Public Sector Auditing.... Private Sector Thinking

Internal Audit Progress Report

Lincolnshire
COUNTY COUNCIL
Working for a better future

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Contents

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Introduction

1. The purpose of this report is to:

   - Provide details of the audit work during the period 15th July 2015 to 31 August 2015
   - Advise of progress with the 2015/16 Audit Plan
   - Raise any other matters that may be relevant to the Audit Committee role

Key Messages

2. During the period we have completed 8 County audits, 1 to final report and 2 to draft report stage as well as finalising 5 school audits.

3. We continue to provide significant audit resources advising / supporting the Agresso project – Post implementation – As such we have had to increase the audit time allocation in the audit plan. The outcome of our work is the subject of a separate report during the Committee meeting.

4. The service is going through restructure, which is due for implementation 1st October 2015. Inevitably there will be a period of transition as we move into the new structure and process evolves as new roles and responsibilities are understood and embedded. This will result in a review of the Internal Audit plan for the latter part of the year. We will work through these revisions with Senior Management during October and report the changes to Audit Committee at the November meeting.

5. There are currently 7 audits in progress. All contracted Academy visits for 2015/16 are progressing in accordance with their agreements.

6. Resources have unexpectedly reduced during the 1st half of the year due to high levels of sickness, which has impacted on delivery. We have addressed this through realignment of schedules and commissioning of additional resources. The detailed schedule is shown in Appendix 2 with current progress as follows:

10%	completed or at draft report stage
20%	In progress
1%	agreed and scheduled during quarter 2
29%	agreed and to be scheduled during quarters 3 or 4
40%	potential audit areas to be agreed and scheduled[1]

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[1] Our quarterly liaison meetings agree and schedule audits during the year based on the risked based plan and new emerging risk areas.

Internal Audit work completed in the period 15th July 2015 to 31st August 2015

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

High Assurance	Substantial Assurance	Limited Assurance	Low Assurance
■	■ Organisational Learning from Serious Case Reviews	■	■

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.

8. Below is a summary of the areas where we gave the audit opinion of 'High' or 'Substantial' assurance:

Organisational Learning from Serious Case Reviews – Substantial

Reporting to the Lincolnshire Safeguarding Children Board (LSCB) our audit aimed to provide assurance that the learning from serious case reviews is embedded and consistent across the multiple agencies involved with the LSCB. The review focused on the larger agencies, namely LCC Children's Services, Lincolnshire Police and Lincolnshire NHS.

We found that the Lincolnshire Safeguarding Children Board has strong governance arrangements around assessing the need for, and leading on, Serious Case Reviews (SCR). Agencies involved in a SCR have access to relevant support and guidance throughout the process and the quality assurance arrangements delivered by legal services ensures a standard and consistency in the Agency Narrative Reports.

SCRs result in multi-agency action plans to facilitate improvements and learning – we found that agreed actions were appropriately tracked to confirm implementation. We can see that over time these plans have influenced policy and procedure, training and learning. Individual agency learning is complemented by the multi-agency training events organised / delivered by the LSCB – it is clear that these joint face to face or e-learning sessions not only deliver the learning but enhance inter-agency understanding on responsibilities and practice.

LSCB currently has no consistent mechanism for evaluating the transfer of learning into practice. This assurance gap increases the risk that agreed improvements may not be effectively embedded into practice. To maximise the benefits of the SCR process, we advise the transfer of learning into practice is evaluated at every stage of the learning and development cycle. This will not only increase the profile and emphasis of local SCRs but will also inform the LSCB and relevant agencies on the most effective ways of transferring learning into practice.

The LSCB training team have noted that attendees at training sessions generally had a greater awareness and knowledge of high profile national SCRs – this correlates with our survey results which show that less than half of the respondents were familiar with local SCR outcomes and learning.

Management within all agencies were confident they had appropriate support mechanisms for their staff – both for general access and more specifically to provide emotional support during the SCR process. Our survey results suggest this may be an area that would benefit from further investigation as almost half of all respondents did not feel they had access to 'role appropriate' emotional support.

Audits in Progress

9. We have two audit's at draft report stage:

CFBT School Improvement Plans follow up review

CfBT are contracted to provide school improvement services across all three education settings within Lincolnshire: primary, secondary and special schools.

In June 2015 we completed a review of the School Improvement Service (SIS) and in our report we made eight recommendations.

The purpose of this audit is to provide independent assurance in respect of one of the recommendations made; whether the CfBT SIS Assurance Review monitoring protocol is embedded within all education settings, particularly secondary and special schools.

In forming our assurance opinion we have;

- performed testing on a sample basis to confirm compliance with the monitoring protocol

- reviewed the Quality Assurance/Management oversight of Education Advisors/Associate Education Advisors, and

- assessed CfBT SIS records management arrangements.

Business Continuity Management

Business Continuity Management (BCM) is a planning process which aims to ensure that key services to the community can continue to be delivered, to an acceptable level, in the event of an incident or disruption and return to normal working once the incident has been resolved.Our review has sought to provide assurance in the following areas:

- Sufficient capacity and resilience exists to respond to, and recover from, wider area prolonged emergencies and business disruption impacting on the continuity of critical functions and normal service delivery.

- Up to date Business Continuity plans are in place for all the Council's critical functions (including where relevant within the supply chain), which are fit for purpose.

- Business Continuity plans are regularly exercised, maintained and reviewed.

- Business Continuity is externally promoted to small business and the voluntary sector.

10. The following audits are currently in progress:

Raising the Participation age

In the 2008 Education and Skills Act, the government set out its intention to raise the participation age (RPA). Since 2013, all those up to the age of 17 have been required to take part in some kind of 'appropriate' education and training. From 2015, this extended to age 18. The raising of the participation age gives local authorities new roles, opportunities and challenges in supporting young people who are not in education, employment or training.

Our review seeks to provide assurance in the following areas:
- A strategic overview has been undertaken of the provision available in the area and any gaps in provision have been identified and resolved.
- Support is made available to all young people aged 13-19 and to those up to age 25 with a Learning Difficulty Assessment or Education Health and Care plan that will encourage, enable or assist their participation in education or training.
- Participation in education and training of 16 and 17 year olds in the area is effectively promoted.
- A tracking system is maintained to identify 16 and 17 year olds who are not participating in education or training.

Business Rate Pooling

We have undertaken an audit to provide assurance over county wide business rate pooling arrangements to verify:

- the methodology used to calculate the additional income generated from pooling aligns to the national guidance and also to the Memorandum of Understanding (which sets out the sharing agreement for the additional income).
- the information used to calculate the pooling income from all 5 district council pooling members (and 2 non-pooling members as they feed into the overall calculations).

Our initial testing and conclusions were drawn using estimated figures – we await the actual figures, available August, to conclude this audit.

Agresso Project – Payroll

Our review has focus on identifying and evaluating the controls in place within the 'end to end' payroll process. We are looking to establish the position around reporting and year end procedures. We aims to provide assurance that LCC have a robust, well controlled and fit for purpose payroll system.

Concerto Property Asset Management System

We have included this audit in ICT plan as Concerto software is a new application. The scope of this review includes assessing whether adequate controls are in place to protect the system and data from unauthorised access, modification and system unavailability.

Other Work

11. **Agresso Project - Finance**

    We continue to work closely with the Agresso project team – post implementation to provide guidance and support as needed. This is the subject of a separate report to audit committee.

12. **Vinci Mouchel Property Management Contract**

    The Council's property service has entered into a partnership arrangement with Vinci Mouchel to provide the Council's property management services. The contract is based on the New Engineering Contract (NEC) where the Council works in close partnership with the provider and performance has a direct impact on payments through agreed monitored indicators.

    The property service requested that Internal Audit provide a support and consultancy review of the new and developing contract management systems to manage the Total Facility Management contract with Vinci Mouchel. After a period of initial consultancy work, support is now being provided on an adhoc basis, when required.

13. **Families working together**

    On behalf of Children's Services we provide assurance that the performance figures provided to the DCLG relating to the quarterly Troubled Families grant claim are:
    - Accurate
    - Bona fide
    - Related to eligible families (based on criteria from the financial framework payments-by-results scheme for local authorities)
    - Supported by adequate evidence

    We have completed our first quarter audit of the grant claim and plan to carry out the quarter 2 work shortly.

14. **ICT Audit Strategy**

ICT plays a vital role in supporting the Council's business and customer interface. We recently met with the Chief Information and Commissioning Officer to discuss our ICT audit strategy. We have agreed a scheme of ICT audit work, which will be scheduled in the coming month and reported to audit committee in due course.

15. **Tender and Contract Award – Draft stage – awaiting management response**

In August an issue arose around the tender and award of a major building contract – management commissioned us to review the procurement process and the subsequent letting of the contract. Our review focused on compliance issues around:

- new Public Contract Regulations, which came into effect on 26 February 2015
- Council's own Contract Regulations and Contract and Procurement Procedures
- Gateway Control Framework for building projects
- partnership contract specification

The outcome of this consultancy work will be reported to the next Committee meeting.

Performance Information

16. 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%	20%
Percentage of recommendations agreed	100%	100%
Percentage of recommendations implemented	100% or escalated	N/A
Timescales: Draft Report issued within 10 days of completion	100%	Not enough data to measure yet
Final Report issued within 5 days of management response	100%	
Draft Report issued within 2 months of fieldwork commencing	80%	
Client Feedback on Audit (average)	Good to excellent	N/A

Other Matters of Interest

17. **Delivering Good Governance in Local Government: Framework (CIPFA/SOLACE)**

The introduction of new responsibilities and the development of new collaborative structures and ways of working provide challenges for ensuring transparency, demonstrating accountability and, in particular, for managing risk. It is crucial therefore that leaders and chief executives keep their governance arrangements up to date and relevant.

In response to these challenges, CIPFA and SOLACE are undertaking a fundamental review of the Framework: Delivering Good Governance in Local Government to ensure that it remains 'fit for purpose'.

A consultation on the new draft Framework is available on the CIPFA website until 28th September. This can be found following this link:
http://www.cipfa.org/policy-and-guidance/consultations

Appendix 1 - Assurance Definitions[2]

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 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.

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[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 3 – 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	Jul 2015	Sept 2015	Draft report
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	Sept 2015	Report to committee September 2015
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		Quarter 1 and 2 return audits complete
Raising the Participation Age (project) / Tracking the Status of 16 – 18 year olds in education, employment or training (critical activity)	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. 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.	Jun 2015	Jul 2015	Sept 2015	Audit in progress
People Management	Review the effectiveness, quality and compliance of the People Strategy launched in 2012 and the strands underpinning delivery of the Council's people management arrangements. Area of focus will be application of the sickness / absence policy.	Oct 2015			
CFBT School Improvement Plans	Follow up audit to confirm whether the CfBT SIS Assurance Review monitoring protocol is embedded within all education settings, particularly secondary and special schools.	Jul 2015	Jul 2015	Sep 2015	Draft Report

Schools	Periodic audits of maintained schools.	Jun 2015	Jul 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 governance structure. To provide proactive advice and support on governance, managing key risks and effective internal control.	On-going support	On Going	N/A	
Lincolnshire Quality Assurance Framework (safeguarding)	Co-ordinate a self-assessment using the framework to provide positive assurance to the Lincolnshire Adult Safeguarding Board	Jan 2016			
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: ▪ the structure is fit for purpose ▪ demand and case management ▪ IT use ▪ agile working ▪ leadership, governance and cultural ▪ local working practice				Awaiting outcome of peer review to assess what elements of this scope have been covered and what, if any, further work is needed.

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ICES	The Integrated Community Equipment Service (ICES) provides short and long term loans of equipment, through a Joint Commissioning approach between LCC and the CCG's. A competitive tendering has been undertaken and the new five year ICES contract will be awarded in August 2015, commencing April 2016. Our work will provide assurance on the commissioning and management of this service.	Jan 2015			
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.	Jan 2015			Currently providing some advice and support through change
Records Management		N/A			Removed as comprehensive ICO audit inspection due.
FOI and Transparency Agenda	Review of Freedom of Information and Transparency reporting to provide assurance on compliance with legislation.	Oct 2015			
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.	Nov 2015			
Bank Reconciliation	Key systems that support the running of the Council's business and ensure compliance with corporate policies and legal requirements. 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.				
General Ledger					
Payroll					
Income					
Creditors					
Budget Management – Agresso reporting					
Treasury Management					
Debtors					
Big Society Member Grants	Review to provide assurance that big society member grants are appropriately utilised and accounted for to maximise the benefit to communities.	Sep 2015			
Partnership Management	High level review of the process in place for managing and monitoring partnerships.				
Corporate Complaints	Review of the complaints process to provide assurance that it is fit for purpose and meeting targets in resolving customer complaints at the earliest contact.	Oct 2015			
Impact Assessments	To provide assurance that the corporate policy on impact assessments is embedded and applied consistently.				

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ICT audit					
ICT	ICT plays a vital role in supporting the Council's business and customer interface. Possible areas identified on the assurance map include: - ICT strategy - Disaster recovery & resilience - Key Application Audit – Agresso and Case Management System (MOSIAC)				
Concerto	The audit will examine the strength of controls surrounding the Concerto application and will be carried out by means of discussions with system administrators and relevant users. The testing will make use of non-invasive audit tools in order to assess whether adequate controls are in place to protect the system and data from unauthorised access, modification and system unavailability.	Aug 2015	Aug 2015	Oct 2015	Audit in progress
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
- VAT
- Budget Preparation and Financial strategy

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

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.	Oct 2015				
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.	Oct 2015				
Advice & Liaison						
Annual Report						
Annual Governance Statement						
Audit Committee						
Total Planned Days 1230						