



City of Lincoln Council
Appendix A
Progress Report – January 2019



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Introduction

1. The purpose of this report is to:
 - Advise of progress made with the 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 Audit Committee role

Key Messages

2. The 2018/19 audit plan is progressing well; at the end of December 69% has been completed of the revised plan, which is on target. The Plan is attached at Appendix 2 and shows progress to date.
3. At its last meeting Committee received additional information on some overdue recommendations and requested that two officers attend the February meeting.
4. Committee will be given an update on audit reports reaching one year old which have outstanding recommendations – see section 10 for a summary and a separate report for the details.

Internal Audit Reports Completed November - January

5. The following final reports have been issued since the last progress report;

High Assurance	Substantial Assurance	Limited Assurance	Low Assurance	Consultancy / Advice
Corporate Property Income	Malware / Anti-virus Transport Hub	None	None	None

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.

Below are summaries of the audit reports issued.

Corporate Property Income – High Assurance

Commercial property income is a key part of the Council's Towards Financial Sustainability (TFS) programme, which underpins the Medium Term Financial Strategy. The Council has a varied commercial property portfolio that generates rental income of approximately £2.6m per year (2018/19 budget) and is increasing as new properties are acquired.

We found that Property Services, in conjunction with Accountancy and Recovery, have effective processes in place for the collection of commercial property income;

The letting of space in City Hall and recent property acquisitions (two car parks and a hotel) have been successfully assimilated into the Property team's existing working practices.

Malware / Anti-Virus – Substantial Assurance

The Council has an effective layered approach to protection involving several software products and processes managing key risks around threats from email and the internet.

We found sound processes exist including server management, effectiveness and configuration of anti-malware software and the management of risks via email.

There are some agreed actions to strengthen controls. Some actions are subject to further investigation and available resources. New anti-virus software has recently been installed. Appropriate user training around IT security (including Malware) is an important element of the Council's overall security arrangements and this is currently being developed with an expected go-live date before the end of March 2019.

Transport Hub – Substantial Assurance

This risk based review focused on final account agreement, budget reconciliation, compensation events, defects and retention, contract documentation / handover.

The main contract final account was agreed in April 2018 and completion certificates issued (including any final works still to complete). At the time of audit there were some further small items and adjustments to process.

The final account has been agreed by the client and contractor and no errors were found. Overall costs to date are within budget. Final aspects of the project are being completed including the car park fifth floor. Budgets are reconciled through Finance and compensation event (CE) amounts have been agreed through the final account process. Defect liability periods have been agreed and retention will be paid once these dates have been reached and final checks made. Contract documentation/handover has taken place.

We identified some areas for management consideration and actions were agreed:

- A further Board meeting would be arranged to agree a commencement date for the PIR (post implementation review), once all final works had been completed, as well as formally receiving the final account and project closure details.
- Relevant O/M (operation and maintenance manuals / documents) will be checked by the respective managers (car park / bus station) and "signed off" for completeness.

Other Significant Work

6. Updates on other significant work;

Audit Plan 2019/20

A Draft Plan has been produced and considered by CMT. It is presented in a separate report.

The dynamic planning approach will continue to be used to identify any new areas, which will be considered for review.

Combined Assurance Map

This work is in progress and a report will be presented to the next meeting in March.

De Wint Court

Internal Audit continues to provide project risk management support for the feasibility group.

Counter Fraud

The following work is being done;

- National Fraud Initiative – the required data sets have been submitted
- Housing Tenancy Fraud – a data matching review is being arranged
- Counter Fraud training – training has been obtained through the Assurance Lincolnshire partnership and has been rolled out to all staff and members
- Updated the Counter Fraud Strategy and the Anti-Money Laundering Policy - approved by Audit Committee 11 December 2018 and Executive 7 January 2019.
- Updating the corporate Fraud Risk Register – updated December 2018 and presented to Audit committee with the Counter Fraud Strategy.
- Counter fraud health check will be completed

Northamptonshire County Council – Financial Issues

Due to the delay by the Government in issuing financial resilience guidance the report will be presented to the next meeting in March.

Private Sector Housing HMO Licensing & Hazards – Follow Up

Detailed testing on completed recommendations was scheduled for January but due to delays in implementing some aspects of the new IT system this work has been postponed to February. An update will be presented to the next meeting in March.

Audit Plan Changes

7. To support the Council's savings target 50 days will be removed from the 2019/20 Audit Plan, reducing it from 450 days (400 audit + 50 Housing Benefit subsidy) to 400 days (360 audit +40 Housing Benefit subsidy). See the separate Audit Plan report for more details.
8. There have been some changes to the Audit Plan which have been agreed with the Chief Finance Officer
 - Recruitment – postponed to 19/20

Audits in Progress

9. The following audits are in progress;
 - Values & Culture – report being produced
 - Health & Safety (Housing Fire risk) – report being produced
 - Fees & Charges VFM – fieldwork in progress
 - Council House Sales – report being produced
 - Bank (Key Controls) – fieldwork in progress
 - Procurement – being prepared
 - Vision 2020 Project Management – being prepared
 - Partnership Governance – being prepared
 - Community Infrastructure Levy / S106 agreements – being prepared

Audit Recommendations

10. There is a formal process for tracking Internal Audit recommendations; they are recorded on a monitoring spreadsheet which management can record progress updates on at any time. Performance DMT's and Portfolio Holders monitor progress quarterly. On a monthly basis Internal Audit monitor recommendations becoming due. Prior to each Audit committee Internal Audit will obtain a status report and review progress with management.

Internal Audit undertake formal follow up on all High priority recommendations and all recommendations made in audits where the overall assurance is Limited or Low; evidence of implementation will be requested and examined.

There is a separate report showing audits reaching one year old where recommendations are still outstanding.

The table below shows a summary of all audits where recommendations are overdue / extended, implemented and not yet due.

Recommendations Update (at 22nd January 2019)

Audit Area	Date	Assurance	No of Recs	Implemented	Outstanding (extended or overdue)	Not Yet Due	Comments / Progress since previous Committee
2015/16							
ICT Mobile Devices	Mar 16	Substantial	6 (1 High)	4	2 (1 High)		
2016/17							
Malware	Nov 16	Substantial	8 (3 High)	7 (3 High)	1		
Revs & Bens – Information Governance	Feb 17	Limited	15 (8 High)	15 (8 High)			1 (High) completed All recs now implemented
Recovery	Mar 17	Substantial	11	11	1		1 completed All recs now implemented
2017/18							
Responsive Repairs	Jun 17	Substantial	6	5	1		Rec extended by 15mths – linked to replacement IT system
Boultham Park Refurbishment	Jun 17	High	2	1	1		Rec extended by 3mths
IT Disaster Recovery	Oct 17	Substantial	18	11	7		3 completed 1 risk accepted
IT Applications	Nov 17	Substantial	6	3	3		
Tenancy Services	Jan 18	Substantial	10 (3 High)	1 (1 High)	9 (2 High)		9 recs extended by 3mths
Car parking	Mar 18	Substantial	7	7			1 completed All recs now implemented

Audit Area	Date	Assurance	No of Recs	Implemented	Outstanding (extended or overdue)	Not Yet Due	Comments / Progress since previous Committee
Procurement	Apr 18	Substantial	6 (1 High)	5 (1 High)		1	
HMO Licensing and Hazards	Jun 18	Limited	20 (5 High)	14 (3 High)	6 (2 High)	6	
Housing Investment	Jun 18	Substantial	23 (4 High)	8	9	6 (4 High)	5 completed.
Council Tax	Jul 18	Substantial	6	5	1		1 completed 1 extended by 3mths
2018/19							
Risk Management	Jul 18	Substantial	8	7	1		1 completed 1 extended by 5mths
Sincil Bank Regeneration	Aug 18	Substantial	10 (1 High)	9 (1 High)	1		6 completed
Commercialisation	Oct 18	Substantial	4 (1 High)	1 (1 High)		3	1 (High) completed
IT Applications	Oct 18	Limited	8 (2 High)		2 (2 High)	6	
Malware / Anti- virus	Nov 18	Substantial	11 (6 High)	4 (1 High)	1 (1 High)	4 (4 High)	4 completed 2 risks accepted
Transport Hub	Dec 18	Substantial	2			2	

Performance Information

11. Our performance is measured against a range of indicators and is shown at Appendix 4. There are no concerns in any areas.

Other Matters of Interest

12. At the December 2018 meeting the Audit Committee agreed to progress improvements linked to the best practice review

Ref	Area	Progress
1	Annual VFM report	Report to tie in with the AGS
2	Support ethical values	Awaiting values internal audit report + consider input from the Corporate Social Responsibility forum.
3	Partnerships report	Note partnerships internal audit quarter four 2018-19. Report will follow in 2019/20
4	External Auditors annual assessment review	Completed reported in December 18
5	Follow up (track) external audit recommendations	Completed – none outstanding
6	Annual Audit Committee report	Completed– report went to all Audit Committee members for comments
7	Other public reports - Officers would ensure that the Independent Member also received such reports	Ongoing
8	CIPFA core knowledge and skills - Officers would review what training options were available both internally and externally.	Members have received the text of these from the guidance Develop further training for 19/20
9	Public interest entity - The review group raised this again and the Chief Financial Officer agreed to raise the matter with the new External Auditors	Pending

13. Chartered Institute of Internal Auditors Audit and Risk Awards 2018

These awards recognise innovation and excellence in Internal Audit. Assurance Lincolnshire were finalists in two categories - we received Highly Commended awards in both for:

- Innovation in training and development – for our work with Universities and Apprenticeships
- Outstanding Team Public Sector – for our work on governance – Culture and Ethics

Appendix 1 – Details of Limited / Low Assurance Reports

There are none.

Appendix 2 – Internal Audit Plan & Schedule 2018/19

Area	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Current Status / Assurance Opinion
Chief Executive - Critical Activities					
Human Resources (10)	Workbased learning – financial and operational risks	Q3-4			<i>Moved to 19/20 due to changes in the service (AC advised Dec 18)</i>
Human Resources (3)	Attendance management follow up	Q4			
Human Resources (10)	Recruitment process	Q4			<i>Moved to 19/20 at the request of management (AC advised Feb 19)</i>
Commercial Property & Business Support (10)	Commercial property & workspace income	Q3	Oct	Jan	Completed – High assurance
Business Strategy (Vision 2020) (10)	Management of key projects	Q4			Being prepared
Partnerships (10)	Governance and effectiveness.	Q4			Being prepared
Commercialisation (10)	Review of strategy / projects	Q2-3	July	Oct	Completed – Substantial assurance
Housing and Regeneration - Critical Activities					
Housing Allocations / Choice Based Lettings (10)	Migration of data Data accuracy	N/A	N/A	N/A	Used for risk management support to Working Groups – Completed
<i>Housing Voids, Aids & Adaptations, Rechargeable repairs</i>	<i>Management arrangements</i>	<i>TBA</i>			<i>Potential audit but no spare time. Included in 19/20 Plan</i>
Council house sales (5)	Sales / discounts and income.	Q3	Oct		Report being produced.
New Build / Housing Company (10)	Contracts and links to the housing company	TBA			Used for risk management support to the De Wint Court project group
Health and Safety (10)	Housing fire risk - governance arrangements	Q3	Sept		Report being produced.
Communities & Environment - Critical Activities					
Planning (10)	Community Infrastructure Levy & S106. Local plan delivery and monitoring.	Q4			Being prepared. Assurance on the Local Plan will be taken from work by NKDC & WLDC.

Area	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Current Status / Assurance Opinion
Private Sector Housing (5)	DFG / Arrangements for the new Heating scheme	Q2	N/A		Background work has found that the audit is no longer required. The days will be used for existing audits (AC advised Dec 18).
Major Developments - Critical Activities					
Growth (10)	Economic & Growth agenda - strategies, investment, partnerships, infrastructure.	N/A			Moved to 19/20 as the strategies are being developed during 18/19. The days will be used for the Values & Culture review (AC advised Sept 18)
Transport Hub (8)	Closedown of works and final account	Q2-3	Sept	Dec	Completed – Substantial assurance
Chief Executive - Financial & Governance					
Benefits (10)	Universal Credit roll out incl Housing impact.	Q4			Research in progress. Audit will be in 19/20.
Counter Fraud (20)	Liaise with the Lincolnshire Counter fraud partnership, undertake a Counter fraud healthcheck, engage with NFI, build on work from Fraud risk assessment, and continue to roll out the fraud e-learning training.	Q1-Q4			In progress; <ul style="list-style-type: none"> NFI data submitted. Housing Tenancy Fraud review organized Fraud e-learning training rolled out to staff and members
NNDR (5)	Business Rates Growth Policy/Reliefs	Q4			Being prepared
Bank (5)	Banking arrangement key controls	Q3	Nov		In progress
Procurement (10)	Review of frameworks & OJEU procurement plus social value policy.	Q4			Being prepared
City Lottery (3)	Governance arrangements	Q2	Aug	Oct	Completed – Advice work No significant issues
Governance (10)	The Council's cultural framework	Q1	May		Report being Produced
Governance (5)	Governance key controls for annual assurance.	Q1	April	May	Completed – no issues.
Risk Management (5)	Council's risk management arrangements	Q1	April	July	Completed – Substantial assurance

Area	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Current Status / Assurance Opinion
Information Governance (10)	General Data Protection Regulations	Q4			Being prepared
ICT Audit (30)	Applications	Q1	July	Oct	Completed – Limited assurance
	Cyber risks	Q2-3	Sept	Nove	Completed – Substantial assurance
	ICT Strategy implementation & ICT project / programme management	Q3			Moved to 19/20 – Strategy delayed (AC advised Dec 18)
	Extended ICT Assurance mapping				Replaces ICT Strategy.
IT DR/Business Continuity (3)	Follow up of the Business Continuity Group actions from the 2017/18 IT DR audit	Q4			BC group working through previous audit recommendations. March review may be appropriate.
Western Growth (15)	To review project management arrangements	Q1-4			Progress is being monitored and work will be undertaken at the appropriate time
Programmes and Projects (13)	Sincil Bank Regeneration	Q1	June	Aug	Completed – Substantial assurance
	Review of project / programme governance arrangements, incl SPIT replacement	Q4			
Consultancy / VFM (10)	Fees & Charges review	Q3-4	Sept		In progress
Emerging Legislation (2)	Arrangements for forthcoming legislation	Q4			

Area	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Current Status / Assurance Opinion
Other work					
Audit follow up work (10)	Assurance that actions from previous key audits have been implemented	Q1-Q4	Q1-4		Progress information is provided to every Audit committee
Combined Assurance (10)	Update the integrated assurance map	Q3/4	Nov		In progress
Contingency and Emerging risks (30)	Contingency for any brought forward work and emerging risks	Q1-Q4			Part used for completion of 17/18 audits.
Advice and liaison, management, reactive investigations (35)	As area	Q1-Q4			Ongoing
Annual Internal Audit Report (3)	As area	Q1	April	May	Completed. To Audit cttee June 18
Audit Committee –(20)	Audit Committee support	Q1-Q4			Ongoing
Housing Benefit Subsidy (50)	Testing on behalf of External Audit	Q1-2	May	July	Completed
Review IA Strategy and Planning – (5)	New Plan for 2019/20	Q4	Dec		Draft to Feb Audit cttee

Appendix 3- Assurance Definitions¹

<p>High Assurance</p>	<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>
<p>Substantial Assurance</p>	<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>
<p>Limited Assurance</p>	<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>
<p>Low Assurance</p>	<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 4 - Performance Details 2018/19 Planned Work

Performance Indicator	Annual Target	Profiled Target	Actual
Percentage of plan completed.	100%	25% end June 50% end Sept 75% end Dec 100% end Mar	69% at end of December
Percentage of key financial systems completed.	100%	100% end Mar	0% (2 due – 1 in progress & 1 starting shortly)
Percentage of recommendations agreed.	100%	100%	100% (38 out of 38)
Percentage of High priority recommendations due implemented.	100% or escalated	100% or escalated	100% (5 due and 3 implemented)
<p>Timescales:</p> <p>Draft report issued within 10 working days of completing audit.</p> <p>Final report issued within 5 working days of closure meeting / receipt of management responses.</p> <p>Period taken to complete audit –within 3 months from fieldwork commencing to the issue of the draft report.</p> <p><i>NB – Not all completed work is included within the timescales, e.g. non assurance work / where no formal report is issued such as benefit subsidy; fraud work etc.</i></p>	<p>100%</p> <p>100%</p> <p>80%</p>	<p>100%</p> <p>100%</p> <p>80%</p>	<p>86% (6 out of 7)</p> <p>100% (7 out of 7)</p> <p>86% (6 out of 7)</p>
<p>Client Feedback on Audit (average)</p> <p><i>NB – feedback is generally only obtained for formal assurance work although sometimes it may be obtained for other types of work.</i></p>	Good to excellent	Good to excellent	<p>Good to excellent.</p> <p>Average score – 31 out of 32.</p> <p>(5 issued and 5 returned)</p>

