

Internal Audit Progress Report



**West Lindsey
District Council
December 2022**

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Lucy Pledge - Head of Internal Audit & Risk Management
lucy.pledge@lincolnshire.gov.uk

Alastair Simson – Principal Auditor
alastair.simson@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 October 2022 to December 2022
- Advise on progress of the 2022/23 plan
- Raise any other matters that may be relevant to the Audit Committee role

Key Messages

Audit Plan

During the period we have completed 2 assurance audits and have 7 further audits in progress.

The audits which have been completed are:

- Contract Management – Substantial Assurance
- Housing Benefit Subsidy – No issues identified

The audits at draft report are:

- Levelling Up Fund phase 1 – Indicative opinion High Assurance
- Staff Resilience – Indicative opinion High Assurance
- ICT Patch Management – Indicative opinion High Assurance
- Risk Management – Indicative opinion Substantial Assurance

The audits in progress are:

- Combined Assurance - Fieldwork
- ICT Patch Management – Fieldwork
- CRM System – Terms of Reference agreed, work to start in February 2023

0
HIGH
ASSURANCE

1
SUBSTANTIAL
ASSURANCE

0
LIMITED
ASSURANCE

0
LOW
ASSURANCE

1
OTHER
REPORTS

Substantial Assurance

Contract Management

Contract management is the process of systematically and efficiently managing contract creation, execution, and analysis for the purpose of maximising financial and operational performance and minimising risk. It includes negotiating the terms and conditions in contracts and ensuring compliance with these terms and conditions, as well as documenting and agreeing any changes or amendments that may arise during its implementation or execution.

Overall, we can provide a substantial level of assurance that effective arrangements are in place to ensure contracts are recorded, allocated to contract managers, and managed effectively.

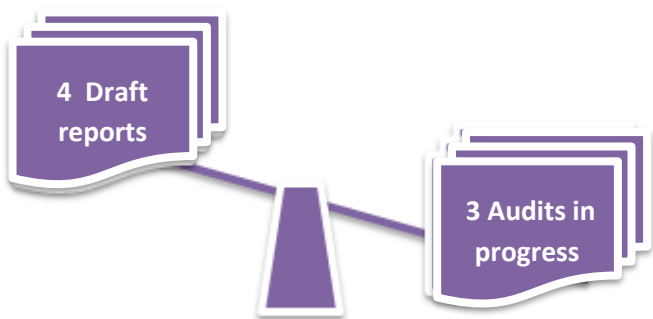
Good practice identified includes:

- The test sample contracts were appropriately signed and included clear and detailed terms and conditions, including specific information on performance management.
- Contract Managers assigned responsibility for contracts are appropriate, with managers involved from the procurement stage to ensure maximum value in the process.
- There is evidence of engagement with contractors to monitor performance at the intervals specified.

However we did find that the Council's Contract and Procurement Procedure Rules (CPPRs) are not prescriptive on the expectations of contract management and so recommendations have been made to produce supplementary guidance and to offer training to ensure awareness and understanding among contract managers.

We also identified some other recommendations including risk management requirements for contracts are not specified in CPPR or the Council's Risk Management Strategy as well as general improvements which all contract managers should be made aware of to ensure that contract terms are complied with.

All recommendations have been agreed and will be tracked.



We have 4 audits at draft report stage:

- Levelling Up Fund phase 1 – Indicative opinion High Assurance
- Staff Resilience – Indicative opinion High Assurance
- ICT Patch Management – Indicative opinion High Assurance
- Risk Management – Indicative opinion Substantial Assurance

Work in Progress

We have the following audits at fieldwork stage:

- Combined Assurance - Fieldwork
- ICT Asset Management Hardware – Fieldwork
- CRM System – Terms of Reference agreed, work to start in February 2023

Other Significant Work

Housing Benefit Subsidy

As part of the work undertaken to support the subsidy claim, we examined twenty-eight cases in respect of payments made in the 2021/22 financial year. Two errors were identified, both of which related to payments in respect of temporary accommodation – an underpayment of £13.99 and an underclaim of subsidy of £47.04. We have not made any formal recommendations within this report as the errors themselves are not systemic.

Tracker update

The audit tracker report identified that there were 16 actions due for completion by the 31st December 2022. There were no High Priority actions. Following review and discussions with Managers we identified that 14 of the 16 Medium Priority actions had been completed (88%). Details of the two outstanding actions can be found in Appendix 2.



Combined Assurance

We will be working with Management to produce the Combined Assurance review. This annual process involves discussion and intelligence gathering across the Council, and will provide Members and Management with an overview of the Councils assurance across Critical Activities, Key Projects, Key Partnerships and Key Risks. This work has been delayed to December/January although the report is still planned to be presented at the March Committee by Officers. This will support the Head of Internal Audit's Annual Governance Statement and the 2023/24 Audit Plan.

Increasing Capacity

We have had a recruitment exercise which has led to the successful recruitment of an Audit Manager, two Audit Principals and two Senior Auditors. All these roles will further enhance and develop the services quality, performance, capacity and capability to meet client needs and remain an effective forward-thinking service.

We are developing a number of our existing Senior Auditors and Audit Officers through the apprenticeship scheme which is paying dividends. We are also working with our Finance colleagues and engaging with the Local Government national graduate scheme. WLDC has asked to work with the County Council – promoting a career in local authority finance and audit.

As you're aware Lucy Pledge will be leaving Assurance Lincolnshire will be leaving on the Council on the 30th March 2023. She will be retiring from the role a Head of Audit and Risk Management having helped build the Assurance Lincolnshire partnership into the success it is today.

Following a successful recruitment process, we are delighted to confirm that Claire Goodenough has been appointed as Head of Audit and Risk Management at the County Council – heading up the Assurance Lincolnshire Partnership. Claire has a good background of working within the public sector at a senior level and with the Institute of Internal Audit. Claire is looking forward to joining the team and will be starting with us on the 23 January, to enable a detailed handover, which will incorporate meeting with our clients over the coming months.

We hope you will all join us in welcoming Claire when she begins her Assurance Lincolnshire journey this month.



Joint working – Flood Management

At the Committee's meeting on the 21st October 2022 concerns were raised that a planned audit at the County Council on Flood Management had been postponed. The Chairman of the Governance & Audit Committee wrote to the Chairman of the County Council's Audit Committee on the 28th November 2022 asking for this to be re-considered. A response was provided confirming that the audit was rescheduled due to a restructure within the LCC service area. This audit is planned to be undertaken during April-June 2023.





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: 71%





Internal Audit Plan 2023/24

Consulting the Governance & Audit Committee

We are about to commence developing the Internal Audit Plan – 2023/24.

To help inform our plan we would like to engage with the Governance and Audit Committee early in the process. This helps us identify any **significant** areas of risk and / or concern Committee wish to be considered.

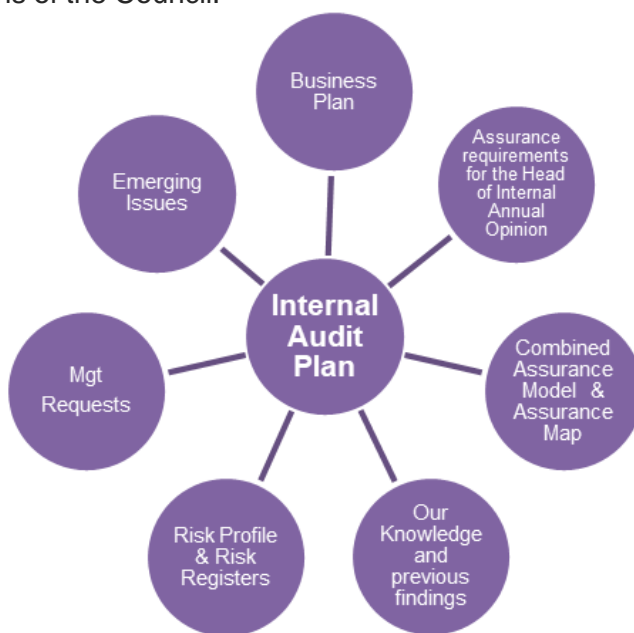
Our approach

Understanding the Council’s business, risk profile and assurance framework is vital in our planning process. We aim to align our work with other assurance functions, particularly performance and risk management, and look at different ways of leveraging assurance to maximise the best use of the Internal Audit resource and other assurance functions of the Council.

At the heart of the strategy is the Council’s ‘**Assurance Map**’. This helps focus our work plans on risks that matter – the make-or-break risks that affect the successful delivery of services and strategic objectives. It also recognises the importance of critical business systems that support successful delivery and ‘protect the business’ – core activities.

There also needs to be sufficient coverage so the Head of Internal Audit can provide their statutory opinion.

We are about to start working with management to develop the Council’s assurance map.



Potential Areas

There are some areas that we have already identified to be considered:

- Financial Governance – Providing assurance that key financial controls are in place and operating effectively
- Project Assurance – Providing assurance on a key project and the successful delivery (on-time – within budget – deliverables achieved and benefits realised)

We would welcome further suggestions from Management Team and Governance & Audit Committee. These will be risk assessed along with the outcomes from the Assurance Mapping work and our Annual Plan will be developed from this.



Other Matters of Interest

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

CIPFA Guidance for Audit Committees – updated October 2022

This fully revised and updated edition takes into account recent legislative changes and professional developments and supports the 2022 CIPFA Position Statement.

It includes additional guidance and resources to support audit committee members, and those working with and supporting the committee's development.

We will be looking to provide the Committee with training in the new financial year which will include providing the Committee with the key headlines of the guidance and benchmark current arrangements with this new best practice guidance.

<https://www.cipfa.org/services/support-for-audit-committees>

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 Actions

The audit tracker report identified that there were 16 actions due for completion by the 31st December 2022. These comprised of:

- 0 High Priority actions
- 16 Medium Priority actions

Following review and discussions with Managers we identified that:

- 14 of the 16 Medium Priority actions had been completed (88%)

Please find below details of the outstanding actions along with reasoning as to why they are not fully complete along with a new proposed target date. These will be tracked in future progress reports.

Outstanding Actions

Audit Title	Issued	Assurance	Total Recs	Recs imp	Priority of overdue recs	Recs not due
Key Control Testing 2021/22	August 2022	Substantial	5	2	2 Medium	1

One finding relates to procedure manuals for the new system. Some procedure notes have been put together, however a review is currently underway to ascertain what is missing and then these will be compiled by the relevant staff member. To be completed by the end of August 2023.

The other finding relates to management dashboards with the new system. Dashboards will be rolled out but this has not been achieved yet due to resources being directed towards snagging issues with the basic operation of the system. Once resolved this will mean resources can be dedicated to achieving this action. To be completed by the end of December 2023.

Audit	Scope of Work	Start Planned Date	Start Actual Date	End Actual Date	Rating
Value For Money	To provide assurance that the Council takes all reasonable steps to achieve Value for Money in the delivery of its services.	20/04/22	20/04/22	19/08/22	High Assurance
Flood Management	To provide assurance that adequate arrangements are in place between the council and the LLFA to both prevent and respond to flooding	11/05/22	11/05/22	23/08/22	High Assurance
ICT Helpdesk	This follow-up review provides assurance that the actions agreed in the previous ICT Helpdesk audit have been satisfactorily implemented and an improved control environment now exists.	01/03/22	01/03/22	10/06/22	Substantial Assurance
ICT Disaster Recovery	To provide assurance that back-ups are robust, working effectively and that disaster recovery arrangements are in place and also periodically tested.	09/02/22	09/02/22	22/08/22	Substantial Assurance
ICT Cloud 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.	06/05/22	06/05/22	22/08/22	Substantial Assurance
Key Control and ERP	Delivery of key control testing to enable Head of Internal Audit to form an opinion on the Council's financial control environment. To include coverage on the ERP system.	05/05/22	05/05/22	22/08/22	Substantial Assurance
Staff Resilience	Review looking at measures that WLDC have in place to manage and support staff including supervision, home workplace assessments and support mechanisms.	16/08/22	16/08/22		Draft Report – Indicative opinion High Assurance
Key Project: CRM System	Consultancy to advise and support on new system controls.	06/02/22			

Audit	Scope of Work	Start Planned Date	Start Actual Date	End Actual Date	Rating
Wellbeing Lincs Service	Review of delivery and effectiveness of the Council's elements of the wellbeing contract.	TBC			
Contract Management	Assurance that the contract management process within WLDC is operating as planned and in line with policy.	12/07/22	12/07/22	21/12/22	Substantial Assurance
Governance, Risk and Resilience Framework	Health check of WLDC against the 7 governance characteristics within the Centre of Governance and Scrutiny's Governance, Risk and Resilience Framework	23/01/23			
Risk Management	Review of the risk management monitoring procedures in place at WLDC.	21/11/22	21/11/22		Draft Report – Indicative opinion Substantial Assurance
Levelling Up Fund	Assurance over the management, decision making and governance of the £10 million Levelling Up Fund received from the Government. This work will cover two phases in 22/23 – the set up process followed by a final review.	14/08/22	14/08/22		Draft Report – Indicative opinion High Assurance
ICT Patch Management	The review will focus on the patching of software used by Council, and the firmware used in its infrastructure, is kept up to date and safe against known exploits.	06/12/22	06/12/22		Draft Report – Indicative opinion High Assurance
ICT Asset Management Hardware	To achieve value for money, and full use from the hardware in use it is important that all ICT hardware assets are tracked and managed appropriately. This is increasingly important where staff and equipment are no longer stationary and working from home has become a necessity in response to Covid-19.	19/12/22	19/12/22		Fieldwork stage

Audit	Scope of Work	Start Planned Date	Start Actual Date	End Actual Date	Rating
Key Control Testing	<p>Delivery of key control testing to enable Head of Internal Audit to form an opinion on the Council's financial control environment.</p> <p>Terms of Reference which include scope and focus on key risks will be determined with the appropriate senior manager.</p> <p>Planned areas include:</p> <ul style="list-style-type: none"> • Council tax debtors • HB overpayment debtors • NNDR debtors • Budget monitoring • Income 	06/02/23			
Follow Ups	To provide management with assurance that actions from previous key audits have been implemented and this has led to improved outcomes.	TBC			