

Internal Audit Progress Report



Boston Borough Council
September 2021

 Assurance
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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 June to August 2021
- 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

Since our last Progress report in May 2021, we have commenced work on the 21/22 Audit Plan and currently have seven audits in progress. We have issued the final audit report from 2020/21.

All audits within the 20/21 audit plan have now been completed.

Assurances

In this period one assurance review has been completed;

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

Work in progress

- Brexit
- Towns Fund
- Income
- Housing Benefit Subsidy
- Boston Town Area Committee
- Carbon Reduction
- Flood Management



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.

Substantial Assurance

Governance

The Council's Code of Corporate Governance was produced in 2017 and requires updating to reflect the changes brought about by Covid / working from home and the establishment of the Strategic Alliance. An assessment against the refreshed Code is then required to inform the AGS. Management have stated that these will both be done before the 2020/21 Annual Governance Statement is produced.

During 2020/21 CIPFA have issued some pieces of guidance on the content of the AGS and these should be considered.

In the past the process to produce the AGS has been relatively informal. It is suggested that it becomes more structured and supported by evidence.

There are some outstanding areas which could be impacting on the Council's governance arrangements;

- IT Security Policies need updating. As part of the transition to PSPS new policies have been produced and will be rolled out shortly.
- Member Code of Conduct arrangements have not been updated. Local Government Association Guidance is expected in June / July and it is anticipated that a new Code will be adopted in September.
- The Council does not have a Publication Scheme. This is planned and the production of it will be supported by a new Information Management Group.
- A Partnership governance assessment has not been undertaken and reported to Audit & Governance committee.
- Audit & Governance committee didn't meet between February and October 2020. There was a meeting in May 20 (which received a number of reports including the Annual Internal Audit report) but it wasn't minuted.

CIPFA's Financial Management Code is applicable in shadow form during 2020/21 with compliance expected from 2021/22. The guidance suggests that a self-assessment against the FM Code is done to inform the 20/21 AGS and management have stated that this will both be before the 2020/21 Annual Governance Statement is produced.

The S151 Officer and AD Organisation and Corporate Services have no concerns about the Council's governance arrangements during 2020/21.

Substantial Assurance

Risk Management

Due to Covid and the Strategic Alliance the Risk Management framework has not been reviewed since September 2019. The 2019 version is still relevant but will be replaced by an Alliance Risk Management Framework in 2021/22.

Strategic and operational risk review and reporting has continued to CMT and Audit & Governance committee throughout 2020/21.

Following the production of a new Corporate Strategy the strategic risk register will be reviewed in 2021/22.

Project risk management and assurance has been improved through the introduction of a new project management framework in 2021/22.

Counter Fraud

The Council has Anti-Fraud & Corruption, Whistleblowing and Prosecutions & Sanctions Policies are in place. However, they were produced in 2017 and 2018 and should be reviewed to reflect latest best practice and the Strategic Alliance / Public Sector Partnership Services Ltd (PSPSL). Responsibility for these documents is passing to PSPSL in April.

An Annual Fraud report is presented to Audit & Governance committee.

There is a Fraud risk register, which is reviewed quarterly and presented to Members as part of the Annual Fraud Report. All fraud risks are medium risk apart from Council Tax, Housing Benefit and Business Rates fraud which are high risk.

The Council is an active member of the Lincolnshire Counter Fraud Partnership.

There is an established process for investigating any whistleblowing referrals received via the reporting service administered by Lincolnshire County Council. A manager receives the referrals and investigates them and they are reported to senior management annually as part of the Annual Fraud report. Going forwards this role will be passing to PSPSL.

**Gov, Risk
Man &
Counter
Fraud
(cont'd)**

Internal Audit Work

Audit Reports at Draft Stage

- There are none

Work in Progress

- Brexit – Fieldwork
- Towns Fund - Fieldwork
- Income - Fieldwork
- Housing Benefit Subsidy - Fieldwork
- Boston Town Area Committee - Fieldwork
- Carbon Reduction - Planning
- Flood Management - Planning

Other Significant work

Housing Benefit Subsidy testing (on behalf of External Audit) has been added into the Plan at the request of management. This work was previously done by Boston Borough Council staff, who have since been transferred to PSPS Ltd.

Audit Recommendations

A recommendation update is attached at Appendix 3.



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 as at 1st August 2021

Performance Indicator	Year-end Target	Standard Profile Target*	Actual as at 1 st August 2021
Percentage of revised plan completed.	100%	25%	15%*
Percentage of recommendations agreed	100%	100%	N/A no 21/22 reports issued
Percentage of agreed actions implemented	100% or escalated	100%	No 21/22 reports issued
Draft report issued within 10 days of fieldwork completion	100%	100%	N/A no 21/22 reports issued
Final report issued within 5 days of management response	100%	100%	N/A no 21/22 reports issued
Draft report issued within three months of fieldwork commencing	80%	80%	N/A no 21/22 reports issued

* 21/22 audit plan commenced in June 2021



Other matters of interest

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



Liverpool City Council: Best Value inspection report

The report sets out the detailed findings of the inspection including the inspector's conclusions, the evidence and methodology used, and proposals for the future. The report concluded :-

- There were major gaps in the documentary evidence to support the decisions and actions of the Council at both Member and Officer level.
- Compliance with the Council's Standing Orders, regulations and the overriding legislation was not part of the culture of the organisation .
- Failure to comply with the rules relating to Key Decisions, Scrutiny, Exempt reports and probity was evident. Processes were in place to ensure these matters can be drawn out, but there was no evidence that this was done.
- Officers drew attention to the risks and losses incurred by the Council but these were not always visible because of structures/resource limitations/reporting lines and in some cases these offices were not supported and exposed to aggressive challenge.
- Early steps have been taken to improve control and compliance and these are starting to have an impact. It is clear that there is insufficient resource at the top and in the corporate centre of the Council to drive changes and embed them Council wide.
- There is evidence that the failings reported in reviews of Nottingham City Council and London Borough of Croydon are reflected in what was noted in the Council's LATCO's .

The full report can be found at <https://www.gov.uk/government/publications/liverpool-city-council-best-value-inspection-report>



Grant Thornton

Lessons from recent Public Interest Reports

The pandemic has highlighted four essential factors about Local Government:-

1. Local government has provided fantastic support to its communities in working with the NHS and other partners.
2. The centralised approach to government has been exposed to some degree in terms of its agility to tailor pandemic responses to regional and local bodies.
3. Years of reduced funding have exposed underlying flaws in the local authority business model, with too much reliance on generating additional income.
4. Not all authorities exercise appropriate care with public money, exercise appropriate governance or have the capability of managing risk.

Local authorities have a variety of different governance models . Recent public interest cases have found that it is less about the system of governance and more about how it operates, who operates it and how willing they are to accept scrutiny and challenge.



Other matters of interest

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

The report discusses the three main areas where lessons can be learned through reports on the context of local government in a Covid-19 world, Governance, scrutiny and culture and Council leadership.

A number of recommendations are made:-

- Councils are required to consider how they measure up against CIPFA 's new Financial Management Code
- Councils are mindful of reserve levels at all times, maintaining a clear strategy for maintain g adequate reserves.
- Internal Audit and risk assurance arrangements can be strengthened.
- Greater focus on establishing a healthy management culture – starting with the tone from the top
- Look for opportunities to learn fro the Council's past experience and that of others.
- Council members should strive to work more collegiately, particularly for strategic decisions with implications that reach many years in the future.

The full document can be found provided on request.



The governance risk and resilience framework

The framework is designed to support individual council officers and councillors to play their part in understanding, and acting on, risks to good governance. It centres on an analytical framework which is designed to help councillors and officers to identify emerging risks to governance, and to tackle them proportionately. It is based on three stages:

- Anticipating – the framework supports councillors and officers (even if they aren't governance professionals) to observe and reflect on governance practice, through a set of characteristics and behaviours which are designed to give people a “common language” to talk about governance pressures;
- Managing – understanding and accepting where risks lie, and taking action to find solutions. The framework is designed to be bottom-up – to empower people other than senior managers to take active responsibility to find and implement solutions themselves. However, the support of people at the top of the organisation – and especially the principal statutory officers – is important;
- Adapting – learning from these experiences in the interests of continuous improvement.

It is envisaged councillors and officers use the framework to talk about their experiences with governance, with these insights – and concerns – being escalated to principal statutory officers in a council (the Chief Executive, the Monitoring Officer and the Chief Finance Officer) for review. In so doing, this insight can help councils to agree robust and accurate Annual Governance Statements.

The full framework can be found at <https://www.cfgs.org.uk/governancerisk/#link-seven>

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 July 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 Sept 2021 (original date was Sept 19) - this action was initially delayed due to the delay in producing the new Corporate Plan and has been further extended due to a review of Economic Development including Covid Recovery.</p>							
IT Infrastructure Follow Up	Apr 19	Substantial	3	2	0	1	0	
	<p>The outstanding recommendation is to finalise the Code of Connection.</p> <p>The target date has been extended a few times and it is now Sept 21 (the original date was April 19). This is with PSPS to deliver.</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.</p> <p>The target dates have been extended 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>							
Health & Safety	Oct 19	Substantial	5	4	0	1	0	0
	<p>The outstanding recommendation is to provide H&S training for members.</p> <p>This is with PSPS to deliver and the target date has been further extended to December 21 (was originally March 20 with an initial extension to Jun 21).</p>							
Medium Term Financial Strategy	Oct 19	High	2	1	0	0	0	1
	<p>The recommendation is due 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
	<p>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.</p>							
Values & Behaviours	Feb 20	Consultancy	2	0	0	2	0	0
	<p>The outstanding recommendations are regarding the Code of Conduct (policy update and officer / member training). The target dates have been further extended to March 2022 (originally Sept 2020). The LGA has published a new model Code, training is being delivered to Members in Sept prior to consideration of adoption of a new Code in early 2022.</p>							
Treasury Management Key Controls	Feb 20	Substantial	2	1	0	1	0	0
	<p>The outstanding recommendation is to update the Treasury Management Practices. The target date was extended to Sept 21 (original was March 20) due to the formation of the Alliance and it is now with PSPS to deliver.</p>							
HMO Licensing	Jun 20	Substantial	4	4	0	0	0	0
	<p>All recommendations are now implemented.</p>							
Governance, Risk, Counter Fraud	Jul 20	Substantial	2	1	1	0	0	0
	<p>The outstanding recommendation (High priority) is to review the Publication Scheme and the target date has been further extended to Sept 2021 (originally Sept 2020) – information published is currently being reviewed by the DPO to ensure compliance and consistency across the Strategic Alliance.</p>							
Strategic Alliance – TOR / MOU	Dec 20	Consultancy	7	2	0	2	0	3
	<p>Two recommendations have been completed. The overdue recommendations are being picked up as part of the TOR / MOU for the SELCP and have target dates of Sept 21.</p>							

Activity	Issue Date	Assurance	Total recs	Recs Imp	Priority of Overdue Recommendations			Recs not due
					High	Medium	Low	
Council Tax	Mar 21	Substantial	3	2		1		
	<p>A High priority recommendation to reconcile Council Tax Support received from the HB system has been implemented and, in accordance with our follow up protocol, supporting evidence will be reviewed to ensure it has been implemented as agreed, Our findings will be reported in the next Progress Report.</p> <p>The outstanding recommendation is to review accounts with a Circumstance Code on them. The target date is Aug 21 (original date was Jun 21). This is with PSPS to deliver.</p>							
IT Security / Assurance Map update	Mar 21	Limited	13	4		2		7
	<p>Four recommendations were implemented by the target date. Two recommendations have been extended to August 21 (from Jun 21) – a High priority one to restrict the use of USB devices and a Medium priority one to configure email alerts from environmental monitoring equipment in the data centre. Both are in progress and an update on their current status is awaited. These are with PSPS to deliver.</p>							
Housing Benefit & Council Tax Support	Apr 21	Substantial	2	2				
	<p>Both recommendations were implemented by the target dates.</p>							
Payroll	May 21	Substantial	2					1
	<p>Both recommendations are High priority. We have been advised that the recommendation to review and update the Authorised Signatory List won't be implemented as a new HR system is to be used from October – this has been approved by senior management and the S151 Officer. The other recommendation is not yet due.</p>							
Governance, Risk, Counter Fraud	May 21	Substantial	3	1				2
	<p>A High priority recommendation to introduce a formal process to produce the AGS has been implemented and in accordance with our follow up protocol supporting evidence will be requested and reviewed. Our findings will be reported in the next Progress Report.</p>							

Audit	Scope of Work	Start Planned date	Start Actual date	End Actual date	Status/ Rating
Brexit	Management of Brexit risks (joint with ELDC)	Q1	Jun		Fieldwork
Towns Fund & PE21	Programme & project management arrangements. (joint with ELDC)	Q1	Jun		Fieldwork
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)	Q3			
Income	Income collection controls in key areas.	Q2	Aug		Fieldwork
Housing Benefit Subsidy	Detailed testing work on behalf of External Audit	Q2	July		In progress
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	Jul		Planning

Audit	Scope of Work	Start Planned date	Start Actual date	End Actual date	Status/ Rating
Carbon Reduction	Plans to tackle climate change are relevant, fit for purpose and achievable. (joint with ELDC)	Q2	Aug		Planning
Boston Town Area Committee (BTAC)	To provide assurance over the effectiveness of BTAC's governance arrangements and operations to ensure that they are fit for purpose.	Q2	July		Fieldwork
Key Controls	Testing on the Council's financial control environment to inform the Annual IA Report. (coverage may change)	Q3-4			
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			
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			

Deferred Audits

Audit	Rationale	Change	Approval
Strategic Alliance	It has recently been approved for South Holland District Council to join the Alliance and be known as the South & East Lincolnshire Council Partnership. This audit has been agreed for deferral to allow time for these changes to be embedded and will be completed in 22/23.	Deferral	Adrian Sibley & Cllr Fry 5 th August 2021