

Internal Audit Progress Report



Boston Borough Council
November 2021



Contents

Key Messages

Page 2

Introduction
Summary
Assurances

Internal Audit work completed

Page 2

Overview of Assurances
Audit Reports at Draft
Work in Progress

Benchmarking

Page 6

Key Performance Indicators

Other Matters of Interest

Page 7

Appendices

Page 9

-
- 1 Assurance Definitions
 - 2 Audit Recommendations
 - 3 2021/22 Audit Plan to Date
 - 4 Changes to the Audit Plan

Lucy Pledge - Head of Internal Audit
Lucy.Pledge@lincolnshire.gov.uk

Matthew Waller- Audit Manager
Matthew.Waller@lincolnshire.gov.uk

This report has been prepared solely for the use of Members and Management of Boston Borough Council. Details may be made available to specified external organisations, including external auditors, but otherwise the report should not be used or referred to in whole or in part without prior consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended for any other purpose.

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 August to 14th October 2021
- Advise on progress with the 2021/22 Plan
- Raise any other matters that may be relevant to the Audit Committee role

Key Messages

At the 14th October 37% of the planned days has been completed, against the target of 50%.

There are six audits in progress – see below for further details.

HB Subsidy work was prioritised in September which meant that the Brexit and Income audits were put on hold. They have since been restarted.

Assurances

In this period one assurance review has been completed;

- Boston Town Area Committee – High assurance

Work in progress

- Brexit – fieldwork in progress
- Towns Fund – report being agreed
- Income – fieldwork in progress
- Housing Benefit Subsidy – report being agreed
- Carbon Reduction - Planning
- Flood Management - Planning

1

HIGH
ASSURANCE

0

SUBSTANTIAL
ASSURANCE

0

LIMITED
ASSURANCE

0

LOW
ASSURANCE

0

CONSULTANCY

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

This review sought to provide assurance over the effectiveness of BTAC's governance arrangements and operations to ensure that they are fit for purpose.

Overall we can provide a high level of assurance around the effectiveness of BTAC's governance arrangements and operations, confirming that they are firmly established, documented, and fit for purpose.

Some key points are;

- Detailed Terms of Reference exist that confirm the role and duties of BTAC. Delegated powers are clearly outlined and allow the Committee to achieve its aims appropriately and transparently.
- Review of minutes and supporting reports confirm BTAC is working within its Terms of Reference and delegated powers, with issues of significance reported to Cabinet for formal approval, when required.
- Members adhere to the Council's Member Code of Conduct, with all completing the required Disclosable Pecuniary and Local Choice Interest Forms.
- Meeting minutes clearly reflect discussions held and reasons for decisions. Actual or potential conflicts of interest are disclosed at the beginning of meetings with evidence of members, where relevant, withdrawing from the decision-making process.
- Responsibilities for financial management and reporting are clearly defined, with regular reconciliation and detailed monitoring undertaken. Approval of the BTAC annual budgets and precept is evident, with detailed work papers clearly outlining funding arrangements and budget/precept requirements over a 5-year period. Budget estimates appear reasonable, and the level of reserves held acceptable.
- Small Grant Funding applications are correctly completed, appropriately considered, and approved and fully meet the terms and conditions of the grant and the expectations of BTAC. Decisions taken by the Small Grants Working Group, endorsed by BTAC, are clearly documented and fully transparent.
- Comprehensive annual reports outlining the work of BTAC are produced

No formal recommendations for improvement have been made.

Internal Audit Work

Audit Reports at Draft Stage

- Towns Fund
- Housing Benefit Subsidy

Work in Progress

- Brexit – Fieldwork
- Income - Fieldwork
- Carbon Reduction - Planning
- Flood Management - Planning

Other Significant work

We have completed Housing Benefit Subsidy work on behalf of the External Auditor and DWP. This is a large piece of work that provides assurance on the accuracy of benefit claims and that the Council has claimed the correct subsidy based on that accuracy.

We will be providing an update in a future progress report once we have finalised testing and reported to management on the results.

Audit Recommendations

A recommendation update is attached at Appendix 3.

As part of the previous recommendation update we were advised that two High priority recommendations had been implemented and, in accordance with our Follow Up protocol, these have been reviewed to ensure that they have been implemented as agreed;

- Governance, Risk Management & Counter Fraud audit 20/21 – a High priority recommendation containing four actions linked to the Annual Governance Statement was made and the evidence provided indicates that two actions have been fully implemented. For the two outstanding actions will agree new target dates.
- Council Tax audit 20/21 - a High priority recommendation containing three actions linked to the receipt of Council Tax Support from the Housing Benefit system was made and the evidence provided shows that it has been implemented as agreed.

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 as at 14th October 2021

Performance Indicator	Year-end Target	Standard Profile Target*	Actual as at 1 st August 2021
Percentage of revised plan completed.	100%	50%	37%
Percentage of recommendations agreed	100%	100%	N/A – 1 report issued with no recs
Percentage of agreed actions implemented	100% or escalated	100%	N/A – 1 report issued with no recs
Draft report issued within 10 days of fieldwork completion	100%	100%	100%
Final report issued within 5 days of management response	100%	100%	100%
Draft report issued within three months of fieldwork commencing	80%	80%	100%

* 21/22 audit plan commenced in June 2021

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 30th September 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 Mar 22 (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 the Economic Growth service and the production of a growth plan across the new partnership.</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 is Dec 21 (original was April 19) and a further extension is awaited.</p> <p>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. 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. The target date has been further extended to December 21 (was originally March 20).</p> <p>This is with PSPS to deliver.</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	
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 has been further extended to Jan 22 (original was March 20) to align with other, similar, actions. This is with PSPS to deliver.</p>							
Governance, Risk, Counter Fraud	Jul 20	Substantial	2	2	0	0	0	0
	<p>We have been advised that the outstanding (High priority) recommendation (High priority) to review the Publication Scheme has been implemented. In accordance with our recommendation follow up protocol supporting evidence will be requested and reviewed to ensure it has been implemented as agreed. Our findings will be reported in the next Progress Report in January 22.</p>							
Strategic Alliance – TOR / MOU	Dec 20	Consultancy	7	4	0	0	0	3
	<p>Two overdue recommendations have been implemented.</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	3				
	Follow up work on a completed High priority recommendation found that it had been implemented as agreed.							
IT Security / Assurance Map update	Mar 21	Limited	13	4		2		7
	Two recommendations have been further extended. A High priority one to restrict the use of USB devices is now Dec 21 (original date Jun 21) and a Medium priority one to configure email alerts from environmental monitoring equipment in the data centre is now Nov 21 (original date Jun 21). These are with PSPS to deliver.							
Payroll	May 21	Substantial	1	1				
	We have been advised that the High priority recommendation to ensure payments are appropriately authorised has been implemented. In accordance with our recommendation follow up protocol supporting evidence will be requested and reviewed to ensure it has been implemented as agreed. Our findings will be reported in the next Progress Report in January 22.							
Governance, Risk, Counter Fraud	May 21	Substantial	3	1				2
	Follow up work on a completed High priority recommendation found that two parts of it were still outstanding. The actions are still valid and new target dates are awaited.							

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		Draft report
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			Postponed
Income	Income collection controls in key areas.	Q2	Aug		Fieldwork
Housing Benefit Subsidy	Detailed testing work on behalf of External Audit	Q2	July		Draft report
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			Planning
Flood Management	Adequate arrangements to prevent and respond to flooding are in place. (joint with ELDC)	Q2	Jul		Agreeing TOR

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		WIP
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	Sept	High assurance
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			WIP
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	Reported in the last progress report to September Committee