

Internal Audit Progress Report



Boston Borough Council
May 2021



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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. ¹

Introduction

The purpose of this report is to:

- Provide details of the audit work during the period March to May
- Advise on progress with the 2020/21 plan and the 2021/22 Plan
- Raise any other matters that may be relevant to the Audit Committee role

Key Messages

As at 31st March 97% of the revised 20/21 Audit Plan had been completed. Two audits were at draft report stage and since then one has been finalised and the other is being agreed with management.

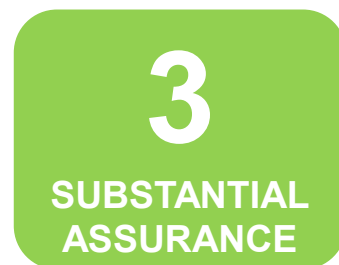
The 21/22 Audit Plan will start mid to late May, and is shown at the end of this report.

Assurances / Consultancy

In this period five assurance reviews have been completed;

- Council Tax – Substantial
- IT Assurance Map update – Limited
- Housing Benefit & Council Tax Support – Substantial
- Accountancy Key Controls – High
- Payroll – Substantial

Note: The assurance expressed is at the time of issue of the report but before the full implementation of the agreed management action plan. The definitions for each level are shown in Appendix 1.



High Assurance

Accountancy Key Controls

This was a key controls audit which found that the expected key controls are in place and operating as intended;

- Access to the EFinancial system is restricted, relevant to job roles and up to date
- There have been no virements in 2020/21 but staff are aware of authorisation requirements
- The annual budget is accurately loaded and checked
- Revenue expenditure is regularly monitored by the accountants, budget holders, Assistant Directors and Portfolio Holders and reported to Cabinet as part of a quarterly Finance update
- Capital expenditure is monitored through Alliance Capital Monitoring meetings and reported to Cabinet as part of a quarterly Finance update
- Budget variances are identified, explained and reported as part of the quarterly Finance update, in accordance with Financial Procedure Rules
- Data posted into the nominal ledger from other systems is reconciled monthly
- Suspense accounts are continually monitored and reconciled monthly

No areas for improvement were identified and no recommendations have been made.

Substantial Assurance

Council Tax

All payment methods continue to operate with appropriate controls in place and any refunds due are checked and authorised.

Debt recovery has been significantly affected by the various lockdowns. In accordance with Government requirements all recovery action was suspended for the period March to August 2020 and although reminders restarted in September there were no court sessions in 2020 and formal action will not now take place until the early part of 2021. The latest collection data (for Q3) shows that collection of Council Tax is behind target (78.26% against a target of 80.56%) but it is hoped that this gap will be reduced by the year end.

Some minor improvements in the debt recovery process have been agreed relating to a review of circumstance codes to ensure they are appropriate, and write-off authorisation emails containing the number and value of debts being authorised for write-off

A daily process to reconcile Council Tax Support posted from Housing Benefits into Council Tax has not been undertaken consistently and management oversight is required to ensure that it is completed. As the same issue was found in the previous audit in 2018 a High priority recommendation has been made, which will be subject to an audit follow up review when it is implemented.

A high level review of Discounts and Exemptions indicates that they are being correctly awarded. A Single Person Discount review planned for 2020 has been postponed to 2021.

Substantial Assurance

HB and CTS processing times for new claims and change of circumstances are monitored and reported quarterly to senior management and Members, and the targets are being met

Large value payments are reviewed in detail and weekly payment runs are authorised by the manager. However warnings in the weekly payment run should be reviewed. This will be done going forwards.

A reconciliation of data in the HB system to what is posted into the Creditor and Financial Ledger systems is undertaken. However there are some variances which have not been flagged up for investigation. This will be done going forwards.

A process is in place to review any returned letters, which may be an indication that the claimant is no longer at the address.

Awards of Council Tax Support Hardship Funding payments are being made in accordance with Government guidance. As at mid-February £400,000 of the £538,000 received has been spent and management are considering the options available for the amount remaining.

Suspected HB fraud is being reported to the DWP's Single Fraud Investigation Service in accordance with guidance. Suspected CTS fraud is not handled by SFIS and is dealt with internally. Due to a lack of resource investigation action is not an option but it is dealt with by removing discounts and a penalty can be imposed.

The level of Quality Control work in 2020/21 is significantly below the level required due to additional work as a result of Covid. In 2019/20 the required level (5%) of QC work was undertaken across the whole year and the accuracy target of 80% was achieved. A recommendation has not been made as the move to PSPS on 1st April should address the resource issue.

Action is being taken to recover overpaid Housing Benefit and Council Tax Support, however the level of resource to do this has been impacted due to additional work as a result of Covid. The level is decreasing slightly; in April 18 it was £3m, in April 20 it was £2.7m and in March 21 it was £2.4m.

Housing Benefit & Council Tax Support

Substantial Assurance

Processes to collect and authorise the payroll data required each month have not changed significantly as a result of Covid / Working From Home. Some data is input directly into iTrent by the employee and authorised by their manager, or a paper document is completed, scanned and emailed by the manager.

Following the Alliance with ELDC (in July 2020) there are some authorisation matters that need to be addressed;

- ELDC line managers cannot yet access BBC's iTrent system to authorise documents. As a work around the People Services Officer (PSO) is authorising on iTrent on their behalf upon receipt of an authorising email. This arrangement, which has been signed off by management, started in August 20 and will continue until October when a permanent, secure, solution will be put in place – a new payroll and HR system has been commissioned as part of the transfer of HR and ICT services to PSPS.
- An up to date authorised Signatory list (setting out who can authorise what – covering all areas and not just payroll) has not yet been produced. We have been advised that this is scheduled to be done in early 2021/22.

Payroll

Whilst recognising the above matters are to be resolved, we are happy that payroll documentation is being authorised by officers at an appropriate level.

Robust processes are in place, involving the PSO and the People Services Manager, to check that payroll data and payments are correct.

Since December 20 a small number of staff have been furloughed and monthly claims have been made to the Government under the Job Retention Scheme. The guidance associated with the Scheme is being complied with and a check is in place to ensure that amounts claimed are received.

A review of a small sample of termination / redundancy payments found that they were in accordance with Council policies and had been appropriately authorised.

A secure process is in place for staff to change their bank account details.

Limited Assurance

We undertook ICT Assurance mapping work during 19/20 based on the ISO 27001 and other linked standards. It reviewed first, second and third line assurances. The review identified several areas of mitigation which were work in progress, particularly around policy and procedures. Due to Covid and work linked to the new Alliance much of the action plan has not yet been progressed.

For 20/21 we reviewed further elements of ICT security best practice with the assistance of a specialist ICT Auditor;

- Progress with the March 2020 ICT action plan
- Progress and compliance with IT security policies, standards and good practice
- Progress with ICT risk management

The scope did not include substantive or evidence-based testing; some evidence was obtained for certain areas.

The audit made 4 High priority and 9 Medium priority recommendations.

There are still further actions to be completed, particularly around the development of IT security policy and procedures. The IT team at Boston will join with PSPS, and consequently, over time, will adopt their IT governance arrangements. We have been advised that PSPS and the PSPS team will address and monitor the agreed actions and provide updates to management (through the Assistant Director – Organisation and Corporate Services who oversees the PSPS ICT SLA) and the Audit and Governance Committee during 21-22 as part of their implementation plan.

Further details can be found in Appendix 1.

Internal Audit Work

Audit Reports at Draft Stage

- Governance, Risk Management & Counter Fraud (20/21 audit)

Work in Progress

There is currently no work in progress.

Other Significant work

None is currently being undertaken.

Audit Recommendations

A recommendation update giving the position as at 31st March is attached at Appendix 3.

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 (2020/21)

100%
Rated our
service Good
to Excellent

97% Plan
Completed at
31st March

**Achievement
of Audit KPI's
to date**



Other matters of interest

A summary of matters that will be of particular interest to Audit committee members

There are none at this time.

IT SECURITY FOLLOW UP – LIMITED ASSURANCE**ISSUED March 2021****Background and Context**

An ICT Strategy was agreed in 19/20 and the management of the ICT service was reviewed with the appointment of a new IT and Transformation Manager. At the end of 19/20 Officers were also in the process of developing a new ICT Security Policy.

We undertook ICT Assurance mapping work during 19/20 based on the ISO 27001 and other linked standards. It reviewed first, second and third line assurances.

The review identified several areas of mitigation which were work in progress, particularly around policy and procedures.

Due to Covid and work linked to the new Alliance much of the action plan has not yet been progressed.

For 20-21 we reviewed further elements of ICT security best practice which focused on specific areas.

We undertook this review with a specialist ICT Auditor

Scope

The purpose of the review is to provide assurance on IT security controls linked to linked IT security standards, identifying where mitigation work is in progress and also any additional recommendations that may arise.

We reviewed

- Progress with the March 2020 ICT action plan
- Progress and compliance with IT security policies, standards and good practice
- Progress with ICT risk management

The scope of the audit was through analysis and discussion of an IT benchmarking questionnaire. The scope did not include substantive or evidence-based testing; some evidence was obtained for certain areas.

Executive Summary

There are still further actions to be completed, particularly around the development of IT security policy and procedures. The IT team at Boston will join with PSPS, and consequently, over time, will adopt their IT governance arrangements. We have been advised that PSPS and the PSPS team will address and monitor the agreed actions and provide updates to management (through the Assistant Director – Organisation and Corporate Services who oversees the PSPS ICT SLA) and the Audit and Governance Committee during 21-22 as part of their implementation plan.

Key findings include:

- Network documentation and policies will be reviewed as part of ongoing improvement planning. This includes the new IT Security policy, security incident response plan and other guidance standards and procedures
- Media/asset disposal standards are to be documented as are configuration management standards and Web based / Cloud acquisition standards
- Formalising the IT change management process
- Officers are working to towards PSN (Public Services Network) compliance/accreditation.
- Patch management records will be improved.
- IT out of hours support arrangements may need formalising.
- Access to generic accounts and alerts for changes to privileged groups
- The use and control around USB devices will be reviewed
- Introducing scheduled test recovery from backups and for the IT DR site. Back up procedures are also to be documented. The IT Disaster Recovery plan is reviewed and updated.
- Although a new project methodology has been agreed for the Alliance for 2021/22, when IT moves to PSPS then they will use their methodology.
- Server room environmental additional control alerts to be introduced
- IT Security training and awareness is part of induction. An ongoing programme of cyber awareness refresher training should be introduced.
- Whilst there is some reference to IT risk within the strategic risk register we recommend adding cyber-security risk.

Management Response

This is an excellent overview of where we are, to share with PSPS as they take over responsibility for these areas. PSPS are currently putting together a plan for implementation of the new arrangements from 1st April 2021. Anything that can be implemented immediately has been flagged in the actions. Otherwise, the action will be incorporated into their implementation plan with an end date of 31st March 2022. Priority actions will likely happen before this date but this will be clarified in the implementation plan itself. The outcomes of the NCSC work will also feature in that action plan.

Provided by the IT and Transformation Manager

This is a helpful overview of where Boston Borough Council was at the point that ICT services transferred to PSPS on April 1, 2021. The report further supports the Council's justification to transfer ICT Services to PSPS and the PSPS team are now working to implement the recommendations, with progress having already been made in a number of the areas identified.

Provided by the Assistant Director – Organisation and Corporate Services

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 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 Recommendation Status at 31st March 2021.

Activity	Issue Date	Assurance	Total recs	Recs Imp	Priority of Overdue Recommendations			Recs not due
					High	Medium	Low	
Economic Development	Mar 19	Substantial	3	2	0	1	0	
	<p>The outstanding recommendation is for Cabinet to receive the ED Action Plan as a supporting document to the Corporate Plan.</p> <p>The target date has been extended to March 2021 (original date was Sept 19) - this action was initially delayed due to the delay in producing the new Corporate Plan. An update is awaited but it is likely to be further extended so that it can include Covid Recovery work as well.</p>							
IT Infrastructure Follow Up	Apr 19	Substantial	3	2	0	1	0	
	<p>The outstanding recommendation is to finalise the Code of Connection. The target date has been further extended to Sept 21 (original date was April 19) and is part of the Boston ICT roadmap. This action transferred to PSPS on 1 April 21.</p>							
Complaints	May 19	Substantial	10	6	0	4	0	
	<p>The outstanding recommendations are to review some requirements of the policy to see if they are still relevant and to produce an annual complaints report. The target dates have been further extended from Dec 20 to Dec 21 (original dates were March 20) due to a review of the complaints process across the strategic alliance in 21/22 to develop a single approach.</p>							
Website / Digitalisation	May 19	Substantial	5	3	2	0	0	
	<p>We have been advised that the 2 High priority recs are no longer required as a new website is planned as part of the Strategic Alliance (they relate to completing an Equality Analysis and compliance with the Website Accessibility regulations).</p>							
Health & Safety	Oct 19	Substantial	5	4	0	1	0	0
	<p>The outstanding recommendation is to provide H&S training for members. Work started was delayed due to Covid and now requires a collaborative approach with ELDC. The target date has been extended to June 2021 (was originally March 2020).</p>							
Medium Term Financial Strategy	Oct 19	High	2	0	0	1	0	1
	<p>An update on the recommendation due March 2021 is awaited. The other one is not due until March 2022.</p>							

Activity	Issue Date	Assurance	Total recs	Recs Imp	Priority of Overdue Recommendations			Recs not due
					High	Medium	Low	
Scrutiny	Dec 19	Substantial	4	3	0	1	0	0
	The outstanding recommendation is to produce a schedule of policies. We have been advised that is no longer required for BBC alone and will be an action for the Alliance as part of bringing services together.							
Values & Behaviours	Feb 20	Consultancy	2	0	0	2	0	0
	The outstanding recommendations are regarding the Code of Conduct (update and officer / member training). The target dates have been further extended to June 2021 (originally Sept 2020).							
Treasury Management Key Controls	Feb 20	Substantial	2	1	0	1	0	0
	The outstanding recommendation is to update the Treasury Management Practices. The target date has been further extended to Sept 21 (original was March 20) due to the move to PSPS and the need to align it across the Strategic Alliance.							
HMO Licensing	Jun 20	Substantial	4	3	0	0	0	1
	1 recommendation due April 21.							
Governance, Risk, Counter Fraud	Jul 20	Substantial	2	1	1	0	0	0
	The outstanding recommendation (High priority) is to complete the Publication Scheme and the target date has been further extended to June 2021 (originally Sept 2020) as it being picked up as part of the Annual Governance Statement process.							
Strategic Alliance – TOR / MOU	Dec 20	Consultancy	8	0	0	4	0	4
	An update on the recommendations overdue is awaited.							

Activity	Issue Date	Assurance	Total recs	Recs Imp	Priority of Overdue Recommendations			Recs not due
					High	Medium	Low	
Council Tax	Mar 21	Substantial	3	1	1			1
	The outstanding (High) recommendation is regarding the process to reconcile Council Tax Support received from the HB system. It has been partly implemented and the remaining aspects have been started but have been extended to June 21 (original date was Mar 21).							
IT Assurance Map update	Mar 21	Limited	13					13
Housing Benefit & Council Tax Support	Apr 21	Substantial	2	2				
	Both recommendations were implemented by the target date.							
Payroll	May 21	Substantial	2					2
Governance, Risk Management & Counter Fraud		Substantial	3					3

Appendix 4

2021/22 Audit Plan Progress

Audit	Scope of Work	Start Planned date	Start Actual date	End Actual date	Status/ Rating
Brexit	Management of Brexit risks (joint with ELDC)	Q1			
Towns Fund & PE21	Programme & project management arrangements. (joint with ELDC)	Q1			
Value for Money (MTFS)	Support work for External Audit's annual commentary in line with the new code of practice and the CIPFA Financial Code. (joint with ELDC)	Q1			
Income	Income collection controls in key areas.	Q2			
Workforce Plan	The Plan is effective and meets the changing needs of the Council and the demographics and skills of staff. (joint with ELDC)	Q2			
Flood Management	Adequate arrangements to prevent and respond to flooding are in place between the Council and the LLFA. (joint with ELDC)	Q2			
Key Controls	Testing on the Council's financial control environment to inform the Annual IA Report. (coverage may change)	Q3-4			

Audit	Scope of Work	Start Planned date	Start Actual date	End Actual date	Status/ Rating
ICT – IT Security Follow Up	Follow up of a previous audit.	Q3			
Combined Assurance	Updating the Council's assurance map and producing the Combined Assurance report.	Q3			
Strategic Alliance	Governance arrangements (joint with ELDC)	Q3			
Carbon Reduction	Plans to tackle climate change are relevant, fit for purpose and achievable. (joint with ELDC)	Q4			
ICT – ICT Projects	Appropriate programme and project management arrangements are in place.	Q4			
Contract Management	All contracts are recorded, allocated and effectively managed. (joint with ELDC)	Q4			