

# Internal Audit

## Annual Report 2020 / 21



## **What we do best...**

**Innovative assurance services**  
**Specialists in internal audit**  
**Comprehensive risk management**  
**Experts in countering fraud**

## **...and what sets us apart**

**Unrivalled best value to our customers**  
**Existing strong regional public sector  
partnership**  
**Auditors with the knowledge and expertise to  
get the job done**  
**Already working extensively with the not for  
profit and third sector**

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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.

# Purpose of Annual Report

The purpose of the Annual Internal Audit Report is to meet the Head of Internal Audit annual reporting requirements set out in the Public Sector Internal Audit Standards (PSIAS) and the Accounts and Audit Regulations 2020. In particular:-

- Include an opinion on the overall adequacy of and effectiveness of the Council's governance, risk and control framework and therefore the extent to which the Council can rely on it;
- Inform how the plan was discharged and the overall outcomes of the work undertaken that supports the opinion;
- A statement on conformance with the PSIAS and the results of the internal audit quality assurance;
- Draw attention to any issues particularly relevant to the Annual Governance Statement.

## Annual Opinion

The Council continued to provide services effectively but also had to do things differently – adapting to remote working. My opinion is based on assurances gathered across the Council during the response and recovery periods and the overall impact on the framework of governance, risk management and control.

For the twelve months ended 31 March 2021 my opinion on the adequacy and effectiveness of the Council's arrangements for governance, risk management and control is:

<b>Governance</b> 	<b>Performing Adequately</b> – Some improvements identified over the Council's governance and control framework.
<b>Risk</b> 	<b>Performing Well</b> – No concerns that significantly affect the risk management framework.
<b>Internal Control</b> 	<b>Performing Adequately</b> – Some improvement required to manage a high risk in a specific business area and medium risks across the Council.
<b>Financial Control</b> 	<b>Performing Adequately</b> – Some improvement required to manage a high risk in a specific business area and medium risks across the Council.



*"Achieving the Intended Outcomes While Acting in the Public Interest at all Times"*

It is comprised of systems, processes, culture and values, by which the Council is directed and controlled and through which they account to, engage with, and where appropriate, lead their communities.

Each year the Council is required to reflect on how its governance arrangements have worked – identifying any significant governance issues that it feels should be drawn to the attention of the public – in the interests of accountability and transparency. The Audit Committee helps to ensure that these arrangements are working effectively. They regularly review the governance framework and consider the draft and final versions of the Annual Governance Statement.

The Council's governance arrangements responded well to Covid-19 with constitutional processes continuing to be observed and member scrutiny decisions taking place remotely.

The way services were delivered changed with many key processes adapting for remote working and lockdown requirements.

In this context the Council undertook a review of its governance and assurance arrangements – developing the Annual Governance Statement. Internal Audit work has informed this process.

The review didn't identify any significant governance issues - it did however identify a number of areas of improvement which are highlighted in the Statement:

### **Governance & Oversight**

- Update of Corporate Plan & success framework.
- Raise awareness of accountability & assurance framework – including impact of SMARTER working.
- Transformation Programme – refocus & prioritise projects – including benefit realisation.
- Commercial activities (trading companies) – governance & oversight
- Partnership governance and oversight.
- Compliance with CIPFA financial management code.
- Records and Information management.
- Peer Review 2019 - implement outstanding actions.

### **Demand Management**

- Building on existing work to help inform Corporate & Financial Plans.

## Governance



*"Achieving the Intended Outcomes While Acting in the Public Interest at all Times"*

It is comprised of systems, processes, culture and values, by which the Council is directed and controlled and through which they account to, engage with, and where appropriate, lead their communities.

In December 2019, the Council approved a new Corporate Plan, which sets the direction and ambitions for the next ten years.

Supporting this a transformation programme and success framework was agreed - which sets out the key projects and priorities to deliver the ambitions.

Engagement with Communities was also undertaken through 'The County Views survey' in January 2021. This resident questionnaire highlighted a number of key improvement areas including highway maintenance, public transport and job opportunities, and this will be used to develop and inform policy and direction within the Council.

In March 2021, the Centre for Governance and Scrutiny issued 'The governance risk and resilience framework' which supports individual council officers and councillors to play their part in understanding, and acting on, risks to **good governance**.

This framework is designed to reflect and supplement the CIPFA / SOLACE framework and we plan to incorporate this in our 2021/22 review of the Council's governance and assurance arrangements

**The Governance framework remains the same**



**Assessed as Performing Adequately**

## Risk



Good risk management is part of the way we work. It is about taking the right risks when making decisions or where we need to encourage innovation in times of major change – balancing risk, quality, cost and affordability. This put us in a stronger position to deliver our goals and provide excellent services.

The Council's Risk Management arrangements are currently assessed as **Green** status through the combined assurance review (a high level of assurance).

This is due to implementation of a number of initiatives which included strengthening the governance around the Directorate and Corporate Risk & Safety Groups and greater focus on measurable controls through the Strategic Risk Register.

The Strategic Risk Register continues to be updated on a regular basis and reported to Corporate Leadership Team and Audit Committee. There continues to be Limited Assurance over some of the Council's Strategic Risks. The update of the Risk Strategy and Strategic Risk Register is planned during 2021.

During the Council's response and recovery to Covid-19 rapid risk and issues reporting was undertaken. This helped the Corporate Leadership Team understand the key operational risks from services at a time of crisis & uncertainty. This reporting now continues on a quarterly basis.

Risk Management continues to be one of the key elements involved with the recovery phase of Covid-19 and support services in identifying the key risks and issues facing the Council. Directorate risk and safety groups meet regularly and provide risk information to the Corporate Risk & Safety Steering Group.

The above information helped inform the Head of Internal Audit opinion.

## Risk management has improved



## Assessed as Performing Well



We take account of the outcome of our audit work during 2020/21. As our audit plans include different activities each year, it is not unexpected that assurance varies. However the assurance levels still give insight into the Council's control environment.

The outcome of Internal Audit work shows that assurance levels over activities reviewed this year have generally remained positive – with the exception of the following areas:

Low assurance opinions are:

- Implementation of Mosaic Finance

Limited assurance opinions are:

- ICT Business Continuity and Disaster Recovery
- ICT Mobile Devices/Agile Working
- ICT Network Infrastructure
- Debtors (*draft*)

A summary of these audits can be found in appendix 1.

We regularly monitor the implementation of outstanding actions.

During the year we have made 80 recommendations for improvement – 21 were due for completion by 31<sup>st</sup> March 2021 and 17 of these have been implemented – see appendix 3 for full details .

The council's control environment has adapted well during the last year – working remotely and has remained effective with levels of assurance remaining static – see page 6 .

The full impact of SMARTER working on the control environment will be reviewed during 2021/22.

The review of the governance & assurance arrangements showed areas for continuous improvement and some strategic risks continue to have limited assurance.

This assurance information and the outcome of our work helped inform the opinion.

**Internal Control assurance remains the same**



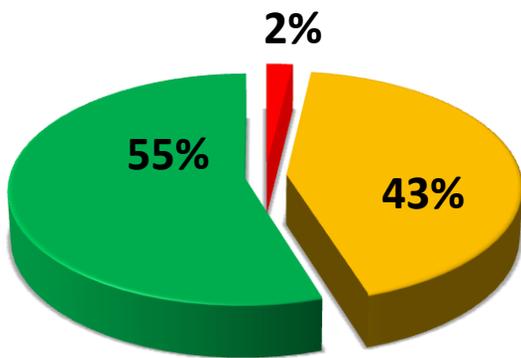
**Assessed as Performing Adequately**



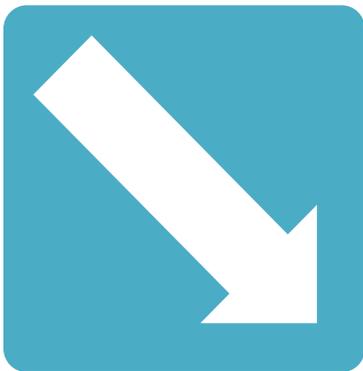
A Combined Assurance Status report is produced by each Director on the level of confidence they can provide on service delivery arrangements, management of risks, operation of controls and performance for their area of responsibility. These reports are reviewed by the Audit Committee and provide key assurance evidence to support the Head of Internal Audit opinion.

## Combined Assurance Status Report

### Overall Assurance Status 20/21



- Red - low level of assurance
- Amber - medium level of assurance
- Green - high level of assurance



We help co-ordinate the Council's assurance intelligence through an annual process across all Directorates. It provides a RAG rating assessment by accountable managers of the Council's Critical Activities, Key Projects and Key Risks.

Overall there is a positive assurance picture for the Council – recognising that some areas will remain Amber.

Overall there continues to be a high level of assurance (55%) although this is slightly lower than last year. This reflects the complex environment in which we operate (particularly last year) –recognising that some areas will remain at Amber.

Critical activities that gave a low level of assurance are :

- ICT Asset management software
- ICT Network access controls
- ICT PSN Compliance
- ICT Payment card industry data security standard (PCIDSS)

**Assurance over 3% of activities has decreased from High to Medium since 2019/20**



Our audit plans include providing assurance over our key financial systems, this is done on a cyclical basis; however the level of risk will also influence frequency.

Our work provides an important assurance element to support the External Auditor's opinion on the Council's Statement of Accounts.

Our work on financial systems and processes this year has focused on confirming that key controls remain in place and have not been compromised by teams working remotely. Many controls are built into our Business World system and are therefore automatically maintained. In other activities such as payroll where there are manual workarounds, interventions and checks our review has confirmed these have been maintained. Documentation is being held electronically to support these checks ensuring information is available across the team.

There has been one failure of a manual control leading to an attempted mandate fraud referred to in the Counter Fraud section of this report – page 9. Processes have been amended to tighten the controls in place.

During the year we reviewed:

- Key control testing - **Substantial Assurance** (or this is indicative at draft report)
- Bank Reconciliation – **High Assurance**
- Capital Programme – **Substantial Assurance**
- Treasury Management & Investment Strategy – **High Assurance**

- Payroll – (indicative) **Substantial Assurance**
- Pensions Administration – **High Assurance**
- Debtors – **Limited Assurance (draft)**

### Implementation of the Hoople 'standard version' of Business World

During 2020/21 we have provided independent assurance around the Business World project, including providing advice and support on risk, control, process and governance.

The delivery of the project has encountered a number of challenges, not least of which has been undertaking the implementation of a complex ERP with all parties working remotely. As a consequence the planned go-live date was moved from April 2021 to November 2021.

During our work we have confirmed a more robust approach has been taken to project management and planning, including review against the lessons learned from the previous implementation of Agresso.



Our audit plans include providing assurance over our key financial systems, this is done on a cyclical basis; however the level of risk will also influence frequency.

Our work provides an important assurance element to support the External Auditor's opinion on the Council's Statement of Accounts.

Initial Integration System Testing (IST) has been successful and User Acceptance Testing (UAT) is in progress. Project Officers are working with service areas to identify where business processes require changes and guidance / training materials and plans are in development.

Our assurance on the project is currently **Red**. The complexity of our payrolls, issues with legacy data and the availability of experienced and knowledgeable staff has resulted in significant delays to the completion of payroll parallel runs. Undertaking these reconciliations thoroughly and completely is key to ensuring the system is fit for purpose at go-live. A management review is underway to determine a revised and realistic timeline for project completion.

### Financial Management Code

The Chartered Institute of Public Finance and Accountancy (CIPFA) published its Financial Management (FM) Code in October 2019. This provided guidance for good practice in financial management and to assist local authorities in demonstrating their financial sustainability. Compliance is required for 2021/22.

The Finance team has completed a self assessment against the FM Code standards – identifying actions to improve. These include development of a long term financial strategy that demonstrates a robust approach to sustainability, reflects engagement with our residents and supports delivery of the 10 year corporate plan.

A new Code of Audit Practice came into force in April 2020 which included strengthening arrangements around Value for Money (VfM) reporting by our External Auditors. An assessment has been undertaken for our Auditors to support this work.

**The Financial Control assurance remains the same**



**Assessed as Performing Adequately**



The Council continues to have effective counter fraud arrangements in place. The delivery and outcome of proactive counter fraud plan is monitored by the Audit Committee.

## Counter Fraud

The last year's events have brought fraud into sharp focus - fraudsters will exploit situations where people are vulnerable and so fraud risks are heightened in the current landscape.

A revised Counter Fraud Plan was presented to Audit Committee in November 2020 with focus on emerging fraud risks and post Covid-19 review in:

- Procurement Fraud
- Cyber Fraud
- Payroll and Employee Fraud
- Payment and Creditor Fraud

The Counter Fraud Team have delivered 100% of the revised plan, including 71% of the original work planned for 2020/21.

High demand for fraud investigation work has continued throughout 2020/21 with 20 fraud referrals made – these led to:

- 17 investigations
- dismissal of 5 individuals
- 5 cases currently with Lincolnshire Police

The most prevalent area of fraud referrals in 2020/21 was procurement fraud - an area of key fraud risk that we constantly monitor.

We stopped a £4.5m mandate fraud. We conducted a post incident review with Serco to strengthen the control environment to reduce likelihood of reoccurrence.

The Counter Fraud and Investigation Team were heavily involved in the validation of applications submitted for Business Recovery Fund grants being offered to small businesses. Alongside the Finance Team, we performed reviews of over 500 applications and we prevented £77.5k payments of potentially fraudulent claims (£3.7m applications received and paid out £2.8m so far). Further post-event assurance is planned for 2021/22 around Covid-19 spending.

Maintaining awareness of fraud has been key. We have ensured regular communications were issued and are currently working on innovative methods of delivering our messages.

A separate Counter Fraud Annual report is provided to the Audit Committee – this provides more detail on delivery of the approved Counter Fraud work plan.



## Our Work



The Council is responsible for establishing and maintaining risk management processes, control systems and governance arrangements. Internal Audit plays a vital role in providing *independent risk based and objective assurance* and *insight* on how these arrangements are working. Internal Audit forms part of the Council's assurance framework.

## Scope of Work

Our 2020/21 risk based internal audit plan was prepared taking into account the critical activities and key risks to support the basis of my annual opinion. At the point of approval the pandemic emerged resulting in changes to the plan to respond to revised working arrangements and council wide service priorities and risks.

In the first half of the year our focus was on completing work impacted by the pandemic and responding to requests for advice and rapid assurance needed by management. This work included the Temporary Mortuary review and Personal Protective Equipment Root Cause Analysis.

The Audit Committee approved the revised 2020/21 audit plan of 540 days in September 2020 for the rest of the year.

It has been an incredibly demanding year for staff due to the impact of lockdowns – both professionally and personally. I'm pleased to report that we have delivered **92%** of revised planned activity.

We have not experienced any impairment to our independence or objectivity during the conduct and delivery of the Internal Audit Plan.

Delivery of the audit plan has been impacted by :

- Reduction in resources available through loss of staff / sickness absence / competing priorities
- Impact of Covid-19 – service area unavailability, pauses in audits when underway, delays in receiving information

Actions have been taken to increase capacity. We will review our audit processes in light of SMARTER working.

## Restriction on Scope

We identified no unexpected restrictions to the scope of our work but have had difficulties in gaining access to some staff which resulted in delay to planned work within expected timescales.

The delivery of our ICT Audit remains challenging. We continue to utilise specialised ICT audit to deliver the most technical reviews. The Executive Director – Commercial helps support the audit process.

I do not consider the restrictions to have had an adverse effect on my ability to deliver my overall opinion.



Internal Audit's role include advisory and related client service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organisation's governance, risk management and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation and training.

## Other Significant Work

During the year we have undertaken grant sign off work including Supporting Families, Bus Service Operators Grant, Highways Grant, Blue Badge Grant and Covid loss of income grant. This work confirms grants have been spent appropriately. We have also supported the Finance Team along with Counter Fraud colleagues to assess the Business Relief Fund grants to confirm that all were appropriately applied for.

We completed our annual refresh and coordination of Combined Assurance which maps all assurance across the authority using the 'three lines of assurance' model. This provides the Council with insight over the assurances present on its critical activities, key risks, projects and partnerships. We completed a single report as the Council moves towards it's "One Council" ethos.

We have continued to support the Council's assurance framework with consultancy work – this is generally proactive work where we give support and advice on governance, risk and control but do not provide an assurance opinion. These included:

project team and steering group meetings to provide on-going advice around governance, risk, control and business process. Provision of independent assurance reports.

- **Transformation Programme** – attendance at key meetings to provide "Critical Friend" support and reporting to this range of key strategic projects.
- **Transport Providers** – Review of the grant payment process made to Lincolnshire transport firms to support them through the lockdown.
- **Public Health PPE Facemasks (root cause analysis)** – Review of the process followed by LCC in the purchasing of PPE that did not meet the standards required, with key recommendations to avoid a re-occurrence.
- **Temporary Mortuary** - independent review of the contract award and project management arrangements for the project to build temporary mortuary facilities as part of a multi-agency response to Covid-19



We recognise the importance of meeting customer expectations as well as conforming to the UK Public Sector Internal Audit Standards (PSIAS). We continually focus on delivering high quality audit to our clients – seeking opportunities to improve where we can.

## Quality Assurance

Our commitment to quality begins with ensuring that we recruit develop and assign appropriately skilled and experienced people to undertake your audits.

During 2020/21 we continued to build upon the strong focus on developing the next generation of audit and risk professionals. We have:

- Continued with an apprenticeship scheme for our audit team which has recently led to an apprentice becoming an Audit officer
- Recently recruited two new Senior Auditors
- Provided acting up roles to two Senior Auditors to Principal level to supporting internal succession planning

Our audit practice includes ongoing quality reviews for all our assignments. These reviews examine all areas of the work undertaken, from initial planning through to completion and reporting. Key

targets have been specified - that the assignment has been completed on time, within budget and to the required quality standard.

There is a financial commitment for training and developing staff. Training provision is continually reviewed through the appraisal process and monthly one to one meetings.

Assurance Lincolnshire conforms to the UK Public Sector Internal Audit Standards. An External Quality Assessment was undertaken in September 2016. No areas of non-compliance with the standards that would affect the overall scope or operation of the internal audit activity was identified. We are preparing for our next assessment in 2021/22.

Assurance Lincolnshire were winners of CIPFA's Public Finance Awards 2019 for its work around Governance - culture and values and we have more planned work on governance in 2021/22.





We recognise the importance of meeting customer expectations as well as conforming to the UK Public Sector Internal Audit Standards (PSIAS). We continually focus on delivering high quality audit to our clients – seeking opportunities to improve where we can.

## Quality Assurance

Our quality assurance framework helps us maintain a continuous improvement plan, which includes the following:

- Working with senior management improve progress and delivery monitoring / audit scheduling
- Continuing professional development around new and emerging practice guidance – including agile assurance.
- Review audit processes in light of SMARTER working to deliver efficiencies, improve productivity and optimise the way we work- including better use of technology / data analytics.
- Future proof the service – aligning audit and counter fraud work, building capacity and succession planning.
- Preparing for the External Quality Assessment that is planned for January/February 2022.

## External Audit

Although internal and external auditors carry out their work with different objectives in mind, many of the processes are similar and it is good professional practice that they should work together closely. Wherever possible, External Audit will place reliance and assurance upon internal audit work where it is appropriate.

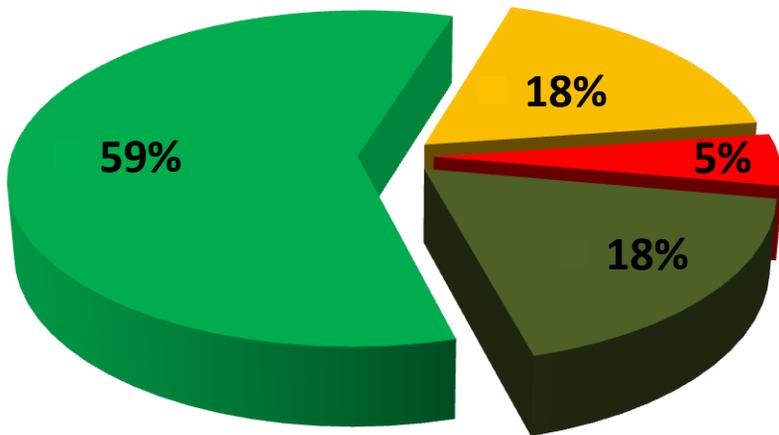
We share our plans, outcome of our internal audit work and have regular liaison meetings.



Our audit plan includes different activities each year – it is therefore not unexpected that these vary; however, the assurance levels do give an insight on the application of the Council's control environment and forms part of the evidence that helped inform the overall annual opinion.

There is no information for Schools this year – under the circumstances of the pandemic we agreed to defer planned school audits.

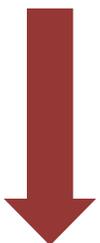
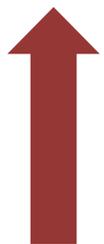
## Assurances



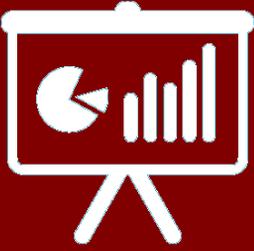
■ High   ■ Substantial   ■ Limited   ■ Low

# 6%

Increase in Limited and Low Assurance on last year

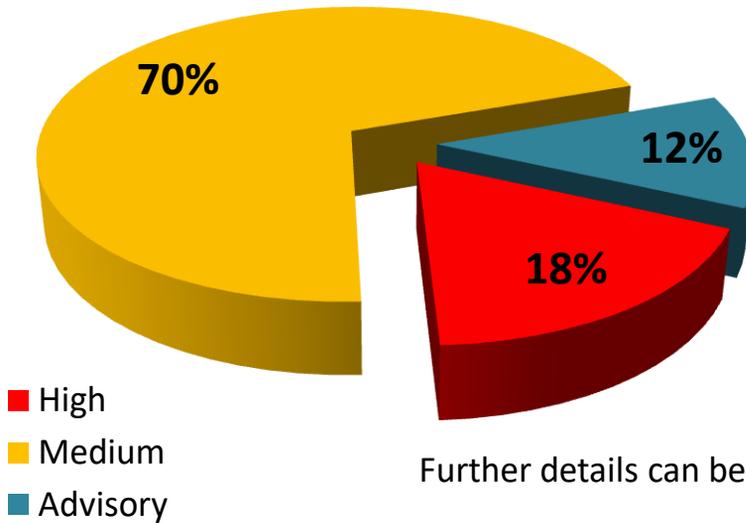


Fall in High and Substantial Assurance on last year

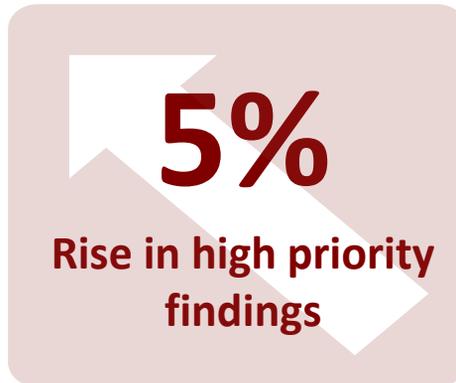


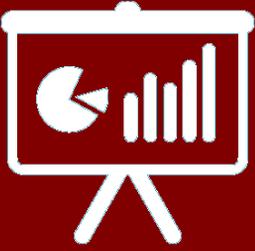
Comparison of internal audit recommendations made 2020/21 and 2019/20. We can see that the priority of recommendation are more urgent than the previous year, with an increase of High Priority actions as a percentage. This information forms part of the evidence that helped inform the overall annual opinion.

## Recommendations



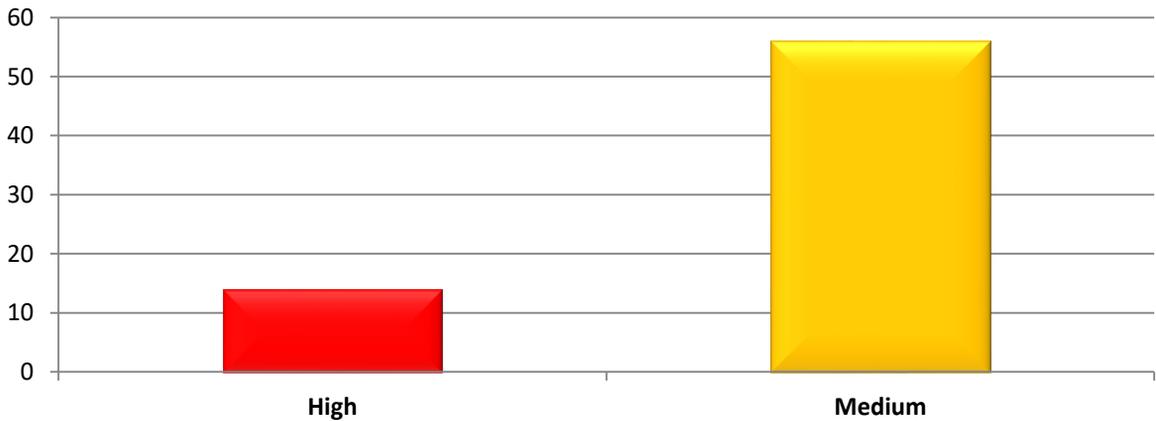
Further details can be found at appendix 5



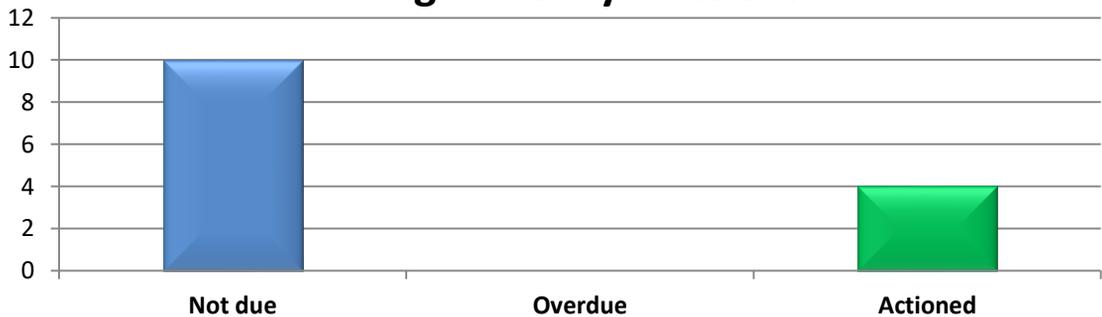


During 2020/21 we made **80** recommendations and agreed **80** actions to address our recommendations. Of the **14** high, **56** medium and **10** advisory actions, **59** are not yet due, **17** have been actioned or closed and **4** are overdue. Full details of overdue actions can be found at **appendix 3**.

## Agreed actions

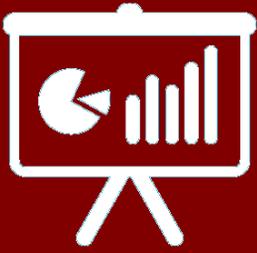


## High Priority - Actions



## Medium Priority - Actions





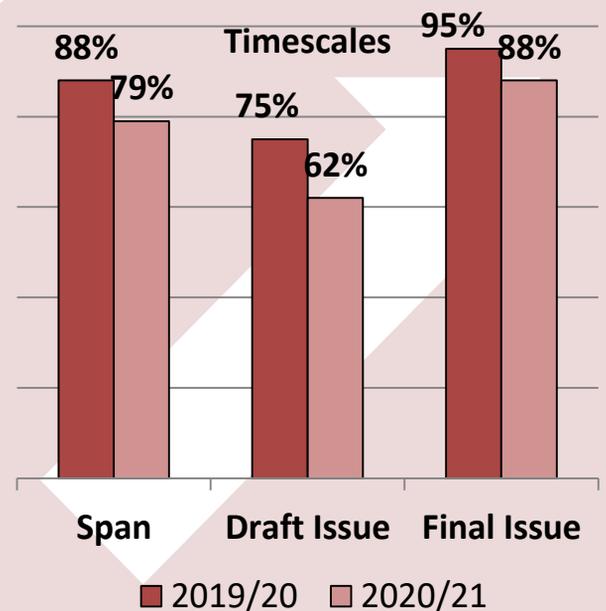
Internal Audit's performance is measured against a range of indicators. The information below shows our performance on key indicators at the end of the year. We are pleased to report a good level of achievement delivery of the revised plan and the added value of our work. An area of improvement is around contemporary reporting timescales.

## Performance on Key Indicators

**Positive Feedback has been received**

**Audit KPI's have been impacted by factors such as Covid19. Steps have been taken to address this.**

**Revised Plan 92% delivered despite impact of Covid19**





The County Council is part of an Internal Audit collaborative partnership, consisting of the in-house internal audit teams of County Council and City of Lincoln

By working together the partnership aims to be:

*'To provide affordable, high quality support and assurance across our Council's and external clients'*

We improve the overall quality of the services provided through:

- Sharing of knowledge and experience.
- Adoption of leading audit techniques and methods.
- Pooling resources across the organisations to make savings, improve efficiency and offer greater value for money to our clients through streamlining our audit plans to audit/research specific areas of common interest.
- Resource swaps – which strengthen resilience and sustainability – keeping local talent.

The County Council has a number of significant external clients including:

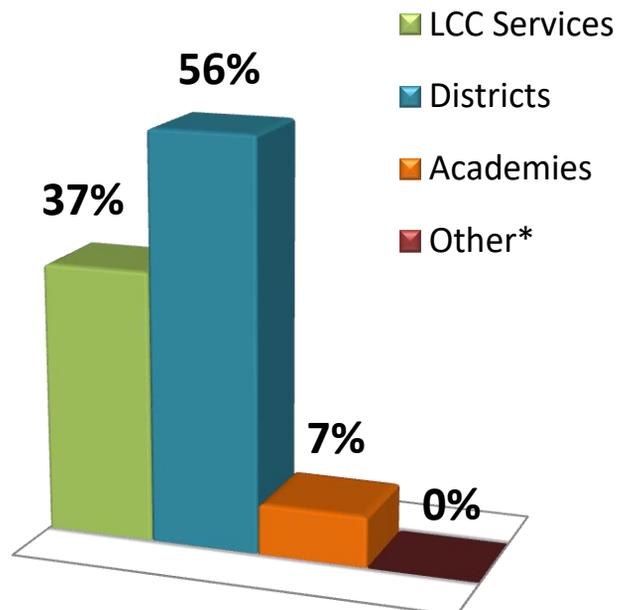
- North Kesteven District Council
- East Lindsey District Council
- West Lindsey District Council
- Newark and Sherwood District Council
- Lincolnshire Academies
- Gainsborough Town Council
- Charities

Our external clients help Corporate Audit and Risk Management operate within existing budgets. In 2020/21 we also received £132,234 covid grant – relating to loss of income and staffing.

The audit team actual expenditure (net) is £617,746 compared to a budget of £642,948 – an underspend of £25,202.

The Corporate Audit and Risk service as a whole had a slight overspend of £26,031 (2%).

## Days delivered across client base



\* Time spent on this area but less than 1%

During the year we have one Low Assurance Opinion and three Limited Assurance Opinions. The summaries are:

### **Implementation of Mosaic Finance – Low Assurance**

The project to deliver the financial elements of Mosaic has been running since December 2016. The intention is to replace legacy systems such as Abacus and Softbox and provide the financial functionality for Adults and Children's Services.

Our review found that expected governance and project management controls such as strong governance oversight, detailed project plans with agreed milestones, risk management and regular reporting were not formally evidenced. This included the lack of:

- Board Terms of Reference
- Project Initiation Documents
- Overarching programme plans
- Risk and issues logs
- Highlight reports and formal reporting

### **ICT Mobile Devices/Agile Working – Limited Assurance**

Mobile devices include equipment such as laptops, mobile phones, tablets and USB sticks on which Council data can be stored and removed from Council premises. Mobile Device Management (MDM) is the administration of mobile

devices, usually implemented with the use of a third-party product that has management features for mobile devices. LCC is in the process of a digital transformation project during which the current, mainly on premises, IT environment will be replaced with Microsoft Azure cloud services.

Our review found this project is not underpinned by a formal project plan with clear objectives and milestones. Without a formal project plan there is possibility of project delays due to unforeseen risks.

Key findings included:

- There is no formal project plan for the transition to MDM software which sets out clear objectives and milestones.
- Microsoft O365 has a Data Leak Prevention (DLP) feature but this feature is not used by the Council for mobile devices.
- There are no formally documented security configurations (secure baselines) that describe how the Council's mobile devices should be configured.
- The process for the return of mobile devices for leavers requires improvement.
- Patches are not being consistently applied to the mobile devices enrolled in Microsoft Intune.

### **ICT Network Infrastructure – Limited Assurance**

The audit identified a noticeable presence of legacy operating systems and network equipment, with a significant number of devices with obsolete operating systems. Legacy equipment that is out of support significantly increases the attack surface on the network infrastructure presenting a risk of the network being compromised, or being unavailable in the event of faults. Furthermore, the legacy systems often have an impact on the overall capacity of the IT infrastructure, and may adversely impact the availability of the IT operations.

LCC is aware of this security challenge on its IT environment and is making efforts to reduce the risks of obsolete equipment and systems through decommissioning.

### **ICT Business Continuity and Disaster Recovery – Limited Assurance**

This review identified that whilst the Council has a good strategy in place for Business Continuity and Disaster Recovery (BC and DR) planning, the development of the BC and DR plans for IMT and their testing had not been appropriately implemented. These issues significantly increase the risk that the Council may not be able to recover its systems and data in line with business requirements in the event of a serious event.

This review was based on the current, mainly traditional, architecture of the IT environment at the Council. As part of digital transformation, the Council is aiming to migrate its IT infrastructure to public cloud. Cloud computing simplifies the management and monitoring of the DR Service and effectively deals with most issues of traditional disaster recovery.

### **Debtors**

Findings and recommendations are currently being agreed with Management. This information will be shared via the September Audit Committee progress report once agreed.

<b>Audit</b>	<b>Rating</b>	<b>High</b>	<b>Medium</b>	<b>Advisory</b>	<b>Total</b>
LCC 2020/21 01 - Business World System Redesign project	Not applicable				
LCC 2020/21 02 - Treasury Management and Investment Strategy	High Assurance		2	3	5
LCC 2020/21 03 - Transport providers	Not applicable	2	1		3
LCC 2020/21 04 - Unpaid Carers Letter	Not applicable				
LCC 2020/21 05 - Transformation	Green/ Amber	1	5		6
LCC 2020/21 06 - Direct Payments	Not applicable				
LCC 2020/21 07 - Carers Follow up	High assurance		1		1
LCC 2020/21 08 - Blue Badge Grant	Not applicable				
LCC 2020/21 09 - Carers Emergency Response Scheme	Not applicable				
LCC 2020/21 10 - Public Health PPE Face Mask - Root Cause Analysis	Not applicable	2	3		5
LCC 2020/21 11 - BSOG	Not applicable				
LCC 2020/21 12 - Highways Grant	Not applicable				
LCC 2020/21 13 – Supporting Families 1	Substantial assurance				
LCC 2020/21 15 - Implementation of Mosaic Finance	Low Assurance	5	3		8

<b>Audit</b>	<b>Rating</b>	<b>High</b>	<b>Medium</b>	<b>Advisory</b>	<b>Total</b>
LCC 2020/21 16 - Education Health care plans	Substantial assurance		1		1
LCC 2020/21 19 – Supporting Families 2	Substantial assurance				
LCC 2020/21 20 - Loss of Income Delta Return	Not applicable				
LCC 2020/21 21 - Capital Programme	Substantial assurance		1		1
LCC 2020/21 22 - BW Risk Register	Not applicable				
LCC 2020/21 23 - Bank Reconciliation - Key control testing 2020/21	High Assurance		1		1
LCC 2020/21 24 - Payroll	Substantial Assurance		11		11
LCC 2020/21 25 – Safeguarding Covid 19 Measures	Substantial assurance		2		2
LCC 2020/21 26 – Supporting Families 3	Substantial assurance				
LCC 2020/21 27 – Supporting Families 4	Substantial assurance				
LCC 2020/21 28 – LCC Pensions Admin	Not applicable				
LCC 2020/21 29 – ICT Business Continuity and Disaster Recovery	Limited assurance	2			2
LCC 2020/21 30 – Accounts Payable Key Control testing	Substantial Assurance		2		2

<b>Audit</b>	<b>Rating</b>	<b>High</b>	<b>Medium</b>	<b>Advisory</b>	<b>Total</b>
LCC 2020/21 31 – Spalding Relief Road Follow up	Substantial assurance		1		1
LCC 2020/21 31 - BW leavers process - audit committee follow up	Not applicable				
LCC 2020/21 32 - General Ledger key control testing	Substantial Assurance		2		2
LCC 2020/21 34 - Community testing grant	Not applicable				
LCC 2020/21 35 – Debtors Key Control testing	Limited Assurance (TBC)	1	5		6
LCC 2020/21 36 - LFR Training Systems	High Assurance			2	2
LCC 2020/21 37 - ICT - Software Asset Management	Substantial Assurance		2	1	3
LCC 2020/21 38 - ICT - Mobile Devices	Limited Assurance		7	2	9
LCC 2020/21 39 - ICT - Network Infrastructure Security	Limited Assurance	1	3	1	5
LCC 2020/21 40 - LFR Expenses	Substantial Assurance		3	1	4
<b>Totals</b>		<b>14</b>	<b>56</b>	<b>10</b>	<b>80</b>

## Overdue incomplete actions for 2020/21 audits at 31/03/21

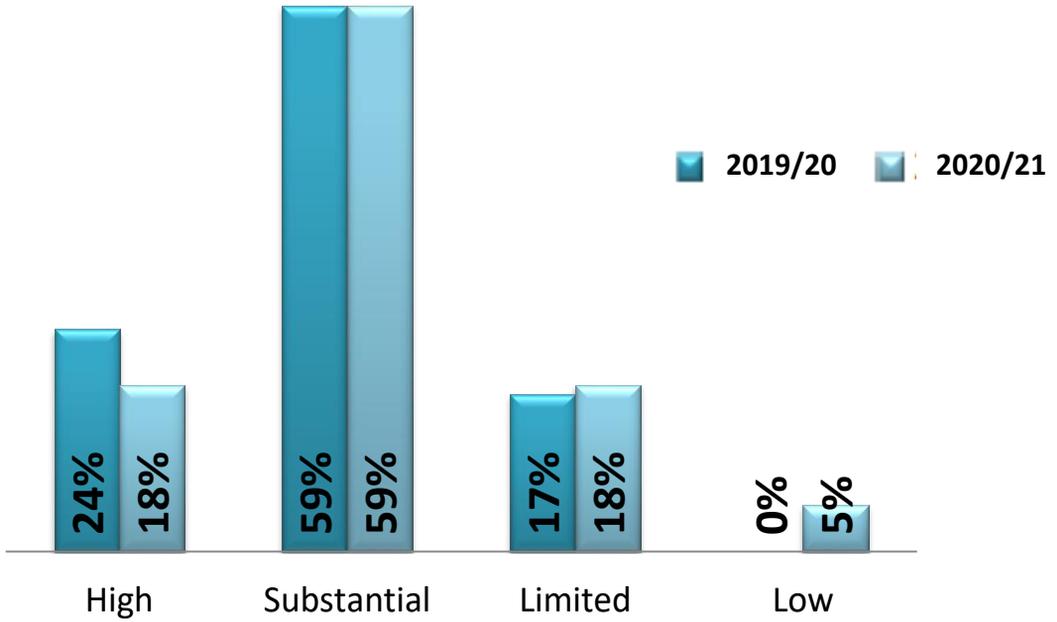
Activity	Issue Date	Assurance	Total Actions	Actions Imp	Priority of Overdue Actions			Actions not due
					High	Medium	Low	
Treasury Management & Investment Strategy	April 2020	High	2	0	0	2	0	0
BW Systems Admin access	August 20	Substantial	2	1	0	1	0	0
<b>Total</b>			<b>2</b>	<b>1</b>	<b>0</b>	<b>3</b>	<b>0</b>	<b>0</b>

## Overdue incomplete actions for all prior year audits at 31/03/21

Activity	Issue Date	Assurance	Total Actions	Actions Imp	Priority of Overdue Actions			Actions Not Due
					High	Medium	Low	
IMT Asset Management Follow up	Jan 2019	Substantial	1	0	0	1	0	0
Counter Fraud Arrangements	April 2019	Substantial	6	3	0	3	0	0
Cyber Security	Mar 2019	Limited	6	2	0	2	0	2
Members Allowances Scheme	April 2019	Substantial	6	5	0	1	0	0
Commercial Property Portfolio	Jan 2020	Substantial	6	5	0	1	0	0
LSAB Peer Review	Dec 2019	Substantial	2	0	0	2	0	0
<b>Total</b>			<b>27</b>	<b>15</b>	<b>0</b>	<b>10</b>	<b>0</b>	<b>2</b>

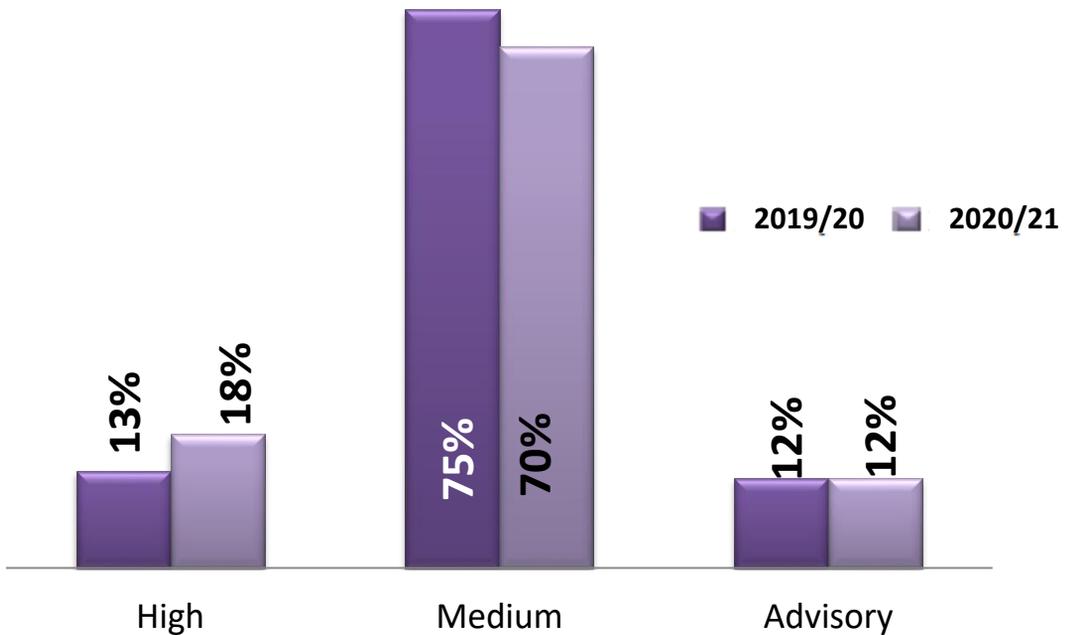
Comparison of Assurances

Corporate



Comparison of Recommendations

Corporate



## Performance on Key Indicators

Performance Indicator	Annual Target	Actual
Percentage of plan completed	100%	92%*
Percentage of recommendations agreed	100%	100%
Percentage of recommendations implemented	100% or escalated	90%**
<b>Timescales:</b>		
Draft Report issued within 10 days of completion	100%	75%
Final Report issued within 5 days of management response	100%	95%
Draft Report issued within 3 months of fieldwork commencing	80%	88%
Client Feedback on Audit (average)	Good to excellent	Good to excellent

\* Some audits were delayed or deferred into 20/21 due to the Covid19 Pandemic

\*\* Outstanding actions shared with Audit Committee via tracker reporting

**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 (assurance) on service delivery arrangements, management of risks, and the 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.

**Significance**

The relative importance of a matter within the context in which it is being considered, including quantitative and qualitative factors, such as magnitude, nature, effect, relevance and impact.

Professional judgment assists internal auditors when evaluating the significance of matters within the context of the relevant objectives.

**Head of Internal Audit Annual Opinion**

The rating, conclusion and/or other description of results provided by the Head of Internal Audit addressing, at a broad level, governance, risk management and/or control processes of the organisation. An overall opinion is the professional judgement of the Head of Internal Audit based on the results of a number of individual engagements and other activities for a specific time interval.

**Governance**

Comprises the arrangements (including political, economic, social, environmental, administrative, legal and other arrangements) put in place to ensure that the outcomes for intended stakeholders are defined and achieved.

**Risk**

The possibility of an event occurring that will have an impact on the achievement of objectives. Risk is measured in terms of impact and likelihood.

**Control**

Any action taken by management, the board and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved. Management - plans, organises and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved.

**Impairment**

Impairment to organisational independence and individual objectivity may include personal conflict of interest, scope limitations, restrictions on access to records, personnel and properties and resource limitations (funding).

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