Internal Audit Progress Report

Date: June2014

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Introduction

1. The purpose of this report is to:

   - Provide details of the audit work during the period March to May 2014
   - Advise of progress being made with the Audit Plan 2014/15
   - Raise any other matters that may be relevant to the Audit Committee role

Key Messages

2. We have made a good start on the 2014/15 audit plan with 3 schools audits completed, 6 directorate audits underway and we have two auditors working almost full-time advising / supporting the system design stage of the Agresso implementation project.

   Our input to the Agresso project is a significant part of work over this year – representing 10% of the audit plan. We will provide regular highlight reports to the S151 Officer and Project Board and will bring updates to this committee over the year.

3. We have completed 24 County Council audits since our last progress report in March 2014, 1 which has received a 'no assurance' opinion and 4 with a limited assurance (1 of which had a split assurance (substantial/limited).

4. There are 7 audits at draft report stage and a further five where the fieldwork is in progress.

5. We have made the following changes to the 2014/15 audit plan following directorate requests, a minor 2013/14 carry forward and the need to move additional resource into the Agresso implementation project:

   - Agresso – an additional 50 days
   - Workforce Development (Adults) – cancelled
   - Contract Management (Adults) – cancelled (replaced by follow up and fraud proactive work on contracts)
   - Schools – reduced by 50 days
   - Gifts, Hospitality and Register of Interests (C/Fwd from 2013/14 audit plan)
   - Contract Management (Adults Learning Disabilities and Mental Health)

Internal Audit work completed from 1 March to 31 May 2014

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

- Effective Assurance – Children's Services Contract Management

Full Assurance	Substantial Assurance	Limited Assurance	No Assurance
▪ Flood Management ▪ Pension Fund	▪ Child Poverty Strategy ▪ Category Management ▪ Brokerage ▪ LF&R Fleet Management ▪ Civil Parking Enforcement ▪ Castle Revealed ▪ Families Working Together ▪ Adults Performance Management ▪ Older People Contract Management ▪ Quarter 3 & 4 key control testing ▪ People Management ▪ Procurement Card (Central processes and Procurement Lincolnshire) ▪ Pensions Administration ▪ Establishment Visit – Lincoln Archives ▪ Establishment Visit – the Collection ▪ Public Health – Due Diligence	▪ Public Health Contract Management ▪ Debtors ▪ Tax Compliance ▪ Procurement Card (Directorates / Users)	▪ Additional Needs

Full Assurance	Substantial Assurance	Limited Assurance	No Assurance
	▪ Customer Finance and Direct Payments		

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 with the exception of "Effective" which forms part of our new set of assurance definitions – see points 9 to 11 below.

7. We are reporting 1 'no assurance' audit and 4 limited assurance audits since our last progress report in March 2014, one of which is a split assurance – substantial / limited (Procurement Card). 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. The introduction of the new Public Sector Internal Audit Standards has prompted a review of our assurance definitions. More information will be provided in our next Committee report as all 2014/15 audit reports will include an assurance opinion based on our new set of definitions.

9. The new standards state that auditors cannot give any system absolute assurance – we have therefore removed our *'full'* assurance opinion and made *'effective'* our highest opinion level. Our new definition means that we have a high level of confidence on the service delivery arrangements, management of risks, operation of controls and/or performance.

10. One 2013/14 audit report finalised recently fell within this new definition of "effective" – Children's Services Contract Management. The outcome of this audit is summarised below. Our other 'full' assurance audits were finalised prior to agreeing our new assurance definitions.

11. Progress with the implementation of agreed management action can be found at Appendix 3.

12. Below is a summary of the areas where we found systems to be "effective" or were given a full or substantial assurance:

Audits with Assurance Opinion – Effective:

Contract Management (Children's Services) – Effective

The Children’s Services Commissioning team have an established comprehensive contract management framework in place to identify operational and contract related issues and develop response actions.

The Joint Evaluation Toolkit (JET) provides an effective framework for consistent contract management and the grading structure used is designed to act as an incentive for providers to improve their performance.

The team demonstrates a commitment to the Contract Management process with clear reporting lines and regular meetings to discuss the progress of Contract Management within the service.

Clear guidance notes and process maps exist to support Commissioning Officers in their role including contract implementation, contract management and maintaining the contract register on 'Firefly'.

Prompt and accurate updating of 'Firefly' in respect of contract details, contract risk and performance risk, ensures Senior Officers are provided with timely and accurate reports to support decision making.

Commissioning Officers are proactive within the directorate, raising the profile, approach and the need for effective contract management to help raise the commercial acumen of their service teams. The Commissioning Team have a range measures to obtain assurance around the quality of its contract management arrangements – the team are committed to continuous improvement and ways of enhancing their quality assurance approach.

Audits with Assurance Opinion – Full:

Flood Management – Full

We found that, at the time of the audit, the Council was well informed and prepared for the introduction of Flood Risk Management Plans (FRMP's). There is an effective governance structure in place to ensure that senior management, members and partners are presented with regular update reports.

The Council is working with the government in helping to shape and develop the structure and format of the plans, which have a deadline date of December 2015.

Pension Fund – Full

We found that the controls and performance of investments are regularly monitored and reported to the Pensions Committee with any exceptions highlighted and appropriately dealt with. The level of investment shows that the fund is performing well and is currently exceeding the expected benchmarks.

We can confirm that the Council complies with the Local Government Pension Scheme regulations and all expected policies have been prepared and agreed by the Pensions Committee. Our testing provides the requisite assurances that the management and governance of investment activities are appropriate and that the fund is effectively controlled.

Audits with Substantial Assurance:

Child Poverty Strategy - Substantial

A Child Poverty Strategy has been produced by the Authority and its partners. Central Government has required the Authority and its partners to produce and deliver the strategy without providing any additional funding to achieve this. In consequence the Child Poverty Strategy is largely made up of the partners pre-existing strategic initiatives.

The strategy recognises that no partner on its own can ensure delivery of the strategy and successful outcomes. Nevertheless the Authority has a clear idea of how it will contribute towards alleviating child poverty in Lincolnshire and its officers have been instrumental in the development of the strategy.

Governance arrangements for the delivery of the strategy have been agreed, with the Children and Young Peoples Strategic Partnership taking ownership. They have established a sub-group to monitor delivery of the strategy.

The governance arrangements are not yet embedded and more work needs to be undertaken to better:

- measure, monitor and report on the individual projects
- bring the individual parts together
- update the relevant groups on the current position

Category Management – Substantial

Procurement Lincolnshire operates a Category Management approach to procurement under which approximately £480million (47%) of the Council's external spend is managed. We found that where external spend is directly influenced by Procurement Lincolnshire effective arrangements are in place to procure goods and services using a category management approach.

We noted that category management is not applied across the whole of the Authority. Procurement Lincolnshire needs to gain influence and apply its expertise in category management over a much greater proportion of external expenditure if the Authority is to fully achieve the benefits of category management.

If Procurement Lincolnshire is to provide a more efficient service, changes are required to both existing procurement practices in some business units and generally to IT systems in order to make more effective use category manager’s expertise.

Brokerage – Substantial

We found that the services required by users are clearly identified and provided at an approved cost. In over 90% of cases the service user was placed within 7 days. There are effective arrangements in place to monitor the performance of the service.

We did note that the Swift/AIS system does not adequately support the service and this must be addressed when Mosaic is implemented.

The service has been unable to audit payments due to resource constraints and as a result if there is an overpayment it will not be identified.

F&R Fleet Management – Substantial

Our findings show the service has recovered well following the failure of the leasing company which provided the appliance fleet.

It now purchases fleet appliances outright with maintenance provided by a third party company. These arrangements have avoided overdependence on current suppliers, who whilst important are not irreplaceable.

Lincolnshire Fire and Rescue aims to optimise the whole life business impact of costs, performance and risks of the Service's fleet and other physical assets. New appliances purchased during the year are consistent with requirements outlined in the service plan and have been acquired following mini procurement competitions using approved national frameworks.

Our work highlighted matters, of which the service is already aware, that need to be addressed:

- Maintenance arrangements have not been market tested in recent years. To ensure that the maintenance contract represents value for money, appliance maintenance should be put out to tender.

- On-going monitoring in light of potential future capital budget reductions is critically important as outright purchase of appliances increases the vulnerability of the service to future potential budget reductions.

Civil Parking Enforcement – Substantial

Our review found that the management of on street Civil Parking Enforcement is robust:

- a parking policy has been developed and published following prescribed consultation

- our testing indicates that

- offences are enforced properly in accordance with the published rules with contraventions well evidenced, and
- challenges, representations and appeals are determined appropriately in accordance with published procedural rules.

There are, however, matters relating to the training of Civil Enforcement Officers and reporting of performance by the contactor responsible for enforcement that require addressing if the service provided by the contractor is to be effectively monitored.

Castle Revealed – Substantial

Lincoln Castle Revealed is a large, complex, strategic programme requiring specialist knowledge and skills. The programme represents considerable risk to the Council in terms of possible financial exposure and reputational risks associated with unsuccessful delivery. Overall, at the time we conducted our audit, arrangements in place to manage the project were satisfactory and there were no significant concerns about its delivery.

If the programme is to fully deliver the desired objectives then further work is required to ensure that project interdependencies, such as the need for improved vehicular access to the castle and parking are resolved.

There are areas where efficiencies could be gained, specifically in respect of better managing:

- project risks
- relationships with and engaging with the Authority's own Procurement and Legal teams

Families Working Together – Substantial

We found that the process for identifying eligible families, recording outcomes and submitting claims to the DCLG is operating effectively. Points of good practice identified during the review included:

- Claims have been processed within the deadlines set by the DCLG
- Figures have been based on genuine families who meet the eligibility criteria set out within the financial framework payments-by-results scheme for local authorities
- Adequate evidence has been obtained to support eligibility criteria and achievement of outcomes

- 'Turned around' families are signed off within the database to ensure they cannot be claimed for more than once
- Guidance and procedure notes have been provided to staff within the relevant teams.

Review of the Troubled Families database and supporting information identified two families within the most recent claim who were not eligible for payment. This was due to anomalies within the database which had not been identified during the quality assurance process. These represent just under 5% of the sample tested and carry a funding value of £1,400. The families were removed from the claim before submission.

There are several areas where processes could be enhanced, particularly in relation to improving assurance of the accuracy of the data gathered and identifying anomalies within the database.

In order to identify more families eligible for the scheme and to maximise the number of potential 'turned around' families, data sharing agreements with the Police and DWP also need to be resolved.

Adults Performance Management – Substantial

Within Adult Care, a local performance framework has been developed which incorporates locally defined measures in addition to measures from the National Adult Social Care Outcomes Framework (ASCOF) and the National Health Service Outcomes Framework (NHSOF). The measures cover all of the key areas of the business and have been deemed appropriate for measuring the outcomes and effectiveness of service provision for the people of Lincolnshire.

Performance workshops and the introduction of the performance scorecards have encouraged a performance culture in operational staff and practitioners.

Within the Adult Care Local Performance Framework there is a clear reporting hierarchy which is supported by:

- well-structured sustainable governance arrangements to monitor performance and encourage managers to accept responsibility for performance and to take action where improved performance is required, and
- benchmarking of performance with suitable comparators

The Performance Team are active in supporting data quality both within the Swift/AIS system and in performance reports produced.

There are areas where further work is required to improve the efficiency with which performance is reported and assist improvements in service delivery,

- The Swift/AIS system is inefficient and requires interventions from the Performance Team in order to provide reliable and timely key metrics. It does not contain all data required for performance purposes and as a consequence activity is not linked together. Swift/AIS is to be replaced with a more modern system (CoreLogic).

- Some General Managers do not feel that they receive all the performance information that they need to manage their areas effectively.

- Outcomes of Benchmarking is only discussed by Heads of Service and above, excluding staff at the operational level with practical responsibility for addressing identified areas of poor performance

Procurement Card – Central Processes & Procurement Lincolnshire Activities – substantial (split assurance)

The procurement card process and control framework is sound and the Procurement Card team are proactive in identifying and addressing poor practice/non-compliance. However, there are 3 compliance issues which are currently affecting the overall level of confidence in this area:

- VAT
- Security of cards
- Business Travel

The user compliance issues are detailed in Appendix 2 of this report.

People Management – Substantial

We found that both workstreams reviewed, and indeed the overall programme, are currently 'on plan' and that most of the milestones identified have been achieved in accordance with the timescales originally set.

We can confirm that reviews are routinely made to assess the impact of these workstreams upon the intended benefits and, more importantly, we identified evidence that the strategy is embedding and making a positive difference.

Our main findings relate to ensuring that momentum is maintained through the workstreams towards realising the objectives and desired benefits of the strategy.

The Council is currently going through a period of unprecedented change and reshaping as the Commissioning for Lincolnshire framework and activities evolve. The ongoing Senior Management Review has already slowed the delivery of some aspects of the People Strategy and key staff are also involved in Future Delivery of Support Services and implementation of Agresso. It is however recognised that the risks of these conflicting priorities are being actively monitored and managed and we note that some of the issues arising are beyond the control of the team overseeing the programme. However, it is vital to the success of the overall strategy that the effects are minimised.

Establishment Visit – Lincolnshire Archives – Substantial

We found that the Lincolnshire Archives manages its finances well based on the transactions within our sample. The review highlighted some very minor instances where enhancements could be made to current procedures, although only one of our findings is under the full control of staff at the site.

We found that some VAT receipts were not obtained where the items purchased were VATable. This finding was relevant to both the imprest and p-card systems. The amounts identified were not significant alone but the cumulative effect of consistently reclaiming VAT would help maximise use of resources.

This finding carries a higher priority due to the potential combined loss to the authority each year – there is to be tighter corporate monitoring and potential penalties for non-compliance with the VAT procedures.

Establishment Visit – The Collection – Substantial

The financial management arrangements for the Collection were generally sound – staff had a good understanding of policies and procedures and overall controls were consistently applied. Budgets were closely monitored and good practice recommended at other Council establishments regarding income analysis had been implemented at this site.

Minor improvements were required in the following areas:

- ensuring all budget lines reflect known costs from the outset (a £40k cost based on a rates charge from the previous year was not accounted for in the budget)

- VAT receipts were not obtained for a small number of purchases made via the imprest and procurement card.

Public Health – Due Diligence Audit – Substantial

We found that the Public Health directorate has integrated well into the County Council, with evidence of corporate policies and procedures being embedded throughout the directorate.

A dedicated team of Council and Mouchel staff was established a year prior to the transfer and this enabled a smooth transition. This successful transfer process is evidenced by the positive feedback from the Assistant Directors following the integration.

Processes designed to aid the preparation and management of budgets were found to be robust and effective. Extensive work has been completed to ensure incoming officers are fully trained and aware of financial and corporate procedures.

There is scope to improve processes associated with the use and control of procurement cards within the directorate. We also identified claims which were paid in bulk to staff several months after the mileage or expenses were incurred. This is not good practice, can distort budget reports and impact on projections, lead to error and cause difficulties in validating claims.

Pensions Administration – Substantial

We found that the Mouchel Pensions Administration team had provided monthly and quarterly reports which contained inaccurate performance information. This reduces the level of confidence in the overall performance of the service and the assurances obtained via their routine reporting. It is however important to note that when the errors were rectified, the performance was still within expected targets.

Performance monitoring is measured by the Mouchel team in Middlesbrough and provided to the Lincoln team for inclusion within the reports presented to the Pensions partnership meetings and to LCC Pensions Committee. No verification checks had been undertaken by the Lincoln team to confirm that the figures accurately reflected the monthly task statistics before reporting to the Council. The errors gave the impression that a higher volume of transactions were being processed each month – the errors did not affect the percentage achieved within expected timescales although this could be an issue in the future if not rectified.

Our sample testing shows that performance has consistently been within the expected targets since the last audit. It was also evident that tasks on the Altair system are regularly monitored to ensure overdue tasks are appropriately managed. Any backlogs are regularly reported at the partnership meetings with action/timescales identified to rectify.

Contract Management (Older People) – Substantial

Significant improvement is noted in the management of contracts within this service area. The Adult Care team have introduced and are continuing to develop new systems and procedures for the Contract Management of Older People Services.

A Contract Management Framework was introduced in July 2013; this provides a consistent approach to Contract Management within Older People Services. The Framework is supported by detailed guidance in the form of 'Contract Management Framework – Monitoring and Review Process'. With the exception of slight delays in the issue of action plans, we found that guidance is being complied with.

A central tracker for recording Contract Management visits and outcomes has been introduced along with associated guidance. More work is required to ensure that all officers complete the tracker in a timely manner, moving away from individuals maintaining their own records.

The team demonstrates a commitment to the Contract Management process; weekly meetings are held and good practice shared. As part of the implementation of the new framework, managers accompanied officers on visits to ensure consistency and appropriate depth of review.

We have identified some areas where existing arrangements could be enhanced, for example:

- A consistent approach to the completion of the ‘CMM and Default Tracker’ is needed to provide up to date and complete management information.
- Senior Officers do not currently review the quality of contract management; contract performance issues or poor contract management practice may be missed without management review.

We are pleased to note the progress made in this area following the contracting investigation in 2011. The directorate has now introduced Contract Management Frameworks for all areas of Adult Care. This demonstrates a continuing commitment to the development of Contract Management. Quality checks by management will ensure consistency in the compliance of the new frameworks.

Customer Finance and Direct Payments – Substantial

Significant developments occurred within the Customer Finance Team during this course of this Audit. Key to this has been the reduction of Direct Payment backlog. The delay of a Direct Payment to a Service User can have a significant impact on that person's life and could lead to reputational damage to the Authority if a complaint is made. We are pleased to report that there is no longer a backlog and these are being carefully monitored to ensure that this remains the standard.

There are clear Governance arrangements in place and on the whole staff are confident in their roles and understand their responsibilities. Although the data was recently found to be inaccurate, there is a transparent approach to reporting with updates, backlog figures and performance information flowing regularly between the different levels of management and efforts have been made to improve the process through user group meetings. Overall we found that the procedures to perform financial assessments, process payments and perform audits were effective and efficient.

Some improvements were required to strengthen the arrangements but we found that these were being actioned by the Customer Finance Team at the time of our review:

- the methods used to gather data reported to the Performance Board were not always providing accurate and reliable information
- the escalation process within the Service Level Agreement was not being applied
- the Adults Charging Policy and Direct Payment Policy both required review
- there was no clear way to identify the level of backlog within the Audit part of the Financial Assessment

Audits in Progress

13. The following audits are currently in progress:

Audits at draft report stage:

- Broadband in Lincolnshire
- Risk Management
- Birth to Five Service
- Coroners
- MIMS – Insurance Management System
- Police Notification of Domestic Violence
- Gifts, Hospitality and Register of Interests

Fieldwork in progress

- Joint Policy Working Arrangements / Joint Local Plan *(Environment & Planning)*
- Social Care Transport
- Home of School / College Transport
- Non-attendance at School
- Substance Misuse
- Agresso Implementation Project

Performance Information

14. Our performance against targets for 2013/14 is shown in the analysis below:

Performance Indicator	Target	Actual
Percentage of plan completed (based on revised plan)	100%	99% *
Percentage of recommendations agreed	100%	100%
Percentage of recommendations implemented	100% or escalated	Annual Report
Timescales	Final report issued within 5 working days of closure meeting / receipt of management responses.	100%
Client Feedback on Audit (average)	Good to excellent	Good to excellent

* Management request towards end of financial year (audit investigation) – interim report provided to director, draft report now being finalised

Other Matters of Interest

15. **CIPFA Better Governance Forum – Audit Committee Update (No. 13)**

This update provides guidance to Audit Committees on two areas: reviewing the Audit Plan and key points of interest outlined in the Local Audit & Accountability Act 2014.

Audit Plan – the briefing provides an update on this topic and covers:

- purpose of the audit plan
- requirements of the Public Sector Internal Audit Standards
- expected content of the audit plan
- what makes a good plan
- audit resources
- monitoring the plan
- tips for how the Audit Committee can add value

Local Audit and Accountability Act 2014

This briefing outlines the key points of interest for Audit Committees following the Royal Assent of the Act in January 2014. It summarises:

- The new local audit arrangements – it explains the monitoring of external audit contracts following the closure of the Audit Commission on 31 March 2015 and the arrangements for appointing our own external audit provider from 2017.

- The role of auditor panels – each local authority will be required to have an auditor panel unless it uses a collective procurement service. The purpose of the panel is to safeguard independence in the appointment of the external auditor – local authorities have the option of using their audit committees for this role providing it fulfils the criteria for independence. CIPFA is planning on issuing guidance on auditor panels later in 2015.

- The impact of the Act on Audit Committees – this is dependent upon whether the audit committee can take on the auditor panel role. If it can, the committee terms of reference will need to be updated and additional training on the role is likely to be required. If a separate auditor panel is set up, the terms of reference will need to reflect how the two groups will interact on matters such as performance of the audit contract and independence.

A full copy of this briefing is available from the CIPFA Better Governance Forum at http://www.cipfa.org/Services/Networks/Better-Governance-Forum Alternatively, a copy can be circulated with the minutes of this meeting.

16. **The Local Government Information Unit (LGiU) – Guide on the Local Audit and Accountability Act 2014**

This local government think tank has pulled together a more comprehensive guide on the Act – it states that overall the Act:

- Abolishes the Audit Commission
- Amends the legislative framework for council tax referendums
- Allows the secretary of state to direct local authorities to comply with the local authority public code *(Recommended Code of Practice on Local Authority Publicity)*
- Allows the secretary of state to amend the legislative framework governing the conduct of 'parish polls'
- Gives the secretary of state power to amend the legislative framework governing local authority meetings held in public (including giving citizens and the press the explicit right to film & tweet from any meeting held in public)

The guide is in two parts – one section covers the transparency and accountability provisions and the other details the local audit framework.

Appendix 1 - Assurance Definitions[1]

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’

Additional Needs – No Assurance

Since 2008, local authorities have been required to carry out multi-agency assessments and planning for young people with a Statement of Special Educational Needs (SEN) intending to continue their education after reaching the age of 16.

Post 16 learning could take place at the young person’s school, a Further Education College or an Independent Specialist Provider.

Where the young person intends to stay on at school, the school must prepare a Transition Plan to support post 16 learning. Alternatively, where the intention is to enter post-16 education at a Further Education College or with an Independent Specialist Provider the local authority has the duty to arrange a Learning Difficulty Assessment (LDA) for the young person during their last year at school.

We conducted our testing to provide assurance on the following areas in accordance with the agreed audit scope:

- Monitoring arrangements are in place to confirm that schools have prepared Transition Plans where the intention is to continue education at school.
- Processes are in place to ensure that Learning Difficulty Assessments have been undertaken where the intention is to continue education at either a Further Education College or with an Independent Specialist Provider.
- Where provision takes place in high cost post 16 colleges or with other high cost providers, measures have been put in place to ensure that annual reviews take place.

We acknowledge that the management of the Additional Needs service had changed immediately prior to commencing our work. The post 16 aspect of the service, to which this report relates, is being temporarily managed separately. We recognise that substantial effort is being put into establishing robust processes to improve the systems.

Executive Summary

Since 2008, local authorities have been required to ensure that young people with a Statement of Special Educational Needs (SEN) intending to continue their education after reaching the age of 16 have either a Transition Plan or Learning Difficulty Assessment in place.

The arrangements to monitor the completion of either Transition Plans or Learning Difficulty Assessments are not undertaken in a consistent or systematic way. Processes in place do not therefore provide the Authority with confidence that either a Transition Plan or a Learning Difficulty Assessment, as appropriate, has been completed where required. These weaknesses might place the Authority in breach of its statutory obligations.

There is also no discernible methodical approach in place to review high cost placements to confirm that they remain appropriate to the needs of individual students and this may result in unnecessary cost to the Authority.

Direction of Travel

We previously completed an audit of s139a assessments in 2012. Assurance in this area has reduced – changes to management structures and accountability have impacted on systems and procedures.

Our testing in accordance with the agreed audit scope has identified that there are a number of issues which need to be urgently addressed.

In order to effectively monitor the completion of either Transition Plans or Learning Difficulty Assessments, as appropriate, to assist decision-making about the provision and to avoid potential breach of a statutory responsibility:

- A consistent approach to monitoring should be developed and followed by all Learning Difficulty & Disability Advisors
- Information provided from schools and through “good relations” with SENCO’s should be corroborated.
- Learning Difficulty & Disability Advisors should be provided with accurate data to identify pupils requiring either a Transition Plan or a Learning Difficulty Assessment to facilitate monitoring and this data subsequently crosschecked against plans or assessments completed according to the Aspire system.
- The Authority may experience unnecessarily high costs in respect of placements with some post 16 colleges and other high cost providers. For these type placements a consistently applied process of annual reviews should be put in place to ensure that the placement remains appropriate to the needs of individual students.

We have agreed the following actions with the Head of Service 14 – 19:

- A spreadsheet is being populated with details of all young people with a statement of educational need in years 11, 12, 13 and 14. This will provide a control mechanism and central point to record the requirement for a section 139a assessment or transition plan
- Learning Difficulty & Disability Advisors will identify needs for s139a assessments and transition plans and update the spreadsheet
- Transition Plans and Learning Difficulty Assessments will be loaded onto Aspire when completed
- Local Authority officers will attend reviews of high risk (determined on cost and number of years in post 16 education) placements.

Management Response

Executive Director of Children's Services

This audit follows an audit in 2012 which also explored practice in additional needs, but focused on section 139a assessments. That audit gave substantial assurance and gave managers reassurance about assessment practices within additional needs. Although it is accepted that the two audits had differing "scopes"/areas of focus" and that funding arrangements and LA duties changed between 2012 and 2014, it would have been helpful for the 2012 audit to highlight the risks of the direction of travel given the changing expectations of LA's and the changing funding arrangements in this service area. This has now been incorporated into the audit framework.

Prior to undertaking the audit, Children's Services were alerted to a number of concerns regarding this service area and took prompt action. An audit was commissioned immediately to help the service appreciate risks and management structural change was also implemented. This area of work is subject to radical change and external scrutiny due to the national legislative changes due to come into force in September 14 and we welcome a further audit late in 2014 to measure change and improvement.

Head of Service – 14 to 19

Responsibility for managing the Learning Difficulty and Disability Advisors (LDD Advisors) transferred to me on a temporary basis from 27 January 2014. The first meeting with them was held on 30 January 2014, at which stage I was able to confirm that there were no robust processes in place to ensure that all young people making the transition into post 16 learning were being identified and that a learning difficulty assessment (section 139a assessment) or a transition plan was in place. I was notified that this audit would take place on 14th February.

Action since February has included the development of revised policies, processes and procedures that meet statutory requirements as well as the changes relating to the transfer of responsibility for commissioning high cost post 16 education and training to local authorities from September 2014. The policy documents will be referred to the legal team for checking within the next 2 weeks.

A centralised system for monitoring the completion of Learning Difficulty Assessments and transition plans has been established. LDD Advisors have been tasked with identifying the future plans of all young people in year 11 in terms of continuing in school or moving into further education colleges or other provision. Work to complete learning difficulty assessments is ongoing. Copies of transition plans will be sought from schools in the cases where young people will be remaining at school, and copies of both documents will be uploaded onto individuals' Aspire records.

The necessary changes to processes and procedures are likely to require additional resource, and the job descriptions of the LDD Advisors will require review. Dates are in the diary (13th May 2014) to discuss these issues with the Directorate Management Team.

Management Actions	**No**	**All to be completed by:**
High Priority	2	31 August 2014

Tax Compliance (LF&R) – Limited Assurance

Lincolnshire County Council is responsible for complying with tax legislation set by HM Revenue and Customs. Lincolnshire Fire and Rescue (LF&R) were excluded from the 2012/13 tax compliance audit due to the ongoing negotiations with HMRC to agree the tax liability relating to emergency vehicles used by LF&R Senior Officers.

The Section 151 Officer requested this audit to provide assurance on LF&R tax compliance following the settlement reached with HMRC in August 2013. The negotiations also resulted in a change of approach to ensure future compliance with the HMRC tax conditions.

We have reviewed the processes and arrangements associated with the recording of business and private mileage by LF&R and the calculation of gross taxable benefits for the use of emergency vehicles.

Our audit focused on:

- completeness of mileage records for all officers with use of an emergency vehicle
- compliance with the agreed HMRC procedures
- the accuracy of calculations for future HMRC payments

Executive Summary

The key issue affecting the overall confidence in this area is the compliance issues associated with the HMRC agreement – this relates to lease vehicles also used for emergency purposes. LF&R currently hold an exemption from the HMRC tax conditions but this relates only to the Chief Fire Officer. We found that LF&R have applied this exemption to four additional officers within the Chief Officer Group. Consequently two of the four officers have not completed mileage records for 2013/14 and the other two have recorded all or most of their mileage as business or "on call commuting" i.e. not taxable.

HMRC have informed us that the tax liability calculation should follow the agreed processes unless they approve the exemption for all the officers within the Chief Officer Group. In our opinion there is doubt that the contracts, fuel and rota arrangements fully meet the HMRC conditions. We also note that the Chief, Deputy and Assistant Fire Officers all use their procurement cards for fuel and are permitted to use LF&R fuel stock – they currently do not make any contribution for their personal use – this may have tax implications.

We are pleased to report that following the introduction of the new mileage forms in April 2013, the process for other senior fire officers has been working well and fulfils HMRC expectations. Suitable vehicle and mileage information is now held by LF&R to calculate the tax liability for the 2013/14 financial year. There is uncertainty however, that the HMRC method of calculation is fully understood by

LF&R officers involved in the process – we advise the calculations are validated by the Council's finance team prior to submission.

Direction of Travel Improving

Mileage claim forms are now completed in line with HMRC guidelines for all senior fire officers excluding the Chief Officer Group. Appropriate vehicle details are held to calculate the tax liability, although support from the Finance Team is required to ensure full compliance.

Our review established that discussions between LF&R and HMRC have continued following the introduction of the process for recording Senior Officer's mileage. We found that LF&R hold one HMRC exemption covering the Chief Fire Officer – this has been applied to four other Officers within the Chief Officer Group on the basis that they are also contractually 'on call' at all times.

We were unable to find a compulsory recall to duty clause (or similar) in two of the four contracts and note that these officers fulfil the night duty on-call commitment on a 4 weekly rota with the exception of the Deputy Chief Fire Officer (who is not on the rota) – in our opinion there is a risk this may not meet the HMRC exemption conditions.

Our findings show that the 3 most senior Chief Officers make no contribution to the cost of their lease car, have no tax liability and make no payment for any personal fuel usage. The Council should ensure HMRC fully understand these arrangements and seek assurances the taxation conditions are met. We believe there is currently a risk of these officers incurring a car fuel benefit charge/fuel scale charge[2] for 2013/14 and the preceding years.

The HMRC rules relating to the tax liability calculation state that the annual lease cost or 20% of the list price (whichever is the **greater**) should be used as a basis for the calculation. LF&R believe they have approval to use a discounted list price for all their officers with lease cars – we found no evidence of this agreement and advise the HMRC regulations are applied to the 2013/14 calculations.

The amendments to the process agreed with HMRC were initially notified to Officers via letter, informing them of their gross taxable benefit based on average mileage during 2012/13. The new approach has not been reflected in a formal service order and we understand that this is still in the process of being drafted, a year following implementation. We understand the service order has been part of a wider transport review and that this has contributed to the delay.

[2] HMRC - accounting for output tax on fuel purchased by the business then used for personal motoring.

We found elements of good practice throughout the process, in particular, the collection and recording of mileage claims by the Administrator responsible for calculating the annual tax liability.

We selected a sample of officers with lease vehicles and found:

- 1 Officer had not provided claims showing a breakdown of mileage between August and October. Evidence showed he had been contacted to inform him that if mileage claims are not submitted then all mileage during the period would be treated as private for tax purposes

- Officer contributions were correctly calculated in 80% of the sample – there is uncertainty in the remaining 20% due to the treatment of VAT

- mileage claims for Watch Command Support Officers had been completed in line with the shift pattern worked by the Officers

Our findings 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 calculation of tax liability.

We would take this opportunity to thank the staff for their help and assistance throughout the audit.

Management Response

LF&R

Lincolnshire Fire & Rescue have been working closely with HMRC over the past 24 months to ensure full compliance with their guidance, the Internal Audit Report has highlighted some key areas that require further clarity of which are being addressed, post and pre commissioning the services of the Corporate Audit Team. The Audit Action Plan has provided a clear independent view that will ensure the service has a clear and auditable route, as such the items on the Action Plan are currently being discussed with HMRC. It is planned to close all matters within a three month period.

LCC

Financial Strategy welcomes the report which highlights a number of areas that require clarification, where work is already being undertaken to address (see agreed actions).

We continue to work with the service in respect of validation of mileage claims and HMRC calculations and look forward to a formal service order being ratified by the LF&R Service Management Board at the earliest opportunity.

Management Actions	**No**	**All to be completed by:**
High Priority	Two	30 June 2014
Medium Priority	Four	30 June 2014

Public Health Contract Management – Limited Assurance

Public Health is currently in the process of reviewing and remodelling its services; the 2nd phase of the review is underway looking at 'housing related support' contracts. The focus on service reviews and significant turnover of staff, have impacted on the available resource to undertake annual Quality Assessment Framework audit visits (QAFs) and routine Contract Management meetings.

The audit acknowledges the introduction of the revised Contract Management toolkit in April 2013. Whilst some contract management meetings have taken place since its introduction, due to the service reviews these are few. It is therefore too early in its implementation to provide assurance that all contracts are being managed effectively.

Whilst the audit acknowledges the progress the team is making through the Service Reviews and the commitment to further improving the Contract Management process, we have identified a number of areas where improvements are required:

- Regular Quality Assessment Framework (QAF) audits and Contract Management meetings should be held with providers.
- The number of extensions to contracts needs to be kept to a minimum.
- A central record of contracts and key data should be maintained and used for monitoring purposes.
- A routine quality review of Contract Management arrangements by Senior Officers should be undertaken to ensure consistency, quality and compliance with the toolkit.
- Documentation in relation to QAFs and Contract Management meetings needs to be completed promptly to ensure timely reporting.

Direction of Travel	Improving Public Health has streamlined a significant number of its contracts through a recent service review. The final phase is to take place in the 2014/15 financial year. Contract Management meetings are to continue during this period and the newly introduced Contract Management framework to be used which should improve the level of assurance over the year. A recently introduced Contract Management Toolkit provides a clear direction for future Contract Management arrangements.

Public Health Commissioning Team has focussed its resources on the review of services, a significant piece of work, establishing whether there is a need for the service to be remodelled, re-procured, reshaped, continued or decommissioned.

In the interim period, Contract Management meetings have not always been carried out on a regular basis. Without regular contract management meetings, contract performance issues may be missed and outcomes may not be achieved.

In terms of those contracts in the second phase of the Service Review, Audit has been informed that QAFs and Contract Management meetings will be held routinely up until the March 2015 deadline.

A central record of all contract management meetings was not available at the time of the audit testing; Contract Managers were maintaining their own records. The responsibility of each contract was not always clear; it is acknowledged that there has been significant staff movement over the last 2 years resulting in the reallocation of contract responsibility. Without a central register contracts may not be reviewed and monitored on a regular basis and ongoing issues /outstanding actions may not be followed up.

During the remodelling of the Wellbeing Service and the current review of specialist ‘Housing Related Support’, extensions to contracts have been approved by the Executive Board, to provide continuing services. Continuing extensions to contracts may not provide long term value for money.

Where contract management meetings have taken place, documentation had not always been fully completed at the time of the review. This may result in delayed action plans and failure to address provider concerns.

At the time of the audit, no Senior Officer quality assurance of individual contract files and QAFs could be evidenced - contract performance issues or poor contract management practices may go undetected.

A revised toolkit, with associated user guidance, was introduced in April 2013 for Contract Management and new working practices continue to be developed. In the few cases where the new toolkit has been used, we found the contract management meetings to be fully documented and compliant with the guidance. The small number of contract management visits undertaken at the time of the audit has meant that these new updated procedures have not been applied to all contracts. It is therefore too early in its implementation to provide assurance on the effectiveness of these revised practices.

The revised Contract Management process and toolkit is comprehensive and will ensure coverage of all key areas, including performance, service user consultation and the provider's financial health and business performance.

Management Response

Following the audit, all contracts managed by Public Health are now risk assessed by the commissioning team using the following risk assessment tool.

This tool considers quality, performance and compliance, internal and external concerns regarding provider, finance, safeguarding and serious incidents and contract expiry. The results of these assessments are used to determine the contract management response by commissioners; i.e. frequency of contract management meetings.

All contracts are now managed according to their risk, using a contract management tool. Each contract management meeting has a separate tab that charts the discussions and associated actions, and the tool itself also contains a summary of performance against the contract and the results of the quality assessment visit. Appendices such as specific provider policy and procedures or serious incidents etc. are also embedded. A standard agenda that is aligned to the contract management tool is now used consistently across all contract management meetings.

Contract management meetings are taking place across all contracts. A programme of quality assessment framework (QAF) visits is taking place during the spring/summer of 2014. These visits combine a review of a provider's key policies and procedures, consultation with service users, staff and key stakeholders and key management personnel. These visits are also combining a formal contract management meeting as well as consultation on the ongoing review process.

All contract details are now included on the LCC Firefly system.

A PH assurance and clinical governance board has been recently established and the contract management processes are on the agenda to ensure wider assurance within the directorate takes place.

Management Actions	No.	To be completed by:
High Priority	2	Programme Manager- Procurement and Contracting
Medium Priority	3	Programme Manager – Procurement and Contracting
Low Priority	1	-

Procurement Card (Users) – Limited Assurance

Split Assurance

Substantial Assurance – Central process and Procurement Lincolnshire's activities
Limited Assurance – Directorates/Users

The procurement card process and control framework is sound and the Procurement Card team are proactive in identifying and addressing poor practice/non-compliance. However, there are 3 compliance issues which are currently affecting the overall level of confidence in this area:

- VAT – this continues to be a problem area and whilst Procurement Lincolnshire are attempting to improve card user compliance, there is still evidence that the Council is not maximising its VAT recovery potential. Our testing results, supported by Procurement Lincolnshire's own estimates, shows the Council is potentially losing in excess of £100k per year in VAT.

- Security of cards – cards and PIN codes have been shared with and used by unauthorised staff, which increases the risk of card misuse. The Procurement Card team are not always notified where changes occur e.g. cardholders leaving their post, which increases the risk of unauthorised use/abuse.

- Business Travel Policy – procurement cards are being used to purchase flights for overseas travel and testing highlighted policy compliance issues and lack of awareness regarding the approved process for procuring overseas travel.

Direction of Travel Static

The use of procurement cards across the authority is increasing and provides an efficient way of obtaining goods/services. Any efficiency savings are potentially outweighed by the loss of recoverable VAT.

Our review covered a wide range of transactions, through visits to cardholders and analysis of card transaction data. 4% of the transactions we sampled showed incorrect treatment of VAT. We are aware that this issue has been ongoing from previous audits and work has been undertaken by the Procurement Card team to improve awareness of VAT requirements. This continues to be a problem and our findings correlate to those of the Procurement Card team who identified that an average of £9k a month is potentially lost from unclaimed VAT; this could equate to a loss in excess of £100k per year, based on the Council's procurement card spend of £3m.

We found two examples within the school environment of card/PIN sharing:

- an administrator was using a card in the absence (long term) of the cardholder
- several school administrators were using a procurement card issued to the headteacher – this involved internet and 'over the counter' purchases which would require PIN details

We also have anecdotal evidence from investigations indicating that card sharing may be more common across the Council. Cards and PIN numbers are personal to each cardholder and should not be disclosed.

Our analysis highlighted several cases where cards had been used to purchase flights for overseas visits. We found that only 20% of our sample complied with the terms of the Corporate Business Travel Policy which requires prior written authorised approval and booking via the Corporate Travel Team. This area has previously been the subject of media interest and compliance with the policy minimises the risk to the Authority's reputation.

Our analysis of the data over a 13 month period also highlighted that 25% (approx. £900k) of total procurement card spend was over £500 in value. The Authority has an obligation to report all payments over £500, as part of the government's transparency initiative – the council does not currently report on the individual transactions (over £500) paid via the procurement card; instead it reports the total monthly settlement to the card provider. In our opinion, this does not comply with the requirement to show the payments in their original form. With over 600 cardholders having a single transaction limit of £500 or higher there is the potential for an increasing number of transactions that would qualify for transparency reporting.

We found several areas of good practice that were evident throughout the procurement card process:

- regular audits of cardholders have been carried out to ensure compliance with policies and proactively identify areas where additional training is required.

- the Procurement Card team actively monitor the use of procurement cards, analysing the amounts and type of spend with particular merchants and merchant groups – in the future they can direct users to the e-procurement process and to suppliers where contracts already exist.

- the Procurement Card team are attempting to reduce the number of un-reviewed transactions each month. In January 2014 this process resulted in a reduction from 5% to 0.35% of un-reviewed transactions. This ensures a greater accuracy for accounting purposes and improved recording of VAT for transactions on the Centresuite system.

Where consistent non-compliance with the agreed processes is identified by Procurement Lincolnshire, a stronger approach is planned, by potentially removing the procurement card facility until the Administrator has attended further training to ensure future compliance. Review of the non-compliance issues identified by Procurement Lincolnshire found that this is currently an isolated matter in one service area.

Management Response

Procurement Lincolnshire endorses and welcomes the findings of the audit. We recognise the issues identified and have been actively working to reduce them. Many actions have already been implemented in the time since the audit or are already planned to go ahead as part of our usual management of the P-Card programme.

Procurement Lincolnshire already undertakes random audits of the P-Card data, and we recognise the findings and welcome the support provided through the audit report.

We will continue to improve the governance processes for P-Cards and will implement processes to escalate issues where current remedial actions do not address non-compliant behaviours.

Management Actions	**No**	**All to be completed by:**
High Priority	Four	30 April 2014
Medium Priority	One	30 June 2014

Debtors – Limited Assurance, direction of travel Substantial

We note the Council's senior financial managers have overall confidence in the debt recovery processes and do not share our opinion on risk in this area – their judgement is based on improvements made over the last few years, the good income collection rates within Adult Care and the fact Lincolnshire is shown to be performing well against the CIPFA benchmarking statistics.

In our opinion the ongoing and planned improvements are significant pieces of work, all of which will assist the transition to the new systems due to go live in April 2015 – consequently, this impacts on our overall opinion at this time. We concur with the view of management in some areas; however, we believe that improvements are required to:

- take decisive action on tackling long outstanding debt
- reduce invoicing errors
- continue improving Adult Care systems to minimise the Authority's level of debt and reduce delays in raising debtor accounts.

Those involved in the debt recovery processes are committed to these improvements but there is also recognition that some issues are reliant upon directorate officers – the diverse nature of the Council's activities and the cultural changes required are added complications.

Controls and procedures established within Credit Control to manage the Council's debtor arrangements are generally operating effectively and in accordance with Financial Procedures. The Credit Control team are monitoring outstanding debt adequately and on a regular basis – debt collection and recovery procedures are helping to minimise delays in receiving payment and reducing the loss of credit income.

We found that some controls operating within directorates are impacting on the overall effectiveness of the Council's debt collection arrangements. Our sample testing across all directorates found:

- delays in engaging with Credit Control to resolve outstanding debts and bringing write offs to a prompt conclusion
- a significant number of re-issued invoices (credit memos) issued in the 12 months to September 2013 – we accept that some of these instances were unavoidable, however a large proportion related to invoices raised in error.
- delays in raising accounts

These issues together with the reasons for some write offs suggest there needs to be a greater emphasis on getting things right the first time by following procedures properly and validating invoice accuracy prior to issue - this would reduce the number of debtor accounts and debt write offs.

The increased focus and scrutiny on monitoring debts over £25k has significantly reduced the level of debt outstanding in this category from £2.2m (April 2013) to £794k (February 2014). There is an on-going commitment to continue with this work and reduce the overall level of debt across the Council.

We recognise that Adult Care generate the highest proportion of income across the Council and has good collection rates (98% for residential care income and 97% for non-residential). However, a large proportion of overdue debt (78%) is in Adult Care. It has made some improvement to its sub-systems (e.g. Deferred Payments Scheme), however there is still work required in this and other areas to further reduce the level of unsecured debt (£2.6m). Recovering Adult Care debt is notoriously difficult as disputes tend to be sensitive, complex and lengthy to resolve. A year ago Adult Care recognised they needed to reduce the:

- time taken to collect charges
- overall level of unsecured debt
- age of its overdue debts
- debt write off

Progress has been limited but a newly formed Task Group (Adult Care and Mouchel) is now to drive forward these improvements.

In the main, controls are operating well for recoverable works to prompt recovery action although recent resourcing constraints have caused some delays in taking recovery action. This is now being addressed.

Direction of Travel Improving

Three years ago the audit opinion was substantial – whilst this remains valid in some areas of the process, our differing approach, wider scope & testing results have highlighted areas for improvement.

Mouchel and the Council have identified a programme of continued development for improving debtor arrangements and this is being actioned. Adult Care has established a Task Group to perform a detailed review of income collection arrangements in its sub-systems and implement improvements. The work routinely carried out on individual debts over £25k has had a material impact on the level of overdue debt and should continue.

We identified a number of key areas where controls are operating effectively:

- more detailed reporting of outstanding debts for DMT and budget holders

- Head of Finance (Children's & Specialist Services) proactively identifies cases/issues requiring further action
- Credit Control are regularly reviewing debts and taking appropriate action to aid debt recovery
- regular sessions delivered within Adult Care to raise awareness of debtor processes

LCC/Mouchel have been progressing a number of improvements over the years and have recently (September 2013) identified further improvements within the 'Debtors Action Plan'. Key issues include establishing a Debtors Best Practice Guide for budget holders; raising awareness of debtor arrangements and improved processes for reviewing property debt and debt relating to service user contributions and improved reporting.

We identified areas where improvement could increase the overall effectiveness of the Council's debt management, in particular by reducing delays, reducing errors and improving procedures:

Reducing delays

- Effective debt recovery relies on departments assisting Credit Control to recover debts they have initiated – we found the process becomes protracted as Credit Control often has to repeatedly chase departments for responses.

- Analysis shows that debts under query account for 18% of overdue debt totalling £1.57m (as at 31 December 2013). £905k (38%) of this debt is aged over a year. Often the resultant action with this type of debt is write off.

- A significant proportion (40%) of the invoices sampled across various directorates identified avoidable delays in raising debtor accounts.

Reducing errors and improving procedures

- In the 12 months to 30th September 2013 we identified a significant number of invoices had to be re-invoiced due to error (around 9% of raised invoices in that period). The key reasons are reported as 'incorrect customer', 'duplicate charge' and 'human error'.

- The ability of Credit Control debt recovery team to pursue debts can be limited by weaknesses in the other systems that sit within Directorates. Our sample tests identified potential avoidable errors - mainly salary overpayments and where inadequate supporting documentation has resulted in debt write off. These failures within other systems contribute to the overall debt levels and recovery workloads

- We acknowledge that debt recovery action in Adult Care cases can be sensitive, complex and contain barriers to the prompt collection of debts. Issues currently affecting Adult Care debt management include:

- separate teams hold pieces of information vital to the successful conclusion of any debt recovery process. This can result in significant delays in the collection of debts and reduces the likelihood of recovery.
- response times from field workers are a significant factor in the decision to write off debts - their priority is the service user rather than chasing debts and therefore delays can occur.
- incomplete assessment documentation can cause difficulty enforcing debt recovery.
- where the representative does not have appropriate legal authority.
- delays in notification by residential homes that a significant debt is accruing.

The task group established between Adult Care and Mouchel is identifying how Adult Care's income collection arrangements can be further improved. Proposals from this review will feed into Adult Care's transition work with Serco to establish the Council's income arrangements from April 2015. Their main focus is getting this right by April 2015 with the introduction of Mosaic.

Reporting

Although there have been some improvements in directorate reporting we found a discrepancy between two debtor reports which show different analyses of the Council's overdue debt. This is not considered to be a significant issue by management as reliance is placed on other reports. Mouchel are currently investigating the discrepancy.

Credit Control could improve their processes by ensuring they always maintain complete details of recovery action taken about outstanding debts – this provides evidence of their debt recovery action when decisions are required about write off or continued recovery action.

Management Response

The audit report is very much welcomed by management because it has enabled further areas for improvement to be added to the existing action plan.

The report highlights a number of important points. These include the fact that the last audit report gave substantial assurance. Since that time, the debtors system has been widely regarded as performing well by the Council's senior finance officers and that assessment has been supported by: the annual CIPFA benchmarking exercise that has taken place each year and by benchmarking work with East Midlands authorities which has shown in the main income generation areas, that income collection is well above the national median at 97% - 98%. Evidence has been provided to demonstrate the proactive steps that have been taken during this period to further improve performance and this is affirmed by the positive direction of travel highlighted in the report.

The majority of areas for improvement recognised within the report were already being taken forward (e.g. within Adult Care a Task and Finish Group was established in January 2014 to review a range of debtor/assessment issues) with few of the findings in the report unknown to officers. Furthermore, a number of the findings highlighted in the report reflect issues in other systems or processes and are not problems inherent in the debtors or credit control system per se (e.g. payroll errors). Nevertheless, the audit report has provided an opportunity for officers to reflect once again on areas for improvement and, as highlighted in the report, steps will now be taken to add those to the existing 14 point action plan that was developed last autumn following consideration of the last CIFPA benchmarking report. The management acknowledge that to make further, significant improvements in performance, it may need a change in culture for the very many staff across the Council that are involved in this important process. It is positively planned that the introduction of two new finance systems (Agresso and CMPP) in 2015 will assist greatly with that change and we are confident that the new systems will facilitate further improvement.

As acknowledged within the report, and for the reasons set out above, the Heads of Finance for both Adults Services and Children's & Specialist Services do not concur with the 'limited assurance' assessment that has been given to the debtors system in this report. Nevertheless, management will continue to drive further improvement, through completion of the agreed actions listed in this report and completion of other activities that are already underway.

Management Actions	**No**	**All to be completed by:**
High Priority	6	31 July 2014. Adult Care Task Group changes and Agresso implementation by 1 April 2015
Medium Priority	5	31 July 2014

Appendix 3

Data is for audits completed 2013/14 where recommendations were due to be implementation by 31st March 2014

Activity	Issue Date	Assurance	Recs Imp	Recommendations Outstanding		
				High	Medium	Low
Communities						
Customer Service Centre		Limited	0	1	2	
Civil Parking Enforcement		Substantial	1		1	
Children's Services						
Supported Childcare Allocations		Substantial	4	1	1	
Resources & Community Safety						
Youth Offending Service – U-18s Single Remand Order		Substantial	3		1	
Due Diligence						
Income		Full/Limited	3		3	
The Beacon		Substantial	0		2	
Total				**2**	**10**	