



Internal Audit Progress Report

Issued

12 April 2024

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.

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.

Performance Dashboard

Figure 1

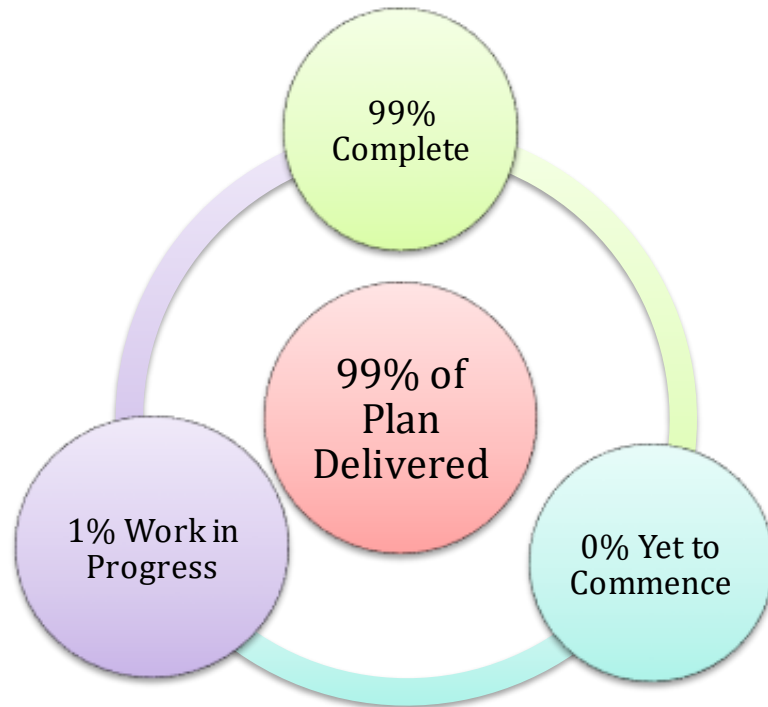


Figure 1 shows the completion of the internal audit plan to date. We have two audits at draft report stage which are with management. One audit had a closure meeting in February 2024 and we continue to work with management in order to agree the report. One audit has recently had a draft report issued and a closure meeting is in the process of being arranged.

Update on Internal Audit Activity

Since our last progress report in January 2024, we have issued three audit reports. We have two assurance audits in progress, both at draft report stage awaiting agreement with management.

Completed

- Procurement – Limited assurance
- ICT- Incident Management – Substantial assurance
- Levelling Up Fund Phase 2 – Substantial assurance

Draft report

- Performance Management
- Financial Key Controls

Plan Changes

There have been no further requests to alter the internal audit plan since the January 2024 progress report.

Combined Assurance

Annually we undertake combined assurance work, where we identify and map the main sources and types of assurance across the Council and coordinate them to best effect. The final map and report have been completed and issued to management. The combined assurance report will be presented at this committee meeting.

Outstanding audit actions

We completed our final review of outstanding audit actions in February 2024 and these were reported in the March 2024 Progress report.

Final Progress Report

This is the final progress report to be issued to West Lindsey District Council and any outstanding audit assignments will be included in the Head of Internal Audit's Annual Opinion. The Internal Audit Service is awaiting details of the committee reporting dates to be able to confirm attendance at the meeting.

Executive Summaries of ‘Limited’ or ‘No’ Assurance Opinions

Audit Review Title: Procurement					
Audit Sponsor	Assurance Opinion	Management Actions			
Director Operational & Commercial Services	Limited	Low 1	Medium 3	High 2	Critical 0
Summary of Key Observations:					
<p>As part of the Internal Audit plan for 2023/24, audit have undertaken a review of Procurement, in order to provide assurance on the operational effectiveness of, and compliance with the Council’s procurement processes and policies.</p> <p>The Council’s Contract and Procurement Procedure Rules (CPPRs) and Financial Regulations, provide a framework for procurement and tendering exercises. Testing and discussions with officers from across the Council has provided limited confidence that these rules and regulations are being fully complied with. A lack of full oversight over procurement activity, stemming from an incomplete contract register, deviations from the CPPRs, together with the absence of robust embedded processes for ensuring that the CPPRs are complied with, has resulted in a limited level of assurance awarded.</p> <p>Although all contracts sampled complied with the CPPRs in respect of the tendering process and were appropriately signed off, the review identified the following areas whereby the CPPRs had not been followed:</p> <ul style="list-style-type: none"> • The contracts for four out of five suppliers selected from a supplier spend report, with spend in excess of £5K during 23/24, had not been recorded on the contracts register, as also required by the Transparency Code 2015. • None of the four exceptions from our testing were fully compliant: no exceptions report had been submitted for approval for one exception, one exception report was completed without input from the CPO, three were not recorded on the contracts register and none were referred to Procurement Lincolnshire. • In addition to the exceptions, two items including a contract > £75K were not referred to Procurement Lincolnshire* 					

A complete contracts register would improve management oversight of all procurement activity, not just the major commercial procurements which are discussed at the Commercial Programme Board. It would also enable proactive compliance monitoring and quality assurance practices to be developed, which are currently not undertaken:

- The use of procurement exceptions is not monitored centrally and analysed to ensure legitimacy or no patterns of overuse by officers to bypass the CPPR's.
- There has been no review of aggregate spend across the Council to identify any attempts to avoid the CPPRs through, for example the splitting of contracts to keep below threshold levels or for identifying opportunities for the Council to obtain better costs, terms and conditions and value for money.

Non-compliance with the CPPRs / legislation and a lack of oversight over procurement activity exposes the Council to the risk of legal challenge, financial and reputational damage and of failure to achieve value for money.

Our review also found that:

- The CPPRs do not reflect the current thresholds per the Public Contracts Regulations 2015 which came into effect on 1st January 2024. The requirements of the Procurement Act 2023 will be captured as part of a planned update of the CPPRs. Outdated CPPRs may result in staff being unclear or unaware of current legislation and failure to adhere to new rules in place.
- There is no formal training programme in place for procuring officers. Under the CPPRs, the Directors and Assistant Directors are responsible for ensuring that officers receive adequate training and guidance on procurement. Procuring officers received one day procurement training from an external provider in April 2023. This was repeated in July 2023 for those who were unable to attend in April. Although the training was quite detailed it was not tailored to practical or skills-based learning, nor the roles requirements of the Council's own CPPRs.

Although Procurement Lincolnshire was not the focus of this review, it is acknowledged that over recent months work has been ongoing between the Council and Procurement Lincolnshire to produce a refreshed draft agreement. This agreement, once approved, will provide clarity on the services provided by Procurement Lincolnshire moving forward.

**Although Procurement Lincolnshire was not the focus of the review, the requirements of the CPPRs in respect of Procurement Lincolnshire were considered.*

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

Audit Review Title: Levelling Up Fund – Phase 2					
Audit Sponsor	Assurance Opinion	Management Actions			
Director Planning, Regeneration & Communities	Substantial	Low 3	Medium 0	High 0	Critical 0
Summary of Key Observations:					
<p>As part of the Internal Audit plan for 2023/24, audit have undertaken a review of Levelling up fund (LUF)- Phase 2 , in order to provide assurance that governance arrangements are being followed in practice at project level. The completeness and accuracy of financial reporting (internally and externally) was also covered.</p> <p>Overall, the governance arrangements in place are effective and financial reporting is accurate, fully supported and timely.</p> <ul style="list-style-type: none"> • A clear governance structure and management processes are in place. Individual project boards ensure effective oversight of projects with officers’ roles and responsibilities clearly defined within approved Terms of Reference. • Compliance with the Council’s project management framework is evident. Project delivery plans (PDPs) clearly outline each projects milestones, stakeholders, finances, risks, and issues. Deliverables are documented at programme level as most outputs/achievements are shared across the projects. • The effectiveness and performance of the LUF projects are closely monitored by Project Managers with input from the Programme and Performance (P&P) Team. Monthly update of PDPs clearly reflects discussions, with key areas RAG rated, and reasons for changes in ratings documented. 					

- Project board meetings are held regularly and are well attended. Updates on projects are provided, together with status updates on key elements of each project i.e. confidence level, schedule, budget, and risks. Review of project board meeting minutes confirm effective discussion of issues affecting projects with actions required fully documented and addressed timely.
- Clear lines of reporting to the programme board and portfolio board are evident. Programme and project update reports provide clear insight and progress of the programme and projects. Review of meeting minutes confirm effective discussion and challenge.
- Project finances are regularly monitored, reconciled, and controlled to ensure funds are not overspent. Regular meetings take place between the LUF Accountant and Programme Manager and with individual Project Managers to discuss funding and expenditure, with detailed budget monitoring reports shared. Reasons for possible overspends are fully documented.
- Financial and risk reporting externally is carried out quarterly with returns appropriately signed by the S151 Officer. A clear process exists for the preparation of returns, audit testing of the 2023/2024 Quarter 2 Return confirmed financial data submitted to be accurate and fully supported.
- A formal project adjustment request (PAR) form has recently been submitted, outlining changes to the original approved LUF profiled grant and delivery of the programme. Reasons for these changes were fully explained and confirmed by audit as discussed and approved at project, programme and portfolio board level. Strong and efficient governance arrangements were clearly demonstrated throughout this process.

Despite some difficulties faced with required budget revisions and a change in leadership, the outputs/outcomes, spend and delivery of the programme is still expected to be in accordance with the original memorandum of understanding.

An independent 'health check' review of the programme, completed by P & P in December 2023, rated each element of the programme as 'Green' i.e. status, financial, benefits and risk management, with no open issues identified. Similar checks are to be undertaken at project level over the next month.

Three low priority recommendations have been made.

Audit Review Title: ICT Incident Management					
Audit Sponsor	Assurance Opinion	Management Actions			
Director Change Management, ICT & Regulatory services	Substantial	Low 1	Medium 0	High 0	Critical 0
<p>Summary of Key Observations:</p> <p>As part of the Internal Audit plan for 2023/24, audit have undertaken a review of ICT Incident Management, in order to provide assurance over the efficiency and effectiveness of the council’s cyber security incident management process. The scope excluded assessing the council’s cyber security incident management practices against the ISO 27001 practices.</p> <p>Overall, the Council demonstrated a proactive approach to cyber incident management, with clear governance arrangements, systematic identification and classification of incidents, efficient response procedures, emphasis on learning from incidents, and thorough collection and documentation of cyber security events. Audit testing of the agreed scope areas found:</p> <ul style="list-style-type: none"> • Established governance arrangements including a suite of policies and procedures is in place. • The Council had appointed a dedicated Senior Information Risk Owner (SIROs) and Data Protection Officer (DPOs) responsible for overseeing information security and data protection, demonstrating clear accountability. • Centralised IT Helpdesk managed by the shared ICT service was utilised for recording and managing ICT-related incidents ensuring systematic identification and classification of incidents, including any cyber related incidents. • Classification and prioritisation of incidents were outlined in the developed Standard Operation Procedures, enhancing the efficiency and accuracy of incident classification. • The Council had developed action cards with well-defined scopes, baseline recommendations, and structured actions for responding to cyber incidents, ensuring a consistent and coordinated response across locations and organisations. • Senior staff had received media training and regular training sessions, along with larger scale cyber response exercises were performed which contributed to the resilience of the ICT teams in responding to cyber security incidents. • The ICT shared service had introduced a number of tools to monitor for potential cyber threats. 					

One recommendation was made to strengthen the processes in place:

- Develop an overarching Cyber Incident Response Plan

Planning and Resourcing

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.

Key to the colour coded table

Green – Complete, Amber- In Progress

Work Plan

Audit Review	Audit Sponsor	Scoping	Audit Objective	Fieldwork	Draft Report	Final Report	Assurance Opinion / Equivalent
ASSURANCE WORK 2022/2023							
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
ASSURANCE WORK 2023/2024				(W/C)			
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	25/10/23	08/11/23	Adequate
ICT Cyber Security	Director Change Management & Regulatory Services	✓	✓	25/09/23	31/10/23	22/12/23	Adequate
Combined Assurance	Director Corporate Services	✓	✓	28/11/23	03/02/24	25/03/24	N/A
Procurement	Director Commercial & Operational Services	✓	✓	20/11/23	29/02/24	04/04/24	Limited
Levelling Up Fund Phase 2	Director Planning, Regeneration & Communities	✓	✓	08/01/24	22/02/24	04/03/24	Substantial
Performance Management	Director Change Management, ICT & Regulatory Services	✓	✓	08/01/24	14/02/24		
ICT Incident Management	Director Change Management & Regulatory Services	✓	✓	22/01/24	15/02/24	19/02/24	Substantial
Key Control testing	Director Corporate Services	✓	✓	12/02/24	11/04/24		
Safeguarding Policy	Assistant Director People & Democratic	This audit has been removed from the plan. The days have been allocated to Key Control testing.					