



Internal Audit Q4 Progress Report at 19th March 2018



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Contact Details:
Lucy Pledge CMIIA QIAL
Head of Audit & Risk Management



For all your assurance needs
County Offices, Newland, Lincoln, LN1 1YG
☎: 01522 553692 ☉ lucy.pledge@lincolnshire.gov.uk

Introduction

1. The purpose of this report is to:
 - Advise of progress made with the 2017/18 Audit Plan
 - Provide details of the audit work undertaken since the last progress report.
 - Provide details of the current position with agreed management actions in respect of previously issued reports
 - Raise any other matters that may be relevant to the West Lindsey Governance & Audit Committee role

Key Messages

2. Work continues to progress on the 2017/18 audit plan with all audit reviews except one either started, at draft report stage or completed.
3. The following audits have been completed since the last progress report and details are included in this report:
 - Progress & Delivery Follow Up
 - Choice Based Lettings Follow Up
 - Local Land Charges Follow Up
 - Sales and Invoicing
 - General Data Protection Regulation (GDPR)

Full details of progress are detailed in the Internal Audit Plan schedule in **Appendix 2**.

4. The one audit that has not commenced yet is Key Control Testing. This review has now been booked in and always starts in late March early April so we have the full previous twelve months data to test.
5. We have delivered 84% of the 2017/18 Internal Audit Plan against a quarter four target of 100%. This performance is from 19/03/2018 when the report was compiled and does not reflect the final position at year end.
6. Good progress has been made in implementing audit recommendations - there is currently one overdue action, which is high priority. The high priority action relates to the Bank Reconciliation audit from 2017/18, which was Substantial Assurance. Details on the outstanding actions can be found in **Appendix 3 & 5**.
7. We have agreed with the management board that the Growth Programmes audit scheduled for quarter four of 2017/18 will now be progressed in quarter one of 2018/19.

Internal Audit work completed at 19th March 2018

8. The following audit work has been completed and final reports have been issued since the progress report presented to the last meeting of the audit committee:

High Assurance	Substantial Assurance	Limited Assurance	Low Assurance	Consultancy
	Sales & Invoicing – Invoicing	Sales & Invoicing – Finance system		
	Local Land Charges			
	Progress & Delivery			
	Choice Based Lettings			
	GDPR			

Note: The Audit Committee should note that the assurance expressed is at the time of issue of the report but before the full implementation of the agreed management action plan. Definitions levels are shown in **Appendix 4**.

9. Below are summaries of the audit reports issued. Please note that Sales and Invoicing was a single audit but resulted in a different opinion as regards the status of sales and invoicing today and its ability to deal with proposed future commercial trading.

Sales & Invoicing – Substantial Assurance on Sales and Invoice Management.

Our review found that the Council is able to invoice correctly and collect income albeit that this requires workarounds due to the restraints of the current finance system.

We did find that that individual teams and services have been proactive and have done a lot of valuable work towards adopting the commercial principals of traded services and are working towards and considering the changes needed in order to enable the Council to achieve its commercial aims.

Areas of good practice included –

- Lessons learned from the Trade Waste project, which is the most advanced commercial project, have been well communicated and are easily available.
- Officers are taking the initiative in adopting commercial principals.

- Teams are proactive in identifying the changes needed to enable the council to achieve its commercial aims.

Sales & Invoicing – Limited Assurance on the finance system.

Our review found that the financial system is not suitable to meet the future requirements of the Council's for commercial and traded services. The financial system has no functionality for commercial billing, in particular it is unable to generate invoices from a template, which results in a laborious manual process if amendments are needed.

We also found that:

- Further training and communication is needed to ensure managers understand the debt collecting process.
- There is a request for further resource for the debtors team in line with increased activity through increased commercial work. A business case is being prepared for a new post to be shared between the Benefits and the Sundry Debtors teams, this will increase capacity within the debtors function.
- Engagement with stakeholders who might have minor initial input to a project, such as the debtors team, could be improved. We understand that stakeholder engagement checklists are being introduced as part of the new project management templates currently under development.

Further details of the report are attached in **Appendix 1**

Choice Based Lettings Follow Up – Substantial Assurance

In April 2016 an internal audit review of the Choice Based Letting was undertaken. The review found that the Choice Based Lettings system wasn't providing an effective reliable service for affordable housing for applicants in West Lindsey.

There were three main areas which were not working effectively to support the process for applicants. These areas were:

- Working with Acis Group Ltd.
- The Wider Lincs Home finder Partnership
- Performance at West Lindsey

Our review has provided substantial assurance for the implementation of the agreed actions from the Choice Based Lettings audit undertaken in April 2016.

The Council have done a lot of positive work towards improving the service and outcomes for residents. Including implementing the agreed actions from the previous audit of Choice Based Lettings.

An improvement plan between the West Lindsey DC and Acis Group Ltd. was agreed and put in place. Both the Council and Acis Group Ltd. have influenced a culture change in their working relationship.

Our review found that in 2017 the Council's Prosperous Communities Committee and Corporate Policy and Resources Committee have approved the proposal for exiting the Lincs Home finder Partnership.

We found that the Choice Based Lettings Progress and Delivery measures were reviewed. The Council's internal policies have also been changed and made things more visible to elected members.

Local Land Charges Follow Up – Substantial Assurance

The Local Land Charges service is a statutory front line service providing information to the public when moving house or buying land.

In September 2015 Assurance Lincolnshire undertook an internal audit review of the Local Land Charges. At the time of the review the Council was not providing an effective Local Land Charges service and therefore the assurance opinion we gave was Low Assurance.

Local Land Charges service carries a high reputational risk for the Council if it does not provide an effective service. There are also future income and reduced market share risks associated with providing an ineffective service.

Our review has provided substantial assurance for the implementation of the agreed actions from the Local Land Charges audit undertaken in September 2015 with all recommendations implemented.

We found that since the previous audit review the responsibility for the operation of Local Land Charges service has been allocated to the Licensing Team Manager. This has led to fresh impetus and oversight on the service from the new manager.

The Council have done a lot of positive work towards improving the service, the reliability of the register and the outcomes for service users. This includes implementing the agreed actions from the previous audit of Local Land Charges service.

The average time for searches turnaround has fallen to 5.5 days in the year to date, this was even lower in the 3rd quarter of 2017/18 – 3.7 days. In comparison the average time for searches turnaround during April and May 2015 was 18 days

Progress & Delivery Follow Up – Substantial Assurance

The performance of the Council's services and delivery of the Corporate Plan and the Commercial Plan are reported via Progress and Delivery (P&D) reports to members and senior management. This is key part of the Council's oversight on performance and the achievement of corporate aims and objectives.

The last two audits of P&D gave limited assurance and highlighted issues with The number of measures being reported, the completeness of information being presented to managers and members and identified that some measures had no target so could not be measured in terms of success or failure.

Progress and Delivery reports are the main means by which the Council measures and report its performance so it is important that the report is accurate, complete and provides effective insight and management overview on delivery of the Council's corporate priorities.

Our follow up review has provided substantial assurance on the implementation of the agreed actions from the Progress & Delivery audit undertaken in June 2017. The Council has done a lot of positive work towards implementing the agreed findings and improving the performance reporting process.

Key findings and improvements implemented includes:

- The reduction of performance measures to a more manageable and relevant level.
- Reviews with Team Managers to ensure measures provide an effective reflection of the service and it's intended outcomes.
- Establishment of a project to look into the procurement of a Performance Management ICT system, to further improve the process.
- Ensuring all measures have a baseline and target so they can be included in performance reports.
- Including in regular performance reports how missed targets have led to improvement actions in the relevant services.

In addition to implementing the audit findings Management have reviewed the current system and developed a new Progress and Delivery process to be implemented in April 2018. This has been approved by the Management Team and sets out how measures will be reported to Members and Managers providing assurance to Members on corporate plan delivery and assurance to managers on service and corporate delivery.

GDPR – Substantial Assurance

Privacy issues arising from a growth in technology, greater connectivity and cross border data sharing required a rethink on data protection legislation to ensure that these fundamental rights are fully protected in the current digital economy. Consequently the EU General Data Protection Regulation (GDPR) is designed to enhance current requirements with the aim of promoting and increasing accountability and transparency.

The UK will be incorporating GDPR requirements into UK law through the Data Protection Bill currently going through Parliament

The scope of the audit was to provide assurance as to whether both the steps the council has taken at the time of the audit and plan to take between the time of the audit and the GDPR commencement date will achieve GDPR compliance by May 2018.

The Council is working to meet the General Data Protection Regulations (GDPR). Many of the concepts and principles within GDPR are similar to those of the Data Protection Act. Consequently the Council already has

a firm basis in place upon which the Council can build to meet the stronger rights and obligations within GDPR.

Our assessment is that the Council has done a good deal of preparatory work in getting ready for GDPR.

A number of key fundamentals for GDPR compliance have been achieved:

- The mandatory role of Data Protection Officer (DPO) has been allocated to a suitably skilled individual with no responsibilities that would conflict with the expected duties of the role.
- The importance of GDPR compliance has been effectively communicated to management.

The Council has a good track record of communicating information security to staff through various channels, e.g. Minerva, email, large screens in departments and messages provided on desktop machine backgrounds. This gives us confidence that GDPR changes will be similarly communicated.

We have recommended that project plans to complete this work are brought up to date to help assure management that the May deadline can fundamentally be met. We would expect work on GDPR to be ongoing after the 25th May due to finessing registers to support GDPR and responding to any new guidance that is published.

Overdue Audit Recommendations

10. Outstanding Internal Audit recommendations are tracked and monitored along with the Council's Business Improvement Officers to ensure actions are accurately recorded and monitored. This helps to maintain oversight and momentum.
11. There is one overdue management action which is High priority. This is from the Bank Reconciliation audit which was Substantial Assurance.
Appendix 3 & 5 provides details of all outstanding recommendations.

Performance Information

12. Our performance is measured against a range of indicators. We are pleased to report a good level of achievement against our targets – the table below shows our performance on key indicators as at 19th March 2018.

Performance Details 2017/18 Planned Work

Performance Indicator	Annual Target	Target to date	Actual
Percentage of plan completed.	100% (revised plan)	90% *estimated 19.03.2018 target.	84%
Percentage of key financial systems completed.	100%	0%	*0%
Percentage of recommendations agreed.	100%	100%	100%
Percentage of recommendations due, implemented.	100% or escalated	100% or escalated	100% or escalated
Timescales: Draft report issued within 10 working days of completing audit.	100%	100%	100%
Final report issued within 5 working days of CLT agreement.	100%	100%	100%
Period taken to complete audit – within 2 months from fieldwork commencing to the issue of the draft report.	80%	80%	42% (5 of 12)
Client Feedback on Audit (average)	Good to excellent	Good to excellent	Excellent

*Work scheduled in and due to start February 2018, this will give us almost a full 12 months of financial transactions for the review.

Appendix 1 – Details of Limited Assurance Audits

Sales & Invoicing

Background and Context

West Lindsey District Council is encouraging managers to consider and launch commercial sales of their services. As part of this development the Council needs to ensure that its finance and invoicing systems are capable of meeting the needs of a more commercial approach.

Scope

The focus of our audit is to provide assurance that finance and invoicing systems are capable of supporting the Council's commercial aims now and in the future.

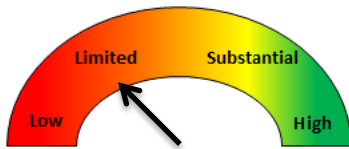
The Trade Waste project is the most mature of the commercial services. The audit also considered if the lessons learned from the project in terms of the finance and invoicing systems and the setting of commercial pricing are being considered and built in to future projects.

We identified the following key risks for this activity:

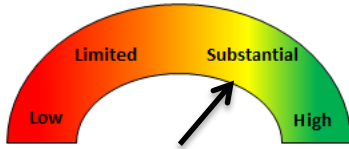
- The Council is unable to provide accurate timely billing for customers, including pricing, invoicing and finance system integration
- There is insufficient staff capacity and capability
- Commercial sales of services and finance systems integration is not considered when developing new projects
- Lessons learned from commercial sales of services are not applied to new commercial projects

To gain assurance over these risks we:

- Interviewed key staff
- Reviewed:
 - the invoicing and debt collecting processes
 - monitoring arrangements
 - reporting arrangements



**Limited Assurance
Finance System
Commercial
Application**



**Substantial
Assurance
Management of
Sales and
Invoicing**

Risk Finance System	Rating (R-A-G)	Recommendations	
		High	Medium
Risk 1 - The Council is unable to provide accurate timely billing for chargeable customers, including pricing, invoicing and finance system integration	Red	3	4
Risk 2 - There is no sufficient staff capacity and capability	Amber	1	0
Risk 3 - Commercial sales of services and finance systems integration is not considered when developing new projects	Green	0	1
Risk 4 - Lessons learned from commercial sales of services are not applied to new commercial projects	Green	0	1

Key Messages



Our audit showed that whilst the financial systems are not suitable to meet the needs of the Council's commercial delivery of services they do currently enable income to be accurately recorded and collected. To reflect this we have split our assurance opinion.

Finance System Commercial Application – Limited Assurance

The financial system is not suitable to meet the future requirements of the Council for commercial and traded services. The financial system has no functionality for commercial billing, in particular it is unable to generate invoices from a template, which results in a laborious manual process if amendments are needed. This was identified as an area for improvement over a year ago and officers discussed it with the providers of the system, who stated that they can develop a system add-on to provide functionality for commercial billing. The system providers stated that the commercial billing add-on was in October 2017. Despite the Council working closely with the system provider by January 2018 this was not yet in place.

Key Messages



We also found that:

- The understanding of the debt collecting process and the role of the Revenues team as well as services within the process could be improved. Although training has been carried out for services on the role and function of the debtors service, we found during testing that remains some uncertainty on the correct process and responsibility for debt management.
- For unpaid invoices there is no action between the final reminder going out on the 42nd day to the 90th day, this is due to staff capacity. A business case is being prepared for a new post to be shared between the Benefits and the Sundry Debtors teams, this will increase capacity within the debtors function.
- Engagement with stakeholders who might have minor initial input to a project, such as the Revenues team, could be improved. If a project is part of a bigger program or similar projects follow, the total impact of not being involved can be significant. We understand that stakeholder engagement checklists are being introduced as part of the new project management templates currently under development.

Going forward some of the changes needed which will enable the Council to achieve its commercial aims are extending beyond the abilities of individual teams. A consolidated strategic view of the impact of invoices, debts collection, finance and debtors systems integration, impact analysis, stakeholder engagement and a refocus of resource, as well as strategic approach towards the joint direction of travel will assist the Council in achieving its commercial and entrepreneurial aims.

Areas of Good Practice



- Lessons learned from the Trade Waste project, which is the most advanced commercial project, have been well communicated and are easily available.
- Officers are taking the initiative in adopting commercial principals.
- Teams are proactive in identifying the changes needed to enable the

council to achieve its commercial aims.

Managing your risks

During our audit work we identified the following risks that we feel should be considered for inclusion on your service Operational Risk register:

- The Council is unable to provide sufficient level of finance system integration
- There is insufficient staff capacity for the effective running of the Debtors service

Management Response



The audit highlighted some areas where we could strengthen the existing processes in order to increase income collection through greater involvement of the services who raise debts across the Council. The Revenues Team Manager has undertaken to raise this again with Team Managers and she also produces a monthly Aged Debt Analysis breakdown report for the Finance team who regularly meet with Budget Holders to discuss any aged debtor accounts with them and actions to be taken.

The report also highlighted that despite limited resources the sundry debtor section do issue invoices and reminder notices in a timely manner. It is the Revenues Manager's intention to accelerate the recovery process during 2018/19 and to pursue all old debts promptly.

In respect of Commercial Billing, the aspiration to be able to provide various payment options is limited by the current system, which requires manual input of either annual bills, with annual, monthly or quarterly fixed amount direct debits, or one off invoices.

A value for money solution has been the development of a invoice template upload, which will allow varying Direct Debits and amounts to be raised on a monthly basis.

Civica are now fully engaged and have provided the file for testing,

We would like to acknowledge the flexibility of the auditor and his appreciation of other commitments members of the team have when arranging this audit and subsequent meetings.

Appendix 2 – Audit Plan Schedule

Area	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Current Status / Assurance Opinion
Quality Decision Making	Consultancy - review to provide insight and support on the Councils decision making process by reviewing a sample of key decisions.	May 17	May 2017	Aug 17	Complete Consultancy
Development Management Services Phase 2	Phase 2, provide assurance that improvement plans and changes have led to better outcomes and a sustainable Development Management Service.	May 17	May 17	Oct 17	Complete Substantial Planning and S106 Limited Planning Enforcement
Commercial Plan Phase 2	Provide assurance on the management and delivery of the key Commercial Plan themes. Review how services and key projects are structured and align to the commercial plan deliverables and objectives.	April 17	April 17	Oct 17	Complete Low Assurance
Housing Benefits Subsidy	Test a sample of benefit cases to on behalf of the external auditor KPMG to provide assurance on the subsidy claimed by the Council	Q2 July	July 17	Sept 17	Complete Substantial Assurance
Bank Rec	New system in place, audit requested by Finance manager to provide assurance that the new system is operating as intended and providing a robust bank rec Process.	July 17	Aug 17	Oct 17	Complete Substantial Assurance

Area	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Current Status / Assurance Opinion
Procurement	Provide assurance on the procurement process and rationale. Review whether alternatives are considered as part of the process including partnerships, shared services and Commissioning.	Sept 17	Dec 17		Draft report stage
Licensing	To provide assurance on the Licensing service and how it is managing safeguarding issues.	Oct 17	Oct 17	Nov 17	Complete Substantial Assurance
NK Partnership	Provide assurance on the monitoring and management of this key Partnership.	Aug 17	Aug 17	Dec 17	Complete Substantial Assurance
Sales and Invoicing	To provide assurance That managers understand the commercial principals of Traded services. To provide assurance that finance systems and invoicing are compatible with commercial aims.	Aug 17	Aug 17	March 2018	Complete Substantial Assurance on Sales and Invoicing Limited assurance on the finance system
ICT Patch Management	Confirm that software updates and patches are effectively applied and monitored across the Councils key ICT applications.	Q4	April 2018		WIP
Good Governance Ethics	Consultancy - Review the Council governance arrangements against recommended CIPFA best practice and provide assurance on the systems,	November 2017	Jan 2018		WIP

Area	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Current Status / Assurance Opinion
	processes and outcomes.				
Combined Assurance	Document the Councils critical areas to provide an assurance rating to inform the audit plan and report to management and members.	Q3	Oct 17	March 2018	Complete
Choice Based Letting's Follow Up	To provide management with assurance that actions from previous key audits have been implemented and this has led to improved outcomes.	October 2017	October 2017	January 2018	Complete Substantial Assurance
Local land Charges Follow Up	To provide management with assurance that actions from previous key audits have been implemented and this has led to improved outcomes.	October 2017	Nov 17	February 2018	Complete Substantial Assurance
Programme Board	Review the workings of the Programme Board and follow up on 2016 growth audit work and provide assurance on project and programme work in delivery.	Q4	Jan 2018		Draft Report
Key Controls Finance	Delivery of key control testing to enable the Head of Internal Audit to form an opinion on the Council's Financial control environment.	Q4			To start Jan – Mar 18
PCI DSS Follow up	A follow up review of the Limited assurance review carried out in 2016/17	Q4			Draft report stage

Area	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Current Status / Assurance Opinion
Progress and Delivery Follow up	A follow up review of the limited assurance review from 2016/17.	Q4	December 2017	March 2018	Complete Substantial Assurance
ARCUS ICT System – Consultancy	Review and provide advice on the Councils project management and approach to procuring this new ICT system	Q4	March 2018		WIP
GDPR	Provide assurance on the Councils plans and preparedness for the new Data Protection rules roll out in 2018.	Q4	February 2018	March 2018	Complete Substantial Assurance

Appendix 3 - Overdue Audit Recommendations at 19th March 2018

Data is for audits where recommendations were due to be implemented by 19th March 2018

Activity	Issue Date	Assurance	Total Recs	Recs implemented	Priority of Recommendations o/s		
					High	Medium	Not yet due
Bank Rec	Oct 2017	Substantial	1	0	1	0	0
Totals			1	0	1	0	0

Appendix 4- Assurance Definitions¹

High Assurance	<p>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.</p> <p>The risk of the activity not achieving its objectives or outcomes is low. Controls have been evaluated as adequate, appropriate and are operating effectively.</p>
Substantial Assurance	<p>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.</p> <p>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.</p>
Limited Assurance	<p>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.</p> <p>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.</p>
Low Assurance	<p>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.</p> <p>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.</p>

¹ These definitions are used as a means of measuring or judging the results and impact of matters identified in the audit. The assurance opinion is based on information and evidence which came to our attention during the audit. Our work cannot provide absolute assurance that material errors, loss or fraud do not exist.

Appendix 5- Details on overdue audit recommendations at 09.03.2018

Name	No	Priority	Finding	Ref	Status	Agreed management action	Date to be completed	Response Comments	Revised date for completion	Person responsible	Rating
Bank Reconciliation 2017-18	1	High	A new ICT bank reconciliation system was procured and launched in May 2016, with the aim to be used for fully automated bank allocation of receipts and payments process and achieve efficiencies in officers' time and simplify the bank reconciliation. Following a year of testing and improvement work we have been told that now the new ICT system is working as expected and recording accurate daily bank movements. However the reports produced from the new ICT system are yet to be fully tested, improved and implemented as they are currently not producing the expected outputs to enable full reconciliation to the general ledger.	1.1	Not Implemented	Work is ongoing to ensure the full implementation of the automated bank reconciliation process.	31/01/2018	As at 19.3.2018 the new bank reconciliation is being undertaken on a daily basis at a detailed level and is taking circa 1 hour. There are small balances daily which are investigated and resolved ensuring that we understand these transactions and why they are not being reflected as we would envisage and are resolving these issues. Once we have confidence in the reports then we will be able to implement the high level reconciliation.	30.06.2018	Tracey Bircumshaw	Substantial Assurance

End of report