

Internal Audit Progress Report



**South Kesteven
District Council
28 September 2022**

Contents

Key Messages

Page 2

Introduction
Summary
Assurances

Internal Audit work completed

Page 3

Overview of Assurances
Audit Reports at Draft
Work in Progress

Benchmarking

Page 7

Key Performance Indicators

Other Matters of Interest

Page 8

CIPFA Updates
Grant Thornton Report

Appendices

Page 10

-
- 1 - Assurance Definitions
 - 2 - Audit Tracker of Due Actions
 - 3 - Internal Audit Plan 2021/22 – Progress to Date

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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.

Introduction

The purpose of this report is to:

- Provide details of the audit work during the period April 2022 to September 2022
- Advise on progress of the 2022/23 plan
- Raise any other matters that may be relevant to the Audit Committee role

Key Messages

Audit Plan

During the period we have completed two assurance audits and have four audits scheduled in.

The two audits which have been completed are:

- Good Governance Phase 1 and Decision Making - Substantial Assurance
- Risk Management - Substantial Assurance

The audits that we are working on:

- ICT Cyber Security (originally planned June/July and moved back at client's request) – Commenced 30th August
- Programme Management – Commenced 5th September
- Housing Void Management – Commencing 3rd October

Health and Safety was scheduled to begin 19th September but has been deferred at the clients request due to unplanned staff absence. We are aiming to reschedule this work in October.

0
HIGH
ASSURANCE

2
SUBSTANTIAL
ASSURANCE

0
LIMITED
ASSURANCE

0
LOW
ASSURANCE

Substantial Assurance

A key indicator for good governance and assurance on the Council's delivery for corporate aims, service delivery and project management is having effective risk management systems in place, taking into account the organisational risk appetite. Good Risk Management supports effective decision making and is a key part of both service delivery and achieving the Council's strategic priorities. A systematic and consistent approach to risk management will help ensure a culture of 'no surprises' minimising the effect of threats.

Overall our review found that Risk Management is appropriately managed and that the related processes currently in place are operating effectively to reduce the impact of risk. This is supported through a number of areas of good practice including:

- A documented and Committee approved Risk Management Framework which covers the period 2021-2023.
- A maintained Strategic Risk Register which contains key risks that could directly affect achievement of the Council's strategic objectives. The strategic risks are reviewed biannually by Corporate Management Team (CMT) and Governance and Audit Committee. This ensures oversight and awareness of risks.
- Article 11 of the Constitution for The Governance and Audit Committee lays out the governance for Risk Management. There is regular reporting to the Governance and Audit Committee with updates providing assurance on the effectiveness of the Council's arrangements.
- Strategic risks and controls are tracked using software 4risk. This provides a real time picture of the risks and allows tracking of progress for risk actions.

We identified some improvements to the process including work to further embed the discussion of Risk within Committee meetings, and to include Risk training as part of the induction process.

Risk Management

Substantial Assurance

Good Governance Phase 1 and Decision Making

To achieve Good Governance, each Council should be able to demonstrate that its Governance structures comply with CIPFA 'Delivering Good Governance in Local Government: Framework' – published in April 2016 and the Governance Risk and Resilience Framework 2021. We conducted a high level review of the Governance framework in place at the Council through identification and gathering of key policies, strategies and processes, and discussion with key staff.

It is clear from our work that the Council is in the process of making significant improvements in its Governance processes. We found that the Council's governance and decision-making arrangements align with the CIPFA Good Governance Framework and Governance Risk and Resilience Framework.

Our review is set in a period of development and improvement for the Council. While the Authority is still on a journey with further work to be done, it has been clearly demonstrated that progress has been made. There will be a period for the new arrangements to embed and the Council has action plans in place following the outcome of various other reviews.

Examples of good practice identified include:

- Use of the Local Government Association Model Councillor Code of Conduct
- Publication of key information to meet the requirements of the Transparency Code
- Consultation work with stakeholders including Community Governance Review for Grantham, Food Waste Trial and Deepings Leisure Centre
- Risk Management Framework with quarterly meeting of the risk management group and senior leadership
- The Constitution provides clarity over the Councils decision-making process with the flexibility to adjust work plans to address emerging issues.

We identified some areas where arrangements could be strengthened. These include the drafting and publication of key documents such as an IT strategy and a communications strategy, and the update of the public facing website to include the latest versions of its existing strategies, policies and frameworks. These will be followed up to ensure completion.

We propose to complete the second phase of the Governance review in 2022/23. This will be a more comprehensive review to provide assurance on how the governance arrangements work in practice.



Work in Progress

We have the following audits in progress :

- Cyber Security – Fieldwork stage
- Programme Management – Fieldwork stage
- Health and Safety – Initial meetings
- Housing Void Management – Initial meetings

Other Significant Work

The audit tracker report identified that there were 77 actions on the “4action” system due for completion by the 1st August 2022. These comprised of:

- 6 High Priority actions
- 33 Medium Priority actions
- 32 Low Priority actions
- 6 actions without a priority attached

We are referencing the 32 Low Priority actions to the Governance and Audit Committee but our focus will be on the High and Medium Priority findings. This is to ensure that the Committee is focused on the actions that matter, are more Business Critical, and have the greatest impact upon assurance.

Following review and discussions with Managers we identified that:

- 5 of the 6 High Priority actions had been completed (83%)
- 28 of the 33 Medium Priority actions had been completed (85%)
- 1 of the 6 actions with no priority had been completed (17%)

This information can be found in Appendix 3 along with an update on outstanding actions.



We will be working with Management to produce the Combined Assurance review. This report will build upon the Management Assurance Statement work currently in place, and will provide Members and Management with an overview of the Councils assurance across Critical Activities, Key Projects, Key Partnerships and Key Risks. This work will commence in October 2022 with the report to be presented at the March Committee. This will also support the Head of Internal Audit's Annual Governance Statement and the 2023/24 Audit Plan.

We have also undertaken some sessions to understand the Council as part of mobilising and commencing work. This includes:

- Running an introduction workshop with key officers at the start of the contract to provide insight on the way in which we work
- Meeting the Statutory Officers Group to discuss the Combined Assurance approach and the Chair and Vice-Chair of Governance and Audit Committee
- Regular liaison with the Audit Lead within the Council to update on progress and identify any blockers to progress, as well as working with them on the audit action tracker system.

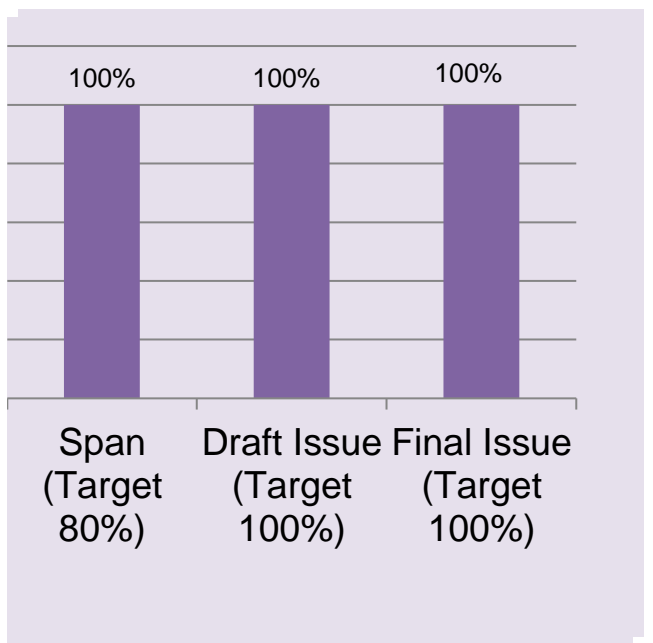


Benchmarking



Internal Audit's performance is measured against a range of indicators. The statistics below show our performance on key indicators year to date.

Performance on Key Indicators





Other Matters of Interest

A summary of matters that will be of particular interest to Audit Committee Members

CIPFA Position Statement on Audit Committees – published May 2022

CIPFA has updated their position statement for Audit Committees and replaces the 2018 edition and sets out the vital role an Audit Committee plays in a Councils governance arrangements. It sets out key principles around:

- Independence and effective model
- Core functions
- Membership
- Engagement and outputs
- Impact

CIPFA will be issuing an updated 'Audit Committees – Practical Guide for Local Authorities and Police' – due to be published in September 2022.

<https://www.cipfa.org/services/support-for-audit-committees>

CIPFA - Internal Audit Untapped Potential – published May 2022

CIPFA advocates best practice in assurance, governance, management and financial control across the public services. Internal audit has the potential to help organisations achieve their goals, but this potential may not be currently realised. This report, and the research that has been conducted to create it, explores the changing landscape of internal audit in the public services and how vital it is for an organisation in terms of its future success.

CIPFA intention with this report is to open a dialogue across public service organisations, the internal audit profession, audit committees, as well as those considering a career in internal audit. Internal audit is an important part of the solution for effective management of the public services, and CIPFA hope to facilitate change that will see greater independence of internal audit, sustainability of recruitment into the role and an increased understanding of assurance.

This report makes several recommendations. Some are directed at the internal audit teams working within and for the public services. Others are directed at the client organisations, both management and audit committees. There are areas of planned work that CIPFA will be taking forward, some in collaboration with the Chartered Institute of Internal Auditors (CIIA) and the Internal Audit Standards Advisory Board (IASAB).

We suggest that it would be good to explore the content of this report with the Audit Committee as part of its training and development plan – gaining greater insight into the Role and Impact of Internal Audit in the Council.

<https://www.cipfa.org/services/networks/better-governance-forum/internal-audit-documentation/internal-audit-untapped-potential>



Other Matters of Interest

A summary of matters that will be of particular interest to Audit Committee Members

Croydon Council Governance Failing

Fairfield Hall is an arts, entertainment and conference centre situated in Croydon. Refurbishment of this building was agreed by Croydon Council and work was undertaken between June 2016 and September 2019. It was delivered late and cost substantially more than the original £30m budget agreed by cabinet. Originally a Value for Money review, this became a Report in the Public Interest by their Internal Auditors Grant Thornton which highlighted failings of financial control and governance of this project.

The report found that the 'governance gaps' at the time 'prevented scrutiny and challenge that may have allowed corrective action to have been taken.' The report found that the statutory officers and chief officers throughout the time of the refurbishment, including the then chief executive, the two Section 151 officers and the then monitoring officer, failed to fulfil their statutory duties. All have since left the council. An action plan will be put in place to address the recommendations arising from this report.

This has led the Council putting in place new measures to address the findings. The Council has overhauled and strengthened its financial, legal, decision-making and other governance processes, and through its Croydon Renewal Plan is creating a new culture of good decision-making, transparency, accountability and value for money.

It also led the council to undertake an external independent review of its companies and company structures. Following that review, the council's intention is to wind down its development company Brick by Brick once it has completed its outstanding building work. The Fairfield Halls refurbishment contracts were taken back under direct Council control.

The full report can be seen here:

[Microsoft Word - London Borough of Croydon Public Interest Report FINAL 260122](#)

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.

Low

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.

Audit Actions

The audit tracker report identified that there were 77 actions on the “4action” system due for completion by the 1st August 2022. These comprised of:

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We are referencing the 32 Low Priority actions to the Governance and Audit Committee but our focus will be on the High and Medium Priority findings. This is to ensure that the Committee is focused on the actions that matter, are more Business Critical, and have the greatest impact upon assurance.

Following review and discussions with Managers we identified that:

- 5 of the 6 High Priority actions had been completed (83%)
- 28 of the 33 Medium Priority actions had been completed (85%)
- 1 of the 6 actions with no priority had been completed (17%)

We are recommending that Managers take a more pro-active approach of updating action progress and completion going forward as all have access to the system. This will ensure that ownership of actions becomes further embedded and delays can be identified at an earlier opportunity.

Please find below details of the outstanding actions along with reasoning as to why they are not fully complete along with a new proposed target date. These will be tracked in future progress reports.

Outstanding Actions

Audit Title	Issued	Assurance	Total Recs	Recs imp	Priority of overdue recs	Recs not due
Housing Compliance	Oct 2021	Partial Assurance	6	3	1 High 2 Medium	0

The High finding related to staff training. This was due to be completed 31/12/2021.

Due to level of vacancies and staff turnover, partial completion has been achieved through the delivery of significant training including Asbestos Awareness, MPL Locksmith training, CPC Training and Gas Safe acs-ccn1. This is in addition to regular toolbox talks.

The Medium findings relate to ensuring that data recorded on the Propeller system is up to date and accurate, and that this is reviewed by management. Both were due to be completed 31/12/2021. This was due to be completed The Council has confidence where automatic API's load the data that the information is up to date and correct. With regards to EICR, Gas and Fire Actions they are utilising Propeller. Water Hygiene and Asbestos are currently managed externally to Propeller due to the lack of real time integration. Further work following the implementation of the Housing Management System shall be forthcoming around the Council's Asset Management systems

New completion date for these actions is 01/04/2023.

Audit Title	Issued	Assurance	Total Recs	Recs imp	Priority of overdue recs	Recs not due
Follow up 3 GDPR	Dec 2021	N/A	8	3	5 with an N/A rating	0

The findings related to the review of the Information Asset Register (IAR), the allocation of staff to monitor and review data, and work around seeking and recording data consent. Four actions were due 31/12/2021 and one was due 28/02/22.

Data champions have been identified across the Council and the first half of these were trained at the beginning of the year. We are currently looking at providing the second set of training to the other half in the near future. Once the training has been provided the first goal will be to populate the IAR and the data champions will then act as points of contact responsible for keeping the IAR accurate. Work will also be completed on the Retention Schedule. The IAR will be completed by 01/01/2023. Work will then commence on the consent process which will be completed 01/04/2023.

Legacy Actions Pre 20/21	Jan 2021	Good Progress	5	3	2 Medium	0
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One action relates to development of a Communications Strategy. This had a completion date of 30/06/22. This Strategy is at draft stage and requires consultation with the Portfolio Holder. The new action date is 31/10/22.

The other action relates to the CRM system and the periodic removal of data once the Data Disposal Module was implemented. This was due to be completed 31/12/21.

Revs & Bens have reviewed retention periods. The data retention policy was amended in September 2021 to reflect this – main retention changes for Housing Benefit, Council tax and NDR were:

- Live HB claims – retain all data relating to the claim regardless of LA DRP requirement
- Closed HB claim – retain all data relating to the claim for a minimum of three years plus the current year or in accordance with their own DRPs, whichever is the greater.
- Ctax and NDR – records to be retained to 1991

The work requires a significant amount of time which due to working on the £150 Council Tax Energy Rebate scheme has not been possible to commence. New date for completion is to be confirmed.

Rent Collection and Arrears	Feb 2021	Reasonable Assurance	2	1	1 Medium	0
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The action required the South Kesteven District Council Fair Collection and Debt Recovery Policy be reviewed and updated. This was due 31/03/22.

Request made to move target date back due to impact of other workload within the service area - resources and the direct implications on this policy (Cost of Living / Energy increases / Changes to Universal Credit). The new proposed completion date is 31/03/2023.

Audit	Scope of Work	Start Planned Date	Start Actual Date	End Actual Date	Progress and Rating
Good Governance Phase 1 and Decision making	To provide assurance that the Council has a robust Governance Framework in place that aligns to best practice (CIPFA / SOLACE 'Delivering good Governance in local government' – issued 2016. Benchmarking against the 7 good governance principles and the principles and the Governance Risk Resilience Framework – issued by the Centre for Governance & Scrutiny – issued 2021.	22/06/22	22/06//22	08/09/22	Substantial Assurance
Risk Management	To review the effectiveness of the risk management arrangements including: <ul style="list-style-type: none"> • Leadership & Management • Strategy and Policy • People – Risk Culture • Processes • Risk Handling & Assurance • Outcomes & Delivery • Using risk maturity model 	04/07/22	04/07/22	08/09/22	Substantial Assurance
Cyber Security	The National Cyber Security Centre (NCSC) has identified 10 steps for cyber security to help organisations manage cyber risks. The review will cover these 10 steps with a view to confirming that appropriate consideration has been given to these areas.	30/08/22 (deferred at Client request)	30/08/22		Fieldwork stage
Health and Safety	To review the effectiveness of the Council's health and safety arrangements including: <ul style="list-style-type: none"> • Governance & Oversight • Compliance • Processes • Risk Assessment and Assurance • Reporting and monitoring • Measuring performance 	19/09/22 (deferred to October at Client request)			Initial meetings
Housing Void Management	Review of the governance and procedures in place to monitor, manage and report housing voids	03/10/22			Initial meetings

Audit	Scope of Work	Start Planned Date	Start Actual Date	End Actual Date	Progress and Rating
Programme Management	Review of the programme and project management procedures in place to provide management with assurance that a robust and consistent approach is being followed. This will be an advisory review.	05/09/22	05/09/22		Fieldwork stage
Housing Income Management	Review of the governance and procedures in place to monitor, manage and report housing income	January 2023			
HRA Building Programme	Assurance over the Housing Revenue Account building programme processes and procedures	January 2023			
Key Control Testing	Delivery of key control testing to enable Head of Internal Audit to form an opinion on the Council's financial control environment. Terms of Reference which include scope and focus on key risks will be determined with the appropriate senior manager.	Jan/Feb 2023			
Follow Ups	To provide management with assurance that actions from previous key audits have been implemented and this has led to improved outcomes.	As required			