



# **Internal Audit Progress Report**



**Date: January 2014**

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## Introduction

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1. The purpose of this report is to:
  - Advise of progress being made with the Audit Plan 2013/14
  - Provide details of the audit work during the period
  - Raise any other matters that may be relevant to the Audit Committee role

## Key Messages

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2. We have made reasonable progress against the internal audit plan, despite experiencing some staffing issues, and have so far completed 56% of the planned work for the year. Remaining audits are scheduled in for the rest of the year and we have engaged temporary audit resources to help complete this work.
3. We have completed 5 County Council audits since our last progress report, 2 of which have resulted in limited assurance and one system which has received a split assurance (Mouchel / Council Directorates). A further 27 County Council audits are in progress, 9 of which are at draft report stage. Other significant work in this period includes:
  - MIMS – Insurance Management System
  - Academy Audits
  - Lincolnshire Police
  - Lincolnshire Police and Crime Panel – Task Group
  - Review of Coroners
4. Changes to the plan were agreed at the November 2013 Committee due to long term sickness and vacancies. Since that date a long serving member of staff has sadly passed away – this vacancy will be carried forward into 2014/15. We have recruited a new Principal Auditor to the team who joined us at the beginning of this month – this auditor will be taking the lead on Adults and Public Health.
5. It was decided to undertake more testing in completing the 2012/13 audit of Adult Services Case Management, Referrals and Contact Management, this too has impacted on the completion of the plan. There has been a delay in issuing this report due to other priorities – consequently we are in the process of revisiting some of the audit findings.
6. The Audit Committee raised a query on the level of audit work being undertaken in Public Health – as a consequence we have increased the package of due diligence work and we will now be covering the following areas:
  - Payroll – staff that transferred are set up correctly and on the correct terms and conditions
  - Awareness of LCC processes – procurement, ordering, invoice processing
  - Budget holder awareness of responsibilities, processes etc

- Testing of orders and payments, procurement card and income
- Budget monitoring

Also, as part of our Council wide audit on contract management, we have recently completed the fieldwork on a sample of Public Health contracts – the results of this work will be reported to the next Committee.

7. Strategic Risk staff have been working with Public Health, through a series of workshops, to:

- raise awareness of the Council's approach to managing risk
- explain the tools available to support them
- help identify their key directorate risks
- understand their risk appetite

Two workshops have been held with Public Health DMT and their wider management team, with a further three sessions aimed at operational managers. The response has been extremely positive and the directorate are currently in the process of developing and populating their top risks.

## **Internal Audit work completed from 1 November 2013 to 31 December 2013**

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

Full Assurance	Substantial Assurance	Limited Assurance	No Assurance
	<ul style="list-style-type: none"> <li>■ Property Rationalisation Plan</li> <li>■ Supported Childcare</li> <li>■ Income (Central Process – Mouchel)</li> </ul>	<ul style="list-style-type: none"> <li>■ Trading Standards</li> <li>■ Customer Service Centre</li> <li>■ Income (directorate compliance)</li> </ul>	

Note: The assurance expressed is at the time of issue of the report but before the full implementation of the agreed management action plan. Definitions levels are shown in Appendix 1.

9. We are reporting 3 limited assurance audits in this quarter.

10. Progress with the implementation of agreed management action on recommendations for audits resulting in 'No' or 'Limited' assurance is followed up and reported in Appendix 2.

11. In the audits given Full and Substantial Assurance, we confirmed that the Council has sound processes in place:

### **Property Rationalisation Programme**

The service has achieved the programme objective of saving over a £1 million from property revenue budgets before the April 2014 deadline. The team's focus on delivering the savings target has resulted in some processes and procedures still being developed including guidance to staff on procedures, budget monitoring systems and communications. We noted that the property rationalisation programme should apply to all Council properties not just centrally managed ones. There is an opportunity to develop the scope of the programme and realise greater savings across the county and the Corporate Property Service should raise the possibility of increasing the scope of the programme with the Property Programme Board.

### **Supported Childcare**

We found that referrals for supported childcare placements are processed effectively and placements are set up in line with LCC procedures. Points of good practice identified during the review included:

- ✓ Entitlement of the child/family to other early years funding streams is adequately investigated
- ✓ Funding requests are documented on standard referral forms and these are authorised by appropriate officers
- ✓ The majority of providers used are rated good or outstanding by Ofsted and the appropriateness of all providers is monitored by the birth to five service
- ✓ Extensions of funding for placements have been authorised appropriately
- ✓ Detailed guidance and procedure notes have been provided to staff within the relevant teams.

The key area where processes could be strengthened is in relation to evaluation of outcomes. Through day to day work, various levels of staff gain their own assurances that outcomes for the child/family are being improved but there is little documented evidence of this. All staff interviewed during the audit agreed that this was an area for improvement. Until a mechanism is put in place to centrally monitor progress made, management cannot be fully assured that the funding is improving outcomes for families with young children.

### **Income – Full Assurance (centrally controlled areas only)**

We found the centrally controlled income processes managed by Mouchel to be working well. There was a strong knowledge and awareness of Financial Procedures, key risks and controls, together with an effective and proactive approach to income collection and problem solving. The system for receipting, banking and processing refunds was robust and income reported accurately within the financial statements.

Income areas operated by the Council's Business Support Service and Schools are covered at appendix 2 of this report – limited assurance.

## Audits in Progress

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12. The following audits are currently in progress:

***Fieldwork in progress:***

- Public Health Assurance Map
- Update of Children's Services, Communities, Resources and Performance & Governance Assurance Maps
- Adult Services Case Management ICT System – On-going
- Adult Services Proactive Support – On-going
- Children's Services - Access Databases
- Child Poverty Strategy
- Brokerage
- Adults Services Organisational Learning
- Adult Services Performance management
- Reablement service
- Police Notification of Domestic Violence
- Families working together project
- Flood management
- Civil parking enforcement
- Procurement – category management
- Quarter 2 key control testing
- People Management
- Procurement Card

***Fieldwork complete, draft report being produced:***

- Castle Revealed Project
- Adult Services Customer Finance Team/Direct Payments
- Expenses and member allowances
- Contract management – Adults
- Contract management – Public Health
- Establishment audit – Eventus Business Centre
- Establishment audit – Horncastle Business Centre
- Establishment audit – Boston Registration Office
- Establishment audit – The Beacon Children's Centre

***Final Report being concluded:***

Indicative Assurance – Limited

- ICT Disaster Recovery
- Adult Services Case Management, Referrals and Contact Management

Indicative Assurance – split (substantial / limited)

- Performance and Programmes (split assurance - substantial / limited)
- Creditors (split assurance – substantial re. Mouchel/limited re. directorates)
- Debtors (split assurance – substantive re. Mouchel/limited re. directorates)

## **Other Significant Work**

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13. Other work undertaken during the period includes:

### **MIMS – Insurance**

We have commenced an audit of the MIMS Insurance Management System.

### **Academy Audits**

We have signed up 8 Academies to take our audit services and have undertaken 18 audit visits to date during 2013/14, with each Academy receiving 3 or 4 visits per year. We have found that we have had to give additional support and guidance to many of the Academies we have visited as they have taken on financial responsibilities that previously they did not have. We have also signed off the annual pension returns of a number of academies.

### **Lincolnshire Police**

We completed a discrete piece of work for the Force which provided the requisite assurances and assisted them to improve policy and procedure. The audit was well received and all recommendations agreed.

### **Lincoln Police and Crime Panel – Task Group**

Over the last quarter we have concluded our work supporting the Task Group's scrutiny of the Police & Crime Commissioner's decision to suspend Lincolnshire's Chief Constable. Our work involved analysis and cataloguing of evidence, assistance with interview planning, provision of advice and editing of the scrutiny report.

Our work was well received by the Task Group which helped them achieve their terms of reference and complete a thorough and robust scrutiny review.

### **Review of Coroners**

On the request of management we are carrying out a review of Coroner income and expenditure. The Council is responsible for the re-imburement of coroner expenditure linked to the investigation of deaths in their jurisdiction. Since June 2012 work has been underway to standardise the approach and processes across Lincolnshire following the amalgamation coroner jurisdictions – four areas to two (Central and South). Management recognise that further work is required to improve the arrangements, achieve a transparent and auditable system which complies both with legislation and the Council accounting requirements. The outcomes of this review will further support the standardisation of processes.

### **Emerging Audit Areas:**

- CfBT Contract (Children's)
- New Financial System (Agresso)

## Performance Information

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14. Our current performance against targets is shown below:

Performance Indicator	Target	Actual 31/12/13
Percentage of plan completed	100%	56%
Percentage of recommendations agreed.	100%	100%
Percentage of recommendations implemented.	100% or escalated	Annual Report
Timescales	Draft report issued within 10 working days of completing audit. Final report issued within 5 working days of closure meeting / receipt of management responses. Period taken to complete audit – by exception	67%  100%
Client Feedback on Audit (average)	Good to excellent	Good to excellent

\* Draft reports on 2 audits issued outside the 10 working days due to:

- investigative commitments / Christmas leave
- size of audit / complexity of report / Christmas leave

## Other Matters of Interest

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### CIPFA Better Governance Forum - Audit Committee Update Issue 12

The CIPFA Better Governance Forum has recently published issue 12 of its Audit Committee Updates and a copy is attached at Appendix B. This issue focuses on reviewing internal audit quality noting that the audit committee needs to be satisfied that appropriate arrangements are in place. It also outlines the new guidance from CIPFA's publication *Audit Committees, Practical Guidance for Local Authorities and Police* (see below) and includes a round-up of legislation, reports and developments that may be of interest to audit committee members.

### Audit Commission – Tough Times 2013 (November 2013)

The Audit Commission issued its third and final report examining the scale and impact of funding reduction from Central Government 'Tough Times 2013'. The aim



of the report is to provide central government, councils, their appointed auditors and other interested stakeholders with an independent and authoritative analysis of:

- changes in central government funding to councils; and
- changes in councils' actual and planned spending on services.

The report also presents the finding of our 2013 survey of councils' appointed auditors concerning:

- how councils' have coped with their recent financial challenges; and
- councils' prospects for financial resilience.

*Key Conclusions of the report:*

- In the face of financial challenges from 2010/11 to 2013/14, almost all councils have demonstrated a high degree of financial resilience. Auditors report that nine out of ten councils delivered their budgets in 2011/12 and 2012/13 without experiencing significant financial difficulties. Seven out of ten councils delivered their budgets in those years without needing to take unplanned actions. The prospects for delivering the budget in 2013/14 also appear good for about nine out of ten councils.
- The research also shows that funding reductions have not fallen equally. A small minority of councils have found it harder to cope than others, with one in ten experiencing significant difficulties in delivering the budgets they set in 2011/12 and 2012/13 and three in ten needing to take unplanned actions in those years to balance the books. One fifth of councils overall and a quarter of metropolitan and unitary authorities exhibited financial stress in both 2011/12 and 2013/13. Auditors have concerns about the ability of one in ten councils to deliver their budget in 2013/14. A few of these have been a source of concern to auditors in successive years.
- In our report on councils' financial resilience in 2011 we noted that councils were 'at the start of a different and uncertain period for their finances'. Our analysis this year shows councils' funding from government reduced by 19.6% in real terms from 2010/11 to 2013/14 and council tax fell by 1.7%. Central funding to councils will reduce further in 2014/15 and 2015/16 as part of the government's ongoing strategy to reduce the UK's budget deficit. Policies that aim to reduce or freeze council tax will continue in these years. There is uncertainty for councils about funding from government beyond that, and about the income they can expect from retained business rates in the future as the UK economy recovers from a period of low growth.
- With uncertainty about the future funding available to deliver services, councils cannot be sure what savings they will need to make. Auditors report that at least one in ten councils do not yet have plans for how they will address the expected gap between funding and spending in coming years. It is understandable, therefore, that auditors are less confident about the medium-term financial prospects of one third of councils.
- The research shows councils have already adopted a wide range of strategies in response to financial challenges, although the long-term effect of these on councils' financial resilience or their ability to meet the needs of local

communities is unknown. Councils, nevertheless, have valuable learning to share about how to secure the maximum benefit from their savings initiatives to date.

- For about one in five councils, the available options to reduce spending in the future are becoming more limited. One in twenty auditors told us that councils are finding savings harder to identify, and harder to deliver with fewer resources. Where conventional strategies can no longer be relied on to deliver the savings needed, councils will need to innovate to develop new approaches to public service delivery that rely less on finding from government.
- Councils' must adapt in order to continue to provide services that meet their statutory obligations and the needs of their local communities - with reduced levels of income. There will be ongoing risks for councils as they do so. As the Audit Commission is expected to close in March 2015, it will be for the government and others to find alternative ways to draw on the insights that auditors can provide about the financial resilience of England's councils and to remain vigilant for signs of financial stress.

Possible consideration for the Governance & Audit Committee:

- Assurance over value for money – both the arrangements for securing value for money and the progress in achieving value for money
- Obtain insight from Management & External Auditors over the effectiveness of Councils' medium term financial strategy and it's scrutiny.

Link: [www.audit-commission.gov.uk/wp-content/uploads/2013/11/Tough-Times-2013-Councils-Responses-to-Financial-Challenges-w1.pdf](http://www.audit-commission.gov.uk/wp-content/uploads/2013/11/Tough-Times-2013-Councils-Responses-to-Financial-Challenges-w1.pdf)

### **Audit Committees - Practical Guide for Local Authorities and Police - 2013 Edition (CIPFA)**

CIPFA has issued updated guidance on the function and operation of audit committees in local authorities and police bodies. It represents CIPFA's view of best practice and includes the following areas:

Position statement on Audit Committees – emphasising the importance of the Audit Committee as a key component of governance

- Whilst recognising no single model of audit committee is prescribed gives suggested core functions – including :
  - Effectiveness, understanding and realism of assurance statements - including the Annual Governance Statement
  - Oversee the Internal Audit Function performance and effectiveness
  - Consider the effectiveness of the Council's risk management arrangements and control environment. Review the risk profile of the Council and assurances that action being taken on risk-related issues. – including partnerships with other organisations.
  - Monitoring the effectiveness of value for money and counter fraud arrangements

- Consider reports and recommendations of external audit and inspection agencies and their implications for governance, risk or control.
  - Support effective relationships between internal and external audit, inspection agencies – encouraging the active promotion of the value of the audit process.
  - Review the financial statements, external auditors opinion and reports to members – monitoring management response to any issues raised by external audit
- Suggested terms of reference for audit committees
  - Information on possible wider functions of an Audit Committee ie
    - Considering governance, risk or control matters at the request of other Committees or Statutory officers
    - Working with local standard committees to support ethical values and reviewing the arrangements in place to achieve those values
    - Reviewing and monitoring treasury management arrangements
    - Providing oversight of other public reports, such as the annual report
  - Independence and Accountability
  - Membership and Effectiveness
  - Self-assessments / appendices covering:
    - Audit Committee members – knowledge and skills framework
      - Core areas of knowledge
      - Specialist knowledge that adds value to the Audit Committee
      - Core skills
  - Self-assessment of good practice
  - Evaluating the effectiveness of the Audit Committee

Possible consideration for the Governance & Audit Committee:

- Review existing arrangements in light of the best practice guidance – identifying any changes it may wish to make
- Review terms of reference of the Committee
- Review the effectiveness of the Committee

## Appendix 1 - Assurance Definitions<sup>1</sup>

<p>Full Assurance</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.</p> <p>As a guide there are a few low risk / priority actions arising from the review.</p>
<p>Substantial Assurance</p>	<p>Our critical review or assessment on the activity gives us a reasonable level of confidence 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 are in place and operating sufficiently so that the risk to the activity not achieving its objectives is medium to low.</p> <p>As a guide there are low to medium risk / priority actions arising from the review.</p>
<p>Limited Assurance</p>	<p>Our critical review or assessment on the activity identified some concerns on service delivery arrangements, management of risks, and operation of controls and / or performance.</p> <p>The controls to manage the risks are not always being operated or are inadequate. Therefore, the risk of the activity not achieving its objectives is medium to high.</p> <p>As a guide there are 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"> <li>- damage to the Council's reputation</li> <li>- material financial loss</li> <li>- adverse impact on members of the public</li> <li>- failure to comply with legal requirements</li> </ul>
<p>No Assurance</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"> <li>- damage to the Council's reputation</li> <li>- material financial loss</li> <li>- adverse impact on members of the public</li> <li>- failure to comply with legal requirements</li> </ul> <p>The controls to manage the risks are not being operated or are not present. Therefore the risk of the activity not achieving its objectives is high.</p> <p>As a guide there are a large number of medium and high risks / priority actions arising from the review.</p>

<sup>1</sup> 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 – Audits where assurance is assessed as ‘No’ or ‘Limited’

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### Trading Standards – Limited Assurance

#### Introduction and Scope

Lincolnshire County Council Trading Standards key objectives are to:

- Ensure a safe, healthy and sustainable food chain for the benefit of consumers and the rural economy.
- Protect the supply chain against animal diseases.
- Support economic growth especially in small businesses, by tackling rogue traders, supporting businesses to comply with the law and protecting consumers from scams.

In recent years the service has faced significant budget cuts which have required a radical rethink of the way it operates and delivers services. As part of the review we examined the arrangements that have been put in place in response to cuts to the service budget.

We conducted out testing to provide assurance on the following areas:

- Adoption of new methods of working appropriate to the reduced budget.
- Development of strategic priorities for Trading Standards activity.
- Measurement of outcomes.
- Compliance with legal obligations.

#### Executive Summary

##### Assurance Opinion – Limited Assurance

Our review found that the service has made substantial progress in responding to challenging financial constraints although some areas remain as "limited" assurance.

Our key findings are;

- New methods of working appropriate to the reduced budget have been adopted, although these are taking time to become fully effective primarily due to the lack of reliable intelligence and the time required to multi-skill staff.
- Strategic priorities have been developed for Trading Standards activity but these have been based on limited and incomplete information so require further development work in the future.
- Strategic outcomes are not measured.

The service complies with legal obligations.

Officers acknowledge that there are still improvements to be made and demonstrated good awareness of the issues that they face, and understanding of the steps that need to be taken to further develop what has already been put in place.

**Direction of Travel**



Improving

The service has responded well to significant budget cuts' although arrangements put in place will take time to be fully effective.

Officers understand the steps that need to be taken and are taking action to further develop what has already been put in place.

Officers are aware that there are some issues that need to be urgently addressed, and in most instances are taking ongoing action to resolve these issues;

- No strategic document has been produced for 2013/14 as the service has more work to do in addressing 2012/13 strategic priorities and is waiting for a regional and national picture to emerge.
- The service is experiencing difficulties in implementing necessary changes. Information contained within the Flare and Memex databases is incomplete reducing its intelligence value and the service currently does not have the capacity to undertake detailed analysis of data in the service's possession.
- The correct balance between proactive and reactive work is taking longer than anticipated to achieve.
- The service has not developed performance measures to monitor outcomes of strategic objectives and priorities. The service does produce some monthly performance information but the content relates primarily to outputs and not outcomes.
- Due to a combination of lack of resources and revised ways of working it is known that there are some national frameworks where the service is not fully compliant e.g. the Animal Health and Welfare Framework. In the case of frameworks however, no legal obligations are imposed.

Our work identified areas of good practice

- ✓ It has been recognised that the service must move away from its previous operating model and target the highest priority areas -identified through intelligence and risk assessment. Activity is driven by this assessment. This methodology accords with best practice set out by the Trading Standards Institute.

- ✓ The Trading Standards Service has undertaken a strategic assessment of the service and has identified the highest priority areas on which resources will be concentrated. This assessment was published in April 2012 and sets out the priorities for the 2012/13.
- ✓ The service has undertaken some benchmarking in terms of comparative cost. It has also self-assessed the service against best practice set out in the Trading Standards Institute document "The ten pillars of an effective trading standards service"
- ✓ Officers are conscious of where the service presently is, where it needs to be in the future, and are taking steps to develop processes to improve the service.

At our closure meeting with Sara Barry – Head of service – Trading Standards, we agreed the actions to address the findings and recommendations.

Management Actions	No	All to be completed by:
High Priority	3	November 2013
Medium Priority	1	October 2013

## Customer Service Centre – Limited Assurance

### Introduction and Scope

The Customer Service Centre (CSC) provides a contact centre for customers requiring a variety of services provided by Lincolnshire County Council to its residents, businesses and visitors.

The CSC was restructured in January 2012 as part of work force change. The savings to be delivered were £485k (15%) of budget. The savings were achieved through various changes, but the most significant was restructure which reduced staff levels by 18%. This has put pressures on the team in terms of meeting performance indicators and prompted the service to consider efficient ways of working.

The indicative audit scope was to provide assurance on achievement of current key performance indicators (KPI's), but we quickly identified that Management felt current measures do not provide a balanced assessment of performance and quality. As such the KPIs were in the early stages of redevelopment.

Our audit focused on providing independent assurance that the arrangements for responding to customer queries, delivering advice and information on council services and forwarding service requests are effective and that the quality and performance can be measured. We considered:

- Management and staff arrangements
- Service planning

- Monitoring and quality assurance mechanisms
- Staffing and resource planning
- ICT systems

## Executive Summary

### Assurance Opinion - Limited

Management have a vision to transform the Customer Service Centre into a customer driven contact centre that delivers strong first contact resolution and offers the customer a choice of access points. Our work identified that good foundations are being laid to enable this including refreshing KPI's to assess quality as well as quantity. We found that the mechanisms for measuring quality need to be enhanced to enable this as:

- The call recording and monitoring functions in the Avaya system are not being utilised as widely as they could be, due to set up or payment card industry compliance issues
- The team does not have a consistent and service wide method of regularly collecting customer feedback
- Use of multiple ICT systems and issues with interfacing between these mean that there is duplication of data entry and loss of efficiency.

### Direction of Travel



Improving

The Management team are proactively looking to the future in terms of developing the CSC to ensure it is effective, efficient and fit for purpose. The three year service plan in development outlines a change programme that includes specific targets and options and is backed by an action plan of how management intend to get there. This contains new KPIs which incorporate quality as well as performance.

We are pleased to report that staff involvement and input has been a key part of these developments. Overall this gives us confidence that as plans progress we will be able to provide assurance over quality and performance achievement and monitoring.

Our discussions identified that current KPI's set in early 2012 are not being consistently achieved as call volumes often exceed the number of operators available. The Head of Customer Service has recognised that existing KPI's mostly focus on answer and call times and lack measures relating to resolution and customer satisfaction. KPI's have been developed to include quality of service as well as performance and agreed by Scrutiny Committee. The management changes



and development of service plans and KPI's have caused some confusion over individual and team reporting requirements. Clarification on reporting requirements should be included in the implementation of new KPI's.

To monitor performance against the proposed KPI's the service need to be able to measure the quality of contacts and how well customer expectations are met. We considered the mechanisms currently used to assess this. We found that the Avaya telephone system and software is capable of recording calls and that in some areas the team leaders are using this to carry out quality checks on all members of the team. Call recording is not set up for many of the teams which limit the team leaders to real time monitoring only. There is also an issue with recording causing non-compliance with the 'payment card industry data security standards' which needs to be addressed. Call recording of both incoming and outgoing calls should be utilised as widely as possible.

The CSC does not have any consistent and team wide processes for regularly gathering customer feedback. This is important for measuring quality and satisfaction. We suggested options to use an Interactive Voice Response -based automated post-call feedback survey system are explored and discussion with the Management team confirmed that they were already considered this and are instigating implementation. We also recommend use of the existing 'touchstone' methodology to gather feedback on customer satisfaction with the CSC.

Through mapping the processes used by the various teams we met with we identified that many different IT applications and processes are in place. Integration between systems is very limited and this can lead to duplication and inefficiencies including increased wrap time. The council needs to review the IT systems in use in the CSC to ensure they are efficient and fit for purpose.

All findings and agreed actions are detailed in the attached action plan.

The Council is currently in phase two of competitive dialogue with the two preferred bidders for the support services contract. Our work confirmed that the CSC is in scope to potentially be included in this contract, but a decision on this will not be made until March 2014. This has the potential to effect decision making in relation to ICT support systems and moving the service forward.

Our audit also identified areas which assured us that management are committed to developing the service going forward, including:

- An established management structure supporting the teams in the CSC
- Effective and inclusive communication channels at all levels
- Support from Executive Director and Assistant Director
- Further development of multiskilling to enhance flexibility and efficiency
- Reintroduction of staff training and development plans
- Development of a new service plan that identifies how the CSC plans to move forward and deliver a 'right place, right time, right information, right for me' level of service irrespective of channel
- Development of customer and quality focused KPI's to support the new plan

## Management Response

We are content that the audit report accurately reflects the current position in the Customer Service Centre. The audit findings have been identified by our management team and plans are in place to action these going forward. We agree with all audit recommendations and these are linked into our service transformation plan.

Management Actions	No	All to be completed by:
High Priority	Two	31 <sup>st</sup> January 2014
Medium Priority	Four	31 <sup>st</sup> December 2013

## Income – Business Support and Schools

Since our last review in 2010 the Business Support delivery arrangements have changed. Consequently, the income system has become increasingly fragmented, with users across the Council now processing income. The wide variety of payment methods, together with the systems operated by schools have resulted in a reduction in the central control over the system (previously overseen by Mouchel).

The financial statements for 2012/13 show that the County Council received £940 million total income for the last financial year – much of this related to grant income although the value of other income collected across the authority is still significant at almost £60m.

### Assurance Opinion:

- **Limited Assurance (Business Support and schools)**

Within some areas of the council we found areas for improvement where certain key controls in income processing are not being complied with. In particular, the Purchasing and Facilities Team within Business Support, now responsible for processing income including Blue Badge payments and also within systems operated within schools.

The main findings within systems operated by the Purchasing and Facilities Team related to:

- Segregation of duties within recording and banking of income
- Documenting the handover of income to the team
- Timeliness of banking income received by the team

These are all key controls that are clearly documented within Financial Procedure 10. It is important that officers are aware of their responsibilities in

dealing with income to ensure compliance. Income can be a vulnerable area and it is vital that key controls are observed and best practice followed to ensure all income collected is accounted for.

Our work at schools and establishments found issues across several aspects of income processing. We found areas of non-compliance in:

- Independent monitoring of income received within schools - only 35% of schools reviewed were deemed satisfactory. Such management oversight is important in controlling the risk of fraud within income collection and failure to implement these checks leaves schools exposed to potential fraud. Management checks and monitoring of income are covered under Financial Procedure 10 which emphasises the importance of applying key controls.
- Charging policies are not detailed and up to date
- Receipting records not being fully completed

These issues have been raised with individual schools but it is clear that there are issues around awareness and, more importantly, understanding of the requirements of Financial Procedure 10 and these need re-iterating.

#### **Direction of Travel**



#### **Declining**

Although there are robust processes in place centrally to deal with income received there are issues around systems operated in schools and directorates. The failure to comply with key controls documented in Financial Procedure 10 currently affects confidence in these areas.

#### **Management Response**

This report is welcome. It acknowledges the good practice that is taking place but, more importantly, highlights issues that need to be addressed. We are confident that those affecting non-schools can be implemented quickly and effectively. The introduction of Agresso will help the Council to ensure that service users are able to make payments to the Council in a greater variety and more flexible ways. With respect to schools, the Council has less direct control over those due to the delegation of budgets to governing bodies, and we recognise that for small schools the segregation of duties is sometimes difficult. Nevertheless, the Council will promote the financial procedure on income in schools and will encourage better practices, using the newsletters and training provided directly to them. With the prospect of Mouchel's Accountancy team returning to the Council in the future, there may be an opportunity for the Council to strengthen the services provided to schools and this could also have a positive impact in this area.

The Audit team has conducted the audit in a professional manner and management welcome the re-assurance it provides and the identification of further improvements that can be made.

<b>Management Actions</b>	<b>No</b>	<b>All to be completed by:</b>
High Priority	1	January 2014
Medium Priority	6	30 June 2014

## Appendix 3 – Internal Audit Plan & Schedule 2013/14

Area	Indicative Scope	Days	Planned Start Date	Actual Start Date	Final Report Issued	Status/Assurance Level Given	
<b>Public Health</b>							
<b>Critical Service Areas</b>							
Critical service allocation	Audit of critical services to be determined after the assurance map has been produced	25				We are currently working on establishing the Assurance Map for Public Health which will identify the audit areas for 2014/15. For 2013/14 we will be undertaking a programme of due diligence checks.	
<b>Due Diligence</b>							
Due Dilligence allocation	To review the level of compliance with the Council's key financial procedures across service areas within the Directorate	20	Feb 2014				
<b>Key Projects</b>							
Key Project allocation	To audit a key project during the year.	10					
<b>Key Risks</b>							
Strategic and Emerging risks	To audit risks within the strategic risk register any significant emerging risks arising in the year.	30					
<b>Other relevant Areas</b>							
Combined Assurance	Co-ordinating and updating assurances on the Council's assurance map with service managers. Co-ordinating the combined Assurance Annual Status Report.	15	Oct 2013	Oct 2013		On-going	
<b>Non-Audit</b>							
Advice & Liaison		10					
<b>Total for Public Health</b>		<b>110</b>					

Area	Indicative Scope	Days	Planned Start Date	Actual Start Date	Final Report Issued	Status/Assurance Level Given
<b>Adult Services</b>						
<b>Critical Service Areas</b>						
Customer Finance & Direct Payments Team	Review of the newly formed team for carrying out financial assessments of clients and making direct payments to clients.	<b>100</b>	June 2013	June 2013		Draft Report - indicative limited assurance
Brokerage	Review of end to end process of the Brokerage team for the purchase and monitoring of packages of care.		Sept 2013	Jan 2014		In progress - delayed due to staff vacancy
Organisational learning and follow up	Review progress made to implement recommendations from the 2012 Internal Management Review / audit reviews.		Jan 2014	Dec 2013		In progress
Quality Assurance	Review the effectiveness of the service-quality assurance regime – developed to ensure that ASC operates to best practice standards / policy and procedures.		Jan 2014	Dec 2013		Third party assurance is being obtained
Performance Management	Review of data quality, trend analysis and reporting arrangements, and the actions being taken to address issues.		Oct 2013	Dec 2013		In progress
Reablement Service	Review to gain assurance that the performance of the service continues to improve and that outcomes for service users are achieved.		Nov 2013	Dec 2013		In progress
<b>Key Projects</b>						
Transformation Programme	Review of the programme/project management arrangements for this key ASC programme, considering the design and application of the governance structure.	<b>45</b>	Sept 2013	Jan 2014		Delayed due to staff vacancy

Area	Indicative Scope	Days	Planned Start Date	Actual Start Date	Final Report Issued	Status/Assurance Level Given
Proactive Support	To provide proactive advice and support on governance, managing key risks and effective internal control.		April 2013	April 2013		On-going
<b>ICT</b>						
Case Management System	To provide proactive advice and support to this project, ensuring that key risks and controls are being considered.	15	April 2013	April 2013		On-going
<b>Key Risks</b>						
Strategic and Emerging risks	To audit risks within the strategic risk register any significant emerging risks arising in the year.	35				
<b>Other relevant Areas</b>						
Combined Assurance	Co-ordinating and updating assurances on the Council's assurance map with service managers. Co-ordinating the combined Assurance Annual Status Report.	10	July 2013	July 2103		Assurance Map updated in July 2013
<b>Non-Audit</b>						
Advice & Liaison		10				
<b>Total for Adult Services</b>		<b>215</b>				
<b>Children's Services</b>						
<b>Critical Service Areas</b>						
<b>Birth to Five</b>						
Supported Childcare Allocations	To provide assurance that in allocating supported childcare, families are properly assessed and meet the eligibility criteria.	75	July 2013	July 2013		Substantial assurance

Area	Indicative Scope	Days	Planned Start Date	Actual Start Date	Final Report Issued	Status/Assurance Level Given
<b>Commissioning</b>						
Child Poverty Strategy	To ensure the authority's Child Poverty Strategy is supported by a robust action plan which will ensure national targets for eliminating child poverty are achieved.		June 2013	June 2013		Audit as initially scoped was completed, however revised scope agreed with Children's Services requiring additional work
<b>Performance Assurance Services</b>						
Lincolnshire Safeguarding Children's Board replaced by 16 to 19	To review the arrangements Performance Assurance are developing to strengthen the assurance received from the LSCB.		Jan 2014			Children's Services requested removal from the plan and replaced by audit of the '16 to 19' service
<b>Property &amp; Technology Management Services</b>						
Legal Changes to Schools	To provide assurance that statutory procedures are complied with when changes are made to schools' status – such as change in provision, expansion, closure etc.		Dec 2013			Cancelled - reported to Committee November 2013
Police Notification of Domestic Violence	To provide assurance on arrangements to assess and record police referrals.		Dec 2013	Dec 2103		In-progress
<b>Key Projects</b>						
Families Working Together	To review the FWT project to provide assurance that effective mechanisms are in place to: <ul style="list-style-type: none"> <li>Identify 'troubled' families</li> </ul>	10	Sept 2013	Sept 2013		In-progress



Area	Indicative Scope	Days	Planned Start Date	Actual Start Date	Final Report Issued	Status/Assurance Level Given
	<ul style="list-style-type: none"> <li>Assess family needs</li> <li>Assess, evidence &amp; record achievement of specified results</li> <li>Claim available funding</li> </ul>					
<b>ICT</b>						
Integrated Children's System ICS	Review of system management, user and administrative access, input and output controls, user training and guidance.	15	Dec 2013			On-going
Access Databases	Review of system maintenance, user and administrative access, input and output controls, user guidance.	15	June 2013	June 2013		Commenced but delayed by staff shortages
<b>Key Risks</b>						
Strategic and Emerging risks	To audit risks within the strategic risk register any significant emerging risks arising in the year.	15				
<b>Other relevant Areas</b>						
Combined Assurance	Co-ordinating and updating assurances on the Council's assurance map with service managers. Co-ordinating the combined Assurance Annual Status Report.	285	Oct 2013	Oct 2013	Jan 2014	Assurance map & status report complete
Schools	Periodic audits of maintained schools.		April 2013	April 2013		26 schools completed to date
<b>Non-Audit</b>						
Advice & Liaison		10				
<b>Total for Children's Services</b>		<b>425</b>				

Area	Indicative Scope	Days	Planned Start Date	Actual Start Date	Final Report Issued	Status/Assurance Level Given	
<b>Communities</b>							
<b>Critical Service Areas</b>							
<b>Environment, Planning &amp; Customer Services</b>							
Carbon Reduction Commitment	Review of the arrangements in place to comply with the Environment Agency's requirements under the CRC, including sign off of the LCC Evidence Pack.	<b>70</b>	July 2013	July 2013		Undertaken in 2 parts, first part completed	
Flood Management	Review of the development and delivery of the Flood Risk Management Strategy.		Nov 2013	Dec 2013		In progress	
Customer Service Centre	To review the arrangements for responding to customer queries, delivering advice and information on council services and forwarding service requests.		Dec 2013	Oct 2013	Dec 2013	Completed - Limited assurance	
<b>Highways &amp; Transport</b>							
Civil parking enforcement	Review of the arrangements for the management and monitoring of the contract for the provision of parking enforcement services.		Oct 2013	Sept 2013		In-progress	
Adult Services Transport	Review of the impact of personal budgets to give assurance that they have been adequately managed and arrangements put in place.		Jan 2014				
<b>Key Projects</b>							
Spalding Western Relief Road	To provide assurance that appropriate arrangements are in place for the governance, management and monitoring of the design stage to ensure planning	<b>20</b>	Jan 2014			Cancelled - reported to Committee November 2013	

Area	Indicative Scope	Days	Planned Start Date	Actual Start Date	Final Report Issued	Status/Assurance Level Given
	permission is achieved.					
Castle Revealed	To provide assurance that appropriate arrangements have been put in place to manage the project works and finances and they are being properly applied.		May 2013	May 2103		Draft report – indicative assurance is substantial
<b>Key Risks</b>						
Strategic and Emerging risks	To audit risks within the strategic risk register any significant emerging risks arising in the year.	15				
<b>Other relevant Areas</b>						
Combined Assurance	Co-ordinating and updating assurances on the Council’s assurance map with service managers. Co-ordinating the combined Assurance Annual Status Report.	10	Oct 2103	Oct 2013	Jan 2014	Assurance map updated and status report complete
<b>Non-Audit</b>						
Advice & Liaison		10				
<b>Total for Communities</b>		<b>125</b>				
<b>Resource &amp; Community Safety</b>						
<b>Critical Service Areas</b>						
<b>Fire &amp; Rescue</b>						
Fleet Provision	To review the provision and maintenance of the fleet, including the safeguards in place to prevent reoccurrence of the AssetCo risk.	70	Jan 2014			

Area	Indicative Scope	Days	Planned Start Date	Actual Start Date	Final Report Issued	Status/Assurance Level Given
<b>Safer Communities</b>						
YOS – under 18s single remand order	To review the Authority’s response to the Legal Aid and Punishment of Offenders Act 2012 – scope to cover: process, finance and links to Children’s Services – Looked After Children		June 2013	June 2013	August 2013	Completed – Substantial Assurance
Trading Standards	Assessment of resourcing, task prioritisation and impact on timescales.		May 2013	May 2013	Nov 2013	Completed - Limited Assurance
<b>Procurement Lincolnshire</b>						
Category Management	Review the effectiveness of category management model and development of supply market intelligence to delivery client needs and sustainable outcomes.		August 2013	Sept 2013		In progress
<b>Business Support</b>						
Direct Payments	Review of process, compliance and support arrangements in light of change of responsibilities – system is significant to the support in ASC and has had past limited assurance from Audit.		May 2013	May 2013		Draft Report - indicative Limited Assurance
<b>Registrars / Coroners</b>						
Coroners	Management request - review of Coroner income and expenditure following changes in jurisdiction, legislation and standardisation of processes.		N/A	Nov 2013		In progress
<b>Due Diligence</b>						
<b>Resources</b>						
Creditors	To ensure that the financial control environment in these systems are robust	260	Aug 2013	Oct 2013		Split assurance - Substantial

Area	Indicative Scope	Days	Planned Start Date	Actual Start Date	Final Report Issued	Status/Assurance Level Given
	and operating effectively.					(Mouchel), limited (directorates)
Debtors	The reviews will assess whether income and expenditure budgets are regularly monitored, appropriately controlled and reported.		Sept 2013	Nov 2013		Draft report – split assurance. Limited (directorates)
Procurement Card			Nov 2013	Jan 2014		In progress
Pensions Administration			Dec 2013			C/fwd to Q4
Budget Management			Jan 2014			
Pensions Fund			Feb 2014			
Income			Sept 2013	Sept 2013	Dec 2013	Full assurance (Mouchel), Limited (directorates)
Key financial systems – transaction testing		Throughout the year test key controls and transactions feeding into the Council's accounts in liaison with External Audit		April 2013	May 2013	
			July 2013	Aug 2013	Oct 2013	Q1 - Substantial
			Nov 2013	Nov 2013		Q2 – in progress
Financial and Contract Regulations – establishment visits	To review the level of compliance with the Council's key financial procedures across selected service areas: <ul style="list-style-type: none"> <li>■ Eventus Business Centre</li> <li>■ Horncastle Business Centre</li> <li>■ Boston Registration Office</li> <li>■ The Beacon Children's Centre</li> </ul>		Dec 2013			Draft report Draft report Draft report Draft report
Risk Management	To provide assurance on the risk management strategy, structure and operations within the organisation.		March 2014			

Area	Indicative Scope	Days	Planned Start Date	Actual Start Date	Final Report Issued	Status/Assurance Level Given
Contract Management	Council-wide probity / compliance work covering service delivery, quality and contract payments "business as usual"		Nov 2014	Nov 2014		In progress
<b>ICT Applications</b>						
SAP		15				
<b>Key Projects</b>						
FDSS	Involvement in property project / contract / open book accounting / PQQ process (quality assurance)	10	Dec 2013	Dec 2013		Ongoing
<b>Emerging Risks</b>						
Emerging risk contingency	To audit any strategic risks and significant emerging risks arising in the year.	20				
<b>Other relevant Areas</b>						
Combined Assurance	Co-ordinating and updating assurances on the Council's assurance map with service managers. Co-ordinating the combined Assurance Annual Status Report.	10	Nov 2013	Nov 2013	Jan 2014	Assurance map updated and status report complete
<b>Non-Audit</b>						
Advice & Liaison		10				Ongoing
<b>Total for Resources &amp; Community Safety</b>		<b>395</b>				
<b>Performance &amp; Governance</b>						
<b>Critical Service Areas</b>						
People Management	Review the effectiveness of the People Strategy launched in 2012 and the strands underpinning delivery of the	20	Sept 2013	Nov 2013		In progress

Area	Indicative Scope	Days	Planned Start Date	Actual Start Date	Final Report Issued	Status/Assurance Level Given
	Council's people management arrangements					
<b>Due Diligence Activities</b>						
Corporate Governance	To review the effectiveness of the Council's governance arrangements, including compliance with new standards regime	20	April 2013			In progress
Gifts, Hospitality and Register of Interests	To assess the level of compliance with the Council policy for managing gifts and hospitality and controlling potential conflicts of interest.		Dec 2013			To start Jan 2014
<b>ICT</b>						
	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.	85				Days reduced to 40, reported to November Audit Committee, and dependent on availability of Deloitte auditors
<b>Key Projects</b>						
Broadband in Lincolnshire	To provide assurance on delivery and compliance with the grant conditions.	10	Feb 2014			
<b>Strategic / Emerging Risks</b>						
Strategic risk	To seek assurance on the key controls linked to strategic risks which sit within	15				

Area	Indicative Scope	Days	Planned Start Date	Actual Start Date	Final Report Issued	Status/Assurance Level Given
	the directorate, e.g. Becoming a Commissioning Council					
Emerging risk contingency	To audit any significant emerging risks arising in the year.					
<b>Other relevant Areas</b>						
Combined Assurance	Co-ordinating and updating assurances on the Council's assurance map with service managers. Co-ordinating the combined Assurance Annual Status Report.	10	Nov 2013	Nov 2013		In progress
<b>Non-Audit</b>						
Advice & Liaison		10				On-going
<b>Total for Performance &amp; Governance</b>		<b>170</b>				
<b>Grand Total</b>		<b>1440</b>				