

Internal Audit Progress Report



Boston Borough Council
January 2020



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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 November to December
- Advise on progress with the 2019/20 plan
- Raise any other matters that may be relevant to the Audit Committee role

Key Messages

During the period we have completed four assurance reviews.

The Audit Plan is at 75%, compared to the target of 67%.

Assurances

The following audit work has been completed and a final report issued;

- Debtors Key Controls - High
- Creditors Key Controls – High
- Bank & Electronic Income Key Controls – High
- Scrutiny - High

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

Debtors Key Controls

We found that the key controls are in place and operating as expected;

- System access is restricted to appropriate users
- Debtor set up, amendment and cancellation is being approved by authorised officers
- Income is regularly processed, reconciled and allocated
- The suspense account is regularly reviewed and cleared
- An effective recovery process is in place
- Write off procedures are being followed

One recommendation has been made to review the Debt Recovery Policy – it is dated 2014 and may not reflect current ways of working.

Creditors Key Controls

We found that the key controls are in place and operating as expected;

- There is an appropriate separation of duties.
- System access and authorisation rules are up to date and are being applied for order and invoice authorisation. Improving the way in which instructions to set up or amend EFin access are stored would enhance the audit trail.
- Payment runs are appropriately checked and authorised, and there is an additional check of high value payments over £30,000 as required by Financial Procedures.
- BACS processing is authorised in accordance with authorised signatories.
- Payment data is reconciled and accurately posted into the nominal ledger.

High Assurance

Bank & Electronic Income Key Controls

We found that the key controls are in place and operating as expected;

- There is an adequate separation of duties
- System access is restricted to appropriate users
- All income processed is regularly reconciled to ensure that it has been received and is correctly posted into income systems and the financial ledger
- Bank reconciliations are up to date
- Suspense accounts are continuously monitored and regularly reviewed
- Cash and cheque income collected in service areas is regularly monitored to ensure that it is banked and posted into the nominal ledger

Scrutiny

Overview and scrutiny (O&S) committees allow non-executive Members who are not part of the executive to hold the executive to account for their decisions and actions. Effective overview and scrutiny should provide constructive challenge, amplify the voices and concerns of the public and drive improvement in public services.

At Boston BC the overview and scrutiny function is undertaken by the Corporate & Community and the Environment & Performance committees, whose operating framework is set out in the Constitution.

The purpose of our review is to give independent assurance on the operation and effectiveness of the Council's two overview and scrutiny committees. This review did not look at the operation of the Audit & Governance committee or the Standards Sub-committee.

An ineffective scrutiny function could lead to non-delivery of the Council's policy framework and objectives, and loss of reputation.

High Assurance

Scrutiny

We found that;

- Both committees are fulfilling their Terms of Reference requirements and both have a varied workplan.
- There is an established process for Scrutiny comments and recommendations to be passed to Cabinet. A formal Executive - Scrutiny protocol is being recommended for adoption to define the roles of each group. The inconsistent attendance of Portfolio Holders at Scrutiny committees to present reports has been recognised and is being addressed, and the attendance of Scrutiny Chairs at Cabinet to present their comments / recommendations is being encouraged.
- There is an established officer support structure for each committee which works well, but it is sometimes necessary to prioritise scrutiny work to balance demand with resources.
- Specific overview and scrutiny training is delivered and there is a supporting guide for reference. The first meeting after the local elections is also a form of training.
- A wide range of methods are used to facilitate the Scrutiny process
- Work has been done recently to compare BBC's scrutiny arrangements to guidance issued in mid-2019 by the Ministry of Housing, Communities & Local Government – no significant weaknesses were found and members of both committees have considered the findings and made recommendations to Cabinet
- The consensus from comments made by officers and the contents of the Annual Report is that scrutiny is effective. The Corporate Peer Challenge stated that 'scrutiny works well, is constructive and adds value'

Attendance at Corporate & Community has at times been low and has been recognised as an issue - the Chair has written to Group Leaders about this and the use of substitutes.

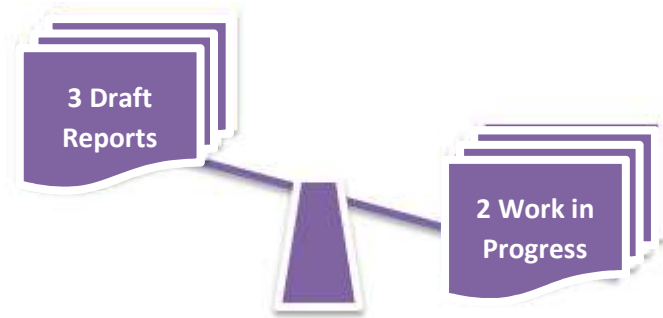
We identified some areas for improvement for which Medium priority recommendations have been made;

- Declarations of Interest is a standing agenda item for both committees and if any are declared they are minuted. However if none are declared this was only being minuted for one committee – this was addressed immediately during the audit.

High Assurance

Scrutiny

- One of the ways that the work of the Scrutiny committees is promoted and communicated is through the Annual Scrutiny Report. We consider that it would benefit from a review to make it more informative and easy to read. Some suggestions have been made which have been accepted. It may also be useful to publish the Member's Overview & Scrutiny Guide.
- We were advised that the timetabling / forward planning of some policy review items could be better; some are last minute and reviews are known about a long time in advance. Producing a 'schedule' of all policies that BBC have (along with information on review dates) may help.



Audits reports at draft stage

- Environmental Health Food Safety
- Treasury Management Key Controls
- Values & Behaviours consultancy work

Work in Progress

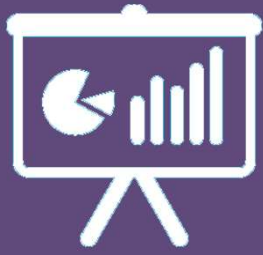
- 2020/21 Audit Plan
- Combined Assurance Map update

Change to the Audit Plan

The Values & Behaviours work required significantly more time than anticipated and as a consequence the BTAC audit is being postponed to 2020/21 – this has been agreed with the Chief Finance Officer and CMT.



Benchmarking



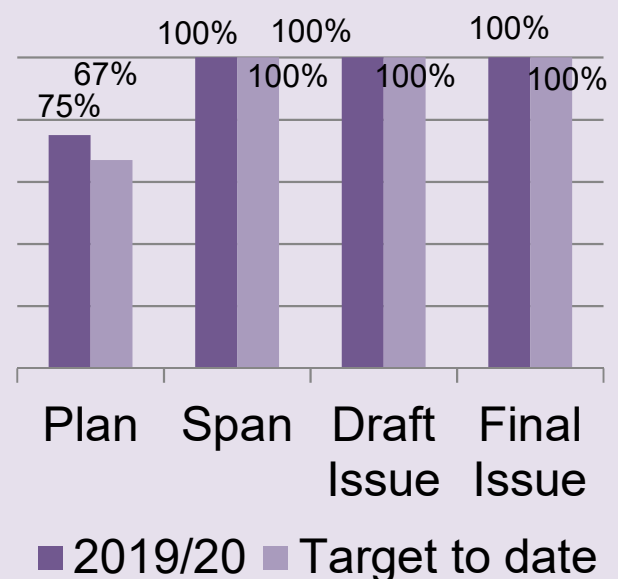
Internal Audit's performance is measured against a range of indicators. The statistics below show our performance on key indicators year to date.

Performance on Key Indicators

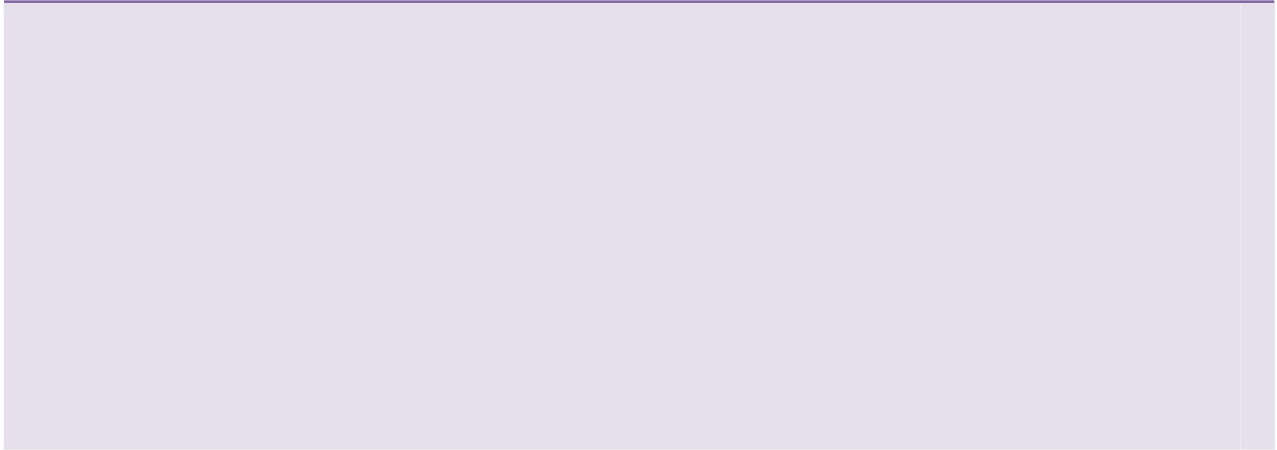
100%

Rated our service Good to Excellent

High achievement of Audit KPI's to date



There are none.



There are none.

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.

A Recommendation update was presented to the previous meeting in November.

The next update will be presented to the March meeting.

Appendix 4

2019/20 Audit Plan to date

Audit	Scope of Work	Start Planned date	Start Actual date	End Actual date	Status/ Rating
Annual Report	Production of 2018/19 Annual Report	Q1	April 2019	May 2019	N/A
Homelessness	Implementation of the Homelessness Reduction Act 2017	Q1	May 2019	July 2019	Substantial
Markets	Income processing	Q1	May 2019	July 2019	High
Health & Safety	Compliance with key H&S legislation	Q1-2	June 2019	Oct 2019	Substantial
Medium Term Financial Strategy	Process, risk management and assumptions	Q1-2	July 2019	Oct 2019	Substantial
ICT	Production of a detailed ICT assurance map	Q1-2	April 2019	Sept 2019	Completed
Debtors	Key Controls	Q2	Sept 2019	Nov 2019	High
Creditors	Key Controls	Q2	Sept 2019	Nov 2019	High
Bank	Key Controls	Q2	Nov 2019	Dec 2019	High
Scrutiny	Operation of the Council's Scrutiny committees	Q2	Oct 2019	Dec 2019	High
Environmental Health	Food Safety inspections	Q3	Nov 2019		Draft report
Treasury Management	Key Controls	Q3	Dec 2019		Draft report
Culture & Ethics	Assessment of the Council's ethical framework	Q3	Oct 2019		Draft report
ICT	ICT Assurance Map refresh and action plan follow up	Q4	Feb 2020		

Audit	Scope of Work	Start Planned date	Start Actual date	End Actual date	Status/ Rating
Combined Assurance	Production of the 2019/20 Assurance Map and report	Q3-4	Dec 2019		In progress
IA Strategy & new Audit Plan	Production of 2020/21 Audit Plan	Q3-4	Dec 2019		Draft Plan to January A&G
Private Sector Housing	Licensing of Houses in Multiple Occupation	Q4			
Boston Town Area Committee	Governance and general operation	Q4			Postponed to 20/21
Governance, Risk & Fraud	High level work to inform the annual audit opinion	Q4			