

**Lincolnshire County Council
Draft Internal Audit Plan –
2014/15**

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Introduction

1. This report sets out the proposed work of Internal Audit for 2014/15. The plan has been developed using information from the Council's Assurance Map – which identified assurances present and their source against our critical activities and risks.
2. Internal Audit provides independent assurance designed to add value and improve how the Council operates. We help the Council achieve its priorities and objectives by bringing a systematic, disciplined approach to evaluate and improve the management of risk, control and governance processes.
3. Our work is carried out in accordance with the UK Public Sector Internal Audit Standards. These require that the scope of Internal Audit covers the whole range of the Council activities - seeking to provide an annual internal audit opinion on the governance, risk and internal control environment of the Council, which has been established to:
 - Achieve strategic objectives
 - Ensure effective and efficient operational systems and programmes
 - Safeguard assets and interests of all kinds (including risks that relate to work it undertakes through partnerships)
 - Ensure the reliability and integrity of financial and operational information
 - Ensure economic, efficient and effective use of council resources
 - Ensure compliance with established policies, procedures, laws, regulations and contracts

Internal Audit Strategy – How we choose what to look at

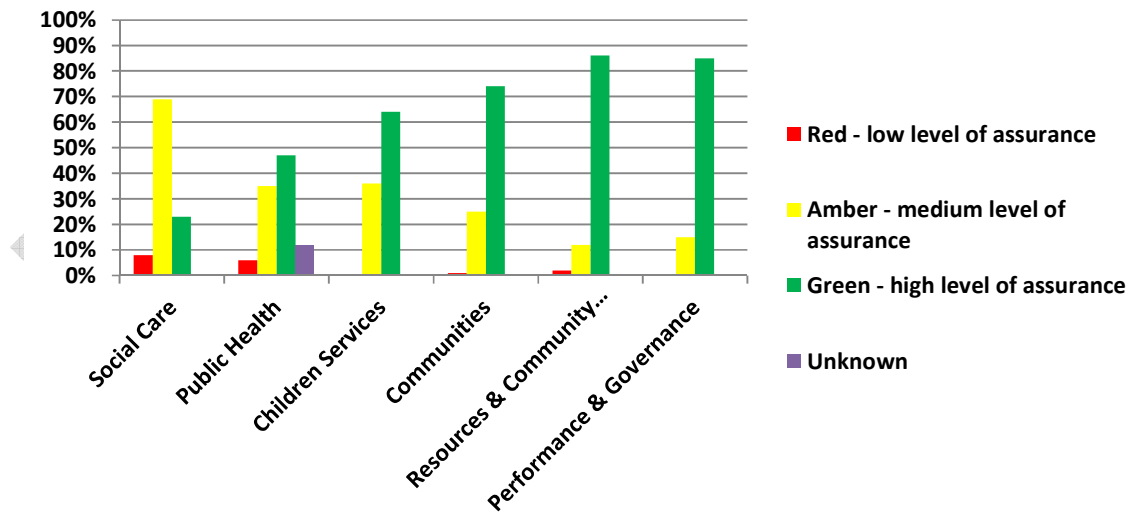
4. Our Internal Audit strategy has been developed to demonstrate how assurance can be given on:
 - The critical systems of the Council - Those key service activities whose failure could result in significant damage to the Council's reputation, material financial loss, significant impact on members of the public, significant impact on the successful delivery of Council priorities or failure to comply with service legal requirements.
 - Due diligence activities – Key processes that support the running of the business and ensure compliance with corporate policies and legal requirements. How often Internal Audit review these activities depends on previous assurance opinions, when we last examined the activity and if there has been any significant changes to the system or senior management. We also consider the requirements of External Audit.
 - Strategic Risks – Any risk recorded within the Strategic Risk Register.
 - Emerging risks - Risks that are created by a new activity or business strategy and whose failure could result in significant damage to the Council's reputation, material financial loss, significant impact on members of the public or failure to comply with service legal requirements.

- Key transformation programmes and projects. Those supporting delivery of a corporate objective / priority.
 - ICT Assurance. Focused on the critical IT applications and activities that support delivery of the Councils' key functions.
5. We have identified the level of assurances in place by using the 'Three lines of Assurance' Model:-



6. The combined assurance map shows us where we can co-ordinate our assurance work across the whole Council, not just those from Internal Audit. Figure 1 below shows the current assurance levels for each Executive Director.

Figure 1 – Assurance Levels



7. To help us triangulate the information contained in the assurance map we also undertake a risk assessment against each activity. This helps us prioritise our work and involves a series of quantitative or qualitative judgements concerning the particular system or area. A copy of our risk assessment methodology is attached in **Appendix 1**.
8. Each year we develop our risk based audit plan – there are however a number of key processes that are fundamental to the running of the Council which we review on a cyclical basis. These systems are shown in **Appendix 2**.

9. Analysing the assurance map and our risk assessment enables the annual Internal Audit plan to be developed – seeking to leverage assurance from other sources where can. This approach will enable the Head of Audit & Risk Management to produce their annual opinion on the Council’s governance, risk and control framework for 2015.
10. In developing the plan we have identified number of critical activities - which we do not have the resources to review. The Audit Committee may specifically request management or rely on third parties to provide assurance on these areas. These areas include:

Executive Director – Debbie Barnes

- Quality Assurance Framework
- Locality Teams – Prevention work & children centres
- Leaving Care Service

Director of Adult Services – Glen Garrod

- Brokerage Service
- Learning Disabilities – transition & directly provided services
- Emergency Duty Team

Executive Director – Pete Moore

- Insurance
- Trading Standards
- Youth Offending Service

Executive Director – Richard Wills

- Historic Lincoln Programme

Other

- Media Services

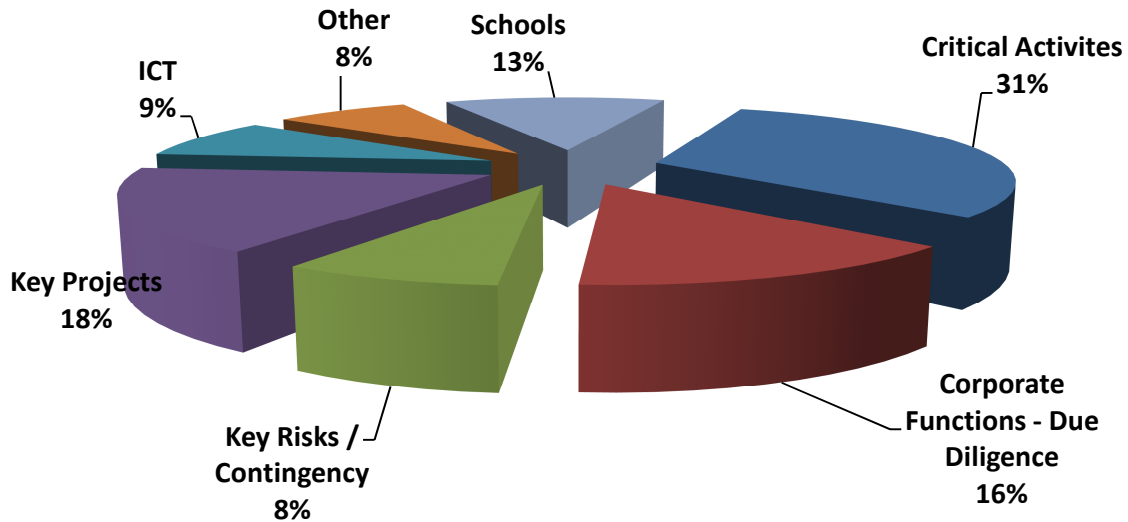
11. We co-ordinate our work on key financial systems with the Council’s External Auditors, KPMG. We are working towards a joint working protocol which sets out where the External Auditor seeks to place reliance on our work. This ensures that the Council gets the most out of its combined audit resource – keeping audit fees low.

Draft Internal Audit Plan 2014/15

12. The Council's Internal Audit plan is 1500 days. The type of areas included in the plan for 2014/15 is shown in figure 1 with the detailed projects in **Appendix 3**. A schedule of audits will be developed with management once the plan has been

approved. This will enable us to prioritise audits – increasing our ability to successfully deliver the plan.

Figure 1 – Analysis of Internal Audit Resource (showing % split)



Our Performance

13. Our effectiveness and performance is monitored by the Council's Section 151 Officer and the Audit Committee. Our performance measures are set out below in Figure 2 for information.

Figure 2 – Our performance measures

Performance Indicator	Target
Percentage of plan completed.	100% (revised plan)
Percentage of key financial systems completed.	100%
Percentage of recommendations agreed.*	100%
Percentage of recommendations implemented.*	100%
Timescales	<ul style="list-style-type: none"> ■ 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 – 80% completed within 2 months from fieldwork commencing to the issue of the draft report.
Client Feedback on Audit (average)	Good to excellent

* Achievement of the performance measures on recommendations agreed and implemented are not within our control. These are reported so the Audit Committee can see what actions management have taken. The details of any recommendations not agreed will be included in the executive summary and report to Committee.

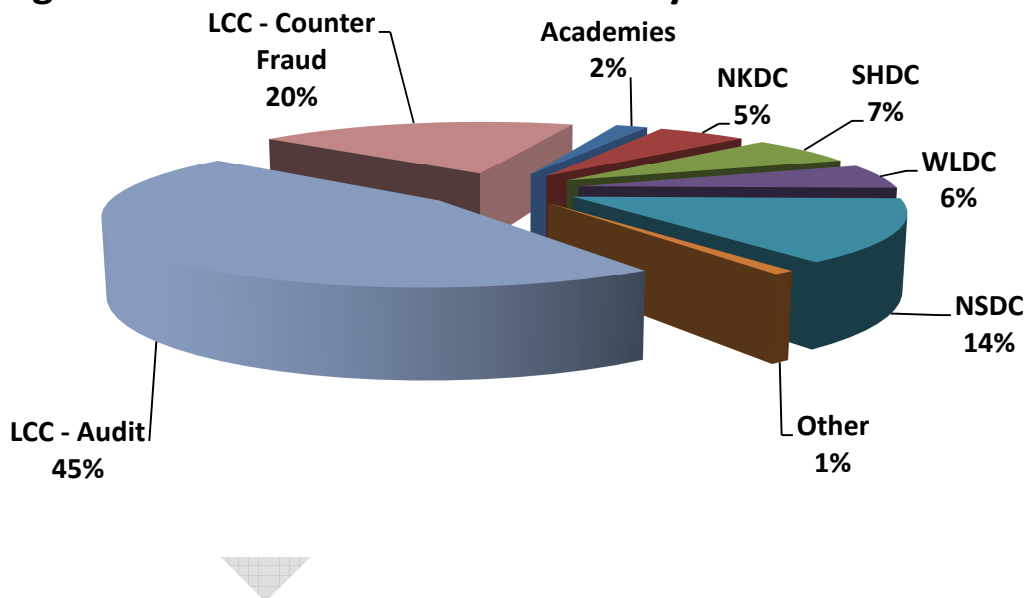
Audit Lincolnshire Partnership - Resources

14. The County Council works in partnership with the City of Lincoln for the provision of internal audit services to their own authorities and authorities with whom they have contractual or other agreements.
15. By working together the partnership aims to be:
‘the best audit assurance provider for Lincolnshire public sector agencies’.
16. The partners deliver 6 of the 8 Lincolnshire local authority internal audit functions - plus Newark and Sherwood District Council. We have developed excellent relationships, demonstrating the relevant skills and expertise to deliver a comprehensive audit service to our clients. By working together we improve the overall quality of the service provided through:
 - Sharing of knowledge and experience
 - Adoption of leading audit techniques and methods
 - Pooling resources across the organisations to make savings, improve efficiency and offer greater value for money to our clients through streamlining our audit plans to audit / research specific areas of common interest.
17. The County Council has five significant external clients:
 - North Kesteven District Council
 - South Holland District Council
 - West Lindsey District Council
 - Newark and Sherwood District Council
 - Lincolnshire Academies

The net income generated from this arrangement is £100,080. Our budget also includes income of £10,200 for fraud recoveries – we usually exceed this target.
18. The delivery model for the Internal Audit Service is mixed – a combination of in-house staff and external resources. This enables the service to be responsive to changing demand and buy in specialist resources as required eg ICT Audit.
19. There are sufficient resources to support the Section 151 Officer. This helps ensure the Council meets the requirements of the Accounts and Audit Regulations for maintaining an adequate and effective internal audit function and governance, risk and internal control environment.

20. The plan includes some days for *contingency* and *emerging risks* to help the audit service respond to any issues highlighted by management during consultation and the year.
21. The net budget for the Internal Audit Service, including Counter Fraud for 2014/15 is £639,300. Figure 4 below shows how our resources are distributed across our clients.
22. The service also generates income of £90,000 through providing an Academies Insurance product. Following a recent announcement by the Education Funding Agency (EFA) to introduce a new Risk Pooling Scheme for Academies insurances, wef 1st September 2014, it is anticipated that the future demand for our insurance intermediary service will reduce over the next few years. We will shortly be doing some work to map out and predict the potential impact of the new EFA arrangement on our future income beyond 2014/15.
23. The above initiatives minimise the overall cost of the Audit and Risk Service to the Council with any underspends and fraud recoveries being made available to other Council priorities / services.

Figure 4 - Allocation of Resources by Client



Appendix A - Audit Lincolnshire – Planning Risk Assessment Methodology

Value / Volume

This assessment is based on either the cost to the council, the volume of transactions that the activity is handling or a combination of the two

0 – Not material

1 – Minor importance (up to £100k¹ budget and approx. weekly transactions)

2 – Important (up to £1m² budget and up to daily transactions)

3 – Material (over £1m budget and multiple transactions daily)

Significance

This assessment reflects how important the activity is to the authority and its residents

0 – not significant

1 – Minor significance

2 – Significant

3 – Very significant

Audit rating

0 – recent review no significant findings (full / substantial)

1 – Recent review with findings (limited)

2 – Not recently reviewed (3 years)

3 – Recent review – number of significant findings (No assurance)

Sensitivity / Profile

This assessment is about the impact if things went wrong, how much interest would there be and how much would this impact on reputation

0 – low (internal system)

1 – Medium profile

2 – High profile

Changes to people / systems

0 – no changes

1 – Minor changes

2 – Significant changes

3 – New system or team

Other assurance

Other assurances we have identified during the mapping process and how much reliance we can place on these.

0 – high level of assurance – e.g. Snr mgmt. oversight / management reporting / activities / external review / scrutiny

1 – Moderate level of assurance – management assurance

2 – Low level of assurance – new area – assurance unknown – emerging risk

Risk score		Risk score		Risk score	
1	Low	7	Med	12	High
2		8		13	
3		9		14	
4		10		15	
5		11			
6					

¹ £500k for County

² £5m for County

Appendix B –Due Diligence Plan

System	Opinion	Last audited	System Changes	Year 1 2014/15	Year 2 2015/16	Year 3 2016/17
Financial Due Diligence						
Income	Split – Substantial/Limited	2013/14	Yes – new system	✓		✓
Bank Reconciliation*	Substantial	2012/13	Yes – new system	✓	✓	
Budgetary Control/Management	Substantial	2012/13	Yes – new system	✓		
General Ledger*	Ongoing	Annual	Yes – new system	✓	✓	✓
Budget prep and financial strategy	Full	2009/10	Yes – new system	✓		
Creditors*	Split – Substantial/Limited	2013/14	Yes – new system	✓		✓
Debtors*	Split – Substantial/Limited	2013/14	Yes – new system	✓		✓
Payroll*	Substantial	2011/12	Yes – new system	✓		
Treasury Management	Full	2012/13	No		✓	
Tax Compliance	In progress	2013/14				✓
Property, Plant and Equipment*	In progress	2013/14	Yes – new system	✓		
Procurement Card	Limited	2013/14	No			✓
VAT	Full	2006/07	No	✓		
Pensions Fund*	Ongoing	2013/14	No			✓
Pensions Administration *	Limited	2012/13	Yes - provider	✓	✓	
Capital Programme	Full	2012/13			✓	
Financial and Contract Regs - compliance				✓	✓	✓
Establishments (schools)						
Establishments (non-schools)	-	Annual				
*Key Control Testing Areas for Financial Control Opinion	-	Annual		✓	✓	✓
Other Due Diligence						
Contract Management	In progress	2013/14	Yes – public health	✓		
Risk Management	In progress	2013/14	Yes – new toolkit			✓
Insurance	Substantial	2008/09		✓		
Business Continuity / Emergency Planning	Limited	2010/11	Yes – change of mgt	✓		
Health & Safety	Partial	2006/07	Yes - FDSS		✓	
Counter Fraud					✓	
Internal Audit	Effective	Annual	Yes – New Stds		✓	
Gifts & Hospitality	In progress	2013/14	No			✓

Appendix B –Due Diligence Plan

System	Opinion	Last audited	System Changes	Year 1 2014/15	Year 2 2015/16	Year 3 2016/17
Register of Interests	In Progress	2013/14	No			✓
Big Society Members Grant	Limited	2012/13	No		✓	
Corporate Complaints	Substantial	2009/10	No	✓		
Partnership Management	Limited	2009/10	No	✓		
Programme Office	Limited	2013/14	No			✓
Performance Management	Substantial	2013/14	No			✓
Corporate Governance	Adequate	2013/14	Yes – new structure	✓	✓	✓
Information Governance	Substantial	2011/12	No	✓		
Records Management			No	✓		
Freedom of Information / transparency agenda	Partial	2007/08	No	✓		
HR Strategy	Full	2010/11	No		✓	
Workforce Planning			No	✓		
Capability and Disciplinary			No	✓		
Individual Performance Management			No	✓		
HR Management Information	Substantial	2008/09	No		✓	
Training & Development			No		✓	
Absence Management			No		✓	
Compromise Agreements	Substantial	2008/09	No	✓		
Equality & Diversity			No			
Impact Assessments			No	✓		

Appendix C – Draft Internal Audit Plan

Area	Indicative Scope	Planned Days
Critical Service Areas:		
<ul style="list-style-type: none"> - Those areas identified by senior management as having the most impact on the successful delivery of Council priorities or whose failure could result in significant damage to reputation, financial loss, impact on people (risks) 		
Executive Director – Pete Moore		
Corporate property		
Property Management	Review the effectiveness and delivery of the Property Strategy and utilisation of its property assets.	
Capital Contracts	Review of award and management of contracts	
Fire and Rescue		
Trading Company	Assurance over the governance, risk and control environment arrangements set up for the Company.	
Sub Total		50
Executive Director – Richard Wills		
Environment & Planning		
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.	
Joint Policy working / Joint Local Plan	Review of joint policy working arrangements to ensure that LCC is clear of its role and responsibilities and is an active partner in managing the risks (link to JPU and Wind farm policies). Provide assurance on the revised delivery arrangements for the central Lincolnshire joint local plan and provide support and advice at key stages through gateway review.	
Joint waste management strategy	Review to provide assurance on arrangements and progress for the district waste strategy. To include assessment of financial benefits and district engagement.	
Highways & Transport		
Outsourcing – suppliers resilience	To provide assurance that commissioned service contracts include arrangements for managing exceptional and emergency events. Fleet mgmt., Civil parking, Highways alliance etc.	

Appendix C – Draft Internal Audit Plan

Area	Indicative Scope	Planned Days
Or Social Care Transport	To provide assurance that effective arrangements are in place for the operational management of transport services – including Safeguarding arrangements.	
<i>Economic Development</i>		
Adult Learning	Review of the financial arrangement in to confirm adequate financial control and sustainability	
Sub Total		70
Director of Children Services – Debbie Barnes		
Commissioning		
Joint Commissioning Board	Review of Joint Commissioning Governance and decision making processes. (Co-ordinate audit with Director of Adult Services & Director of Public Health)	
Home to School / College Transport	To provide assurance that effective arrangements are in place for the financial and operational management of Home to School / College transport services – including VfM and Safeguarding arrangements.	
Regulated Services		
Children's Adolescent Mental Health Services	To provide assurance around the commissioning of Children's Adolescent Mental Health Service. LCC are lead commissioner for funds allocated by NHS England.	
School Administration Services		
Non-attendance at school	To provide independent assurance that the authority has robust policies and procedures in place to enable them to meet their legal duty to identify children missing education and get them back into education.	
Performance Assurance		
CfBT contract	Audit of the financial arrangements covering the four funding streams – open book accounting approach	

Appendix C – Draft Internal Audit Plan

Area	Indicative Scope	Planned Days
Educational Performance – Moderation	To review the moderation arrangements of pupil attainment across all Key Stages, including Early Years and pupils with special educational needs.	
Safeguarding – Organisational Learning	Assurance over organisational learning following the outcome of serious case reviews. Co-ordinating the audit engagement through the Lincolnshire Children Safeguarding Board.	
Human Resources		
People Management	Review the effectiveness and compliance of the People Strategy launched in 2012 and the strands underpinning delivery of the Council's people management arrangements. Areas not previously reviewed in 2013/14: <ul style="list-style-type: none"> • Resource & Talent Management • Capability and Disciplinary • Managing Employee Performance & Development 	150
Schools	Periodic audits of maintained schools.	190
Sub Total		340
Director of Adult Services – Glen Garrod		
Safeguarding	To provide assurance around the Governance and decision making arrangements of the new mandatory Safeguarding Board. The audit will also review and assess progress and implementation of recommendations arising from the Lincolnshire Adult Social Care Peer Challenge and Domestic Homicide Reviews.	
Joint Commissioning Board	Review of Joint Commissioning Governance and decision making processes. (Co-ordinate audit with Director of Children Services & Director of Public Health)	
Information Governance	A review to assess the controls in place for preventing Data Security Breaches.	
Workforce Development	A review of training planning and delivery arrangements.	

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Area	Indicative Scope	Planned Days
Reablement Service	Review to gain assurance around the new arrangements.	
Contract Management	Assurance around the contract governance, monitoring and reporting procedures.	
Sub Total		100
Director of Public Health – Tony Hill		
Joint Commissioning Board	Review of Joint Commissioning Governance and decision making processes. (Co-ordinate audit with Director of Adult Services & Director of Children Services)	
Sexual Health Services	Review of the Governance and decision making arrangements for commissioning mandated Sexual Health Services.	
Health Protection	A review of the Assurance Framework for protecting the Health of the Local Population, including screening, infection control and immunisation.	
Lincolnshire Community Assistance Scheme	To provide assurance around the application, payment, monitoring and reporting procedures and controls for this new scheme.	
Substance Misuse	Review of the Governance and decision making arrangements for commissioning services.	
Wellbeing Service	Review of the Governance and decision making arrangements for the implementation of the Wellbeing Service.	
Contract Management	To provide assurance around the transfer of Public Health/ NHS contracts to the Authority. Assurance around the contract governance, monitoring and reporting procedures.	
Sub Total		100

Appendix C – Draft Internal Audit Plan

Area	Indicative Scope	Planned Days
Corporate Functions - Due Diligence		
- Those systems that support the running of the Council and ensure compliance with key policies		
Executive Director – Pete Moore		
Finance		
Key financial systems – transaction testing	Throughout the year test key controls and transactions feeding into the Council's accounts to ensure financial control environment remains effective throughout the final year	150
Mouchel Contract	Assurance over handover arrangements and delivery to the end of the contract.	
Pensions Fund / Administration	Provide assurances over the arrangements to transfer responsibilities to new provider (9 month process from June 2014)	
Budget Management	On cyclical plan for 2014/15 – although high confidence in this area – analytical review plus deeper dive into service area budgets	
Procurement Lincolnshire		
Contract Management	Review the effectiveness of contract management model enterprise wide.	15
EU procurement changes	Review of the procurement regulations to ensure that the necessary changes have been implemented.	
Other		
Corporate Governance	To review the effectiveness of the Council's governance arrangements, including compliance with new standards regime	20
Member Support	Review the arrangements for member support in view of the risks identified from the changing political make up of the council	
Information governance / record mgt	To review organisation wide information governance arrangements to provide assurance that data related risks are sufficiently managed whilst ensuring the right data is available at the right time.	15
Emergency Planning and Business Continuity	Review the Council's arrangements and resilience to respond and recover to a major event / incident.	15
Sub Total		215

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Area	Indicative Scope	Planned Days
ICT		
ICT Infrastructure and service delivery	<p>Work is underway to finalise ICT assurance map and status report – this will inform the choice of audits in this section of the plan.</p> <p>Scheduling of individual ICT audits will be agreed when the assurance map is finalised.</p>	
IT Application	Social Care Case Management System	
Sub Total		130
Key Projects		
Executive Director – Pete Moore		
New Finance System	Support and advise the Implementation Group on the key workstreams re. transfer to the Finance System	
Broadband in Lincolnshire	To provide assurance on delivery and compliance with the grant conditions.	
Corporate landlord	To provide a consultative and supportive role for the 'corporate landlord' project as it progresses along its implementation plan during 2014/15	165
Executive Director – Richard Wills		
Library needs assessment	Review to confirm that proposals for the future of the Library Service will deliver reported savings.	15
Director of Children Services – Debbie Barnes		
New HR System	Support and advise the Implementation Group on key HR workstreams	
Families Working Together	To review and audit claims for Troubled Families Grant. Days allocated on the basis of a quarterly claim.	35
Support & Aspiration (project) / Special Educational Needs (critical activity)	<p>To provide independent assurance on the delivery of the reforms to SEN support set out in the Children and Families Bill by 1st September 2014.</p> <p>A SEN local offer and new approaches to SEN assessment and provision are being co-produced with parents and young people.</p>	
OR		
Raising the Participation Age (project) / Tracking the Status of 16 – 18 year	From September 2013, all 17 year olds had a duty to participate in education, employment or training. This extends to 18	

Appendix C – Draft Internal Audit Plan

Area	Indicative Scope	Planned Days
olds in education, employment or training (critical activity)	<p>year olds from September 2014.</p> <p>To review the arrangements in place that ensure young people are aware of their duty to participate and that there will be sufficient provision available. This could include how the LA are identifying young people that are not in education or training, including data sharing arrangements with Educational Institutions.</p>	20
Director of Adult Services – Glen Garrod		
Transformation Programme	<p>Review, advice and guidance around the transformation programmes within Social Care, including the Case Management System and Lincolnshire Sustainability Review - considering the design and application of the governance structure.</p> <p>To provide proactive advice and support on governance, managing key risks and effective internal control.</p>	30
Sub Total		265
Emerging risk & Contingency		
Emerging risk – delivery of transformation	Assurance arrangements around commissioning (in line with the commissioning strategies & the fundamental budget reviews).	
Emerging risk contingency	<p>To audit any significant emerging risks arising in the year –</p> <ul style="list-style-type: none"> Responding to legislation eg Care Bill / Dilnot 	
Sub Total		115
Other relevant Areas		
Combined Assurance	<p>Co-ordinating and updating assurances on the Council's assurance map with service managers.</p> <p>Co-ordinating the annual status report.</p>	50
Sub Total		50
Non-Audit		
Advice & Liaison		44
Annual Report		1
Audit Committee		20
Sub Total		65

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Area	Indicative Scope	Planned Days
Grand Total 2014/15		1500 Days

Draft