new partnership lead is now in place but has only been in place for 2 weeks and currently looking to recruit to a number of other posts. Delivery Plan will be produced by end of October 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	Rachel Parkin	30/06/2021	31/10/2021	Was being worked on and a previous extension requested to July 2021.  Currently being worked on and will be in place by 31/10/21

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	Sept 2021	Substantial
2020/21 Together 24	To provide assurance over the governance arrangements in place	Q4 Jan – Mar 21 Revised to April 2021	April 2021	Sept 2021	High
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	July 2021	Sept 2021	High
Insurance	To provide assurance around the adequacy and effectiveness of processes within the insurance function	Q1 Revised to Q3	Sept 2021		Fieldwork
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			On hold pending further information on External Audit coverage

Audit	Scope of Work	Start Planned Date	Start Actual Date	End Actual Date	Rating
Strategic Risk - Inability to maintain critical services and deal with emergency events	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			TOR being drafted
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	July 2021		Draft report
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			Scoping review
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.	Q1	Sept 2021		Fieldwork
Follow-ups:- Vulnerable Communities Golden Thread	To provide management with assurance that actions from previous key audits have been implemented and this has led to improved outcomes.	Q1	Aug 2021 Sept 2021		Fieldwork
Combined Assurance	Updating the assurance map and completing the Combined Assurance report.	Q3			Preparation ongoing