Internal Audit
Progress Report

**West Lindsey
District Council
May 2023**

Assurance
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For all your assurance needs

West Lindsey
DISTRICT COUNCIL

Contents

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Introduction

The purpose of this report is to:

- Provide details of the audit work during the period December 2022 to May 2023
- Advise on progress of the 2022/23 plan
- Raise any other matters that may be relevant to the Audit Committee's role

Key Messages

Audit Plan 2022/23

During the period from December 2022 to May 2023 the internal audit service has completed seven audits.   These are:

Levelling Up Fund (Phase 1)	**High Assurance**
Staff Resilience	**High Assurance**
ICT Patch Management	**High Assurance**
ICT Asset Management	S**ubstantial Assurance**
Key Control Testing	**Substantial Assurance**
Risk Management	**Substantial Assurance**
CRM Project	Consultancy

There are currently no audits in progress that contribute to the 2022/23 audit plan.

An overview of the internal audit assignments along with key findings follow in this report.

Items Deferred Or Removed From The 2022/23 Audit Plan

The second phase of the levelling up review was not completed as part of the 2022/23 plan. The draft report detailing the findings and recommendations from phase one was issued in February 2023, this left insufficient time to deliver the follow up, phase two. The subsequent phase two will be delivered as part of the 2023/24 internal audit plan.

There were two audits originally planned to take place during 2022/23, these were not completed and following a review of priorities, risk areas and current resilience, these will not form part of the 2023/24 internal audit plan. The two assurance reviews are:

- Governance, Risk and Resilience Framework
- Wellbeing Lincs Service

3
HIGH ASSURANCE

3
SUBSTANTIAL ASSURANCE

0
LIMITED ASSURANCE

0
LOW ASSURANCE

1
OTHER REPORTS

Note: The assurance expressed is at the time of issue of the report but before the full implementation of the agreed management action plan. The definitions for each level are shown in **Appendix 1.**

High Assurance

Levelling Up Fund (Phase One)

As part of Central Government's Levelling Up programme, the Council submitted a bid for a share of the £4.8 billion available and were successfully awarded a £10million grant in October 2021. The fund was set up to support the town centre and high street regeneration, local transport projects, and cultural and heritage assets.

As a result of internal audit's work, the assurance review assigned a high level of assurance for the Levelling Up Fund's governance arrangements; confirming they were robust in nature and application and fully compliant with the Project Management Framework and other relevant Council policies and strategies.

The following areas of good practice were identified:

- A portfolio board is in place, chaired by the Executive Director of Resources, which has oversight of all the Council programmes.

- An effective and formally approved governance structure where roles and responsibilities were clearly and appropriately defined. The review found the programme board had effective oversight of the programme.

- Funding arrangements for the Thriving Gainsborough Programme were detailed, shared and approved at meetings of the Prosperous Communities and Corporate Policy and Resources Committees.

- Risk registers were in place for each project having been compiled through risk workshops. The registers were reviewed every month at the project meetings.

One recommendation was made to ensure that the risk registers contained a creation date along with the date of last review and that medium and high risks were routinely presented to the Programme Board.

Further improvements included reviewing the wording of some of the risks to ensure that they described the risk fully and did not contain a summary statement which could be open is misinterpretation.

High Assurance

Staff Resilience

Arising from the national pandemic, the typical work environment has undergone significant change and now provides new processes to enable and support Council staff in delivering remote working. For the Council it was important that the staff working at home continued to feel supported whilst not working in the offices.

One area which underwent a particular change relates to how staff health and wellbeing were supported. Practical implications, such as correct equipment and suppliers to ensure conformance to Health and Staff health and wellbeing is integral to the achievement of the Council's objectives and operational day-to-day activities. The Council has a duty of care to ensure effective measures are in place to support staff with any associated issues they may be experiencing.

Nationally it has been recognized that the recent pandemic has led to an increase in individuals experiencing mental health issues. The remote working environment may make some of these more difficult to identify and influence and therefore require different tools to be in place.

The assurance work was able to provide a high assurance opinion as a result of reviewing the arrangements put in place by West Lindsey District Council for the purposes of protecting and supporting the health, safety and welfare of their staff.

The review noted high levels of engagement with staff, through the annual staff survey, to identify emerging issues and/or areas of concern, with demonstrable action being taken to deliver improvements.

Levels of reported sickness absence (a key resilience indicator) were found to be positive and consistently below the Council's threshold target.

The Council's online training portal provides staff with access to personal learning opportunities across a variety of categories. These categories include health & wellbeing and personal development. Targeted training was also found to be provided to those colleagues in front-line or enhanced roles that required line management and/or leadership of others. The Assistant Director People & Democratic Services advised that these courses were well utilised.

High Assurance

ICT Patch Management

The ICT service operates a structured approach to patch management, ensuring that patches are identified, obtained and installed safely and promptly. Supporting systems are used effectively and have been enhanced since the previous internal audit review in 2018. The review examined the following areas:

• Management

The review was satisfied that roles and responsibilities had been allocated for delivering patch management. A patch management policy was in place to inform staff around management expectations for this area. The policy was regularly updated to ensure it remained aligned with best practice and had relevance to the processes within the Council.

• Patch Identification

The review found the ICT section had used effective automation to identify and collect security updates as and when they became available. The advantages of this automation are:

1. Increase Efficiency: Automated patch identification and collection can save time and resources by quickly identifying and gathering the necessary patches, without the need for manual intervention.

2. Greater Accuracy: Automated systems can identify and gather patches with a high degree of accuracy, reducing the risk of missing critical patches.

3. Improved Security: Automated patch identification and collection can help organisations stay up to date with security patches, reducing the risk of vulnerabilities and breaches.

• Patch Installation

The review identified that the deployment of security updates was similarly automated with schedules set to autorun that disseminate updates for end user devices to test groups for an established period of time before the update is then applied to the remainder of the Councils devices. Updates to servers were completed in sequence to minimise the risk of disruption to the ICT environment.

Updates were scheduled for application promptly resulting in a reduction to the risk of known vulnerabilities being exploited on Council systems.

• Reviewing Patch Activity

The review found that patch deployments are monitored by council systems for distribution and installation. The systems receive information back from Council devices to confirm whether the update was successful.

Substantial Assurance

Overall, the Shared Partnership's controls and general arrangements of the ICT assets were found to be robust and operating effectively and efficiently. Arising from the review work, the following good practices were observed, which contributed to the substantial assurance opinion provided:

- There was an ICT Asset refresh monitored by the Finance Business Partner and the ICT Manager monthly. The S151 Officer has quarterly oversight.

- There were sufficient ICT asset management reports produced for operational oversight across both Council's.

- New ICT assets (hardware and software) were either procured or installed only if there was a business need and all were subject to appropriate management approvals.

Recommendations were made to improve processes and strengthen controls:

- There was no formalised ICT Asset Strategy in place for the Shared Service Partnership to confirm how ICT assets were managed (hardware and software). NKDC were in the process of finalising their ICT Asset Strategy and WLDC were in the early stages of drafting their ICT Shared Service Strategy. The absence of these may result in a lack of clarity and/or misalignment with the strategic direction, objectives and priorities for both Councils.

- A review of the ICT Register confirmed that 86 hardware assets out of 696 assets recorded dated pre-2018 and as far back as 2013. There is a risk that aged ICT assets are not being regularly identified, reviewed, and disposed of when they either become obsolete or at the end of their useful life. The ICT Team will schedule a monthly ICT asset review to identify assets ready for disposal.

- ICT assets were not always timely recorded on the ICT Asset Management System (Lansweeper). As a result, there is a risk that the processing and recording of ICT assets is not accurate and could be misplaced.

- The review found no ICT Asset Disposal Policy or formal procedures are in place. Testing confirmed that this activity is being undertaken with devices having data erased before being removed from Council premises. Additional contractual arrangements with the disposal company have been entered into with WLDC but needed to be formally established for NKDC.

ICT Asset Management

Substantial Assurance

The Council operate a significant number of fundamental systems which cannot be audited in detail every year.

To ensure the key controls for these fundamental systems continue to operate effectively, we had a risk-based programme where a full systems audit is undertaken in one year and key control testing in subsequent years. For 2022/23 the internal audit service examined Council Tax Debtors, Housing Benefit Overpayment Debtors, NNDR Debtors, Income Debtors and Budget Monitoring.

Overall, the review found that key controls were operating effectively, and appropriate safeguards were in place to ensure the integrity of the financial systems and their data.

A number of improvement recommendations were made to processes and to strengthen controls:

- Policies and procedures should reflect the limits below which the Council has determined that it is not economical to pursue.

Key Controls

- It was noted that within a sample of five NNDR debtor accounts, two automated reminders had not been issued, nor had the debt progressed in the recovery process. This situation will be investigated with the software provider and remediated. Additionally, it was noted that a Council Tax debtor account placed on hold, had not been reviewed since June 2020. Management agreed to review on a bi-monthly basis all held accounts.

- Write-offs of accounts that had progressed through the debt recovery cycle were not consistently processed in a timely manner. Management confirmed that write-offs will be sent to the Section 151 officer for approval on a quarterly basis.

- Reconciliations between the debtor accounts (CT, HB, NNDR and Income) and the general ledger were not always signed and dated, or not signed and dated in a timely manner. Management agreed to ensure debtor reconciliations were carried out monthly and reviewed within 10 working days. This would aid the timeliness of any remedial work required.

Substantial Assurance

Risk management is central to good governance and supports decision making processes to achieve strategic objectives, project and service delivery, and for some service areas ensures compliance with legislation.

The review was able to provide independent assurance that the Council's risk management framework was operating effectively in all areas, including strategic and operational levels, fraud, programmes, projects, and partnerships.

Overall, the review found that the key controls were operating effectively and had appropriate safeguards in place to support its management throughout the Council. A substantial assurance opinion was awarded on the effectiveness of the key controls reviewed.

Areas of good practice included:

- An approved Risk Management strategy with a risk appetite in place.

Risk Management

- Designated risk champions at senior management and member levels.

- Regularly reviewed and reported risks shared with senior management and members.

Five medium priority recommendations were made to improve processes and strengthen controls. These related to :

- Provision of training to officers and relevant Members to aid consistence in approach and understanding.

- Ensuring that each risk contains information as to the direction of travel in managing that risk.

- Ensuing that committee report templates capture sufficient information about key risks associated with decisions taken.

- Producing a partnership risk register to identify, assess, manage and monitor partnership risks on an ongoing basis.

- Incorporating risk tolerance information to risk registers which could then help inform risk management decisions.

Consultancy

CRM Project

The Customer Relationship Management (CRM) system is a key aspect of the Council's Together 24 Transformation Programme.

CRM is a long-term project which started in April 2020 and is expected to be completed in 2024. A programme of service redesigns was being undertaken to allow the CRM system to be incorporated into processes. Initial support with the development of the software was provided by Provident consultants.

The review sought to provide independent advice and support to the CRM Project team in the following areas;

- Handover – a full set of documents on the system design and build is complete and available (for whoever is supporting the CRM long term).

- Coding – a consistent coding / configuration standard is used.

- Quality assurance testing – there is a testing framework to ensure new modules introduced aren't impacting on other parts of the system.

Overall, the audit found that the three elements within the scope of this engagement were well controlled.

The report acknowledged that once user acceptance testing (UAT) was completed, detailed handover notes were created by the Corporate Systems Team. The Council confirmed that it would enter into a software licensing agreement with the provider to ensure relevant updates were received for ongoing protection.

The Council confirmed that although guidance was provided by the supplier on how to customise and enhance the system through coding, the source code of the system is secured internally against amendments that could impact the integrity of the application.

Any changes that do take place are developed, subject to user acceptance testing (UAT) and quality assurance all within a safe test environment. No changes are applied to the live system without going through the test environment.

Work in Progress

No work is currently in progress.

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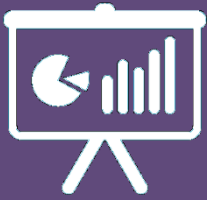
Internal Audit's performance is measured against a range of indicators. The statistics below show our performance on key indicators year to date.

Performance on Key Indicators

Positive feedback has been received

Plan completed: 90%
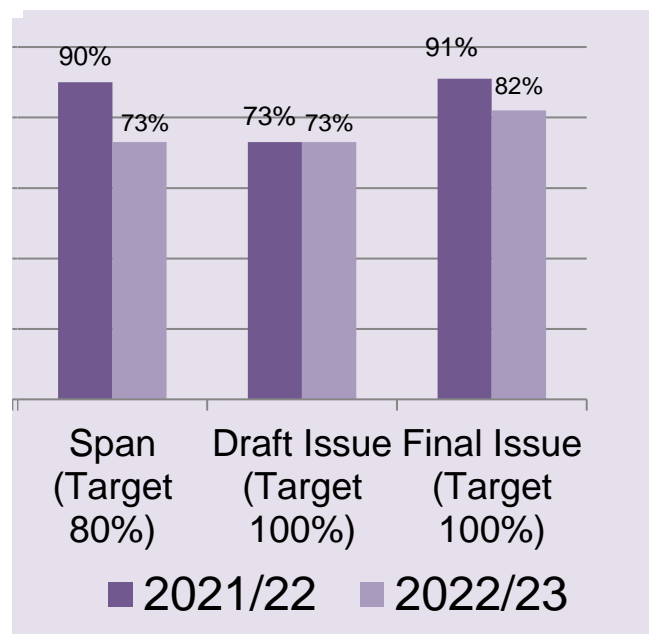
Indicator	2021/22	2022/23
Span (Target 80%)	90%	73%
Draft Issue (Target 100%)	73%	73%
Final Issue (Target 100%)	91%	82%

■ 2021/22 ■ 2022/23

National Cyber Security Centre
a part of GCHQ

Cyber Security Toolkit for Boards – April 2023

The National Cyber Security Centre (NCSC) has recently revised its Board Toolkit to ensure that cyber resilience and risk management are embedded throughout an organisation, including its people, systems, processes and technologies.

The toolkit states that it is aimed at board members in medium to large organisations in any sector.

The National Audit Office has provided some guidance to audit committee on Cyber Security, though is itself based on the NCSC's 10 steps to Cyber Security guidance. The NAO publication references the NCSC's board toolkit as a source of further reading and would commend this publication to Senior Officers and Members alike.

https://www.ncsc.gov.uk/collection/board-toolkit

The Committee on Standards in Public Life publishes new report, 'Leading in Practice'

The independent Committee on Standards in Public Life has published 'Leading in Practice', a new report which shares examples and case studies gathered from public and private sector organisations on maintaining ethical organisational practices.
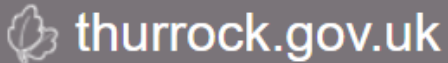
There is also an open letter from Committee Chair Lord Evans, to all public sector leaders, encouraging them to think about how they build and support a robust ethical culture. It includes 20 questions for leaders and others to reflect on.

Committee on Standards in Public Life

thurrock.gov.uk

Thurrock Council- Funding gap and current position

The government has intervened to hand Essex County Council control of financial functions of Thurrock Council, amid concerns over debt levels.

Details of the authority's financial woes became clearer in November, when a £452m funding gap emerged in this year's budget due to the impairment of four assets and a significant increase to Minimum Revenue Provision in order to comply with the guidelines.

A best value inspection is being undertaken to review the governance, audit, risk management and overview and scrutiny at the unitary authority.

[Essex to manage finances of Thurrock Council | Public Finance](#)

[Thurrock seeks £182m of exceptional support | Public Finance](#)

WOKING BOROUGH COUNCIL

Woking Borough Council – Section 114 Notice

The Council issued a Section 114 notice on the 7th June as a result of a service financial shortfall owing to its historic investment strategy that has resulted in unaffordable borrowing. Whilst the Council received core funding of £16m in the 2023/24 financial year, it faced a deficit of £1.2 billion.

This is thought to be the biggest financial failure in local government history and is a developing story.

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.

Substantial

A reliable system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

Adequate

There is a generally reliable system of governance, risk management and control in place. Some issues non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.

Limited

Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks in the achievement of objectives in the area audited..

No

Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks in the achievement of the objectives for the area audited.

Audit Actions

The audit tracker report identified that there were 16 actions due for completion by the 31st March 2023. These comprised of zero high and eight medium priority actions.

Following review and discussions with managers we can confirm that seven of the eight medium priority actions have been completed (88%).

The table below shows the outstanding action and supporting information on future implementation or completion.

Outstanding Actions

Audit Title	Issued	Assurance	Total Recs	Recs Imp	Priority of Overdue Recs	Recs Not Due
Vulnerable Communities Follow-Up	Feb 2022	Substantial	2	1	Medium (1)	0

The finding relates to improving performance reporting and communicating this information to relevant Senior Officers within the Council.

Management agreed to develop a basket of measures to be reported through the Corporate Plan and that this would be implemented by the 31st March 2023.

Reporting methods are to be reviewed as part of the refresh of the Communities at Risk work which will take place in 2023. A revised implementation date of January 2024 has been given.

Audit	Scope of Work	Start Planned Date	Start Actual Date	End Date	Rating and Progress Report
Value for money	To provide assurance that the Council takes all reasonable steps to achieve value for money in the delivery of its services.	20/04/2022	20/04/2022	19/08/2022	High Assurance Oct 2022
Flood Management	To provide assurance that adequate arrangements are in place between the Council and the LLFA to both prevent and respond to flooding.	11/05/2022	11/05/2022	23/08/2022	High Assurance Oct 2022
ICT Helpdesk	Follow-up review to provide assurance that actions agreed previously have been implemented and an improved control environment now exists.	01/03/2022	01/03/2022	10/06/2022	Substantial Assurance Oct 2022
ICT Disaster Recovery	To provide assurance that back-ups are robust and that disaster recovery arrangements are in place and also tested.	09/02/2022	09/02/2022	22/08/2022	Substantial Assurance Oct 2022
ICT Cloud Services	Review of several cloud service solutions to ascertain the level of due diligence undertaken in the selection of providers and the security arrangements in place.	06/05/2022	06/05/2022	22/08/2022	Substantial Assurance Oct 2022
Key Control and ERP	Delivery of key control testing to allow the Head of Internal Audit to form an opinion on the Council's	05/05/2022	05/05/2022	22/08/2022	Substantial Assurance Oct 2022
Contract Management	Assurance that the contract management process within WLDC is operating as planned and in line with policy.	12/07/2022	12/07/2022	21/12/2022	Substantial Assurance Dec 2022
Housing Benefit Subsidy	Work to support external audit in the verification of the Housing Benefit subsidy claim.	01/07/2022	01/07/2022	08/12/2022	Substantial Assurance Dec 2022
Staff Resilience	Reviewing measures that WLDC have in place to manage and support staff including supervision, home workplace assessments and support mechanisms.	16/08/2022	16/08/2022	02/05/2023	High Assurance May 2023

Audit	Scope of Work	Start Planned Date	Start Actual Date	End Date	Rating and Progress Report
ICT Patch Management	To provide assurance that software and hardware are kept up to date in order to mitigate against known vulnerabilities.	06/12/2022	06/12/2022	12/04/2023	High Assurance May 2023
ICT Asset Management	To provide assurance that all ICT hardware assets are tracked and effectively managed.	19/12/2022	19/12/2022	06/04/2023	High Assurance May 2023
Risk Management	Review of the risk management monitoring procedures in place at WLDC.	21/11/2022	21/11/2022	15/02/2023	Substantial Assurance May 2023
Levelling Up Fund	Phase 1 Assurance over the management, decision making and governance of the £10m Levelling Up Fund received from the Government.	14/08/2022	14/08/2022	01/02/2023	High Assurance May 2023
Key Control Testing	Delivery of Key Control Testing to enable the Head of Internal Audit to form an opinion on the Council's financial control environment. Areas covered include: • Council Tax Debtors • Housing Benefit Overpayment Debtors • NNDR Debtors • Income Debtors • Budget Monitoring	06/02/2023	15/03/2023	19/05/2023	Substantial Assurance May 2023
Key Project – CRM System	Consultancy to advise and support on new system controls. NB – As this is a consultancy piece of work, no assurance opinion is provided.	06/02/2022	06/02/2022	17/05/2023	N/A May 2023