Lincolnshire County Council

Internal Audit Annual Report –

2016/17

What we do best…

Innovative assurance services

Specialists at 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

Contents

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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 bought to our attention. The opinion is based solely the work undertaken as part of the agreed internal audit plan.

Distribution List
Corporate Management Board
Audit Committee
External Audit

Management Summary

Purpose of Annual Report

1. 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 2015. 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 and improvement programme (QAIP);
   - Draw attention to any issues particularly relevant to the Annual Governance Statement.

Annual Opinion

2. For the twelve months ended 31 March 2017, based on the work we have undertaken and information from other sources of assurance, my opinion on the adequacy and effectiveness of Lincolnshire County Council's arrangements for governance, risk management and control is shown in **Figure 1**

Figure 1 – Head of Internal Audit Opinion
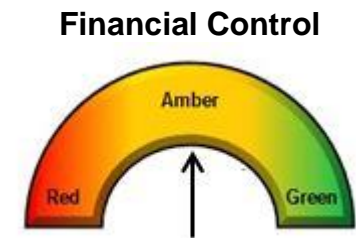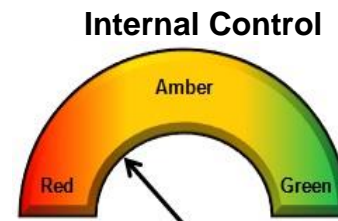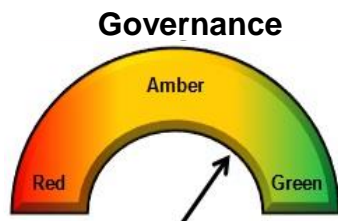
Governance

Performing Well – Some improvements identified over the Council's governance, risk and control framework or to manage medium risks across the Council

Risk

Performing Well – No concerns that significantly affect the risk management framework.

Internal Control

Inadequate Performance – performing inadequately in some key systems / process areas which have a wide negative impact on internal control throughout the Council.

Financial Control

Performing Adequately – Some improvement required to manage a high risk in a specific business area and medium risks across the Council.

How we came to our opinion

Governance

3. Good Governance can mean different things to people – in the public sector it means:

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

4. It is comprises 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.

5. Each year the Council is required to reflect on how its governance arrangements have worked – identifying any significant[1] governance issues that it feels should be drawn to the attention of the public – in the interests of accountability and transparency. Significant governance issues identified by the Council in the 2017 statement are:

   - IT Governance
   - Financial sustainability
   - Market Supply in Adult Care
   - SERCO Contract – lessons learnt (KPMG report)
   - SERCO - delivery of support services and improvement
   - Collaborative working – Governance arrangements

6. 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.

7. In April 2016, CIPFA / SOLACE published an updated 'Delivering Good Governance in Local Government – Framework and Guidance'. This sets out the latest good practice operating in the current public sector environment. It defines seven core principals by which a Council can test out their governance arrangements.   In December 2016 the Council reviewed and assessed its arrangements and confirmed that the Council conforms with the Framework – with governance arrangements in place that are up to date and relevant to the environment it operates in.

8. The review did suggest a number of improvements around:

   - **Ethics** – One key area of the new governance guidance is demonstrating the 'ethical mind set' in how decisions are made. An Internal Audit is planned for 2017/18 seeking to provide the Corporate Management Board with assurance on how well our governance arrangements work in practice.

   - **Partnerships** - better accountability and transparency is required over contract and partnership risks and their assurance arrangements. The Council's financial procedures and guidance in this will be updated during 2017.It is crucial to the Council's success that its governance arrangements are applied in a way that demonstrates the sprit and ethos of good governance – this cannot be achieved by rules and procedures alone – the Council is expected to have a culture that places the public and integrity at the heart of its business. One key area of the new governance guidance is demonstrating the 'ethical mind set' in how decisions are made.

9. Taking the above information into account we have assessed the governance framework as **Green / Amber -** Some improvements identified over the Council's governance, risk and control framework or to manage medium risks across the Council.

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[1] 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.

Risk Management

10. During the year the Council's risk management arrangements were independently reviewed by Kerberos Risk - the outcome was reported to Audit Committee in November 2016.

11. The report concluded that risk management is embedded and integrated within the Council. The review found many examples of very good, even exemplary, risk management practice – it also suggested some improvements, namely:

    ▪ updating the strategic risk register and risk appetite
    ▪ continue raising awareness of good risk management practice through regular communication and training.

12. The Audit Committee continues to receive regular updates on how the Council manages its strategic risks – seeking assurance over the effectiveness of Council's risk management arrangements. No issues have been identified.

13. Taking all of the above information into account we have assessed the risk management as **Green** – performing well, with no concerns that significantly affect the risk management framework and successful delivery of the Council priorities

Internal Control

14. We took account of the outcome of our internal audit work during the year. 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. Positive assurance levels have improved again compared to last year for the Council's systems – the Payroll modules of Agresso remains a significant issue with the assurance opinion -

'**low** assurance'.

15. We also gave some areas a '**limited** assurance' opinion. These were:

Accounts payable – We noted general improvement since the 2015/16 audit, but further action needs to be taken to improve system access security and processing of tasks to ensure timely payment.

Adult Care Annual Assessments – Our recommendations focused on delivery of assessments timeframes. Management are reviewing and refocusing the assessment process to provide effective and proportionate management oversight**.**

Debtors – Our audit makes recommendations around debt reporting and timely recovery of all debt

Heritage Sites – We recommended implementation of consistent financial processes across all heritage sites.

HR Processes in Schools – We advised on revision of policy and communication with schools to improve knowledge and understanding to ensure consistency in retaining evidence of employee recruitment checks.

Integrated Community Assessment Scheme – our audit made several recommendations in managing this contract to ensure it delivers expected outcomes.

Joint Waste Management Strategy – We advised on improvements in the Waste Partnership to help improve relationships and move development of a new joint strategy forward.

Workforce Development (Adult Care) – Recommendations to improve tracking through Agresso and effective evaluations of training provided were made.

Combined Status Report

16. 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.

17. **Figure 2** shows the current assurance levels for each Executive Director.

Figure 2 – Overall Assurance Levels 2016/17
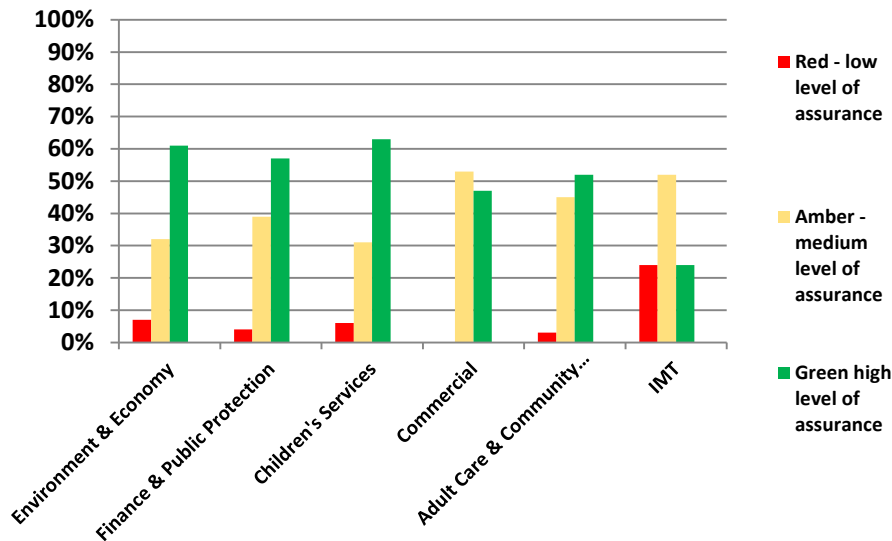
18. Areas where management assurance provided gave a low level of assurance and / or high risk currently facing the service have reduced

compared to 2015/16 Key areas where management action is still required: are:-

Childrens' Services
- HR and Payroll Transformation
- Inclusion for all project
- Partners in Practice project
- Supported Accommodation project

IMT & Commissioning
- IMT led project governance
- IMT Governance – service improvement plans
- Service reviews and improvements
- Problem Management
- Service Asset and Configuration Management
- Capacity Management
- IT service continuity management

Environment & Economy
- Waste Management Strategy
- Heritage
- Total Transport project

19. Taking all of the above evidence and information into account we have assessed Internal Control as **Red / Amber** – performing inadequately in some key systems / process areas which have a wide negative impact on internal control throughout the Council.

Financial Control

20. Our work provides an important assurance element to support the External Auditor's opinion on the Council's Statement of Accounts. During the year we reviewed:

    - Key Control & Substantive Testing, including data analytics
    - Accounts Payable **- Limited Assurance**
    - Bank Reconciliation - **High Assurance**
    - Debtors - **Limited Assurance**
    - Income – **Substantial Assurance**
    - Payroll **– Low Assurance**
    - Treasury Management - **High Assurance**

21. Issues and risks around the Council's finance system (Agresso) continue to figure regularly in our reports to the Audit Committee during 2016/17 and are well documented. There remains a significant number of recommendations / actions yet to be fully implemented on the Payroll system.

22. The overall outcome of our work identified some improvements since last year but unfortunately not sufficient to move the assurance opinion over the Accounts Payable or Payroll system.

23. Management assurances have obtained through the combined assurance process also showed and improving position in budget management and the close down process. Financial strategy and budget preparation processes continue to be assessed at a high level of assurance.

24. Taking the above evidence and information into account we have assessed the financial control environment as **Amber** – performing adequately with inadequacy in certain key financial systems flowing directly from issues arising from the control design and operation of Agresso system. This is an improved position from 2015/16.

Counter Fraud

25. 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.

26. We co-ordinate the Lincolnshire Counter Fraud Partnership whose key aim is to 'Fight Fraud Locally' and co-ordinate counter fraud resources effectively.

27. Where our Counter Fraud work identifies control failures we provide improvement actions plans for management to strengthen systems and / or raise awareness of fraud risks.

28. During the year there have been 16 fraud cases. We recovered £68k – with scope to recover a further £83k.

29. Our data analytics work also supported the Finance Team in identifying £1.6m duplicate payments to suppliers. Controls have been tightened in this area and recoveries are in progress.

30. 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.

Roles and Responsibilities

31. 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.

32. Where Internal Audit work has identified improvements, we have worked with management to agree appropriate corrective actions and a timescale for improvement. It is the responsibility of management to implement the agreed actions.

33. The Council is responsible for developing and publishing an Annual Governance Statement – reporting how they have monitored the effectiveness of the governance arrangements during the year – providing information on any significant governance issues.

Annual Governance Statement

34. The outcome of our internal audit work and the Annual Internal Audit Report has helped inform the Annual Governance Statement – we recommend the following areas to be considered during the development of the Statement :
   - Improving the financial control environment
   - Improving IMT / IT Governance .

Scope of Work

35. Our risk based internal audit plan was prepared taking into account the critical activities and key risks to support the basis of my annual opinion. It has remained flexible to enable us to respond to emerging

risks and maintain effective focus

36. The Audit Committee approved the 2016/17 original audit plan of **1330 days** days on the 21st March 2016. We have delivered 99% of the revised plan by the end of the year - **50** pieces of work). **Figure 3** shows the audit areas we covered during the year and page 9 of the report provides more information on the changes to the original plan that occurred during the year.

Figure 3– Audit Areas covered in 2016/17 Plan

Actual Days Split

Area	Percentage of total days
Schools	4%
Adult Care and Wellbeing	11%
Childrens Services	9%
Economy & Environment	8%
Finance & Public Protection	46%
Information & Commissioning	2%
Other	22%
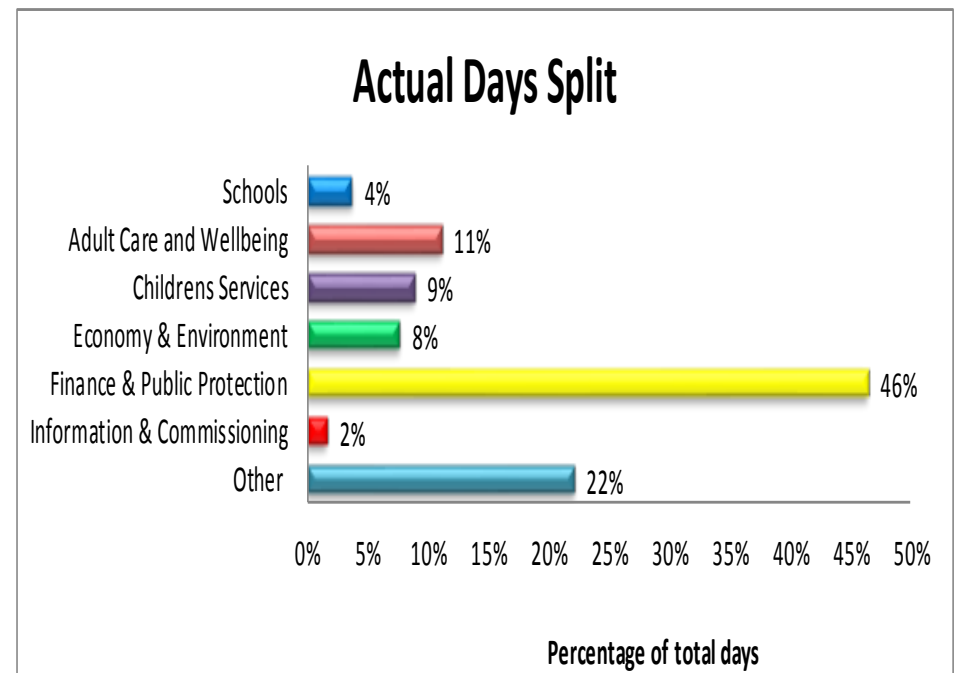
Benchmarking – Comparison of Assurances

37. **Figure 4** below shows the assurance opinions given in 2016/17 compared to those in 2015/16. 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.

38. We can see that overall assurance levels over service areas have improved again during 2016/17. We no longer undertake cyclical audits of schools – our work is specifically requested by children services or the school and therefore the data below is given for information only and relates to a small - we visited 6 schools compared to 9 in the previous year. The detail of audit work completed during 2016/17 is shown in **Appendices 1 and 2.**

Figure 4 – Comparison of Assurances
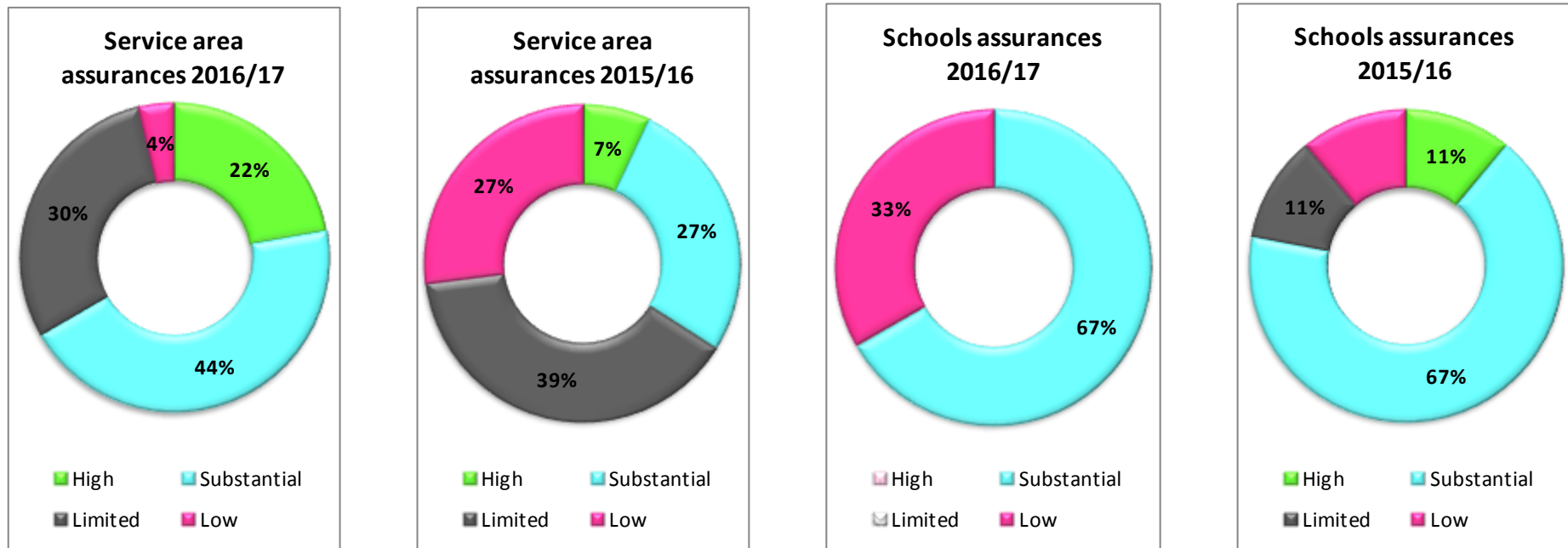
Benchmarking – Comparison of Recommendations

39. **Figure 5** - below shows the comparison of internal audit recommendations made 2016/17 and 2015/16. We can see that the priority of recommendation are less urgent than the previous year, with a reduction in high priority and more medium and low priority actions agreed in the service. Schools have remained very similar. Details of systems reviewed can be found in **Appendices 1 & 2**. This information forms part of the evidence that helped inform the overall annual opinion.

Figure 5 – Recommendations made

Service area Recommendations 2016/17: Low 15%, Medium 54%, High 30%

Service area Recommendations 2015/16: Low 8%, Medium 39%, High 53%

School's Recommendations 2016/17: Low 24%, Medium 55%, High 21%

School's Recommendations 2015/16: Low 23%, Medium 59%, High 18%
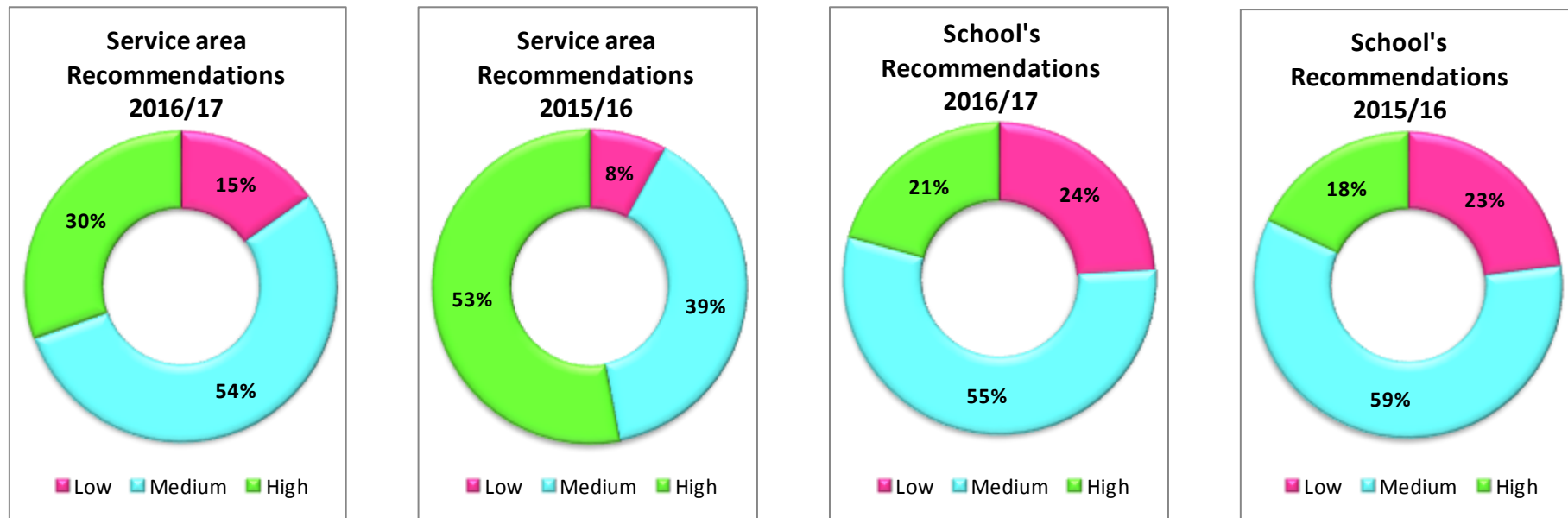
40. We track the implementation of agreed management actions. Over the past year management have implemented **83%** of recommendations due by 31st March 2017. A significant amount of outstanding recommendations relate to the delays in Serco integrating Agresso with Lincs 2 Learn. Details of outstanding recommendations can be found in **Appendix 3.**

Restrictions on Scope / Changes to Plan

41. In carrying out our work we identified no unexpected restrictions to the scope of our work. We have had difficulties in gaining access to staff which resulted in some delay or inability to deliver planned work within the expected timescales.

42. A key area where we have had to defer our internal audit work is around IT Audit – we have been unable to progress the agreed work plan. Improving working relationships with IT Management was identified as a key improvement area in our External Quality Assessment. I'm pleased to report that good progress has been made in this area - with audits in 2017/18 commenced, agreed and scheduled .

43. The original approved plan was 1330 days – the revised plan was 966 days.

44. A number of audits were removed from the audit plan – these were due to a combination of:

   - changes being requested by management - so the timing of the audit adds more value
   - the system was not in an appropriate 'state' to be audited e.g. not implemented
   - management could not accommodate the audit in their work plan before the end of the year
   - re-prioritising audit resources to those of highest risk eg payroll– taking into account the increase in substantive testing and reduced resources.

45. Outlined below are the areas that have been removed from the original plan:
   - Schools Admissions (10 days)
   - SEND Reform (10 days)
   - Careers Advice (10 days)
   - Transfer of Attendance Allowance (10 days)
   - Client Contributions Policy (10 days)

   - Integration with Health (15 days)
   - Adult Safeguarding – Peer review follow up (15 days)
   - Domestic Homicide Review (5 days)
   - ICT Audit (60 days)
   - Business Support (15 days)
   - Service Transformation (30 days)
   - Corporate Complaints (10 days)
   - Performance Management (15 days)
   - Pension Fund (10 days)
   - Budget Management (10 days)
   - General Ledger (10 days)
   - Lincolnshire Archives (10 days)
   - Partnership Management (15 days)
   - Devolution (20 days)
      Reduction of 290

46. Many have been included in the 2017/18 plan, although due to changes in circumstances, risk and priorities some have been removed completely.

47. During the year we were also requested to undertaken the following additional work:
   - Additional Payroll, Accounts Payable and General Ledger substantive testing at the start of the year (120 days)
   - Adult Safeguarding Referrals (20 days)
   - HR Processes within Schools (20 days)
   - Infrastructure Asset Revaluation (10 days)
   - Procontract – replacement procurement and contract management system (10 days)
   - Transport Teckal Company (10days)
   - GLLEP Capital grant sign off (3 days)
   - GLLEP Assurance Framework (5 days)
   - Good governance audit (30 days)
      Addition of 228 days

48. As well as these changes a number of audits required additional resources to complete – approximately **85 days**. The main area related to financial systems which required additional substantive testing.

49. Additional time was also required to induct, develop and support newly recruited auditors to the team.

50. I do not consider the restrictions and changes to the plan to have had an adverse effect on my ability to deliver my overall opinion. The combined assurance model adopted by the Council helped in this regard.

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

Other Significant Work

52. CIPFA / SOLACE updated its 'Delivering Good Governance in Local Government: Framework' and associated guidance in April 2016. The Governance Group commissioned an Internal Audit review - benchmarking the Council's arrangements to this best practice guidance and to ascertain how well the Council's Governance arrangements work in practice. This work has been split into 2 phases:

    Phase One   Examination of the structures, processes, values and systems put in place by the Council and comparing our current governance arrangements to the Framework

    Phase Two   It is proposed to establish how the governance arrangements work in practice

53. We have completed **Phase One** – Overall we can confirm that the Council conforms to this Framework and has strong governance arrangements in place that are up to date and relevant to the environment it operates in.

54. It is not surprising that strong governance arrangements are in place for an established Council. We have provided some insight on the arrangements and suggested some areas of improvement compared to good practice. The areas include Ethics, Partnerships and the Transparency Code.

55. We have completed our annual refresh and coordination of Combined Assurance which maps all assurance across the authority using the 'three lines of assurance' model. This provided the Council with insight over the assurances present on its critical activities, key risks, projects and partnerships.

56. During the year we have undertaken some consultancy work – this is where we give advice on governance, risk and control but do not provide an assurance opinion - generally proactive work : -
   - **Customer Service Centre – Carers Team** – Help and advice on formulating a report on service delivery, performance and contract compliance of the carers team
   - **Adult Safeguarding Referrals** – Review, advice and support on the current process for logging and working through safeguarding referrals and how these may be improved upon with the use of Mosaic
   - **ICT Audit – Mosaic** – review of the project's current position and recommendations to move the project towards successful go live
   - **Planning Software Replacement** – advice and support on the planning and procurement of a replacement planning applications system
   - **Transport Teckal Company** – support and advice on the set up of the Council owned passenger transport company – Transportconnects
   - **Greater Lincolnshire Local Enterprise Partnership (GLLEP) Assurance Framework** – Assessment of how well the GLLEP has applied the new National Assurance Framework and advice on any improvements that can be made.

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For all your assurance needs

Lincolnshire COUNTY COUNCIL

Delivery of Internal Audit Plan 2016/17

57. Internal Audit's performance is measured against a range of indicators. The table **Figure 6** 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).

58. Performance around delivery timescales were affected by a number of reasons, namely:-

- our performance has been affected by the restructure undertaken in November 2015. People have moved into new roles and responsibilities – which has taken time to embed and mobilise.
- finalising the report taking longer than expected
- availability of client and timely provision of information and evidence
- larger and more complex audits in the plan which take longer to complete than 2 months
- auditors scheduling and priority planning creating lapsed time
- more time and support needed for new recruits.

59. The following steps have been or will be taken to improve timescales:

- strengthening our process around planning & scheduling audit work across our team,
- working with management help support the audit process – we have a slot on the September 2017 Senior Leadership
- being clear and firmer about expectations on scheduling and timing of fieldwork.
- ensuring earlier escalation of issues causing delay.

- piloting different approaches to gathering information and actions from auditees to ensure work remains timely
- specifying SMART appraisal targets for all our auditors as part of the appraisal process.

Figure 6 – Performance on key indicators

Performance Indicator	Target	Actual @ 31/03/2017
Productivity & Efficiency		
Actual audits versus planned (by number of audits) – revised plan	100%	99%
% of recommendations agreed	100%	98%
% of overdue recommendations implemented	100% or escalated	83%
Timescales: Draft Report issued within 10 days of completion	100%	57%
Final Report issued within 5 days of management response	100%	74%
Draft Report issued within 2 months of fieldwork commencing	80%	40%
Quality of Service		
Client questionnaire scoring better than average for all categories Good to Excellent	100%	100%

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Lincolnshire
COUNTY COUNCIL

Assurance Lincolnshire Partnership

60. The County Council is part of an Internal Audit collaborative partnership, consisting of the following in-house internal audit teams:
    - County Council
    - City of Lincoln
    - East Lindsey District Council

61. By working together the partnership aims to be:

    'the best audit assurance provider for Lincolnshire public sector agencies'

62. 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.

63. The County Council has a number of significant external clients:

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

64. Our external clients help Corporate Audit and Risk Management operate within existing budgets and deliver the required 'savings'. In 2016/17 the internal audit service generated income of £214,455 – with the whole service operating within the revised budget.
    The audit team actual expenditure (net) is £541,254 compared to a budget of £510,365.

65. **Figure 7** below shows the breakdown of audit days across our client base:-

Figure 7 – Days delivered across client base

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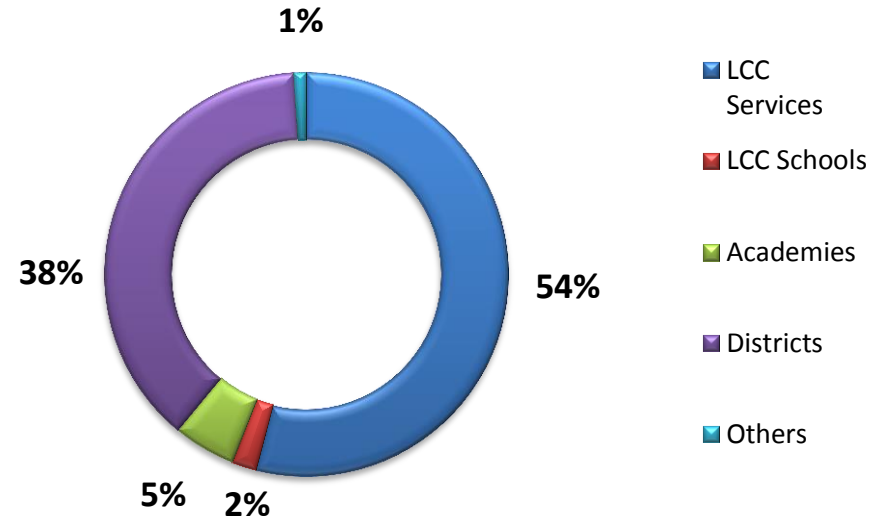
Effectiveness of Internal Audit

66. We regularly canvass opinions on audit planning, report and communication from management responsible for activities under review. They score the effectiveness of our service as excellent, good, adequate or poor.

67. The table in **Figure 8** outlines the responses by management on our service. For 2016/17 there was a 45% questionnaire return rate (Schools 33% and Service Areas 48%), the overall average rating for the service was good to excellent. Work is underway to improve the process for collecting feedback from clients.

Figure 8 – Client Feedback

Questions

A. Audit Planning

1. Consultation on audit coverage
2. Fulfilment of scope and objectives

B. Audit Report

3. Quality of report
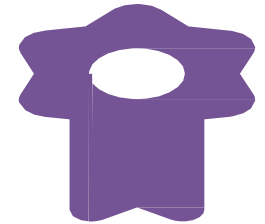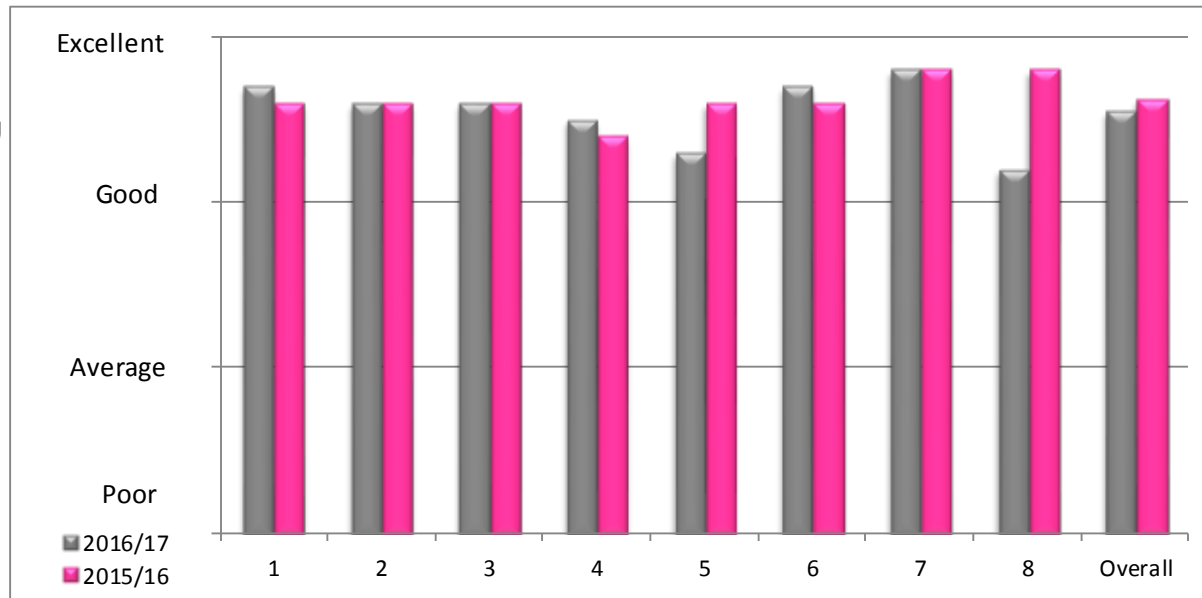4. Accuracy of findings
5. Value of report

C. Communication

6. Feedback of finds during audit
7. Helpfulness of auditor(s)
8. Prompt delivery of the audit report

Quality Assurance

68. 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.

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

70. 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.

71. Our Quality Assurance Framework (**Appendix 4**) includes all aspects of the Internal Audit Activity – including governance, professional practice and communication. We are able to evidence the quality of our audits through performance and delivery of audits, feedback from our clients and an annual self-assessment.

72. There is a financial commitment for training and developing staff. Training provision is continually reviewed through the appraisal process and regular one to one meetings. A training programme has been developed to ensure that staff are kept up to date with the latest technical / professional information and to ensure that they are equipped with the appropriate skills to perform their role.

73. 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. One area of partial non-compliance on the lack of a specific audit of ethics and values was identified. This area has been included in the 2017/18 plan. We have implemented all other agreed advisory recommendations.

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

    - Update Internal Audit Charter and practice manual following revision of PSIAS in April 2017
    - Undertake planned Ethical Audits at each client
    - Working with management improve progress and delivery monitoring / audit scheduling
    - Continuing professional development around new and emerging practice guidance.

    A copy of the detailed action plan can be found in **Appendix 5**.

75. Although internal and external auditors carry out their work 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.

Data is for audits completed during 2016/17

Activity	Assurance	Total recs	Priority of Recommendations		
			High	Medium	Low
Finance and Public Protection					
Serco / Agresso Post Implementation Review	Consultancy	-	-	-	-
Business Support	Removed	-	-	-	-
Service Transformation	Removed	-	-	-	-
Contracts – Children's Services	Substantial	2	-	2	-
Corporate Complaints	Removed	-	-	-	-
Corporate Policies & Procedures	High	4	0	2	2
Scrutiny Functions	High	0	0	0	0
Performance Management	Carried forward to 2017/18	-	-	-	-
Pension Fund	Carried forward to 2017/18	-	-	-	-
Budget Management	Carried forward to 2017/18	-	-	-	-
Bank Reconciliation	High	4	0	2	2
General Ledger	Replaced with control testing	-	-	-	-
Payroll	Low	52	25	27	-
Income	Substantial	11	1	9	1
Accounts Payable	Limited	11	3	5	3
Debtors	Limited	11	2	5	4
Treasury Management	High	2	1	0	1
VAT	In progress	-	-	-	-
Key controls – Debtors	Substantial	2	1	1	0
Key controls – Pension Fund	High	2	0	1	1
Key controls – General Ledger	Substantial	8	0	7	1
Key controls – Property Plant & Equipment	In progress	-	-	-	-
Infrastructure Asset Revaluation	Concluded	-	-	-	-
Trading Standards	Substantial	4	1	3	0
Total		**113**	**34**	**64**	**15**

15

Activity	Assurance	Total recs	Priority of Recommendations		
			High	Medium	Low
Environment and Economy					
European Regional Development Fund	Substantial	2	0	2	0
Joint Waste Management Strategy	Limited	15	2	10	3
Highways Maintenance Restructure	Carried forward to 2017/18	-	-	-	-
Planning Software Replacement	Consultancy	-	-	-	-
Transport Teckal Company	Consultancy	-	-	-	-
GLLEP Capital Grant Sign Off	Grant Audit	-	-	-	-
GLLEP Assurance Framework	Consultancy	10	1	9	0
Hertitage sites	Limited	4	3	1	0
Lincolnshire Archives	Removed	-	-	-	-
Total		**31**	**6**	**22**	**3**

Activity	Assurance	Total recs	Priority of Recommendations		
			High	Medium	Low
Children's Services					
Families working Together	Grant Audits	-	-	-	-
Child Sexual Exploitation Joint Working	Substantial	4	2	1	1
Missing Children	Substantial	1	0	1	0
Social Care & SEND transport	High	0	0	0	0
School Admissions	Carried forward to 2017/18	-	-	-	-
Inclusion	Finalising	-	-	-	-
Sector Led Approach to School Improvement	Substantial	4	0	4	0
SEND Reform	Carried forward to 2017/18	-	-	-	-
Careers Advice	Carried forward to 2017/18	-	-	-	-
HR processes in Schools	Limited	7	4	3	0
Total		**16**	**6**	**9**	**1**

Activity	Assurance	Total recs	Priority of Recommendations		
			High	Medium	Low
Adult Care and Community Wellbeing					
Transfer of Attendance Allowance	Removed	-	-	-	-
Customer Service Centre – Carers Team	Consultancy	-	-	-	-
Workforce Development	Limited	17	9	6	2
Annual Care Assessments	Limited	6	2	1	3
Provider Payments	Substantial	3	1	2	0
Client Contributions Policy	Carried forward to 2017/18	-	-	-	-
Better Care Fund	Substantial	3	3	0	0
Integration with Health	Carried forward to 2017/18	-	-	-	-
Adult Safeguarding Referrals	Consultancy	11	0	9	2
Adult Safeguarding – Peer Review follow up	Carried forward to 2017/18	-	-	-	-
Domestic Homicide Action review	Carried forward to 2017/18	-	-	-	-
Substance Misuse procurement and contract management	Substantial	3	0	1	2
Integrated Community Equipment Scheme	Limited – On hold	13	6	5	2
Total		**58**	**22**	**24**	**12**

Activity	Assurance	Total recs	Priority of Recommendations		
			High	Medium	Low
ICT and Commissioning					
ICT Audit - Agresso	Removed	-	-	-	-
ICT Audit – Mosaic	Consultancy	-	-	-	-
ICT Audit	Carried forward to 2017/18	-	-	-	-
Partnerships	Carried forward to 2017/18	-	-	-	-
Devolution	Removed	-	-	-	-
Procontract new contract system	Substantial	5	0	2	3
Total		**5**	**0**	**2**	**3**
Total for LCC		**223**	**68**	**121**	**34**
Due by 31 March 2017		**63**	**5**	**24**	**34**
After the 31 March 2017		**160**	**63**	**97**	**0**

School	Assurance	Total Recs	Priority of Recommendations		
			High	**Medium**	**Low**
Grantham St Mary's RC School	Substantial	20	2	11	7
Horncastle Primary School	Low	22	10	9	3
Lincoln St Faiths and St Martin Junior School	Substantial	21	2	16	3
Mareham Le Fen CE Primary School	Substantial	10	0	7	3
Lincoln St Christopher's School	Low	30	13	15	2
South Rauceby Ash Villa School	Substantial	13	1	6	6
Total for Schools		**116**	**28**	**64**	**24**

Activity	Issue Date	Assurance	Total recs	Recs Imp	Priority of Overdue Recommendations			Recs not due
					High	Medium	Low	
Finance and Public Protection								
Corporate Policies and Procedures	Jan 17	High	3	2	0	1	0	0
Debtors	Nov 16	Limited	11	6	2	2	0	1
Income	Sept 17	Substantial	11	5	0	1	0	5
Environment and Economy								
Waste Management	Nov 16	Limited	15	3	1	0	0	11
Adult Care and Community Wellbeing								
Workforce Development	Jan 17	Limited	17	12	4	0	0	1
Total			**57**	**28**	**7**	**4**	**0**	**18**

Outstanding Audit Recommendations for All prior year audits at 31/03/17

Activity	Issue Date	Assurance	Total recs	Recs Imp	Priority of Overdue Recommendations			Recs not due
					High	Medium	Low	
Finance and Public Protection								
Coroners	Jun 14	Limited	52	49	3	0	0	0
Payroll Audit 1 2016	Mar 16	Low	27	26*	1	0	0	0
Pension Audit 2016	Jul 16	Low	24	2*	18	4	0	0
Payroll Audit 2 2016	Jul 16	Low	46	21*	19	6	0	0
Children's Services								
Ethnic Minority and Traveller Education	May 15	Substantial	4	2	0	2	0	0
Adult Care and Community Wellbeing								
Coroners	Jun 14	Limited	52	45	5	2	0	0
Information Governance	Mar 15	Limited	15	12	3	0	0	0
Adult Safeguarding		Substantial	8	6	0	2	0	0
Environment & Economy								
Home to School Transport	Jan 15	Substantial	14	12	0	2	0	0
Chief Information Officer								
Business Continuity	Feb 16	Limited	4	1	3	0	0	0
Total			**127**	**84**	**28**	**15**	**0**	**0**

*   Reported as implemented by Serco

Appendix 4 – Quality Assurance Framework
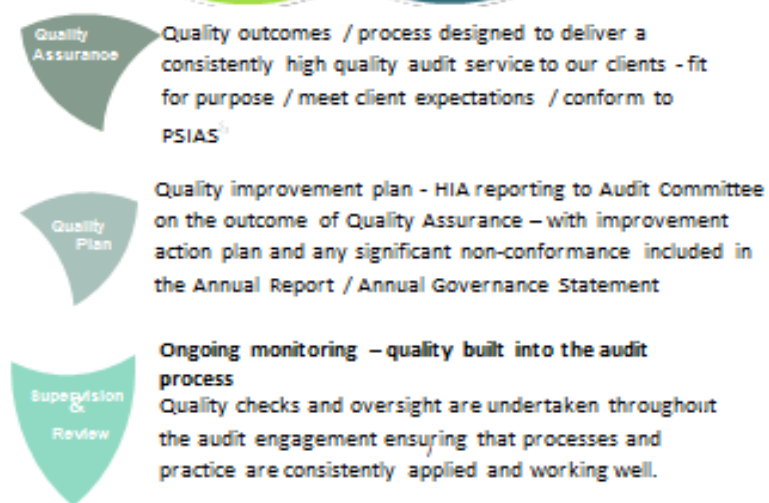
Annual self-assessment

- Head of Internal Audit - develop & maintain Quality Assurance Improvement Programme (QAIP) & improvement action plan
- Focus on evaluating conformance with Internal Audit Charter, definition of Internal Audit, Code of Ethics & the Standards
- External Quality Assessment – completed in September 2016 and confirmed that our practice conforms to the Public Sector Internal Audit Standards

Periodic quality assurance assessments

- Obtain periodic assurance that engagement planning, fieldwork conduct and reporting /communicating results adheres to audit practice standards
- Provide HIA with quarterly highlight reports on outcome of reviews

Quality Assurance
Quality outcomes / process designed to deliver a consistently high quality audit service to our clients - fit for purpose / meet client expectations / conform to PSIAS

Quality Plan
Quality improvement plan - HIA reporting to Audit Committee on the outcome of Quality Assurance – with improvement action plan and any significant non-conformance included in the Annual Report / Annual Governance Statement

Supervision & Review
Ongoing monitoring – quality built into the audit process
Quality checks and oversight are undertaken throughout the audit engagement ensuring that processes and practice are consistently applied and working well.

Individual Auditors

- Conduct all audit engagements in accordance with audit practice standards / PSIAS
- Behave at all times in accordance with the Code of Ethics / Code of Conduct
- Promote the standards and their use throughout the Internal Audit activity
- Commitment to delivering quality services

Principal Auditors

- Obtain on-going assurance that that engagement planning, fieldwork conduct and reporting /communicating results adheres to audit practice standards
- Undertake engagement supervision and review

Appendix 5 – Continuous Improvement Plan

	Opportunities for Improvement		Actions	Timescale for tasks to be achieved	Person Responsible	Status
Governance						
1.	Ethical Audits		Complete phase 2 of the ethical audit at LCC	Phase 2 – March 2017	Head of Audit	Phase 2 – draft terms of reference to CMB November 2016 – scheduled May 2017
			Undertake governance audit at each client and discuss value and timing of an ethical audit – are the governance arrangements working well	March 2016 2016/17 audit plan	Head of Audit / Team leaders	Phase 1 completed at LCC – phase 2 scheduled.
2.	PSIAS		Regular practice discussions at team meetings – including: • Code of ethics • Audit process • Communicating results • Hot topic	Ongoing	Management Team	Audit process covered through Pentana training
3.	Progress and Delivery Reporting		Improve in year reporting on the outcome of internal audit work and performance (as necessary)	Immediate	Head of Audit / Team Leaders	Progress reports will be shared with Management Teams
Practice						
4.	Practice notes		Review and update: • Charter • Audit Process • Health Check and VfM practice note	September 2017	Head of Audit	Not Due

Opportunities for Improvement		Actions	Timescale for tasks to be achieved	Person Responsible	Status
		– review and sign off			
Communication					
5.	Contemporary reporting	Improve timescales for delivery of audit and investigations from time fieldwork commences to issue of draft and final reports	Monitored through progress reports	Team Leaders	Revised targets and scheduling approaches agreed. An area where a watching brief is required.
6.	LCC only Managing client relationship	Take the opportunity given by the Senior Management restructure to rebuild relationship with IT service manager.	November 2016	Head of Audit	In progress

Appendix 5 – Continuous Improvement Plan

Continuing Professional Development (Service / Team)				
	Area / Activity	**Outcome**	**Date Planned**	**Status**
1.	IT Audit Awareness / Training General	Greater understanding of Computer Aided Auditing Techniques – benefits and use in determining testing strategies / analysing data	October 2017	Further guidance on CAAT's required after IdEA upgrade
2.	Internal Audit Update: • Horizon Scanning • Practice updates		CIPFA Audit Conference – May 2017 CIPFA Audit Update – November 2017 Team briefings: • PSIAS 2017 • Ethical Audits • Thinking about Risk • Added Value and Insight • Good Governance – 2016 • Effective Audit Committees • Counter Fraud • Improving customer experience / the politics of Internal Audit	Scheduled throughout the year

Appendix 6 - Glossary of Terms

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).

Assurance Definitions

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 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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