



Public Sector Auditing.... Private Sector Thinking

Internal Audit Progress Report



Date: June 2015

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Introduction

1. The purpose of this report is to:
 - Provide details of the audit work during the period 19 March 2015 to 31 May 2015
 - Advise on completion of the Audit Plan 2014/15 and audits underway in the 2015/16 programme
 - Raise any other matters that may be relevant to the Audit Committee role

Key Messages

2. During the period 19 March 2015 to 31 May 2015 we have completed 14 County audits, 7 to final report and 7 to draft report stage. In addition, a further 5 assignments were commissioned in the period and these are summarised at points 9 to 13 of this report. Overall we have completed 99% of the 2014/15 plan.
3. We have now assigned three auditors to advise / support the Agresso project post implementation, which is a significant audit resource – we are advising on operational issues from a risk and control perspective and carrying out extensive analysis and testing to provide assurance and/or identify the extent of the anomalies.
4. There are currently 12 audits in progress including the 2 Agresso post implementation assignments. All contracted 2014/15 Academy visits are complete and the 2015/16 visits are progressing in accordance with their agreements.
5. Outstanding recommendations will be followed up and reported to the July 2015 Audit Committee.

Internal Audit work completed in the period 19 March to 31 May 2015

6. The following audit work has been completed and a final report issued:

| Effective | Some Improvement Required | Major Improvement Required | Inadequate |
|---|---|---|---|
| <ul style="list-style-type: none"> ■ Child Adolescent Mental Health Services ■ Key Financial Controls Testing | <ul style="list-style-type: none"> ■ Capital Contracts ■ Sexual Health Services ■ Budget Management ■ Member Support ■ Ethnic Minority & Traveller Education | <ul style="list-style-type: none"> ■ | <ul style="list-style-type: none"> ■ |

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.

7. Below is a summary of the areas where we gave the audit opinion of 'Some Improvement Required' or 'Effective':

Child Adolescent Mental Health Services – Effective

We found that through the commissioning arrangements for Children's Adolescent Mental Health Service, children and young people with mental health needs should receive a service which is designed to improve their outcomes. We confirmed a robust commissioning process has been followed and as lead commissioner for the service, Lincolnshire County Council is fulfilling its obligations. Effective governance arrangements are in place for monitoring the contract and performance under it.

Capital Contracts – Some Improvement Needed

We found the processes for managing each capital contract are adhered to with evidence of regular reviews and project positions routinely reported to senior management. Most project documentation is held electronically, with the exception of plans and drawings – although there is a standard file structure we found little consistency in the storage of documents and no checklist to record the status of each project through the gateway process.

We can confirm the gateway process and dashboard reporting provides clear information on the status of projects. We found this to be generally working well, but the accuracy of the project status could be affected by the storage inconsistencies.

Sexual Health Services – Some Improvement Needed

The Sexual Health Service is well managed with a clear governance structure in place, defined roles and responsibilities and regular contract meetings.

Performance information is regularly submitted, analysed, reported and discussed both at contract meetings and at the Programme Board and sub-group meetings. Issues re under-performance are addressed directly with the service provider.

Clear Terms of Reference exist for all sub-groups, however with the exception of two groups, there has been no formal approval or annual review. Revised Terms of Reference have yet to be formulated and agreed for the recently merged Sexual Health Implementation and Promotion groups.

There is no LCC Sexual Health Strategy yet in place; however the aims, objectives and outcomes of the Service are detailed within individual sub-group Action Plans. A needs assessment of the service is currently underway and once finalised will be used to formulate a Strategy. This will set out how the

Council plans to improve the sexual health of the local population, improve sexual health outcomes through integrated working and deliver the priorities of the Lincolnshire Joint Strategic Needs Assessment.

Budget Management – Some Improvement Needed

We found that the systems and process in place for budget monitoring are working well with budgets subject to regular reviews and routine budget reporting to senior management. Financial skills training has been provided to budget holders and this has been received positively, with budget holders confident that it equips them to perform their budget management duties. We also note that the support provided by budget operators and finance teams to budget holders continues to be an integral part of the budget management process and ensures timely and accurate preparation of budget reports.

The implementation of the new Agresso system will require a more 'self service' approach for managing budgets. It is important therefore, that sufficient training is provided to all budget holders to ensure they have the capacity and understanding of their responsibilities within the new Agresso system. There will be a need for greater emphasis on routine oversight to obtain ongoing assurances that budget holders are effectively discharging their responsibilities without the current levels of 'hands on' support.

Member Support – Some Improvement Needed

Our initial audit work identified a third party review recently completed by East Midlands Council (EMC) in preparation for reaccreditation. As such we re-scoped this work to assess the EMC review and identify any potential gaps in assurance. We were able to confirm that EMC have reported a largely positive position regarding member support and have agreed a formal action plan for improvements where necessary. We did not identify any gaps in their coverage and can place assurance on the work they have provided.

Ethnic Minority & Traveller Education – Some Improvement Needed

Our review found that the service has adapted its service delivery in response to challenging financial conditions. Points of good practice identified during the review included effective governance structures, good communication channels, a consistent application of the referral process and clear objectives for the service.

There was some scope to strengthen processes, specifically around strategic planning, risk management and performance management.

Audits in Progress

8. The following audits are currently in progress:

Audits at draft report stage:

- Incendi – Fire and Rescue Trading Company

- Strategic Property Management
- Joint Policy Working / Joint Local Plan
- Joint Commissioning Board
- Safeguarding Children – Organisational Learning
- Safeguarding Adults
- Transfer of the Pension Fund Administration

Fieldwork in progress

From the 2014/15 only the Wellbeing Service audit remains in progress – this has been deferred to July 2015 to allow this new service to become more established.

The following 2015/16 audits are in progress:

- Retention of Business Rates Pooling Arrangements
- Property – VINCI–Mouchel Contract
- 1 x school audit

Other Work

9. Agresso Project – Finance

We continue to work closely with the Agresso project team – post implementation – to provide guidance, support and assurance as needed. We have also provided additional resources to analyse data and help identify the extent of duplicate payments and payroll errors, to aid swift resolution.

10. Agresso Project – Payroll

Our review has focused on identifying and evaluating the controls in place within the 'end to end' payroll process. We will also review the arrangements for reporting and year end procedures. This audit aims to provide assurance that the Council has a payroll system that is robust, well controlled and fit for purpose.

11. CfBT School Improvement Service

Children's Services commissioned an audit investigation into the delivery of the School Improvement Service, specifically associated with special schools. Our work is complete and we are awaiting the management response in order to finalise the report.

12. Standards Complaint Investigation

The Council's Monitoring Officer commissioned us to carry out an independent investigation in the complaint. This was the first investigation of this kind under the new local arrangements – the work is complete and the process has now concluded.

13. Mouchel – SAP Licences

We carried out some work on the allocation of costs associated with Mouchel's management of the SAP licences – this information was forwarded to senior managers to assist with end of contract negotiations.

Performance Information

14. Our performance against targets for 2014/15 is shown in the analysis below:

| Performance Indicator | Target | Actual |
|---|-------------------|----------------------|
| Percentage of plan completed (based on revised plan) | 100% | 99% |
| Percentage of recommendations agreed | 100% | 100% |
| Percentage of recommendations implemented | 100% or escalated | Measured at year end |
| Timescales: | | |
| Draft Report issued within 10 days of completion | 100% | 100% |
| Final Report issued within 5 days of management response | 100% | 92% |
| Draft Report issued within 2 months of fieldwork commencing | 80% | 69% ¹ |
| Client Feedback on Audit (average) | Good to excellent | Good to excellent |

We have reviewed the audit plan to re-assess our priorities and the key risks facing the Council. Our current audit plan and schedule can be found in Appendix 3.

¹ Including Schools

Appendix 1 - Assurance Definitions²

| | |
|--|---|
| <p>Effective</p> | <p>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.</p> <p>The risk of the activity not achieving its objectives or outcomes is low. Controls have been evaluated as adequate, appropriate and are operating effectively.</p> <p>As a guide there are a few low risk / priority actions arising from the review.</p> |
| <p>Some improvement needed</p> | <p>Our critical review or assessment on the activity gives us a reasonable level of confidence (assurance) on service delivery arrangements, management of risks, and operation of controls and / or performance.</p> <p>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. A few specific control or risk issues identified.</p> <p>As a guide there are low to medium risk / priority actions arising from the review.</p> |
| <p>Major improvement needed</p> | <p>Our critical review or assessment on the activity identified numerous concerns on service delivery arrangements, management of risks, and operation of controls and / or performance.</p> <p>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.</p> <p>As a guide there are numerous medium and a few high risk / priority actions arising from the review.</p> <p>Our work did not identify system failures that could result in any of the following:</p> <ul style="list-style-type: none"> - damage to the Council's reputation - material financial loss - adverse impact on members of the public - failure to comply with legal requirements |
| <p>Inadequate</p> | <p>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.</p> <p>Our work identified system failures that could result in any of the following:</p> <ul style="list-style-type: none"> - damage to the Council's reputation - material financial loss - adverse impact on members of the public - failure to comply with legal requirements <p>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.</p> <p>As a guide there are a large number of high risks / priority actions arising from the review.</p> |

² These definitions are used as a means of measuring or judging the results and impact of matters identified in the audit. The assurance opinion is based on information and evidence which came to our attention during the audit. Our work cannot provide absolute assurance that material errors, loss or fraud do not exist.

Appendix 2 – Internal Audit Plan 2015/16

| Area | Indicative Scope | Planned start date | Actual start date | Final Report date | Status / Assurance opinion |
|--|---|--------------------|-------------------|-------------------|----------------------------|
| Executive Director – Pete Moore | | | | | |
| Emergency Planning and Business Continuity | Review the Council's arrangements and resilience to respond and recover to a major event / incident. | Jun 2015 | | | |
| Property – VINCI-Mouchel Contract | Consultancy assignment to support the business in developing the governance, management and monitoring arrangements for the new VINCI-Mouchel property contract | Apr 2015 | Apr 2015 | | Assignment in progress |
| Business Rates Pool | Review of methodology used to calculate the additional income generated from pooling to confirm this aligns to national guidance and the MOU and verify calculations are based on correct data. | May 2015 | May 2015 | | Audit in progress |
| Agresso Finance system | Consultancy assignment to support the business in ensuring efficacy of the new finance system. | Apr 2015 | Apr 2015 | | Assignment in progress |
| Agresso Payroll system | Consultancy assignment to support the business in ensuring efficacy of the new payroll system. | Apr 2015 | Apr 2015 | | Assignment in progress |
| Executive Director – Richard Wills | | | | | |
| Joint waste management strategy | Review to provide assurance on arrangements and progress for the district waste strategy. To include assessment of financial benefits and district engagement. | Nov 2015 | | | |

| | | | | | |
|---|---|-----------|----------|--|--|
| Adult Learning | Review of the financial arrangement in to confirm adequate financial control and sustainability | | | | |
| Director of Children Services – Debbie Barnes | | | | | |
| Families Working Together | To provide audit support as per the requirements of the grant on a quarterly basis | Jun 2015 | Jun 2015 | | |
| Raising the Participation Age (project) / Tracking the Status of 16 – 18 year olds in education, employment or training (critical activity) | <p>From September 2013, all 17 year olds had a duty to participate in education, employment or training. This extends to 18 year olds from September 2014.</p> <p>To review the arrangements in place that ensure young people are aware of their duty to participate and that there will be sufficient provision available. This could include how the LA are identifying young people that are not in education or training, including data sharing arrangements with Educational Institutions.</p> | Jun 2015 | | | |
| People Management | Application of the council's Sickness Absence Policy | Oct 2015 | | | |
| Schools | Periodic audits of maintained schools. | Jun 2015 | | | |
| CfBT – school improvement service | Follow up audit to provide assurance around the application of CfBT's revised monitoring protocol across all education settings. | July 2015 | | | |
| Director of Adult Services – Glen Garrod | | | | | |
| Transformation Programme | Review, advice and guidance around the transformation programmes within Social Care, including the Case Management System and Lincolnshire Health and Adult Care - considering the design and application of the | | | | |

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|--|---|--|--|--|---|
| | governance structure. To provide proactive advice and support on governance, managing key risks and effective internal control. | | | | |
| Lincolnshire Quality Assurance Framework (safeguarding) | Co-ordinate a self-assessment using the framework to provide positive assurance to the Lincolnshire Adult Safeguarding Board | | | | |
| Workforce Development | A review of training planning and delivery arrangements. | | | | |
| Director of Public Health – Tony Hill | | | | | |
| Review of Coroner's Officers | To provide assurance in the following areas: <ul style="list-style-type: none"> ■ the structure is fit for purpose ■ demand and case management ■ IT use ■ agile working ■ leadership, governance and cultural ■ local working practice | | | | Outcome of peer review now received – scope of work currently being assessed. |
| ICES | Scope to be confirmed. | | | | |
| Chief Information and Commissioning Officer – Judith Hetherington-Smith | | | | | |
| EU procurement changes | Review of the procurement regulations to ensure that the necessary changes have been implemented. | | | | |
| ICT Infrastructure and service delivery | Work is underway to finalise ICT assurance map and status report – this will inform the choice of audits in this section of the plan. | | | | |

| | | | | | |
|--|---|--|--|--|--|
| | Scheduling of individual ICT audits will be agreed when the assurance map is finalised. | | | | |
| Due Diligence | | | | | |
| - Those systems that support the running of the Council and ensure compliance with key policies | | | | | |
| Human Resources – SERCO | To provide assurance that the approach to managing the contract and transfer of staff is adequate to ensure continued support for the business | | | | |
| Key Control Testing | Delivery of key control testing to enable the Head of Internal Audit to form an opinion on the Council’s financial control environment. | | | | |
| <ul style="list-style-type: none"> • Bank Reconciliation • General Ledger • Payroll • Income • Creditors • Budget Management – Agresso reporting • Treasury Management • Debtors | <p>Key systems that support the running of the Council's business and ensure compliance with corporate policies and legal requirements.</p> <p>How often Internal Audit review these activities depends on previous assurance opinions, when we last examined the activity and if there has been any significant changes to the system or senior management. We also consider the requirements of External Audit.</p> | | | | |
| ICT audit | | | | | |
| ICT | <p>ICT plays a vital role in supporting the Council's business and customer interface. Possible areas identified on the assurance map include:</p> <ul style="list-style-type: none"> ■ ICT strategy | | | | |

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|--|---|--|--|--|--|
| | <ul style="list-style-type: none"> ■ Disaster recovery & resilience ■ Key Application Audit – Agresso and Case Management System (MOSIAC) | | | | |
|--|---|--|--|--|--|

| | | | | |
|--------------------------------------|--|--|--|--|
| Emerging Issues and Key Risks | | | | |
|--------------------------------------|--|--|--|--|

To enable Internal Audit to respond to changes during the year we will meet regularly with Senior Management to agree which areas to focus our audit assurance work.

The following areas have been identified through our risk assessment and on the assurance map as possible areas to focus audit activity:

Executive Director – Pete Moore

- Youth Offending
- Trading Standards

Executive Director – Richard Wills

- Flood Management
- Lincolnshire Supported Bus Service
- Capital Projects
- Highways Maintenance – Revenue Contract

Director of Children Services – Debbie Barnes

- Exclusions
- Special Educational Needs and Disabilities Reform
- Closing the Gap
- Social care and SEND transport

Director of Adult Services – Glen Garrod

- Mental Health Services
- Carers

Director of Public Health – Tony Hill

- Customer Service Centre
- Health Improvement, prevention and self-management
- Integrated & Equipment Service

Chief Information and Commissioning Officer – Judith Hetherington-Smith

- Procurement Cards
- Procurement Lincolnshire – Governance

Due Diligence Areas

- Big Society Member Grants
- Partnership Management
- Corporate Complaints
- Records Management
- FOI and Transparency Agenda
- Impact Assessments

| Other relevant Areas | | | | | |
|--------------------------------|---|--|--|--|--|
| Combined Assurance | Updating assurances on the Council's assurance map with senior managers and helping to co-ordinating the annual status report. | | | | |
| Follow up of Recommendations | Audit Reports issued during 2014/15 where an audit opinion of 'major improvement' or 'inadequate' will be followed to establish progress in implementing agreed management actions. | | | | |
| Advice & Liaison | | | | | |
| Annual Report | | | | | |
| Annual Governance Statement | | | | | |
| Audit Committee | | | | | |
| Total Planned Days 1230 | | | | | |

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