

# Internal Audit Annual Report 2022/23



## West Lindsey District Council

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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.

# Purpose of Annual Report

The purpose of the Annual Internal Audit Report is to meet the Head of Internal Audit annual reporting requirements set out in the Public Sector Internal Audit Standards (PSIAS) and the Accounts and Audit Regulations. The report will:

- Include an opinion on the overall adequacy of and effectiveness of the Council's governance, risk and control framework and therefore the extent to which the Council can rely on it;
- Inform how the plan was discharged and the overall outcomes of the work undertaken that supports the opinion;
- Provide a statement on conformance with the PSIAS and the results of the internal audit quality assurance);
- Draw attention to any issues particularly relevant to the Annual Governance Statement

## Introduction

For the twelve months ending 31 March 2023 the Council's arrangements for governance, risk management and control framework have continued to be strong.

It has been another challenging year for the Council operating in times of economic pressure locally and nationally.

Based on the work we have undertaken and wider information obtained from other assurance sources; The HIA's opinion on the adequacy and effectiveness of the Council's arrangements for governance, risk management and control is:

### Governance



**Performing Well** — No concerns that significantly affect the governance, risk and control framework and successful delivery of the Council priorities.

### Risk



**Performing Well** — No concerns that significantly affect the governance, risk and control framework and successful delivery of the Council priorities.

### Internal Control



**Performing Well** — No concerns that significantly affect the governance, risk and control framework and successful delivery of the Council priorities.

### Financial Control



**Performing Well** — No concerns that significantly affect the governance, risk and control framework and successful delivery of the Council priorities



*"Achieving the intended outcomes while acting in the public interest at all times"*

It is comprised of systems, processes, culture and values, by which the Council is directed and controlled and through which they account to, engage with, and where appropriate, lead their communities.

Each year the Council is required to reflect on how its governance arrangements have worked and identify any significant governance issues that should be drawn to the attention of the public. This encourages accountability and transparency interests.

An update on progress against the issues identified in the 2021/22 Annual Governance Statement was provided to the Governance and Audit Committee in March 2023. Actions being addressed included:

- Financial settlement: the medium-term financial strategy (MTFS). The MTFS has been updated on an ongoing basis and built in all information known from Policy Statements into future years. An ongoing review and savings programme will be launched in June 2023 to further support this.
- New finance system: The 2023-24 Budget has been built within Tech One, launched in March 2022. The Financial Statements for 2022-23 have been successfully closed within the financial system. Dashboards are to be completed for all budget managers in June 2023.

The draft Annual Governance Statement presents as a positive report with no significant governance issues identified. Areas for improvement identified include:

- Loss of key staff: ensure that processes are fully documented with appropriate succession plans in place and activities reliant on one individual are identified.

- Undertake recruitment for a permanent Monitoring Officer, to replace the current interim role.
- Continue the review of corporate procurement services due to the current providers restricted availability.

The action plan arising from the LGA Peer review (January 2020) was updated in June 2022. It comprised of 10 key recommendations, eight have been completed, with two in progress. The Peer Review team confirmed: *"the Council has made significant progress against the recommendations from the peer team's January 2020 report. This is no mean feat given that the Council has been responding to the various impacts of the Covid-19 pandemic throughout this time"*. Consideration is being given to the timeline for the next peer review.

The Governance and Audit Committee aims to ensure governance is working effectively. This involves regularly reviewing the governance framework and considering the Annual Governance Statement. Following local elections in May 2023, a new Committee Chairman and several members of the Committee have changed. A training programme is in place to support new committee members.



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The 2023 Monitoring Officer's Annual Report was presented to the Governance and Audit Committee in April. Commenting upon the constitution's performance, the report stated:

*"The Constitution has continued to be tested during the 2022/23. As Monitoring Officer, I am pleased to report that it has provided a clear and robust framework for the governance and decision-making of this Council. This has been especially important with the delivery and inception of some very ambitious projects which no doubt will benefit our visitors and residents for many years to come, another reason to support minimal changes at this time."*

As stated in the 2022/23 Annual Constitution Review, no major changes have been made following the Constitutions review. The report discussed whether a more comprehensive review is required in the coming years due to more comprehensive reviews having been undertaken in previous years.

The 2022/23 Annual Report of the Monitoring Officer highlighted several areas including:

- Confirming that no Governance issues have been raised around WLDC owned companies and no legal challenges issued.
- Identified that the number of complaints had reduced when compared to the previous three years.
- Work continues relating to the Council's investigation powers through the RIPA policy. Adoption is expected in 2023/24, along with planned.
- An independent member has been recruited

to and approved for appointment on to the Governance and Audit Committee.

Two areas around governance were rated as red in the 2022 annual combined assurance report. These were safeguarding and procurement. Both areas have demonstrated progressed with safeguarding being reassessed as green and procurement as amber. While resilience in procurement remains an issue, relationships with external procurement providers have improved and staff training in place. There were now no red rated areas within governance identified on the assurance map which influenced the combined assurance report.

# Governance



*"Achieving the intended outcomes while acting in the public interest at all times"*

It is comprised of systems, processes, culture and values, by which the Council is directed and controlled and through which they account to, engage with, and where appropriate, lead their communities.

During 2022/23 three of our audits focused on governance arrangements. Key findings from these reviews included:

## **Staff Resilience**

During the pandemic the Council adopted a hybrid approach to home and office working for staff. The audit considered measures the council had in place for staff including supervision, home workplace assessments and support mechanisms. The review provided a High Assurance opinion.

## **Leveling Up Fund**

The Council submitted a bid as part of the 'Levelling Up' programme. In October 2021 they were successfully awarded a £10 million grant, as part of a £17.5million programme. We were able to provide High Assurance over the management, decision making, and governance of the £10 million Levelling Up Fund received from the Government.

## **Contract Management**

Four significant contracts were examined to confirm that appropriate management and monitoring was in place.

We provided Substantial Assurance and identified four medium rated findings to improve the process. These included improved capture of meeting actions, the introduction of contract risk registers and contract management guidance.

The outcome of the internal audit work and the intelligence gathered through the combined assurance framework has helped inform the Head of Internal Audit's opinion on Internal Control that it is performing well.

## Governance assurance



**Assessed as Performing Well**

# Risk



Good risk management is part of the way we work. It is about taking the right risks when making decisions or where we need to encourage innovation in times of major change – balancing risk, quality, cost and affordability. This put us in a stronger position to deliver our goals and provide excellent services.

The Council's risk management arrangements were assessed as green through the combined assurance review (a high level of assurance).

Internal audit can confirm that there are established structures and processes for identifying, assessing and managing risk and these remain effective. New Strategic Risks have also been added to the Register in 2022/23, demonstrating an ongoing process in identifying risk that might impact Council objectives.

Strategic risks are regularly monitored by the Management Team and reported to the Governance and Audit Committee twice per year. The last review took place in March/April 2023. Agreement was reached to consider project risks relating to activity with the RAF Scampton site. Updates are due at the Governance and Audit Committee in July 23.

During the year we reviewed risk management and gave an opinion of **Substantial Assurance**. We found good practice in place such as an approved risk management strategy, and competent risk management practices. Officers and designated risk champions are present at senior management and Member levels and engage appropriately.

A small number of areas to strengthen were identified. These included refresher training to aid consistency, transparency and improved awareness.

Internal audit did not identify any significant risks

requiring inclusion on the risk registers during the delivery of our audit work.

This information has helped inform the Head of Internal Audit opinion that risk management is performing well.

## Risk Management Assurance



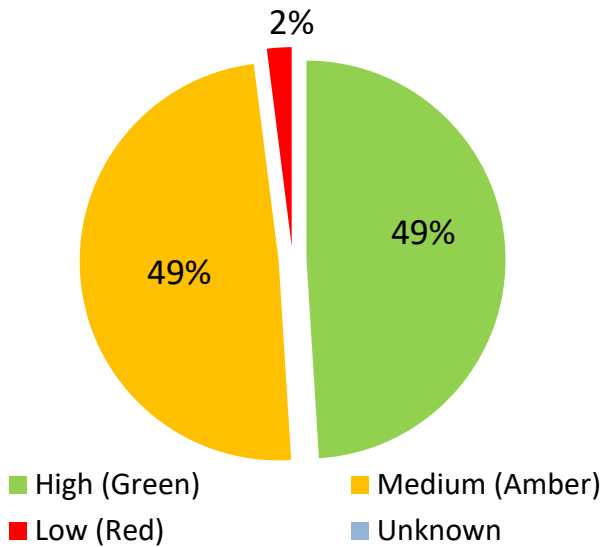
## Assessed as Performing Well



A Combined Assurance Status report is produced by the Council on the level of confidence they can provide on service delivery arrangements, management of risks, operation of controls and performance for their area of responsibility. These reports are reviewed by the Governance & Audit Committee and provide key assurance evidence to support the Head of Internal Audit opinion.

## Combined Assurance

### Overall Assurance Status 21/22



We help co-ordinate the Council's assurance intelligence. The overall assurance status is positive with the vast majority of areas continuing to receive a medium (amber) or high (green) level of assurance.

The percentage of areas gaining a high level of assurance have increased by 8% from last year, demonstrating a recognition of control assurance.

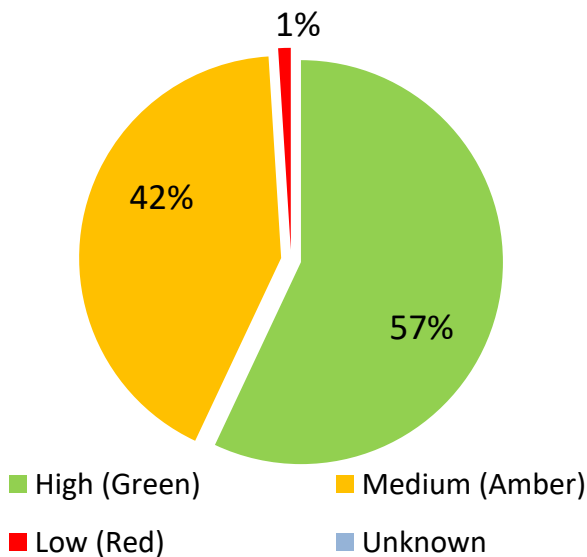
The percentage of areas gaining a low level of assurance has reduced by 1% from last year. These areas are:

Transactional Services - Gainsborough Market

Emerging Risk- Lack of availability of good quality Private Rented stock.

As a result of the audit reviews, the combined assurance work and review of external independent documents, the Head of Internal Audit is able to provide an opinion on internal controls as performing well.

### Overall Assurance Status 22/23



## Internal Control assurance



**Assessed as Performing Well**



## Our Work



The Council is responsible for establishing and maintaining risk management processes, control systems and governance arrangements. Internal Audit plays a vital role in providing *independent risk based and objective assurance* and *insight* on how these arrangements are working. Internal Audit forms part of the Council's assurance framework.

## Scope of Work

Our risk based internal audit plan was prepared taking account the critical activities and key risks to support the basis of my annual opinion. It has remained flexible to enable us to respond to emerging risks and maintain effective focus.

In March 2022, the Audit & Governance Committee approved the internal audit plan of 166 days. We have delivered 90% of this agreed plan. This remained sufficient to provide an annual opinion.

## Restriction on Scope

In carrying out our work we identified no unexpected restrictions to the scope of our work.

We have worked closely with the Council's senior management team to agree audit scopes and to ensure audit work is progressed.

I do not consider the restrictions and changes to the plan to have had an adverse effect on my ability to deliver my overall opinion. The combined assurance work undertaken helped in this regard.

We have not experienced any impairment to our independence or objectivity during the conduct and delivery of the Internal Audit Plan.

## Our Work



Internal Audit's role include advisory and related client service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organisation's governance, risk management and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation and training.

## Other Significant Work

### Housing Benefit Subsidy

The Council submits annual Housing Benefit Subsidy claims to the Department for Work and Pensions (DWP). This claim is subject to the Housing Benefit Subsidy Assurance Process HBAP, presently carried out by external Auditors.

During the year we have undertaken detailed Housing Benefit Subsidy testing to support external audit in their evaluation of the 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.

Housing Benefit Subsidy is no longer part of the Assurance Lincolnshire offering and the Council has made alternate arrangements for delivering this work in the future.



We recognise the importance of meeting customer expectations as well as conforming to the UK Public Sector Internal Audit Standards (PSIAS). We continually focus on delivering high quality audit to our clients – seeking opportunities to improve where we can.

## Quality Assurance

Our commitment to quality begins with ensuring that we recruit, develop and assign appropriately skilled and experienced people to undertake your audits.

Having skilled and effective people remains at the heart of our workforce strategy. The team has provision to deliver work at both the County Council and contracted internal audit plans at District clients.

Building capacity and resilience remains a key issue facing the partnership. We continue to engage co-sourced work whilst we grow and train our own auditors of the future.

Our audit practice includes ongoing quality reviews for all our assignments. These reviews examine all areas of the work undertaken, from initial planning through to completion and reporting. Key targets have been specified - that the assignment has been completed on time, within budget and to the required quality standard.

There is a financial commitment for training and developing staff. Training provision is continually reviewed through the appraisal process and monthly one to one meetings.

All public sector internal audit services are required to measure how well they conform to the UK Public Sector Internal Audit Standards.

An External Quality Assessment must be undertaken every 5 years – As highlighted last year Assurance Lincolnshire’s second external assessment was undertaken in February 2022. They concluded that:

***“the Assurance Lincolnshire Partnership’s self-assessment is accurate and as such we conclude that they FULLY CONFORM to the requirements of the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note”.***

No significant improvement recommendations were made. The final report from the External Quality Assessment was shared with the Committee.

## Our Work



We recognise the importance of meeting customer expectations as well as conforming to the UK Public Sector Internal Audit Standards (PSIAS). We continually focus on delivering high quality audit to our clients – seeking opportunities to improve where we can.

## Quality Assurance

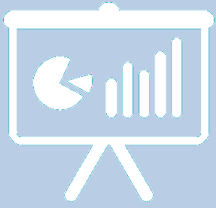
Our quality assurance framework for 2022/23 helps us maintain continuous improvement which includes the following:

- **Workforce strategy** – building capacity and growing our own talent in both leadership and professional skills
- **Improving the audit process** - working with client senior management to improve progress and delivery of audits in a remote (hybrid) working environment
- **Continuing professional development** - around new and emerging practice guidance
- **Enhance digital capabilities** - in line with our digital strategy, including data analytics

## External Audit

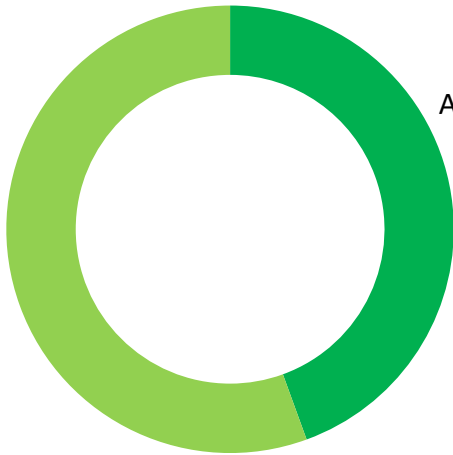
Although internal and external auditors carry out their work with different objectives in mind, many of the processes are similar and it is good professional practice that they should work together closely. Wherever possible, External Audit will use the results of internal audit work where it is appropriate.

# Internal Audit Performance



Our audit plan includes different activities each year – it is therefore not unexpected that these vary; however, the assurance levels do give an insight on the application of the Council's control environment and forms part of the evidence that helped inform the overall annual opinion.

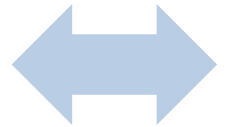
## Assurances



High Assurance

Substantial Assurance

Number of Low or Limited Assurances remains static at zero



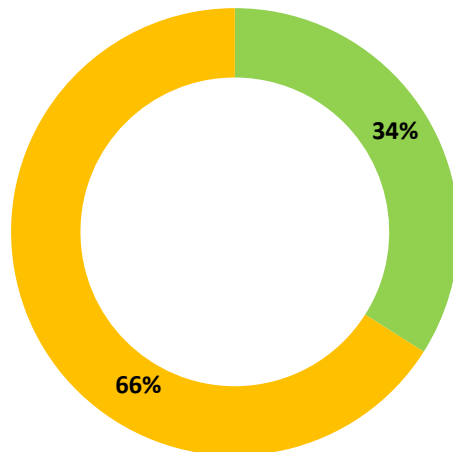
## Recommendations

1%

Medium priority recommendations have increased

9%

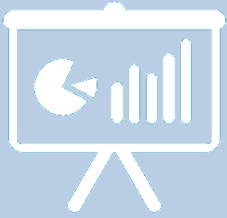
High priority recommendations have decreased



■ Advisory ■ Medium ■ High

Further details can be found at appendix 3

# Internal Audit Performance

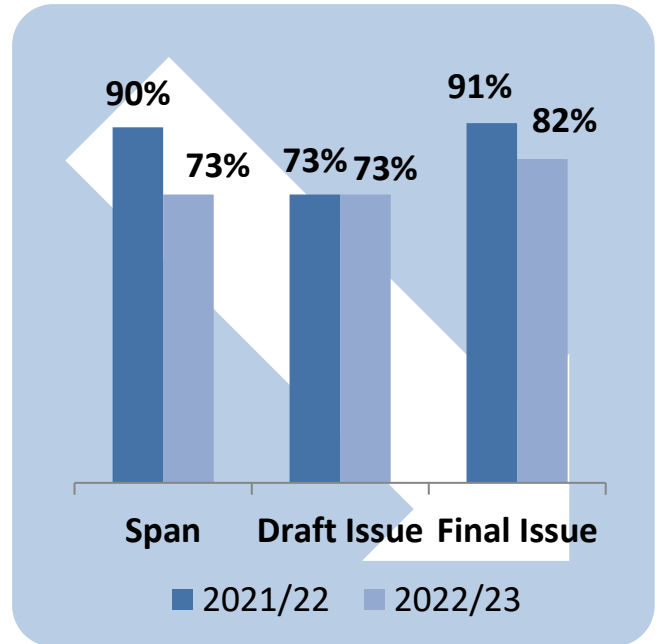


Internal Audit's performance is measured against a range of indicators. The table in **Appendix 3** shows our performance on key indicators at the end of the year. We are pleased to report a good level of achievement in the delivery of the revised plan and the added value of our work.

## Performance on Key Indicators

**90%\***

**of the plan delivered**



\* Two audits were removed from the plan and one has been deferred to next year

Audit	Rating	Type	High Findings	Medium Findings	Advisory Findings	Total
Flood Management	High Assurance	Risk Based	-	-	1	1
Key Control Testing	Substantial Assurance	Risk Based	-	5	-	5
Levelling Up Fund	High Assurance	Risk Based	-	3	2	5
Contract Management	Substantial Assurance	Risk Based	-	4	1	5
Risk Management	Substantial Assurance	Risk Based	-	5	1	6
Staff Resilience	High Assurance	Risk Based	-	-	4	4
Key Project - CRM	N/A	Consultancy	-	-	3	3
ICT Patch Management	High Assurance	Risk Based	-	-	-	-
ICT Asset Management – Hardware	Substantial Assurance	Risk Based	-	8	1	9
Housing Subsidy	Substantial Assurance	Subsidy	-	-	-	-
Contain Outbreak Management Fund	Signed off	Grant	-	-	-	-
Assurance Mapping	N/A	Risk Based	-	-	-	-
<b>TOTAL FINDINGS</b>			<b>0</b>	<b>25</b>	<b>13</b>	<b>38</b>

The original approved plan was 166 days.

A small number of audits were removed from the original audit plan, and this was due to re-prioritising audit resources to those areas of highest risk.

Outlined below are the areas that have been removed from the original plan:

- **Wellbeing Lincs Service**

A key staff member for this review was absent through long-term sickness. The review was originally scheduled for quarter four. Given the absence of a key contributor it was agreed this would be deferred.

A review of the risk-based plan for 2023/24 recognised a change in the risk profile and this review was no longer considered necessary.

- **Governance, Risk and Resilience Framework**

This was scheduled for quarter four but unable to be completed. A review of risk profile relating to this area resulted in the decision this work was no longer a priority.

During the year internal audit were requested to undertake the following additional work:

- **Contain Outbreak Management Fund Grant**

This work has been considered as part of the Financial Controls area of this report.

The internal annual audit plan contains an element of flexibility should Council priorities and risk profiles change. This means internal audit can adapt the plan and to provide assurance or consultation around emerging risks. When delivering this adaptability, we retain a focus on transparency and effective understanding by seeking approved by management and the Governance & Audit Committee.



## Performance on Key Indicators

Performance Indicator	Annual Target	Actual
Percentage of plan completed (based on revised plan)	100%	90%
Percentage of recommendations agreed	100%	100%
Percentage of 2021/22 actions implemented	100% or escalated	100%
<b>Timescales:</b>		
Draft Report issued within 10 days of completion	100%	73%
Final Report issued within 5 days of management response	100%	82%
Draft Report issued within 3 months of fieldwork commencing	80%	73%

**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.

**Advisory** 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.

**Significance**

The relative importance of a matter within the context in which it is being considered, including quantitative and qualitative factors, such as magnitude, nature, effect, relevance and impact. Professional judgment assists internal auditors when evaluating the significance of matters within the context of the relevant objectives.

**Head of Internal Audit Annual Opinion**

The rating, conclusion and/or other description of results provided by the Head of Internal Audit addressing, at a broad level, governance, risk management and/or control processes of the organisation. An overall opinion is the professional judgement of the Head of Internal Audit based on the results of a number of individual engagements and other activities for a specific time interval.

**Governance**

Comprises the arrangements (including political, economic, social, environmental, administrative, legal and other arrangements) put in place to ensure that the outcomes for intended stakeholders are defined and achieved.

**Risk**

The possibility of an event occurring that will have an impact on the achievement of objectives. Risk is measured in terms of impact and likelihood.

**Control**

Any action taken by management, the board and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved. Management - plans, organises and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved.

**Impairment**

Impairment to organisational independence and individual objectivity may include personal conflict of interest, scope limitations, restrictions on access to records, personnel and properties and resource limitations (funding).