

# Internal Audit Progress Report



**South Kesteven  
District Council  
July 2023**

# Contents

## Key Messages

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Page 1

Assurances Given  
Draft reports  
Progress & Delivery

## Appendices

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Page 3

1 - Assurance Definitions  
2 - Internal Audit Plan – Progress to Date  
3 – Audit Tracker of due actions

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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 1 March 2023 – 30 June 2023
- Advise on progress of the 2022/23 plan
- Raise any other matters that may be relevant to the Audit Committee role

## Key Messages

### Assurances

Since our last update report presented to the Governance & Audit Committee in March 2023, we have completed the following work:

Audit	Audit Type	Assurance Level
Combined Assurance / Service Assurance	Consultancy	N/A

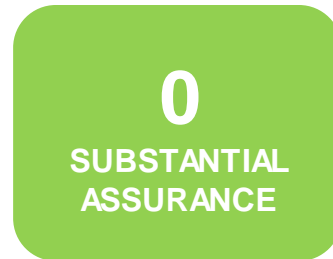
### Progress

We have one audit remaining from the 2022/23 plan, Debtors, which is at draft report stage awaiting a closure meeting and management agreement.

The Capital Programme and Creditors reports are being finalised at the time of issuing this report. We will include the details in our next progress report to the committee. We can confirm the audit opinion is substantial assurance for both these areas.

Following agreement of the 2023/24 Audit Plan at Committee in June we are now in the process of liaising with managers to schedule the audits. We will also be carrying out a review of the audit plan and the remaining time available to provide a revised plan. This will be reported to a future Committee meeting.

Appendix 2 details the work to be completed this year.



## **Combined Assurance / Service Assurance**

We have worked with the Senior Leadership Team to produce a service assurance report. This process involved discussion across the Council and provides management with an overview of the Council's assurance across critical activities, key projects, key partnerships and key risks.

As this was the first year of completing this work, we focused on mapping the activities and obtaining Management assurance. In future to support a combined assurance approach we will gather more intelligence from second and third line (e.g., performance, complaints, external inspections/reviews, Internal Audit etc) to support the assurance provided by Management.

A report has been provided to CMT and the work has been used to support our annual opinion and audit planning

## **Implementation of agreed actions**

We have tracked the actions made by ourselves since starting with the Council in 2022/23.

Progress in implementing the recommendations made to date has been obtained from the responsible officers and recommendations have been closed off where advised. All but eight of the actions due by 31st May have been actioned, the eight have had their due date extended.

Full details of the eight outstanding actions along with reasoning as to why they are not fully complete and a new proposed target date can be found at Appendix 3.

Recommendations prior to 2022/23 are tracked through the Councils 4action system which is updated automatically by management. We have requested access to this system for the current team to access and monitor older recommendations.

We will provide full details on pre 2022/23 overdue actions in a future audit committee report.

**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	Scope of Work	Start Planned Date	Start Actual Date	End Actual Date	Rating
2022/23 Key Control Testing	<p>Delivery of key control testing to enable Head of Internal Audit to form an opinion on the Council's financial control environment.</p> <p>Terms of Reference which include scope and focus on key risks will be determined with the appropriate senior manager.</p>	15/02/23	30/01/23		<p><b>Accounts Receivable</b> – responses to queries provided, awaiting management response</p> <p><b>Accounts Payable</b> – Awaiting closure meeting</p> <p><b>Capital Programme</b> – Final report to be issued.</p>
Payroll	Management request – The Council has brought payroll back in house – audit to be undertaken in Q3/4 to provide support and assurance that the service is being effectively managed.	TBC			
Asset Management	Provide assurance on the Council's processes and systems to effectively manage its assets. Issue raised in assurance mapping by the Chief Finance Officer.	TBC			
Recruitment and Retention	Key issue raised by managers during the assurance mapping process, it is also a key national issue. We will provide assurance on the Council's approach to recruitment, succession planning and retention. To mitigate the risk of capacity and capability shortfalls to deliver the Council priorities.	TBC			
Housing Income Management	Management request Review of the governance and procedures in place to monitor, manage and report housing income. Postponed from the 22/23 plan.	TBC			

Audit	Scope of Work	Start Planned Date	Start Actual Date	End Actual Date	Rating
S106	Management request – provide assurance on the management, oversight and controls for recording and delivering Section 106 monies.	Jan – Mar 2024			
Operations	Management request – Provide assurance on the compliance to the parts contract for vehicles to include operational aspects, contract management and financial management.	TBC			
Public Protection	Management request – Review and assess compliance with the Food Standards Agency requirements for food hygiene inspections and consistency of rating under the Food Hygiene Scheme.	TBC			
Risk Management	Test the mitigations in place to address key strategic and operational risks. To provide assurance that documented controls provide a robust level of control and assurance on the management of risk.	TBC			
Follow Ups	To provide management with assurance that actions from previous key audits have been implemented and this has led to improved outcomes.	Ongoing			Tracked with mgmt. quarterly – follow up low / limited assurance opinion / high priority actions

Audit	Scope of Work	Start Planned Date	Start Actual Date	End Actual Date	Rating
<b>Combined Assurance</b>	Working with management we co-ordinate the levels of assurance across the Council's critical activities, key risks, projects and partnerships – producing a Combined Assurance Status report in February / March 2023.	Quarter 4			
<b>Cyber Security</b>	A key element and potential weakness in cyber security is people. Provide assurance on staff awareness, training, cyber culture and how the Council effectively manages the continuous risk of staff error or misunderstanding in regard to cyber threats and security.	TBC			

**Summary of the number of outstanding Agreed Actions for all audits as at 31 May 2023**

Audit Title	Issue Date	Assurance	Total Agreed actions	Agreed actions imp	Agreed actions overdue	Priority of overdue actions	Actions not due*
Risk Management	Sept 22	Substantial	2	1	0	N/A	1
Cyber Security	Nov 22	Substantial	18	15	0	N/A	3
Health & Safety	March 2023	Substantial	9	3	0	N/A	6
Housing Void Management	March 2023	Limited	8	2	0	N/A	6
<b>Totals</b>			<b>37</b>	<b>21</b>	<b>0</b>		<b>16</b>

\*This includes the actions which have extended their original due date, please see following page.

Please find below details of the overdue/extended actions along with reasoning as to why they are not fully complete. These will be tracked in future progress reports.

Audit Title	Priority	Agreed Action	Owner	Due date	Comments
Risk Management 2022/23	Medium	Risk Management E Learning will be implemented	Governance & Risk Officer	31/10/23 (31/10/22)	In Progress - E Learning will not be implemented but training will be provided to CMT/SLT as part of the review of Strategic Risks and approach to Risk Management including the Framework.
Cyber Security 2022/23	Medium	An action plan is being developed in order for an application for certification to be made	IT Services Manager	31/03/24 (01/01/23)	Planned for current year 2023/24. An assessment has been completed which has raised a lot of actions to complete before certification can be applied for.
Cyber Security 2022/23	High	A plan is being created for removal or upgrade of unsupported servers.	IT Services Manager	30/11/23 (01/12/22)	In progress – All 2003 servers have been removed. Further servers to be replaced in due course. The new live date for Housing is Nov 23 at which point the old servers can be removed.
Cyber Security 2022/23	Medium	Change control procedures are being enabled on the corporate IT support software system to ensure change management is carried out and documented	IT Services Manager	30/09/23 (01/12/22)	In progress - Change control module is being implemented with helpdesk software supplier

Please find below details of the overdue/extended actions along with reasoning as to why they are not fully complete. These will be tracked in future progress reports.

Audit Title	Priority	Agreed Action	Owner	Due date	Comments
Housing void management 2022/23	High	Utilise the new reporting capability of IHMS to monitor each void stage and identify opportunities to improve and champion good performance.	Repairs Manager Housing Technical Services	31/07/2023 (01/05/23)	The last post of Void Inspector was filled on 9th May. The backlog of inspections has not been completed as the new staff member is completing the training.
Housing void management 2022/23	Medium	Weekly exception reports to identify any data inaccuracies to be introduced until the implementation of the new IHMS system in May 2023.	Repairs Manager Housing Technical Services	20/10/2023 (20/02/23)	In progress. Discussions on all aspects of the Void Audit have been held in the team. The Void and Responsive Repairs Manager has been heavily involved in the implementation of the IHMS system, however the delay in delivery is impacting this target.
Housing void management 2022/23	Medium	Utilise the post inspection outcome report from new IHMS post launch to understand the level of additional work required post inspection.	Repairs Manager Housing Technical Services	31/10/2023 (01/05/23)	The implementation of IHMS was expected by the end of May and the delay in delivering the new IHMS system is impacting this target. We continue to record post inspection data manually in the interim.
Housing void management 2022/23	Medium	Ensure this report is monitored by the Voids Contract manager to inform contract meetings and drive performance improvement.	Repairs Manager Housing Technical Services	31/10/2023 (01/05/23)	The delay in delivering the new IHMS system is impacting this target. We continue to record post inspection data manually in the interim.