

Internal Audit Progress Report



West Lindsey District Council May 2022

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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 December 2021 to May 2022
- Advise on progress of the 2021/22 plan
- Raise any other matters that may be relevant to the Audit Committee role

Key Messages

Audit Plan

During the period we have completed six assurance audits, and have six audits currently in progress with three of these at draft report stage.

We have now completed 92% of the revised 21/22 plan (Appendix 2).

The six audits which have been completed are:

- Strategic Risk (Inability to maintain critical services and deal with emergency events) – High Assurance
- Vulnerable Communities Follow up – Substantial Assurance
- ICT Network infrastructure and Security – Substantial Assurance
- Insurance – Substantial Assurance
- Carbon Management – Substantial Assurance
- Corporate Plan & Golden Thread Follow up – Substantial Assurance

The six which are currently in progress are:

- ICT Cloud/hosted services – Draft report
- ICT Disaster Recovery and Backup – Draft report
- ICT Helpdesk Follow up – Draft report
- Flooding – Fieldwork stage
- Value for Money – Fieldwork stage
- Key Control and ERP – Fieldwork stage

Other Work

- Completion of the Annual Combined Assurance Report
- Completion and sign off the certification of Flood Grants.

1
HIGH ASSURANCE

5
SUBSTANTIAL ASSURANCE

0
LIMITED ASSURANCE

0
LOW ASSURANCE

2
OTHER REPORTS

High Assurance

Strategic Risk (Inability to maintain critical services and deal with emergency events)

We can provide a high level of assurance that the processes in place to support the management of the strategic risk '**Inability to maintain critical services and deal with emergency events**' are robust and operating effectively, with effective partnership arrangements in place. The Assistant Director Commercial & Operational Services, assigned responsibility for this risk, has ensured controls/actions are in place to mitigate individual triggers, are closely monitored and are reported regularly.

We confirmed that appropriate council officers sit on the LRF Strategic and Tactical Cell Groups, with roles and responsibilities clearly outlined. A detailed Service Level Agreement with Lincolnshire County Council (LCC) for the provision of Emergency Planning (EP) and Business Continuity (BC) services exists, with LCC providing a dedicated officer to oversee arrangements.

Responsibilities of members/officers in key emergency planning and business continuity roles are clearly documented. A formal and effective EP & BC Group exists, that meets quarterly. An Incident Management Group (IMG) also exists to manage the Council's response to an emergency.

A detailed and approved Emergency & Business Continuity (E&BC) Plan exists, is regularly reviewed, and updated if required to ensure it is fit for purpose and continues to meet WLDC's statutory duties. Detailed Service Area Business Continuity Plans also exist, are regularly reviewed, and updated, and are securely located on Minerva and Resilience Direct, the LRF central depository.

Substantial Assurance

Vulnerable Communities Follow up

During 2019/20 we carried out an audit of Vulnerable Communities which provided a limited assurance opinion. We have carried out a follow up review which confirms that good progress has been made in implementing the agreed actions from the previous audit. Six of the eight findings have been implemented. Of the remaining findings, one is not due until March 2023 and there is a plan in place to complete the other finding. We can therefore provide a substantial audit opinion.

In response to the previous audit a Communities at Risk Policy Document was put in place in April 2020. This includes a streamlined process that is simple to follow, with a broader scope that extends the opportunities to identify communities potentially at risk at an earlier stage. Vulnerable Communities are also regularly discussed at Housing Board Meetings.

The Outstanding Findings are as follows:

Risk Management

Action plans are in place for the two communities already recognised as vulnerable by the Council. The Covid 19 pandemic has impacted the landscape of communities and these will be refreshed based on current risks.

Performance Reporting

We have not looked at this in detail within this audit because this is not due to be finalised until March 2023. Action has already commenced to establish the best approach to address this finding.

Substantial Assurance

ICT Network infrastructure and Security

Overall, the arrangements for managing Network Security risk are good. During the audit, a programme of work was underway to replace the existing network infrastructure and upgrade to Cisco Meraki equipment. The new infrastructure was designed by an external supplier, who also provided expert knowledge and resource during the installation as well as providing a post installation support service.

The benefits of this upgraded network include:

- A single network managed centrally through the Cisco Meraki console where key security tasks, such as device patching and monitoring, can be managed from a single point
- Infrastructure resilience with core equipment installed across two data centres allowing all services to be mirrored at both sites
- Improved security features, such as network segmentation to restrict where connections can be made from
- Improved performance by replacing the existing hybrid storage area network (SAN) with all Solid State drives (SSDs)
- A support contract which provides expertise and resource as well as providing 'active monitoring' which informs the external support team of any high impact issues which may affect the network.

Three medium priority recommendations have been made which will enhance the security of the network infrastructure and work is underway on these areas. These include updating policies and procedures, and introducing a process to ensure IT management are sighted to any deferred patch implementations.

Substantial Assurance

Insurance

Our review found that overall, there are effective arrangements in place for insurance cover, claims management and risk management. There are good claims handling, monitoring and renewals processes in place supported by sound procedures and a strong awareness of GDPR requirements.

During our review the Council put in place revised processes following staff changes. This review has taken the initial working arrangements and those changes which occurred during the review into consideration in providing a substantial assurance opinion.

We identified some areas for improvement to increase the visibility of the Insurance Function across the Council and knowledge and resilience within the Insurance Function:

- Following the loss of key staff we recommended that the Council should review how insurance knowledge is maintained and kept current to enable relevant and up to date advice to be provided.
- We found that awareness of the Insurance Function and importance of insurance in decision making for both business as usual and ad-hoc activities varies across the Council. Raising awareness of the importance of getting insurance advice will help ensure that appropriate insurance is in place and limit the possibility of significant financial or reputational damage to the Council.

Substantial Assurance

Carbon Management

The design of the Council's framework of controls in place to deliver its objectives in relation to environmental sustainability, climate change and carbon reduction were found to be strong. However, the controls were found to still be relatively in their infancy. As such, we are able to provide a Substantial audit opinion based on the activity still required to implement and fully embed the controls. The following areas of good practice have been observed:

- The Council has put in place a comprehensive Sustainability, Climate Change and Environment Strategy (the 'Strategy') and Carbon Management Plan.
- A detailed action plan in place to support the Strategy and Carbon Management Plan. There are currently over 50 actions assigned across WLDC.
- An Environmental and Sustainability Officers Group (the 'Officers Group') has been set up and is responsible for the delivery of the Sustainability, Climate Change and Environment Strategy and action plan .
- An Environmental and Sustainability Members Group has also been set up and are responsible for overseeing the delivery of the Council's Strategy and action plan.
- A Comms Plan to support the Strategy is in place communicating achievements to key stakeholders.

Whilst the framework of controls was found to be strong and good areas of practices were highlighted, a significant amount of work is now required to implement and embed the actions detailed within the relatively new Strategy and Carbon Management Plan.

Substantial Assurance

We carried out a follow up audit of the Corporate Plan and Golden Thread audit from May 2020 which provided a limited assurance opinion. The Golden Thread, also known as organisational alignment, is a simple framework to demonstrate how an organisation links what it does to its goals. It ensures that an organisation's goals, vision and values inform and are informed by its processes, systems and people.

We found that two out of the four the actions have been implemented and progress has been made against the remainder. We can therefore give a substantial audit opinion.

We found that awareness of the Corporate Plan is maintained as part of the Council's internal communication schedule. The Corporate Plan is reinforced through a quarterly update based around the key themes in the Plan, this also celebrates the successes of teams across the Council.

The Outstanding Findings are as follows:

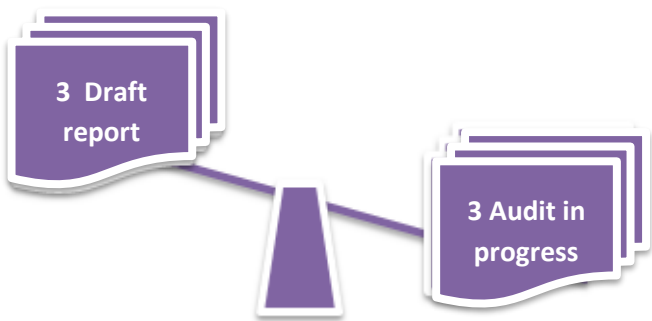
Shared Purpose

The demands across the Council to respond to the Covid 19 pandemic meant that although Performance and Delivery data was in place, this was not fully embedded within 2020-21 reporting or the Executive Business Plan.

Service Plan and Appraisals

The annual appraisal documentation includes reference to an individual's contribution to the Service, Directorate and Council objectives. We identified that whilst the Golden Thread is in place for most staff, there is still some inconsistency in practice.

Corporate Plan and Golden Thread Follow up



Audit reports at draft

We have three audits at draft report stage:

- ICT Cloud/hosted services – Draft report
- ICT Disaster Recovery and Backup – Draft report
- ICT Helpdesk Follow up – Draft report

Work in Progress

We have the following audits in progress :

- Flooding – Fieldwork stage
- Value for Money – Fieldwork stage
- Key Control and ERP – Fieldwork stage

Further Work

We completed the work on the Annual Combined Assurance Report which was presented to the Audit and Governance Committee in April 2022.

We have completed and signed off the certification of Flood Grants which had no issues identified.

We have also developed and presented to the Audit and Governance Committee in March 2022 the annual Audit Plan for 2022/23 and started to schedule this work with managers and key staff. An update on outcomes will be provided via the Q1 Progress Report 22/23.



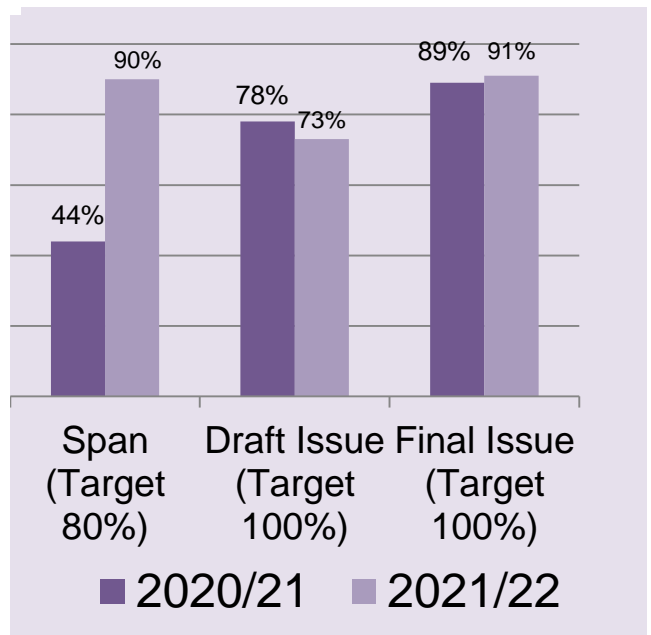


Internal Audit's performance is measured against a range of indicators. The statistics below show our performance on key indicators year to date.

Performance on Key Indicators

Positive feedback has been received

Plan completed 92%





Other Matters of Interest

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



National Audit Office

NAO Cyber and information security: Good practice guide Oct 2021

[Cyber and information security \(nao.org.uk\)](https://www.nao.org.uk/cyber-and-information-security)

Audit committees should be scrutinising cyber security arrangements. To aid them, this guidance complements government advice by setting out high-level questions and issues for audit committees to consider.

Audit committees should gain the appropriate assurance for the critical management and control of cyber security and information risk.

Cyber security is the activity required to protect an organisation's data, devices, networks and software from unintended or unauthorised access, change or destruction via the internet or other communications systems or technologies. Effective cyber security relies on people and management of processes as well as technical controls.

Our guide supports audit committees to work through this complexity, being able to understand and question the management of cyber security and information risk.

It takes into account several changes which affect the way in which we interact with and manage our information and can drive increased risk. These include changes to the way we work and live due to the COVID-19 pandemic and the ongoing demand to digitise and move to cloud-based services.

The strategic advice, guidance and support provided by government has also been updated to keep pace with these changes, detailing the impact and risks on the management of cyber security and information risk.

The guide provides a checklist of questions and issues covering:

The overall approach to cyber security and risk management

Capability needed to manage cyber security

Specific aspects, such as information risk management, engagement and training, asset management, architecture and configuration, vulnerability management, identity and access management, data security, logging and monitoring and incident management.

The full document can be provided on request.



Other Matters of Interest

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



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.

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.

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.

Continues on next page.



Other Matters of Interest

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

Key extracts from the CIPFA Audit Committee Update Issue 35 (cont'd)

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.

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 & Delivery</p>	Q4 Jan – Mar 20	Nov -20	Nov -21	Limited (Note that this is being followed up with a review in March 2022. This report is currently at draft stage)
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 -21	Sept -21	Substantial
2020/21 Together 24	To provide assurance over the governance arrangements in place	Q4 Jan – Mar 21 Revised to April 2021	Apr-21	Sept -21	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	Apr-22		Fieldwork
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	Jul-21	Sept -21	High
Insurance	To provide assurance around the adequacy and effectiveness of processes within the insurance function	Q1 Revised to Q3	Sept -21	Apr-22	Substantial
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 Revised to Q4	Apr-22		Fieldwork

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	Q4	Jan-22	Mar-22	High
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	Q4	May-22		Fieldwork
Carbon Management	To provide assurance that the plans in place to tackle climate change are relevant, fit for purpose and achievable	Q4	Feb-22	Apr-22	Substantial
Local Land Charges	To provide assurance over the operational arrangements in place with a core focus on performance management	Q2	Jul-2021	Nov- 21	High
Wellbeing	Review of delivery and effectiveness of the Council's elements of the wellbeing contract. - Client wide review	Q4			Removed
Enterprise Resource Planning system	Consultancy review to advise and support on system controls during the implementation of this new system	Q1-3 Revised to Q3	Nov-21		Review ongoing
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	Jan-22		Draft

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	Q4	Jan-22		Draft
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.	Q3	Sept -21	Mar-22	Substantial
Follow-ups:- Vulnerable Communities and Corporate Plan & 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 -21 Sept-21	Feb-22 Jan-22	Substantial Substantial
Combined Assurance	Updating the assurance map and completing the Combined Assurance report.	Q3	Sept-21	Mar-22	Report issued
Flood Grant	To carry out the grant certification work as required.	Q4	Feb-22	Mar-22	Signed off
Follow – Up – ICT Helpdesk	To provide management with assurance that actions from previous audit has been implemented and this has led to improved outcomes	Q4	Jan-22		Draft

Changes to Internal Audit Plan – 2021/22

Audit	Rational	Change
Wellbeing	Other audits have been requested which are considered to be of a higher priority and therefore this one has been postponed to 2022/23	Remove from the plan
Follow-ups ICT Helpdesk	This audit has recently been completed and a follow-up is required within 6 months of completing the fieldwork.	Added to the plan
Flood Grants	Certification of the grants paid in respect of flooding is required before the end of February.	Added to the plan

The Audit Tracker Report identified 9 actions that were due and we closed off 7 of these. Two actions were deferred. These can be seen below:

Audit	Action Required	Rating	Progress made	Percentage completion
ICT Email Security	Decommission of two Exchange 2013 servers.	Medium	In progress. The first instance of 2013 has been decommissioned. The process has started on the last and resources have been moved. This will be completed in the summer.	80% New completion date of 31 st August 2022
ICT Email Security	Multi-factor authentication (MFA) increases email account security by requiring multiple forms of verification to prove a user's identity when signing into the email system. This process should be rolled out to all staff rather than just ICT staff and Privileged Users.	Medium	The process has started through an opt in process for colleagues. The next stage will see further support for colleagues and then the requirement will be added to the conditional access work that has been completed.	40% New completion date of 31 st August 2022

There are currently 20 outstanding audit actions. 11 of these will be followed up when the next Tracker is run in June 2022, and 9 will not yet be due. We will provide an update on outcomes in the next Progress Report.