Internal Audit Progress Report

Date: March 2014

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Introduction

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 Jan to Feb 2014
- Raise any other matters that may be relevant to the Audit Committee role

Key Messages

2. We have made good progress against the internal audit plan and have, as at 28 February 2014, completed 81% of the planned work for the year. The remaining audits are in progress and are scheduled to finish by the end of March 2014, unless otherwise noted. The reports for a small number of audits will be prepared and/or finalised in April.

3. We have completed 10 County Council audits since our last progress report, 1 which has resulted in limited assurance and 2 systems which have received a split assurance (substantial/limited). A further 33 County Council audits are in progress:

- 11 currently at draft report stage
- 15 will be at draft report stage by 31 March 2014
- 7 will be completed by Easter

  Other significant work in this period includes:

- MIMS – Insurance Management System
- Birth to Five Service (Managed Service)
- Tax Compliance – LF&R use of emergency vehicles

4. Changes to the plan were agreed at the November 2013 Committee due to long term sickness and vacancies. Since that point there have been 3 additions to the audit plan at the request of the client: MIMS, Birth to Five Service and Tax Compliance (LF&R). The following audits have either been cancelled or deferred to 2014/15:

- Adult Services – Organisational Learning and Follow Up (postponed)
- Adult Services – Reablement Service (Cancelled – service ending)
- Due Diligence – Budget Management (Deferred 2014/15 audit plan)
- Performance & Governance – Gifts, Hospitality and Register of Interests (Deferred to 2014/15 audit plan)

5. The key findings from the audit of Adult Services Case Management, Referrals and Contact Management have, to avoid duplication, been covered in an action plan resulting from a serious case review we have recently completed. The findings from that work will be considered by the Authority's Strategic Safeguarding and Dignity Board but the action plan will be monitored using our recommendations tracker and progress reported via the Audit Committee. The results from the serious case review have not yet been finalised – further detail will be reported to future Committees, when appropriate.

Internal Audit work completed from 1 January 2014 to 28 February 2014

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

Full Assurance	Substantial Assurance	Limited Assurance	No Assurance
▪ Establishment Visit – Boston Registration Office	▪ Adults Quality Assurance (3rd party) ▪ Supported Childcare ▪ CRC ▪ Performance Management ▪ Creditors (control framework) ▪ Establishment Visit – the Beacon Children's Centre ▪ Quarter 2 – Key control testing ▪ Eventus Business Centre	▪ Projects and Programmes ▪ Creditors (compliance) ▪ Horncastle Business Centre	

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

7. We are reporting 3 limited assurance audits in this quarter, two of which are split assurances – substantial / limited (Creditors and Performance and Programmes). We split assurances where we feel it provides a more accurate position on the control environment and/or level of compliance, for example, centralised controls or the control framework within a service area may be adequate but the concerns may be with the level of user compliance.

8. Progress with the implementation of agreed management action on recommendations for audits resulting in 'No' or 'Limited' assurance will be tracked and reported to the next audit committee.

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

Supported Childcare – Substantial Assurance

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.

Carbon Reduction Commitment (CRC) – Substantial Assurance

Our review of the 2012/13 submission to the Environment Agency provides assurance that the information in the return is accurate and can be traced back to source data. The correct amount of allowances have been purchased and surrendered within the Environment Agency's deadlines.

The submission is produced by an experienced member of the property team who has great knowledge of the TEAM software used to produce the energy data; however there is still an over reliance on this member of the team as there is no one trained to cover his role should he be unavailable.

Adults Quality Assurance (Third Party)

This has been subject to a peer challenge. The Peer Challenge Team identified a high level of commitment from staff and managers at all levels and were impressed with the consistent understanding of the need to ensure high quality services were available to communities.

The Team found that mangers responsible for the development of quality assurance were clearly committed and passionate and have developed a comprehensive framework with an underpinning model of quality assurance that provides a sound basis for the future. Good examples of innovative developments such as "my choice my care" and the proposed introduction of "firefly" and the care management partnership programme were evidenced.

Current practice includes elements of quality assurance such as audits, stakeholder feedback and customer surveys. Through discussions with partners including providers of services it is clear that some mechanisms currently exist in order to facilitate engagement and involvement with other sectors in relation to quality assurance. Senior Managers gave confidence that new strategies are emerging providing much needed clarity and vision for the future with a range of associated policies procedures and guidelines in development.

Performance and Programmes (split assurance Performance – Substantial)

Performance management has been refined to focus on the things that matter most i.e. performance data associated with the Council's Business Plan. We found a good framework, with a clear process for capturing and reporting performance. A monthly quality assurance process provides confidence on the reporting of the Council's priority activities. Similarly, a data assurance checklist, signed off by the respective Head of Service, provides assurance on the reliability and accuracy of Business Plan performance – trusting people to deliver.

A small number of service performance measures need aligning to the Business Plan targets to avoid any impact on the overall level of confidence around reporting and service planning.

See separate section (Appendix 2) on Projects and Programmes which carries limited assurance.

Creditors (split assurance – control framework – substantial assurance)

The Council's Creditor payments system is robust and fit for purpose if the controls are consistently applied. However, the control framework is currently affected by compliance issues which has contributed to reduced payment performance and could impact upon effective budget management and value for money. See appendix 2 for full summary.

Boston Registration Office – Full Assurance

We found that Boston Registration Office manages its finances well. Managers and staff have a good understanding of financial procedures – consequently we found a high level of compliance and numerous examples of good practice.

There are particularly robust controls around preparation and monitoring of budgets, with evidence of a full service wide review being undertaken during the summer of 2013/14. All streams of income received are also well documented from the point of receipt through to banking.

The Beacon Children's Centre – Substantial Assurance

It was found that The Beacon generally manages its finances well. The review highlighted instances where enhancements to current procedures will improve processes:

- Budget projections suggest it will be approximately £12k overspent at the end of 2013/14. This is due to staff vacancies and sickness which are being covered at present by a combination of additional hours and relief staff. It is planned to address the budget and staffing issues as part of the expansion plans, but variances should be addressed regularly to ensure budgets set are realistic, reflecting the service provided by the home.

- We found no independent oversight of the Residential Support Assistant's procurement card usage.

- VAT receipts were not always obtained for VATable items purchased through the imprest account and procurement card.

Audits in Progress

10. The following audits are currently in progress:

Audits at draft report stage:

- Adults Performance Management
- Child Poverty Strategy
- Additional Needs
- Families Working Together
- Civil Parking Enforcement
- Castle Revealed
- Category Management
- Tax Compliance (LF&R)
- Procurement Card

- Establishment Visit – Lincolnshire Archives
- Establishment Visit – The Collection
- MIMS – Insurance Management System

Fieldwork in progress, draft report due by the end of March 2014

- Brokerage
- Police Notification of Domestic Violence
- F&R Fleet management
- Customer Finance and Direct Payments Team
- Debtors
- Coroners
- Pension Fund
- Pension Administration
- People Management
- Contract Management – Public Health
- Contract Management – Adult Care
- Birth to Five Service – Managed Service
- Public Health – Due Diligence
- Broadband in Lincolnshire
- Quarterly Key Control Testing

Fieldwork in progress, draft report due in April:

- Flood Management
- Adult Services Transport
- ICT Strategy
- Risk Management
- Contract Management (remaining directorates)

Performance Information

11. We reported on current performance against targets up to the end of quarter 3 at the last Audit Committee in January 2014 – we shall provide an analysis of our full year performance in our 2013/14 Annual Report.

Other Matters of Interest

12. **Grant Thornton – Local Government Governance Review 2014**

This report has been compiled by a detailed review of 2012/13 annual governance statements of 150 councils, fire & rescue authorities and police bodies – comparing them to Grant Thornton's best practice critieria. They have also analysed responses from their survey of 80 senior council officers and members. The report focuses on 3 particular elements of governance:

- Risk leadership
- Partnerships and alternative delivery models
- Public communication

Key messages:

Risk leadership – they conclude that in some local authorities risk management needs to step up a gear to provide full assurance about critical areas of responsibility and satisfy the ever-increasing level of scrutiny and regulation. However, the majority of survey respondents felt their organisations encouraged well-managed risk taking and innovation. The cautionary notes included concerns about the blame culture and lack of clear leadership from members about risk appetite.

Partnerships and alternative delivery models – they advise that councils and fire authorities need to reflect on the joint reporting and management of risk in partnerships and alternative delivery models and assess whether the governance arrangements are fit for purpose. The report focuses attention on the rising concerns about the level of transparency and accountability for service delivery under these arrangements – linking these concerns with the increased fragmentation of public service delivery.   It says the public sector needs to learn the key lessons about contract management reported on by the National Audit Office and Public Accounts Committee in their reviews of outsourced services in central government.   Survey respondents had doubts over:

- joint risk registers / meetings
- common understanding of risks (and risk terminology)
- resilience of contingency plans (in the event of partnership failure)
- ability of governance arrangements to identify potential service failures

Public communication – the report concludes that greater clarity is required on public reporting to give greater transparency and to address the demands of the interactive expectations of the public.

The report focuses on the reporting of the accounts – survey respondents were not convinced that the explanatory forewords to their accounts helped the public

understand the authority's financial management. Grant Thornton's analysis showed that most explanatory forewords just met the minimum standards and did not provide genuine insight to the accounts. They conclude that, although improvements have been made, generally accounts continue to be 'long and impenetrable'*.*

Just over a third of survey respondents felt that the Annual Governance Statement did not clearly explain how authorities handled risk. The report highlights that there is a growing need for local authorities to become more proactive in managing the way their performance is perceived by the public. They advise on more public engagement to establish what information the local public want to receive – this, they say, is necessary with the fast changing digital communications and rising demands for openness.

The main body of the report includes the research findings, examples of good practice and poses a number of questions for management and members, to help them assess the strength of their current governance arrangements. The full report can be found at: www.grant-thornton.co.uk under publications 2014.

Appendix 1 - Assurance Definitions1

Full Assurance	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. As a guide there are a few low risk / priority actions arising from the review.
Substantial Assurance	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. 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. As a guide there are low to medium risk / priority actions arising from the review.
Limited Assurance	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. 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. As a guide there are medium and a few high risk / priority actions arising from the review. Our work did not identify system failures that could result in any of the following: - damage to the Council's reputation - material financial loss - adverse impact on members of the public - failure to comply with legal requirements
No Assurance	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. Our work identified system failures that could result in any of the following: - damage to the Council's reputation - material financial loss - adverse impact on members of the public - failure to comply with legal requirements 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. As a guide there are a large number of medium and high risks / priority actions arising from the review.

[1] 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'

Projects and Programmes – Limited

The assurance role within the Performance and Programmes Service currently lacks clarity, Council-wide understanding and corporate authority. We were unclear on the expected level of third party project assurance the Council requires from this Service and found mixed views at directorate level on the added value of this assurance role.   Conversely, those directorates accessing the support services valued that input and recognised the benefits.

The team's ability to effectively assess the management of priority projects is partly limited by the lack of a minimum project standard upon which to base any on-going evaluation. Equally, if the Service is to fulfil and develop its assurance role, we feel there is a need for an increased flexibility around how it achieves this.

The Service has no clear method of identifying where assurance resources should be targeted – internal gate or stage reviews are not agreed at project initiation and the Corporate Management Board do not currently direct project assurance activity. Consequently, very few internal gate/stage reviews have been completed.

The Service has a role in ensuring the Council invests in the right things – part of this includes review and scrutiny of project business cases. There are known issues around the general quality of business cases (or equivalent) – a working group has been established to address some of those concerns. The Service will need to ensure their analysis and scrutiny role in the development of business cases (or equivalent) is understood and that their input should be sought from the outset.

Performance Management – Substantial (already reported)

Direction of Travel

The previous audit recognised the progress made in developing the project management framework, standard and toolkit. Whilst this has resulted in more transparency, it is not Council wide. The Service delivers valued project support but there is less confidence around its project assurance and scrutiny role which requires further consideration and/or development and possibly a stronger mandate from the Corporate Management Board.

In light of the mixed views from project leads across the Council, we advise the Performance and Programmes Service and/or the Corporate Management Team re-evaluates the third party assurance role in investment decisions, projects and programmes. Key questions to consider are whether the Council requires:

- the analysis and scrutiny to enhance assurance around investment decisions
- continuous confidence that the information provided on project and programmes is accurate and robust
- any more project assurance than it currently receives

To effectively fulfil this third party assurance role, the Performance and Project Service would need a stronger mandate from the Corporate Management Team, greater engagement with all directorates to ensure the role is fully understood and a more flexible approach to avoid duplication. The Service's project support role is resource intensive – any consideration of the assurance role would need to factor in the capacity of the existing team to deliver.

The Council has invested time and resources into training a group of officers to carry out internal gate or stage reviews on priority projects but has no clear way of identifying where to target those assurance resources. These review skills have, so far, been little used – critical stages for project assurance are not defined at the outset and there is little evidence the Corporate Management Board (CMB) actively directs project assurance activity. The Service needs a methodology for co-ordinating all existing project intelligence to assist the CMB in deciding which projects need additional assurances.

InfoHub was designed to increase visibility on projects, improve monitoring & reporting and encourage a consistent approach to project management – there are varying levels of usage across the Council and InfoHub is consequently not fulfilling its original purpose. It is seen by some, with established project systems, sound governance and project expertise, as an unnecessary duplication of resources.

As few project groups fully utilise the InfoHub, this reduces some visibility on project progress and impacts on the Service's assurance activities – this does not mean that projects are not effectively managed but neither does it provide the confidence that exceptions / risks are being identified, reported and managed. We advise the Service reviews whether the InfoHub is adding value to project leads, managers and boards.

The Service has various sources of project intelligence and this, together with regular liaison with project leads, should (if implemented) help plug the gaps in project transparency and assurance. Whilst there is a need for minimum project standards, the need for flexibility and proportionality should also be recognised. Some assurance can be sought by regular liaison with project leads and brief scrutiny of key documentation – good governance, risk management and project performance will inform which projects require a lighter touch.

We note that the Service's routine assurance work is essentially based on an independent review of the information included in the highlight reports provided for priority activity reporting. If InfoHub is not populated, the value of the independent review is limited. In our view this adds little to the assurances already provided by project managers.

A recent health check on risk management in priority projects identified wide variances in the identification, monitoring and management of risk in projects. The risk management functions on InfoHub are either not used or are not updated and the Service does not currently actively seek regular assurances on this key element of project management. This could be addressed through regular liaison with project managers.

At the time of the audit the Service did not have access to all available project business cases / option appraisals (or equivalent). This impacts on the Service's assurance abilities but also illustrates that the analysis and scrutiny role is not yet fully developed. The Service has recognised that there are issues around the quality of business cases and a working group has been set up to address this.

We advise the Service acknowledges that a traditional business case may not be required e.g. where the project is linked to a statutory responsibility or a bid for funding – however an option appraisal (or equivalent) is still necessary to ensure the essential elements of a project are properly considered such as: success criteria, stakeholders, risks, constraints, options, recommendations, resourcing requirements and change management.

We also note that the Service recognises that the Council's ability to measure the benefits from its investment decisions is currently limited – this is one of the specific aims of the Service. We understand the Service plans to review the area of benefit realisation to ensure it can assist the Council maximise the return / benefits from all investments.

Management Response

I accept the findings of the report and welcome the insight and fresh perspective it provides of the Performance & Programmes Service (PPS) and in particular the assurance work we do. I will be looking to implement and take forward all of the recommendations, but the most important is the need to engage with CMB to discuss, clarify and mandate what they want to see in relation to:

- PPS' role in supporting key priority activities and commissioning strategies.
- What PPS assurance is needed in the Commission cycle and what help can be given.
- Current Council Priority Activities and whether the definition of a CPA needs to be tightened to allow support to be focused on those things that are the most crucial.

Management Actions	No	All to be completed by:
High Priority	4	May 2014
Medium Priority	7	May 2014

Horncastle Business Centre – Limited Assurance

Our review highlighted several areas where we believe enhancements will improve the current procedures in place. We identified particular issues in the following areas:

- Traditionally budgets have been rolled forward every year without being fully assessed to ensure amounts are appropriate for operating the Centre. An overspend on the budget is being projected for 2013/14 and income targets are unlikely to be achieved. Improvements in the budget preparation process would assist effective budget management.

- The Facilities Manager has recently taken on the responsibility for managing the budget but has yet to receive any formal budget training to ensure effective budget management.

- Income at the Business Centre is not banked on a timely basis. Amounts collected are significant and delays in banking increase the risk of loss or misappropriation.

Our review confirmed that officers have a good understanding of financial procedures in some areas:

- Income is monitored well and a detailed banking spreadsheet kept as evidence. This reduces the risk of fraud and provides a greater segregation of duties within the income system.

- Debtor invoices are raised on a timely basis with good supporting documentation to ensure income is collection is effective.

However, we also identified non-compliance with procedures and good practice. We have summarised the main issues within the Executive Summary to this report and the Action Plan below.

Actions to address the findings carrying a high risk are:

- The Facilities Manager will contact Mouchel Accountancy to arrange Budget training. The budget will be reviewed on a line by line basis as part of this training and with assistance from the Enterprise Centre Officer at Eventus.

- Income will be banked on a timely basis in line with Financial Procedure 10 and the catering income will be kept in the kitchen safe to reduce the risk of safe insurance limits being breached.

Management Actions	No	All to be completed by:
High Priority	Three	31st March 2014
Medium Priority	Six	31st March 2014
Low Priority	Four	31st March 2014

Creditors

Assurance Opinion

Limited Assurance - Directorates
Substantial Assurance - Mouchel

The Council's Creditor payments system is robust and fit for purpose if the controls are consistently applied. However, the control framework is currently affected by compliance issues which has contributed to reduced payment performance and could impact upon effective budget management and value for money.

The use of retrospective orders has been an area of concern identified in previous audits. Analysis of orders raised during the current year has established that the proportion of retrospective orders has improved across all directorates from 69% at the last audit, to 62% although in terms of total spend the percentage is higher (73%). This shows some improvement, although the number of retrospective orders remains high. Compliance with Financial Procedures around the ordering of goods and services continues to be an issue reducing confidence around value for money and sound budget management.

The introduction of e-purchasing has helped to reduce the number of retrospective orders, although there is still significant evidence of staff by-passing the prescribed procurement process. More work is required to address this through awareness, monitoring, reporting and sanctions for continued non-compliance.

We found the payment run process, operated by Mouchel, to be well established and operating effectively. Payments were accurate, authorised and routinely reconciled.

Masterdata controls have improved since the last audit although we have concerns over the volume of new vendors and the impact this has on payment performance and administration time. There is also a need to improve the electronic controls for authorising amendments to vendor details. This is not appropriately restricted although there are some compensatory controls for changes to bank details.

Direction of Travel ⬆ Improving

The implementation of e-purchasing and planned mandatory training and awareness sessions developed by the Purchasing Governance Group will assist in improving the compliance with Financial Procedures

Since the previous review of Creditors, e-purchasing has been fully implemented. Procurement Lincolnshire expected the use of retrospective orders to fall as a result

but our review shows that the improvement has been limited within Council directorates.

The key compliance issue for the Council continues to be around the failure to use purchase orders when making a commitment – the number of verbal orders remains high which reduces control and affects the Council's ability to seek redress in the event of dispute with the supplier. In order to improve compliance with Financial Procedure 5 work is required to:

- Educate and promote awareness that this remains a significant issue
- Promote reasons why retrospective orders should not be raised (reiterating the correct usage noted within Financial Procedure 5)
- Identify users or areas where non-compliance routinely occurs
- Escalate and apply sanctions if non-compliance continues
- Promote use of other, more suitable payment options including framework orders for ongoing commitments, purchasing cards and imprest accounts.

We noted that payment performance had dipped across most directorates (including a 15% reduction in one directorate) at the start of the 2013/14 financial year. The main contributing factors were the introduction of the e- purchasing system, some initial resourcing issues within Business Support (Purchasing and Facilities team) and the continued use of retrospective orders. Payment monitoring reports show that there has been some improvement in the current year and performance is moving towards the expected target (paid within 30 days of receipt of invoice) as documented in CIPFA benchmarking statistics.

A Purchasing Governance Group now oversees the Creditors process to identify the main issues affecting procurement and payments. This is a positive step and the group is developing an action plan to address the culture, processes, system and reporting. A briefing paper outlining key actions is being prepared for the Director of Resources and Corporate Management Board. In our opinion, any improvement will require action at board level to influence compliance within directorates – future exception reporting and action should also help to ensure continued adherence to the mandatory Financial Procedures.

Our audit work within schools during 2013/14 has shown a higher level of compliance with procedures for ordering, invoice processing and control of imprest accounts (see appendices 2 and 3). The main compliance issues were associated with clarity over delegated limits and adherence to Contract Regulations covering market testing and the quotation process.

Our findings during this audit, together with the results of our quarterly key control testing, shows that the creditor payments processes operated by Mouchel are generally working well. Masterdata controls have improved since our last audit although we noted that additional work was required to manage the supplier file – this however is due to the procurement habits of the directorates rather than any failure within Mouchel. Access rights around the authorisation of vendor changes are not currently restricted although this risk is reduced by certain compensatory controls, especially around the change of bank details.

Findings from the audit are detailed within the attached action plan, including recommendations which, once implemented, should help strengthen controls and improve the level of performance and confidence in the Creditors process. We would take this opportunity to thank the staff for their help and assistance throughout the audit.

Management Response

LCC - Head of Finance - Children's & Specialist Services

I am grateful to the Audit team for agreeing to extend the scope of the annual audit to include wider issues such as retrospective ordering. It is re-assuring that the findings from this report are consistent with those of the governance group. They support and add weight to the actions that the group has been implementing in recent months. Business Support has already addressed a number of issues. The regular communications being made to Council staff via the daily News Lincs bulletins is an important tool in helping raise awareness and changing the culture. It is clear that the Council's new finance system will drive considerable change in practices and although work on implementing that will commence later this year, it is nevertheless important to tackle the current problems through the measures outlined in the action plan. It is disappointing that the percentage of invoices paid on time has dipped during the past year, but this was marginal, it remains above the 90% target and is now improving again. It is re-assuring that Mouchel's performance remains good and is helping to ensure that accurate payments are made by the Council. I am confident that the action plan will deliver the short term improvements that we require and that the new finance system will eliminate a number of the current problems.

Mouchel Financial Services Management team:

We feel that the creditors 2013/14 audit report accurately reflects the current position of the service and highlights the main areas for improvement. It is clear that the overall end to end service does have some development needs particularly around responsibilities of both requestors and approvers within LCC directorates, but with the internal changes that have begun to be implemented towards the end of last year it should help to promote further improvements to the current systems. The development actions identified within the report should also enable LCC to progress towards cultural changes which are likely to be initiated with the Agresso implementation later this year. As an additional note we'd also like to thank the LCC audit team for the professional and quality audit which has been appreciated by all of our team.

Business Support:

Business Support acknowledges the requirement for compliance is critical within its service delivery. The introduction of EBP alongside other reasons, as stated in the report, has detracted from this. We have already recognised the need to improve communications, compliance and processes towards the end of 2013. Subsequently a more focused management lead supporting this business area is now driving change and working to achieve full assurance through an agreed action plan. The

report identifies improvements are being made and we will continue to support these in a proactive manner.

Procurement Lincolnshire:

Procurement Lincolnshire endorses and welcomes the findings of the Internal Audit Report Creditors 2013/14; it adds weight both to our procurement strategies and focusses the attentions of the directorates on greater accuracy including compliance. It is recognised that there a large amount of vendors set up by Mouchel during the current financial year, although 65% of these relate to non-purchasing vendors. These are regulated by the directorates' financial representatives where there is less scope to reduce numbers.

Management Actions	No	All to be completed by:
High Priority	2	31 March 2014
Medium Priority	4	Ongoing

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
Public Health						
Critical Service Areas						
Critical service allocation	Audit of critical services to be determined after the assurance map has been produced	25			N/A	Assurance Map used to inform 2014/15 audit plan.
Due Diligence						
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	February 2014		Draft Report
Key Projects						
Key Project allocation	To audit a key project during the year.	10			N/A	Cancelled
Key Risks						
Strategic and Emerging risks	To audit risks within the strategic risk register any significant emerging risks arising in the year.	30			N/A	Strategic risks & risk appetite identified, training delivered. Support given to identify top directorate risks.
Other relevant Areas						
Combined Assurance	Co-ordinating and updating assurances on the Council's assurance map with service managers. Co-ordinating the combined Assurance Annual Status Report.	20	Oct 2013	Oct 2013	March 2014	Complete – see Public Health status report.

Area	Indicative Scope	Days	Planned Start Date	Actual Start Date	Final Report Issued	Status/Assurance Level Given
Non-Audit						
Advice & Liaison		**10**				Ongoing
Total for Public Health		**110**				
Adult Services						
Critical Service Areas						
Customer Finance & Direct Payments Team	Review of the newly formed team for carrying out financial assessments of clients and making direct payments to clients.	**100**	June 2013	July 2013		Additional fieldwork in progress
Brokerage	Review of end to end process of the Brokerage team for the purchase and monitoring of packages of care.		Sept 2013	March 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		N/A	Postponed - in 2014/15 audit plan
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	March 2014	Third party assurance – substantial.
Performance Management	Review of data quality, trend analysis and reporting arrangements, and the actions being taken to address issues.		Oct 2013	Dec 2013		Draft report.
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		N/A	Audit cancelled – Reablement Service is ending.

Area	Indicative Scope	Days	Planned Start Date	Actual Start Date	Final Report Issued	Status/Assurance Level Given
Key Projects						
Transformation Programme	Review of the programme/project management arrangements for this key ASC programme, considering the design and application of the governance structure.	45	Sept 2013	Jan 2014		In progress
Proactive Support	To provide proactive advice and support on governance, managing key risks and effective internal control.		April 2013	April 2013		On-going
ICT						
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
Key Risks						
Strategic and Emerging risks	To audit risks within the strategic risk register any significant emerging risks arising in the year.	35				Ongoing
Other relevant Areas						
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 2013	July 2013 March 2014	Assurance Map updated in July 2013 and March 2014.
Non-Audit						
Advice & Liaison		10				
Total for Adult Services		**215**				

Area	Indicative Scope	Days	Planned Start Date	Actual Start Date	Final Report Issued	Status/Assurance Level Given
Children's Services						
Critical Service Areas						
Birth to Five						
Supported Childcare Allocations	To provide assurance that in allocating supported childcare, families are properly assessed and meet the eligibility criteria.	**75**	July 2013	September 2013	January 2014	Complete – Substantial assurance
New Client Request Birth to Five Service Delivery	To review the quality assurance activities / reporting of the Birth to Five 'managed service' as it relates to the Early Years provision delivered by CfBT.		N/A	February 2014		In progress
Commissioning						
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		Scope of work extended. Draft report – split assurance
Performance Assurance Services						
Lincolnshire Safeguarding Children's Board **replaced by** Additional Needs	To provide assurance on the arrangements in place for the transition from school to post-16 settings for learners with learning difficulties and/or disabilities		Jan 2014	February 2014		Draft Report.
Property & Technology Management Services						
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,		Dec 2013		N/A	Cancelled - reported to Committee November 2013

Area	Indicative Scope	Days	Planned Start Date	Actual Start Date	Final Report Issued	Status/Assurance Level Given
	closure etc.					
Police Notification of Domestic Violence	To provide assurance on arrangements to assess and record police referrals.		Dec 2013	Dec 2013		In-progress
Key Projects						
Families Working Together	To review the FWT project to provide assurance that effective mechanisms are in place to: • Identify 'troubled' families • Assess family needs • Assess, evidence & record achievement of specified results • Claim available funding	10	Sept 2013	Sept 2013		Draft report
ICT						
Integrated Children's System (ICS) **Replaced by** Case Management System	To provide proactive advice and support to this project, ensuring that key risks and controls are being considered.	15	Dec 2013		N/A	On-going
Access Databases	Review of system maintenance, user and administrative access, input and output controls, user guidance.	15	June 2013		N/A	Risk re-assessed by client – addressed via case management system work (above)
Key Risks						
Strategic and Emerging risks	To audit risks within the strategic risk register any significant emerging risks arising in the year.	15				On-going

Area	Indicative Scope	Days	Planned Start Date	Actual Start Date	Final Report Issued	Status/Assurance Level Given
Other relevant Areas						
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	Mar 2014	Schedule of schools audits complete
Non-Audit						
Advice & Liaison		10				
Total for Children's Services		**425**				
Communities						
Critical Service Areas						
Environment, Planning & Customer Services						
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.	70	July 2013	Jul 2013 / Jan 2013	August 2014 / March 2014	Highlight Report / Complete – Substantial assurance
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 3013	Dec 2013	Completed – Limited assurance

Area	Indicative Scope	Days	Planned Start Date	Actual Start Date	Final Report Issued	Status/Assurance Level Given
Highways & Transport						
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		Draft Report.
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	March 2014		On-going
Key Projects						
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 permission is achieved.	20	Jan 2014		N/A	Cancelled - reported to Committee November 2013
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	Aug 2013		Draft Report.
Key Risks						
Strategic and Emerging risks	To audit risks within the strategic risk register any significant emerging risks arising in the year.	15				
Other relevant Areas						
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

Area	Indicative Scope	Days	Planned Start Date	Actual Start Date	Final Report Issued	Status/Assurance Level Given
Non-Audit						
Advice & Liaison		**10**				
Total for Communities		**125**				
Resource & Community Safety						
Critical Service Areas						
Fire & Rescue						
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	Feb 2014		Draft Report
Safer Communities						
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
Procurement Lincolnshire						
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		Draft Report.

Area	Indicative Scope	Days	Planned Start Date	Actual Start Date	Final Report Issued	Status/Assurance Level Given
Business Support						
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	July 2013	Feb 2014	Final Report – Limited Assurance
Registrars / Coroners						
Coroners	Management request - review of Coroner income and expenditure following changes in jurisdiction, legislation and standardisation of processes.		N/A	Nov 2013		Draft Report
Due Diligence						
Resources						
Creditors	To ensure that the financial control environment in these systems are robust and operating effectively.	260	Aug 2013	Oct 2013	January 2014	Split assurance - Substantial (Mouchel), Limited (Directorates)
Debtors	The reviews will assess whether income and expenditure budgets are regularly monitored, appropriately controlled and reported.		Sept 2013	Nov 2013		Additional fieldwork required. Draft Report.
Procurement Card			Nov 2013	Jan 2014		Draft Report
Pensions Administration			Dec 2013	Feb 2014		In progress
Budget Management			Jan 2014		N/A	C/F 2014/15
Pensions Fund	Follow up		Feb 2014	Feb 2014		In progress
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		April 2013	May 2013		Year End – Full

Area	Indicative Scope	Days	Planned Start Date	Actual Start Date	Final Report Issued	Status/Assurance Level Given
	accounts in liaison with External Audit		July 2013 Nov 2013	Aug 2013 Nov 2013 Mar 2014	Oct 2013 Jan 2014	Q1 – Substantial Q2 – Substantial Q3/4 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: • Eventus Business Centre • Horncastle Business Centre • Boston Registration Office • The Beacon Children's Centre • Lincolnshire Archives • The Collection		Dec 2013	Dec 2013 Dec 2013 Dec 2013 Jan 2014 Feb 2014 Feb 2014	Feb 2014 March 2014	Substantial Limited Full Substantial Draft Report Draft Report
Tax Compliance *Client Request*	Follow up of LF&R tax compliance relating to the use of emergency vehicles by LF&R senior officers, following the settlement reached with HMRC in August 2013.		N/A	Feb 2014	March 2014	Draft Report.
Risk Management	To provide assurance on the risk management strategy, structure and operations within the organisation.		March 2014	March 2014		In progress
Contract Management	Council-wide probity / compliance work covering service delivery, quality and contract payments "business as usual"		Nov 2014	Nov 2014		In progress – 2 x directorates complete, others in-progress

Area	Indicative Scope	Days	Planned Start Date	Actual Start Date	Final Report Issued	Status/Assurance Level Given
Client request: MIMS – Insurance Management System	To assess the effectiveness and reliability of the Insurance Management System, focusing on system controls and the integrity of data.		N/A	January 2014		Draft Report
ICT Applications						
SAP		15				Cancelled - ICT days reduced and reported to Nov Audit Committee
Key Projects						
FDSS	Involvement in property project / contract / open book accounting / PQQ process (quality assurance)	10	Dec 2013	Dec 2013		PQQ input complete
Emerging Risks						
Emerging risk contingency	To audit any strategic risks and significant emerging risks arising in the year.	20				
Other relevant Areas						
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
Non-Audit						
Advice & Liaison		10				Ongoing
Total for Resources & Community Safety		**395**				

Area	Indicative Scope	Days	Planned Start Date	Actual Start Date	Final Report Issued	Status/Assurance Level Given
Performance & Governance						
Critical Service Areas						
People Management	Review the effectiveness of the People Strategy launched in 2012 and the strands underpinning delivery of the Council's people management arrangements	**20**	Sept 2013	Nov 2013		In progress
Due Diligence Activities						
Corporate Governance	To review the effectiveness of the Council's governance arrangements, including compliance with new standards regime	**20**	April 2013			On-going support
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			Deferred - 2014/15 audit plan
ICT						
	Work is underway to finalise ICT assurance map and status report – this will inform the choice of audits in this section of the plan. ▪ ICT Assurance Map ▪ ICT Strategy	**85**				Days reduced to 40, reported to November Audit Committee. ▪ In progress ▪ In progress
Key Projects						
Broadband in Lincolnshire	To provide assurance on delivery and compliance with the grant conditions.	**10**	Feb 2014	Mar 2014		In progress

Area	Indicative Scope	Days	Planned Start Date	Actual Start Date	Final Report Issued	Status/Assurance Level Given
Strategic / Emerging Risks						
Strategic risk	To seek assurance on the key controls linked to strategic risks which sit within the directorate	**15**				
Emerging risk contingency	To audit any significant emerging risks arising in the year.					
Other relevant Areas						
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	March 2013	Assurance map updated and status report complete
Non-Audit						
Advice & Liaison		**10**				On-going
Total for Performance & Governance		**170**				
Grand Total		**1440**				