



## **Internal Audit Progress Report – September 2023**

The Head of Internal Audit is required to provide a written status report to Senior Management and Members, summarising internal audit activity.

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# Role of Internal Audit

The requirement for an internal audit function in local government is detailed within the Accounts and Audit (England) Regulations 2015, which states that a relevant body must:

*'Undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards and guidance.'*

The standards for 'proper practices'; are laid down in the Public Sector Internal Audit Standards [the Standards -updated 2017].

The role of internal audit is best summarised through its definition within the Standards, as an:

*'Independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.'*

The District Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the District Council that these arrangements are in place and operating effectively.

The District Council's response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisation's objectives.

# The Purpose of the Report

In accordance with the proper internal audit practices (Public Sector Internal Audit Standards), and the Internal Audit Charter, the Head of Internal Audit is required to provide a written status report to Senior Management and Members summarising:

- the status of live internal audit reports.
- an update on progress against the internal audit plan.
- a summary of internal audit performance, planning and resourcing issues; and
- a summary of significant issues that impact of the Head of Internal Audits annual opinion.

From June 2023, internal audit reviews culminate in a revised opinion rating on the assurance that can be placed on the effectiveness of the framework of risk management, control and governance designed to support the achievement of management objectives of the service area under review. Assurance opinions are categorised as follows:

**Substantial** A reliable system of governance, risk management and control exist, 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 of 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 to the achievement of objectives in the area audited.

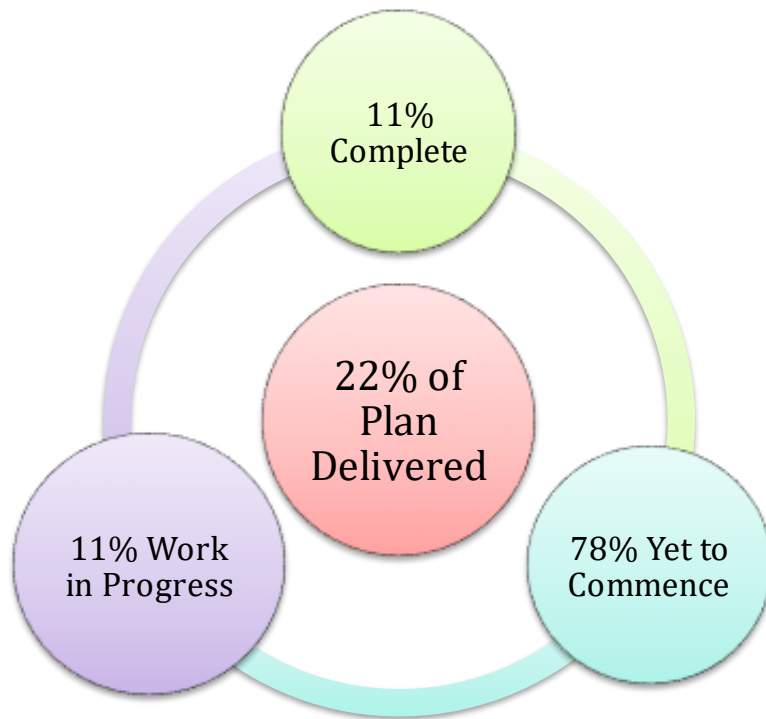
**No** Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control are inadequate to effectively manage risks in the achievement of the objectives for the area audited.

This is a change to the assurance categorisation used during 2022/2023.

The revised ratings align with terminology widely used across the public sector. They also provide less subjective definitions and improved understanding for areas of non-compliance or in monitoring the work required for any fundamental deficiency identified.

# Performance Dashboard

Figure 1



**Figure 1** shows the completion of the internal audit plan to date. The team has been introduced to individually planning audit reviews to support timely delivery and reporting. Line managers are involved in the oversight of delivery plans for each audit and responsible for delivery on milestones agreed during the planning stage.

**Figure 2** shows the feedback received for the work completed. There is an expectation that all clients will provide feedback on their audit experience with the team. The results of audit feedback will be used by managers in developing team and individual improvements as well as to inform training requirements and quality learning across the entire audit team.

We have not yet received feedback for the 2023/24 Equality Impact Assessment audit due to staff absence.

Figure 2



# Update on Internal Audit Activity

Following agreement of the 2023/24 Audit Plan at Committee in June we have completed one internal audit review and we have two in progress. We are working with management to schedule the remaining audits across the rest of the year, and we are putting resources in place to deliver them.

## **Completed**

Equality Impact Assessments – Adequate Assurance

## **In Progress**

Cyber Security

Key Project – Refurbishment of Saxilby Footbridge

Since January 2023, the incoming Head of Internal Audit has undertaken an evaluation of the resource levels, audit delivery/understanding skills and organisation routines. Several developments have arisen from this evaluation. These have been staged into the audit strategy for the coming three years. Year one, 2023/2024, includes the development and delivery of essential training.

Most of the training delivered so far has been designed and delivered by the Head of Internal Audit directly. The delivery of this essential work resulted in a pause to the internal audit work across all clients, including West Lindsey District Council. Internal audit assurance work recommenced from 1<sup>st</sup> June 2023 with revised routines and processes in place. A mixed approach to training will continue including shadowing colleagues, dual auditors completing audit

assignments and one to one training with both the Principal Auditor and Internal Audit Manager.

An improvement strategy for the current year has been shared and understood across the team. Audit colleagues are now turning their attention to delivering internal audit reviews using the revised methodology, communications, timescales, reporting and quality assurance.

The final assurance rating will be awarded by the Head of Internal Audit to ensure consistency and validity in the decision.

# Analysis of Audit Reviews

The table below shows the audits completed since April 2023 along with details of the actions. All actions have either been implemented or are not yet due. As such, there are no overdue actions to report during this period.

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Total Management Actions	Not Accepted	Not Yet Due	Completed	Overdue			
<b>2022/23</b>								<b>High</b>	<b>Medium</b>		
ICT Patch Management	Apr-23	Director Change Management & Regulatory Services	High	0	0	0	0	0	0		
ICT Asset Management	Apr-23	Director Change Management & Regulatory Services	Substantial	8	0	5	3	0	0		
Key Control testing	May-23	Director of Corporate Services	Substantial	5	0	5	0	0	0		
Key Project - CRM System	May-23	Director Change Management & Regulatory Services	Consultancy	0	0	0	0	0	0		
<b>TOTAL</b>								<b>0</b>	<b>0</b>		
<b>2023/24</b>								<b>High</b>	<b>Medium</b>	<b>Low</b>	<b>Critical</b>
Equality Impact Assessments	Jul-23	Assistant Director People & Democratic	Adequate	6	0	5	1	0	0	0	0
<b>TOTAL</b>								<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

The table below shows the actions remaining to be implemented from reports issued prior to April 2023. There are no high priority overdue actions; however there are 8 medium priority overdue actions.

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Total Management Actions	Not Accepted	Not Yet Due	Completed	Overdue	
								High	Medium
2020/21 ICT Email Security	02/02/2021	Director Change Management & Regulatory Services	Substantial	6	0	0	6	0	0
2021/22 Key Control testing	22/08/2022	Director of Corporate Services	Substantial	4	0	1	1	0	2
2021/22 Carbon Management	18/05/2022	Head of Policy & Strategy	Substantial	1	0	0	1	0	0
2022/23 Key Control testing	22/05/2023	Director of Corporate Services	Substantial	5	0	0	4	0	1
2022/23 Contract Management	21/12/2022	Management Team	Substantial	4	0	0	0	0	4
2022/23 Risk Management	19/04/2023	Director of Corporate Services	Substantial	5	0	1	3	0	1
<b>TOTAL</b>								<b>0</b>	<b>8</b>



# Executive Summaries of 'Limited' or 'No' Assurance Opinions

This section will share the number of limited or no assurance reports published since the last progress report. There have been no reports published during the period with this assurance rating.

# Executive Summaries of ‘Substantial’ or ‘Adequate’ Assurance Opinions

The table below provides a summary of the substantial or adequate assurance reports published since the last progress report.

Audit Review Title: Equality Impact Assessments					
Audit Sponsor	Assurance Opinion	Management Actions			
Assistant Director People & Democratic	Adequate	Low 0	Medium 6	High 0	Critical 0
<p><b>Summary of Key Observations:</b></p> <p>As part of the Internal Audit plan for 2023/24, audit have undertaken a review of Equality Impact Assessments (EIA’s) in order to provide assurance that they are understood, considered and where appropriate undertaken, as well as reviewing documentation and its use in decision making.</p> <p>The review found that the Equality &amp; Diversity Strategy aligns with the relevant legislation and the strategy includes the requirement for Equality Impact Assessments to be completed to assess the impact of Council decisions. The Council produces an Annual Equality, Diversity &amp; Inclusion report which includes an action plan. One action documented relates to delivering equality &amp; diversity training for Officers and Members. Additional training for EIA’s had been identified for the Management Team but not included within the action plan. Through our testing, we found that not all officers had received EIA training. There is also reference within this report of developing a process for completing an EIA register, this too was not captured in the action plan.</p> <p>The Council has EIA guidance and a template for use by officers however we found that there were three versions currently in use and being submitted to Council for decision as well as not being consolidated into one document but across a suite of documents and locations.</p>					

A number of recommendations were made to strengthen the processes in place, which included: -

- Completing equality and diversity training for all Officers and Members.
- Completing EIA training for the Management Team.
- Consolidating EIA guidance into one document.
- Having one approved version of the EIA template.
- Using effective and appropriate version control for all internal documents.
- Using the Annual Equality, Diversity and Inclusion Report's action plan to document and monitor completion of these actions and provide reporting to management and members.

# Planning and Resourcing

Following agreement of the 2023/24 Audit Plan at Committee in June we continue to liaise with managers to schedule the audits in across the rest of the year. We have recently completed a successful recruitment campaign and from September 2023 we will have some additional resource to support the delivery of the audit plan.

Quarter 1 work has mainly focused on completing the audits carried over from 2022/23 as well as resetting requirements, delivering training and sharing internal audit training across the team.

The table below shares an update on the delivery programme for the Council’s audits. This will include audit assignments from 2022/23 and 2023/2024. The report will hold a maximum of two years of internal audit work to allow the progress and delivery to be monitored. As there has been a change to the assurance ratings applied to assurance work from 2023/2024, the equivalent updated rating has been included for 2022/2023.

## Work Plan

Audit Review	Audit Sponsor	Scoping	Audit Objective	Fieldwork	Draft Report	Final Report	Assurance Opinion / Equivalent
<b>ASSURANCE WORK 2022/2023</b>							
ICT Patch Management	Director Change Management & Regulatory Services	✓	✓	✓	13/01/23	12/04/23	High
ICT Asset Management	Director Change Management & Regulatory Services	✓	✓	✓	01/04/23	06/04/23	Substantial
Key Control testing	Director of Corporate Services	✓	✓	✓	19/05/23	22/05/23	Substantial
Key Project – CRM System	Director Change Management & Regulatory Services	✓	✓	✓	04/05/23	22/05/23	Consultancy

Audit Review	Audit Sponsor	Scoping	Audit Objective	Fieldwork Commences	Draft Report	Final Report	Assurance Opinion or Equivalent
<b>ASSURANCE WORK 2023/2024</b>							
Equality Impact Assessments	Assistant Director People & Democratic	✓	✓	16/06/23	25/07/23	02/08/23	Adequate
Key Project Review – Refurbishment of Saxilby Footbridge	Director Planning, Regeneration & Communities	✓		25/09/23			
ICT Cyber Security	Director Change Management & Regulatory Services	✓	✓	25/09/23			
Combined Assurance	Director Corporate Services			November			
ICT Incident Management	Director Change Management & Regulatory Services			December			
Key Control testing	Director Corporate Services			January			
Levelling Up Fund Phase 2	Director Planning, Regeneration & Communities			January			
Performance Management	Director Change Management, ICT & Regulatory Services			January			
Safeguarding Policy	Assistant Director People & Democratic			February			
Procurement	Director Commercial & Operational Services			TBC			

## Overdue Critical or High priority actions

There are no overdue Critical or High priority actions to report during this period.

## Overdue Medium and Low priority actions

Audit Review	Audit Sponsor	Priority	Agreed Action	Owner	Original Due Date	Current Due Date	Comments
WLDC 2021/22 Key Control Testing	Director of Corporate Services	Medium	The Contracts area of the Enterprise Resource Planning system (ERP) has not yet been developed or implemented. As such, Pro-contract remains the master database for all contracts. This is fully understood by Contracts Officers and Finance Officers. When the ERP is fully developed, and data is structured we will then move away from Pro-contract and use the ERP to manage contractual information. Full training will be provided to officers.	Business Development Officer	30/06/23	30/06/23	Once the Contracts area has been developed and tested and guidance has been drawn up, training will be arranged for all relevant officers. This remains ongoing.  <i>Revised due date- 31/12/23</i>
WLDC 2021/22 Key Control Testing	Director of Corporate Services	Medium	Where implementation of an area is completed, we will ensure that all procedure manuals are completed. Procedure manuals for areas in progress will be completed in	Principal Corporate Accountant	30/11/22	01/08/23	Work has commenced; however these are still in progress.  <i>Revised due date – 31/10/23</i>

			advance of these areas being released for use.				
WLDC 2022/23 Key Control Testing	Director of Corporate Services	Medium	All accounts on hold will be reviewed on a bi-monthly basis to ensure debt is being pursued.	Revenues Manager	30/06/23	30/06/23	Not yet implemented.  <i>Revised due date – 31/10/23</i>
WLDC 2022/23 Contract Management	Management Team	Medium	Supplementary contract management guidance should be produced which sets out in more detail the expectations of how each aspect of contract monitoring should work.	Business Development Officer	01/04/23	01/04/23	Section 15 of the Contract Procedure Rules (CPR's) have been expanded and a separate, more detailed 'Contract Management' guidance will be completed by October 2023. Once approved. It will be circulated to all Contract Managers and the Contracts Officer (CO) will, if required, attend Service Team Meetings to answer any questions.  <i>Revised due date - 31/12/2023</i>
WLDC 2022/23 Contract Management	Management Team	Medium	We will continue to work with Procurement Lincolnshire and have the conversation about the capacity they have to deliver training. This will take longer than the other actions.	Business Development Officer	01/06/23	01/06/23	As Procurement Lincolnshire have been unable to provide training since 2018, the Council has engaged an external company to provide two training days so far on procurement and



							commercial awareness. More tailored training is needed to upskill on specific areas such as specification writing and contract management & monitoring. This will be looked at being delivered in 2024/2025.  <i>Revised due date- 30/06/24</i>
WLDC 2022/23 Contract Management	Management Team	Medium	Will work with the Property and Assets Manager to look at contracts and decide if formal risk registers for each contract is needed. We feel that there is strong contract management in place but performance is key in all major contracts so we will be looking for a consistent approach to avoid reputational damage	Business Development Officer	01/04/23	01/04/23	There is a brief reference to Contract Risk in the Council's Risk Management Strategy, and a section has been included in the CPR's. A more detailed guidance will be provided by December 2023. A risk register will be in place for those contracts requiring one by 31/03/2024.  <i>Revised due date- 31/03/24</i>
WLDC 2022/23 Contract Management	Management Team	Medium	Agreed to confirm with contract managers.  a) that service failure areas should be part of routine performance monitoring	Business Development Officer	01/04/23	01/04/23	a - c) Will continue to liaise with Contract Managers to ensure templates are in place and records kept of any issues/changes to the contracts.  d) Will continue to ensure that Contract Managers inform the Contracts Officer

			<p>b) to clearly record who is responsible for an action and the target date for completion.</p> <p>c) to follow and monitor financial requirements in contracts.</p> <p>d) If a deviation is required, this should be formally acknowledged using a contract variation.</p> <p>Ensure that these recommendations are captured within guidance and training for contract managers.</p> <p>e) The change of the approval threshold on the Vehicle Maintenance contract from £250 to £500 should be formally acknowledged as a contract variation.</p>				<p>of any deviations in order that formal documentation can be issued.</p> <p>e) Change of approval has been formally documented between the Council and the Supplier</p> <p><i>Revised due date- 31/10/23</i></p>
WLDC 2022/23 Risk Management	Director of Corporate Services	Medium	The Corporate Governance Officer completes a partnership risk review	Corporate Governance Officer	01/06/23	01/06/23	<p>This will be complete by the 31 October 2023.</p> <p><i>Revised due date- 31/10/23</i></p>