



*Public Sector Auditing.... Private Sector Thinking*

# Internal Audit Progress Report



**Date: March 2015**

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## Introduction

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1. The purpose of this report is to:
  - Provide details of the audit work during the period 1 January to 18 March 2015
  - 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

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2. During the period 1 January 2015 to 18 March 2015 we have completed 16 County audits, 6 to final report and 10 to draft report stage, a further 4 schools audits and the majority of our key financial control testing. We have also completed additional work in the following areas:

- Fire & Rescue Control Centre Projects (draft report stage)
- Families Working Together Grant – 2014/15 Quarter 4 claim sign off
- 3 Independent Investigations

Overall we have completed 93% of the plan.

3. We still have two auditors advising / supporting the Agresso implementation project – attending operational project and Board meetings, completing independent testing and identifying and reporting on key risk issues. Highlight reports have been presented periodically to the S151 Officer and Project Board.

In order to present the Committee with the most accurate and up to date position on this priority project a separate paper will be tabled, accompanied by a verbal update – the Chief Information and Commissioning Officer (Project Director) and Serco representative will be in attendance. This will be covered as a separate agenda item.

4. There are 11 audits in progress in addition to the final key financial control testing. We have also completed 35 Academy visits to date in accordance with their agreements.
5. A number of alterations have been made to the 2014/15 Audit Plan, since December 2014, in agreement with directors, managers and in response to changing priorities:

### ICT Audits

We had planned to undertake reviews of:

- Infrastructure security & resilience
- ICT Strategy

- PSN Compliance
- Data sharing – LCC & NHS
- Project management
- Access controls

The Chief Technology Officer requested that these audits be postponed for commencement in July 2015. We understand the section does not currently have the capacity to assist with the completion of the audits due to the fact that they are managing two ICT Service Providers across a 1<sup>st</sup> April transfer date, and will have significant remedial work through to the end of May. In addition, they are preparing for a pending audit by the Information Commissioner's Office – these audits will form part of the 2015/16 audit plan.

### **Adult Learning**

The auditor originally allocated this work (a contract auditor taken on to cover a vacant post) was required at short notice to undertake the requested audit of the Fire & Rescue Control Centre (see 'Other Work' below). We were unable at this late stage in the year to cover for this change in priorities.

### **Emergency Planning and Business Continuity**

This audit has been moved to the 2015/16 audit plan.

### **EU Procurement Changes**

This has been deferred to 2015/16 on management request – this was due to capacity issues within the service area – focus is on delivery of ongoing projects e.g. Agresso.

### **Application of the Council's Sickness Management Policy**

As above, this has been deferred to the 2015/16 audit plan at the request of the Director. There is currently no staff availability to support the audit due to the focus on FDSS / Agresso projects.

### **Review of Coroner's Officers**

Following on from our review of Coroners, management requested an audit of the Coroner's Officers. We are currently awaiting the outcome of a peer review in this area – this will help us finalise our scope and avoid any duplication. This audit will now transfer to the 2015/16 audit plan.

## Internal Audit work completed in the period 1 January 2015 to 18 March 2015

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

Effective	Some Improvement Required	Major Improvement Required	Inadequate
<ul style="list-style-type: none"> <li>■ Non-Attendance at School</li> </ul>	<ul style="list-style-type: none"> <li>■ Contract Management – Learning Disabilities and Mental Health</li> <li>■ Health Protection</li> <li>■ Lincolnshire Community Assistance Scheme</li> </ul>	<ul style="list-style-type: none"> <li>■ Corporate Landlord Project</li> <li>■ Information Governance</li> </ul>	<ul style="list-style-type: none"> <li>■</li> </ul>

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

7. Since our last progress report we are reporting 2 audits with an opinion of 'Major Improvement Required' – more detail can be found at Appendix 2:

- Corporate landlord – *County Property Officer to attend meeting*
- Information Governance Breaches – *Chief Information and Commissioning Officer is to present a paper to the next Audit Committee*

8. Below is a summary of the areas where we gave the audit opinion of 'Some Improvement Required' or 'Effective':

### **Non-Attendance at School – Effective**

We confirmed that the Inclusion and Attendance, Education Welfare Services Teams and Parenting Support Services are taking a proactive approach to the implementation of the Attendance Strategy 'Every Day Matters' and are striving to work closely with schools, parents and children to encourage good school attendance and the benefits it will bring.

Although attendance rates in Lincolnshire are in line with the national average, the Attendance Strategy is designed to better the national averages or at least maintain the current position with regards to persistent absence.

As such the Authority has applied a more consistent application of the rules to help in tackling persistent absence and encouraged Headteachers to adopt a less lenient approach to authorising family holidays in term time. Parents are now required to prove exceptional circumstances for the

additional holiday time as opposed to it being an entitlement. We confirmed this has brought authorised and unauthorised absence into line with national averages between 2012 and 2014.

### ***Contract Management Learning Disabilities and Mental Health – Some Improvement Required***

A previous review of Mental Health contracts resulted in a Substantial Assurance – this good practice has continued. Revised processes and structure in respect of Learning Disability contracts have provided a focused approach to contract management in this area; this has been evidenced through the review of contract management files and management reporting.

Whereas previously contract visits were done on a strategic relationship basis, the appointment of 2 Contract Officers in January 2014 has enabled a rolling programme of on-site visits to providers at service level. Providers have been visited in priority of risk, all High risk and the majority of Medium Risk contracts have now been visited. Strong links and working relationships have been made with officers of the CQC (Care Quality Commission) and other third parties; where services have not yet been visited – though shared knowledge, any significant concerns regarding service provision are brought to the attention of the Contract Management team.

Our review found the team demonstrated a good knowledge of each contract and service provider; good working relationships have been formed with a clear aim to work with the providers to address any issues raised.

Effective reporting arrangements have been evidenced - regular updates are provided to the Learning Disability and Mental Health Programme Board. Highlight reports are regularly submitted to the Procurement Board, these include key issues and risks associated with individual contracts and the actions being taken to address these.

A 'Provider Risk Rating Spreadsheet' records and monitors progress of individual providers, contracts, associated risks and regularity of visits. Whilst some anomalies were highlighted on this monitoring tool, in terms of regularity of visits, etc, in most cases these were due to more involved contractual management exercises outside of the routine review.

We believe the existing arrangements could be enhanced by:

- ensuring the regularity of visits is in line with the 'Contract Monitoring Frequency Risk Assessment' and recording the reasons for any lapses
- only changing risk scores following approval of the Risk Panel
- ensuring each risk is supported by a completed 'Contract Monitoring Frequency Risk Assessment'

### ***Health Protection – Some Improvement Required***

We found the Health Protection frameworks to be robust and represent good practice, including:

- clear scopes describing the intentions of the documents
- a section explaining their assurance gathering methods
- how problems and issues can be escalated to Senior Management
- an area on specific targets and performance monitoring

However the Service is currently unable to utilise these frameworks due to an inability to access external key data and the internal capacity of staff. The Frameworks therefore do not match the methodology used by Public Health to gain assurance that the four programmes are operating successfully.

The existing assurance arrangements were found to be sufficient to obtain the requisite assurances on the Health Protection programmes – Public Health staff will, however, be working with Internal Audit to review, revise and update the frameworks to ensure they are practical and achievable.

Key issues include:

- two areas are having difficulty getting relevant data from a third party which has hindered the quarterly reporting
- the appendix around performance for all Frameworks is not being used
- methodologies defined in the Frameworks for gathering assurance data are inaccurate and require updating to reflect external and internal organisational changes

Infection Prevention and Control is an evolving area and management need to develop and implement a number of processes around contractor assessments, including a standardised strategy, policy and contract targets.

### ***Lincolnshire Community Assistance Scheme (LCAS) – Some Improvement Required***

There are adequate processes in place to deliver a streamlined and efficient service. A sample test of 25 cases showed that all Service Users were eligible for assistance, their claims were processed quickly and they received the help they required within an appropriate timescale. We identified good working relationships between the different teams involved both on a day to day basis and through scheduled meetings, along with regular updates to Senior Management.

However, the future provision of the LCAS service is uncertain. The LCAS service currently provides support to those in need and no longer providing it may cause severe hardship within the Community. This decision to stop the

grant aid funding was subject to Judicial Review – this is now concluding and will also be presented to Members. We recommend that a decision is made promptly and the outcome communicated to all stakeholders.

Some minor issues were noted involving:

- Goods Receipt forms without the necessary evidence that the Service User provided ID when collecting their goods
- the need for a system to manage the long term retention of Service User files and documentation

## **Audits in Progress**

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9. The following audits are currently in progress:

### **Audits at draft report stage:**

- Budget Management
- Capital contracts
- Mouchel Delivery – SAP Support & Maintenance Charges
- Ethnic Minority and Traveller Education
- Children's Adolescent Mental Health Services
- Fire & Rescue Trading Company
- Joint Policy Working/Joint Local Plan
- Sexual Health Services
- Safeguarding
- Ethnic Minority and Traveller Education

### **Fieldwork in progress**

- Key control testing (almost complete – indicate assurance – effective)
- Transformation Programme
- Organisational Learning
- Joint Commissioning Board
- Property Management
- Wellbeing Service
- Transport Grant – Compliance Audit of Grant Conditions
- Broadband Project – Compliance Audit of Grant Conditions
- Members' Support
- Pension Fund – Transfer to New Provider
- CfBT Contract
- 1 x school audit



## Other Work

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### 10. Agresso Project

Update report covered as a separate agenda item (report to be tabled).

### 11. Mosaic Project

Update report covered as a separate agenda item (report to be tabled).

### 12. Schools and Academies

We have completed audit reviews on the financial control environment for 26 schools in total, 4 of those being since the last progress report.

We provide an internal audit service to 10 Academies, which covers 15 schools. To date in 2014/15 we have visited each Academy/school 2 to 3 times in accordance with the agreements we have with those Academies making 35 visits in total.

### 13. Fire & Rescue Control Centre

Lincolnshire Fire and Rescue entered into a partnership agreement with Humberside Fire and Fire and Rescue, Hertfordshire Fire and Rescue and Norfolk Fire and Rescue to create a shared, integrated and resilient virtualised mobilising control centre infrastructure. The arrangement is known as the East Coast and Hertfordshire Control Room Consortium (ECHCRC).

As part of mobilisation but unrelated to ECHCRC, Lincolnshire Fire and Rescue has replaced officers' Blackberry mobile phones with Android based Samsung Galaxy mobile phones.

Our review focused on compliance with the Council's IT Governance Framework, security compliance and the acquisition of IT assets. The audit is at draft report stage.

### 14. Independent Investigations

During the period we have been requested to carry out three independent investigations on behalf of the Council.

## Performance Information

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15. Our performance against targets for 2014/15 is shown in the analysis below:

Performance Indicator	Target	Actual
Percentage of plan completed (based on revised plan)	100%	93%
Percentage of recommendations agreed	100%	100%

Performance Indicator	Target	Actual
Percentage of recommendations implemented	100% or escalated	Measured at year end
Timescales:		
Draft Report issued within 10 days of completion	100%	88%
Final Report issued within 5 days of management response	100%	100%
Draft Report issued within 2 months of fieldwork commencing	80%	82%
Client Feedback on Audit (average)	Good to excellent	Measured at year end

We have reviewed the audit plan to re-assess our priorities and the key risks facing the Council. Our current audit plan and schedule can be found in Appendix 4.

## Other Matters of Interest

### 16. CIPFA's New Counter Fraud Code

This Code is principles based and sets out the governance and organisational arrangements an organisation should have in place to counter fraud and corruption effectively. This is a voluntary Code but CIPFA recommends that all public sector bodies adopt it – although aimed at the organisation's leadership team, it applies equally to those with a governance role, including the Audit Committee. More information is provided in the Counter Fraud Progress Report.

### 17. Accounts and Audit Regulations – Consultation

DCLG issued new regulations for consultation in June 2014 – they set the requirement for local authorities to publish an annual governance statement, set the timetable for the publication of annual accounts and establish requirements for internal audit. The final regulations are not yet published but proposed areas of change include:

- From 2017/18 bringing forward the dates for the preparation, audit and publication of accounts – this means accounts need to be complete by 31 May (instead of June) and published by 31 July (instead of September).
- Updating the requirement for internal audit to take into account public sector internal audit standards
- Clarifying internal audit's access rights

## **18. New Code of Audit Practice**

This draft Code sets out the approach all external auditors of local authorities must follow from 2015. It will replace the current Code set by the Audit Commission in 2000.

## **19. LGA Company to Manage External Audit Contracts**

The Local Government Association have set up a company (Public Sector Appointments) to take on responsibilities related to local public audit when the Audit Commission closes. It will manage existing audit contracts until 2017.

## **20. Whistleblowing in the Public Sector: A Good Practice Guide**

Four Audit Agencies in the UK have jointly issued a guide for workers and employers in the public sector – it includes guidance on policy and provides a checklist for organisations.

## **21. Financial Resilience of Public Bodies**

There are a number of reports examining impact of reduced funding on public services – ones of interest:

- National Audit Office: Financial Sustainability of Local Authorities 2014
- Grant Thornton: Rising to the Challenge

## **22. School Governance**

A report issued by the National Audit Office looks at how effectively oversight and intervention work in the schools sector. The report identified failing in both maintained schools and academies. A key conclusion of the report is that the Department for Education and the Education Funding Authority do not know enough about school level governance to identify risks.

## **23. Procurement and Contract Management Risks**

The Better Governance Forum has produced a briefing (from a number of sources) which summarises key issues which have emerged on procurement and contract management in the public sector.

## **24. CIPFA/SOLACE Framework of Good Governance for Local Government**

This is to be reviewed in 2015 and is particularly important as it underpins the annual governance statement – we expect more news on this throughout the year.

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

<p><b>Effective</b></p>	<p>Our critical review or assessment on the activity gives us a high level of confidence on service delivery arrangements, management of risks, and the operation of controls and / or performance.</p> <p>The risk of the activity not achieving its objectives or outcomes is low. Controls have been evaluated as adequate, appropriate and are operating effectively.</p> <p>As a guide there are a few low risk / priority actions arising from the review.</p>
<p><b>Some improvement needed</b></p>	<p>Our critical review or assessment on the activity gives us a reasonable level of confidence (assurance) on service delivery arrangements, management of risks, and operation of controls and / or performance.</p> <p>There are some improvements needed in the application of controls to manage risks. However, the controls have been evaluated as adequate, appropriate and operating sufficiently so that the risk of the activity not achieving its objectives is medium to low. A few specific control or risk issues identified.</p> <p>As a guide there are low to medium risk / priority actions arising from the review.</p>
<p><b>Major improvement needed</b></p>	<p>Our critical review or assessment on the activity identified numerous concerns on service delivery arrangements, management of risks, and operation of controls and / or performance.</p> <p>The controls to manage the key risks were found not always to be operating or are inadequate. Therefore, the controls evaluated are unlikely to give a reasonable level of confidence (assurance) that the risks are being managed effectively. It is unlikely that the activity will achieve its objectives.</p> <p>As a guide there are numerous medium and a few high risk / priority actions arising from the review.</p> <p>Our work did not identify system failures that could result in any of the following:</p> <ul style="list-style-type: none"> <li>- damage to the Council's reputation</li> <li>- material financial loss</li> <li>- adverse impact on members of the public</li> <li>- failure to comply with legal requirements</li> </ul>
<p><b>Inadequate</b></p>	<p>Our critical review or assessment on the activity identified significant concerns on service delivery arrangements, management of risks, and operation of controls and / or performance.</p> <p>Our work identified system failures that could result in any of the following:</p> <ul style="list-style-type: none"> <li>- damage to the Council's reputation</li> <li>- material financial loss</li> <li>- adverse impact on members of the public</li> <li>- failure to comply with legal requirements</li> </ul> <p>There are either gaps in the control framework managing the key risks or the controls have been evaluated as not adequate, appropriate or are not being effectively operated. Therefore the risk of the activity not achieving its objectives is high.</p> <p>As a guide there are a large number of high risks / priority actions arising from the review.</p>

<sup>1</sup> These definitions are used as a means of measuring or judging the results and impact of matters identified in the audit. 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 ‘Inadequate’ or ‘Major Improvement Needed’**

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### **Corporate Landlord – Major Improvement Required**

#### **Introduction and Scope**

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Property has centrally managed some office accommodation through the Corporate Landlord (CL) function since April 2012. The Council's property assets are managed in a variety of ways including by service directorates as well as the Corporate Property Service. This has led to the use of locally held budgets and a variety of cost coding methods. As a result there is a lack of transparency about the council's overall property costs, and it is difficult to analyse comparative costs between properties.

The primary aim of the Corporate Landlord expansion project is to provide consistency in processes, leading to transparency and efficiency in the management of all appropriate Council properties. This should lead to enhanced value for money and effective use of resources applying to facilities management. Aims also include improved customer experience by providing a working environment that is fit for purpose.

The project has a built in review point at the end of year one and Corporate Property managers requested that internal audit carryout a review.

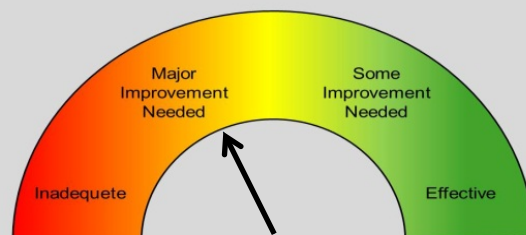
Through discussion and agreement with Corporate Property managers we reviewed the following areas to provide assurance on year one progress:

- governance structure
- project aims and objectives have been through a robust development and approval process
- stage one project aims and deliverables have been completed to support the project moving forward into the next stage
- Council Directorates teams are engaged and finance and reporting systems are adequate to support the project aims
- project team is adequately resourced and workloads are recorded and monitored
- regular performance monitoring and reporting
- monitoring and management of risks

## Executive Summary

### Assurance Opinion

#### Major Improvement Needed



The project has not progressed as expected in year one and some key tasks and milestones have not been delivered. Therefore the key aims of enhanced value for money through effective use of property and improved customer experience by improving the working environment are at risk of not being achieved. The main contributing factor is the lack of clear project governance, which has led to inconsistent management understanding of progress, inconsistent communication and a lack of understanding on technical and resource requirements.

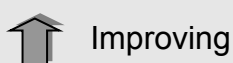
Specifically we found that:

- There have been no regular project board or group meetings where day to day project issues should have been managed. In addition management have not received a consistent message on project progress.
- Although project aims and objectives had been documented key project officers are not clear on what Corporate Landlord is. Year one milestones are recorded but the detail on some key deliverables and system technical requirements was not understood.
- We could not evidence that the property service had assurance that new finance and asset systems, going live in April 2015 could produce the required outputs for the CL project.

We also found that some fundamental project management processes had not been applied including, regular highlight reports on progress, reviewing and updating the project risk register and using this to engage with staff and manage project issues.

In our opinion the root cause of issues is the lack of a project board, this gap has been filled by verbal and email communications which were not team inclusive and led to a breakdown in understanding and performance.

### Direction of Travel



Direction of travel is based on the fact that the project plans included a review at the end of year one. This built in break and review is in line with corporate

project procedures and provides the service with an independent level of assurance on progress and management of the project. The review will give the chance to refocus, establish governance arrangements and redefine ownership and purpose of the Corporate Landlord project.

We found that there were systems and management in place for the start of the project including a project initiation group, recorded meetings, business cases and project initiation documents. From January 2014 onwards these systems and management are not evident. There are no recorded project meetings and management of the project becomes fractured.

In our opinion it is the gap in governance and the lack of a project board which has led to the failure in communications, understanding and management of the project. Verbal updates and e-mails replaced the regular reporting and communication that should have taken place at a project board. As a result of this management of deliverables and issues was not inclusive.

Project officers were not clear on what Corporate Landlord is. Either they had different opinions about the overall project objectives or stated that it had never been clear. For the project to progress in its second year management should ensure that all relevant officers are engaged and clear on the details and outcomes.

A key milestone for the project was to increase the production of quarterly asset rental reports on property usage and costs. This has not been completed and it is stated that this is due to the complexities in compiling this information and the resources need to complete this. It was also said that the change in finance systems meant that the project should wait until Agresso is launched before starting the reports.

Review of this area showed that:

- The property team are still seeking assurance that new finance system Agresso will produce the required outputs
- There is a lack of management engagement to current asset rental reports illustrated by the lack of feedback from to the property team
- During one quarter the due reports were not sent out and this generated no feedback, we assume it was unnoticed.

Management should consider these issues when looking at year two of the project and review the objectives and deliverables to ensure Corporate Landlord reporting is relevant to services and the property team.

## **Management Response**

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The initiation of the Corporate Landlord project coincided with two significant events affecting the Corporate Property team. The re-tendering of the contract (currently held by Mouchel) and the Corporate Property team re-structure

demanded a significant amount of time and, with the distracting effect of a re-structure on the employees, resulted in the Corporate Landlord project standards being compromised.

However both events provided an opportunity to revisit the project and hence the timing of the audit was planned to coincide with a number of changes to the Corporate Property service. Namely:

- New NEC3 contract with Vincimouchel commenced in October 2014
- Overhaul of all processes, performance metrics and service delivery as part of the mobilisation plan
- A new Corporate Property structure, with revised or new job descriptions and associated roles and responsibilities was established in September 2014

The audit identified a lack of assurance of the financial reporting requirements for Agresso (the replacement to the current SAP database). This has been a valuable finding and was highlighted at a stage when corrective action could be, and has been, applied.

A report of the requirements and assurance will be presented at the next Corporate Management team meeting by the Business Manager. There is already increased confidence that the new system will support the requirements for Corporate Landlord. The Business Manager is the lead for IT and business process work streams that are vehicles for implementing the new contract mobilisation plan.

The definition of Corporate Landlord and its requirements is being reviewed as the new contract has provided the opportunity to totally refresh the type and quality of data that will be collated and stored using a different Asset & Facilities Management system. This will allow improved data for trend and theme analysis.

The findings and subsequent learning from the audit concerning communication will be applied to the communication plan for implementing the financial element of both work streams and the associated launch of Agresso. The Business Manager will monitor the effectiveness of the new financial reporting.

<b>Management Actions</b>	<b>No</b>	<b>All to be completed by:</b>
High Priority	3	31 April 2015
Medium Priority	7	31 April 2015



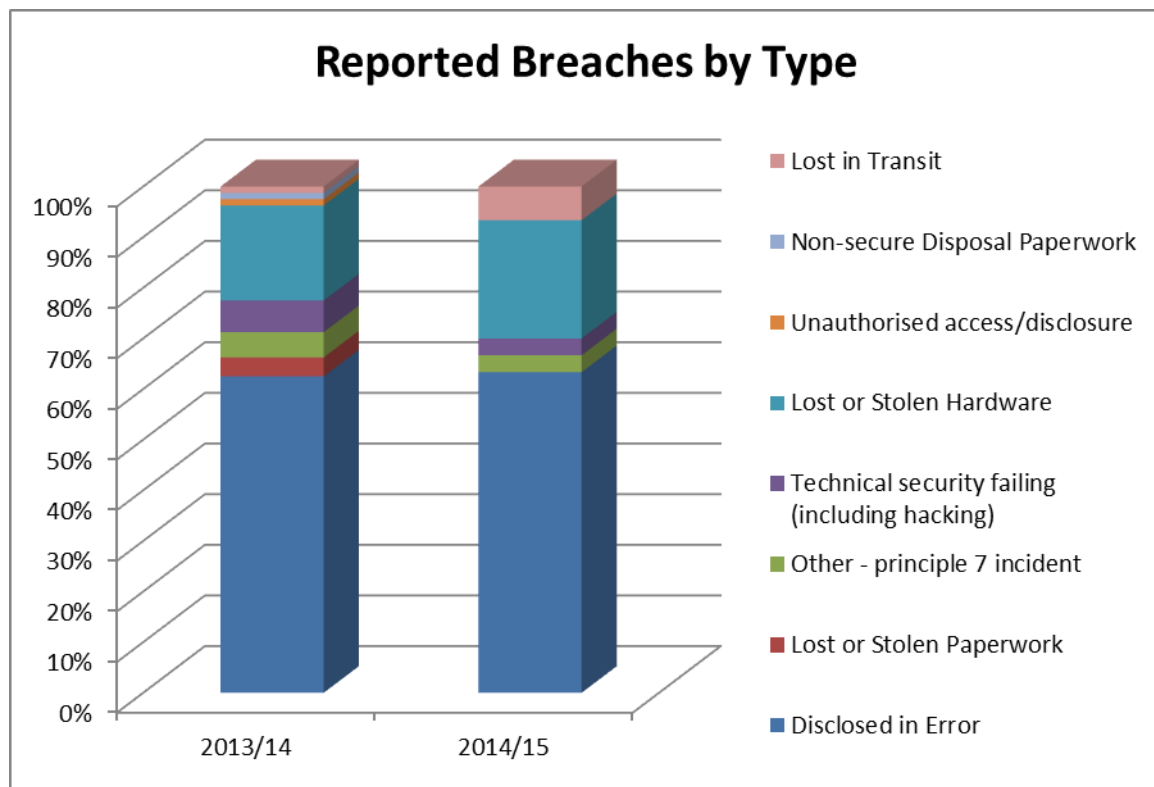
## Information Governance Breaches – Major Improvement Required

### Introduction and Scope

This review was requested following a number of data breaches, several of which were brought to the attention of the Information Commissioner's Officer (ICO).

Information governance arrangements are managed by the Information Governance (IG) Team. They are responsible for establishing the IG framework and processes, providing IG training and managing data breaches. Managers are responsible for ensuring that staff undertake the training which is provided on line and ensuring the framework and processes are applied.

During 2013-14 there were 80 information breaches recorded by the Information Governance team and between April and July 2014 a further 30 breaches were reported. The bulk of reported breaches are due to "disclosure in error" (63% of breaches in 2013/14 and 2014/15), with the next highest level of breaches being lost/stolen hardware (19% in 2013/14, 23% in 2014/15).



Departments are required to notify the Information Governance team promptly of any identified breaches with an investigation then being undertaken. The ICO may undertake their own enquiries if they deem the breach to be serious enough. The ICO can issue fines of up to £500,000 for serious breaches of the Data Protection Act. Between November 2010 and September 2014 the ICO had issued a combined total of fines of up to £2.25m to the Local Government sector.

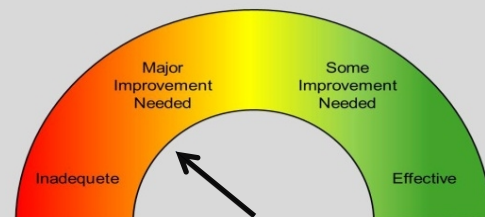
As part of this review we aimed to provide management assurance on:

- The annual completion of e-learning Information Governance training module by staff.
- Staff awareness of information security policies made available to staff.
- The adequacy of information exchanges in sections of the Council where recent breaches had occurred.
- Recent breaches are promptly reported and investigated with incident management arrangements operating to established corporate procedures and in accordance with best practice.
- Recommendations arising from incident management investigations are agreed and promptly implemented.
- There are effective arrangements in place so the Local Authority (LA) can be assured that they are compliant with the requirements of the Data Protection Act when requiring external parties to process data on the Council's behalf (3<sup>rd</sup> party processors).
- 3<sup>rd</sup> Party processors are appropriately trained in data handling prior to being provided with data belonging to the Council.
- Information provided to 3<sup>rd</sup> party processors is communicated using adequately secure methods.
- Signed formal agreements clearly communicate to 3<sup>rd</sup> party processors the expectations surrounding control of data, its ultimate destruction or return and what actions to take where a breach of data protection is thought to have occurred.

## Executive Summary

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### Assurance Opinion - Major Improvement Needed



The Council is not effectively managing the risks around several key areas of information governance, including Information governance training for Council staff and control of 3<sup>rd</sup> party data processors

We have also identified some issues around the incident management arrangements for responding to information breaches.

These weaknesses may result in:

- Higher number of information breaches occurring.
- Potential fines and/or enforcement action imposed by the Information

Commissioner's Office (ICO).

- Failure to learn from previous information breaches experienced within the Council, with no guarantee that remedial measures suggested by the Information Governance (IG) team have been implemented.

Dedicated e-learning modules for Information Governance are provided by the Council and all staff should annually complete this IG training. The number of staff completing annual IG training must be significantly increased to the levels that both the Council and ICO expect. The lack of IG training within the Council can not only contribute to data security breaches but could also hinder the identification of breaches when they do occur. Elements of the IG training also require review to increase emphasis on identifying and reporting suspected information breaches.

Incident management arrangements require improvement. There needs to be a robust and consistent approach to dealing with reported information breaches and their onward reporting to the ICO. Following a breach remedial actions need to be agreed with the responsible department, communicated to relevant parties and tracked to ensure that they have been implemented. There is a risk that breaches may be repeated if lessons are not learnt and remedial measures implemented.

As part of the review we attempted to identify where and when LCC provides information to 3<sup>rd</sup> parties to process on its behalf. This proved impossible, an issue in itself, but we did find a number of instances which were not supported by a formal contract setting out what the 3<sup>rd</sup> party could or could not do with LCC data. The Council needs to undertake a data audit to establish what data is held and where it is shared with, or processed by, 3<sup>rd</sup> parties. Contracts formalising information sharing then need to be put in place where they are absent.

### **Direction of Travel**

The Information Governance team has been established to improve information governance arrangements in the Council. They have established an IG framework and initiated a review of the incident management process prior to the start of the audit. During the course of the audit they started to introduce improvements in their processes in response to audit enquiries and findings.

New systems are being introduced in April 2015 which will help ensure that the mandatory IG training is monitored, so that staff not completing the courses can be identified and pursued.

These new arrangements are establishing a basis for Information Governance to improve within the Council.

### **IG Training**

Dedicated e-learning modules for Information Governance are provided by the Council and all staff should annually complete this IG training. Management must

ensure that all staff are adequately trained to meet Data Protection requirements. We calculated that 66% of new starters in 2013-14 had completed the training by July 2014. The ICO have asked direct questions about the rate of completion of IG training, and there is the possibility that this may yet have adverse consequences for the Council. Improvements are likely to be experienced as a new Enterprise Resource Planning (ERP) system is being introduced for April 2015 that will enable improved reporting on who has and who hasn't completed the IG training.

The current failure to ensure staff are trained to adhere to the requirements of the Data Protection is a key concern and may contribute to potential information breaches.

The content of the IG training course should be enhanced with renewed emphasis on the exchange of information with 3<sup>rd</sup> parties and identifying and reporting breaches. Additionally, a distilled refresher course for staff that have previously completed the full IG training package would reduce the time to complete further training and help improve completion rates.

### **Information Breaches**

We examined a range of breaches that occurred within both Adults and Children's directorates since April 2013, and in within the Adult Services brokerage team, at the specific request of the Director of Adult Services.

The brokerage team regularly upload electronic files into secure areas that care providers can access. There have been a number of instances where information has been uploaded to the wrong provider. We examined 3 breaches that occurred within the brokerage team. The breach in these instances is mitigated as the data is only disclosed to organisations that have entered into a contractual arrangement with the Council, which details data security expectations. Whilst we consider the types of breaches experienced within brokerage to represent a low risk, the repeated occurrences are a concern. The Information Governance team have met with the managers of the brokerage function and have developed an action plan to address recent breaches, including the adoption of a preferred method of uploading data. The action plan is comprehensive in tackling the issues within brokerage and we do not think any further specific action is required.

Although there are a relatively high number of breaches within brokerage when compared to other sections, brokerage is effective in identifying and reporting breaches. The vast majority of the brokerage team had completed the IG training module (92%), a level of completion that greatly exceeds the average for the Council.

Other breaches we examined involved:

- Emails sent to the wrong recipient (x 2) – a difficult type of breach to prevent and a type that may not be appreciated as a breach if the IG training is not completed.
- Email with unapproved attachment (x1).
- Stolen Laptops (x2) – one stolen from car along with papers and one taken from home address.

- Lost Laptop (1) – Laptop believed to have been handed back when a project ended in 2009 – IT unable to locate and so reported as potential breach. We understand that there may be more of these types of breaches reported as the support services contract moves to Serco and attempts made to reconcile inventories.

### **3<sup>rd</sup> Party Processing**

The extent of 3<sup>rd</sup> party processor arrangements across the Council is not known, particularly where the arrangements are less formal and not subject to a contract that would specify data protection requirements.

Following a breach involving a 3<sup>rd</sup> party processor, we attempted to identify 3<sup>rd</sup> party processing arrangements within the Council but this proved impossible, not least due to the general lack of understanding on these types of arrangements. We did identify some 3<sup>rd</sup> party processing arrangements – some of which related to independent chairs of safeguarding boards and foster and adoption panels.

Whilst in the main, the exchange of information between the Council and these parties had been considered and appropriate measures put in place, we did not find any formal agreement or contract, as required by the Data Protection Act (DPA), to communicate the standards expected of the 3<sup>rd</sup> party when handling LCC data nor any process for ensuring proper security measures. Under such arrangements the legal responsibility for compliance with the DPA remains with the Council, and therefore the Council will be liable should any breach occur.

The Council needs to undertake a data audit to identify what data is held where, and with whom data is shared or provided to for processing on the Council's behalf. Information sharing agreements and contracts between Council and data processor must be put in place where these are then found to be absent.

### **Incident Management**

Information breaches are reported to the Information Governance team who record and respond to the incident. A number of improvements could be made to the incident management process that would further help align it to best practice as established by the HSCIC (Health and Social Care Information Centre) and the ICO.

The decision to notify the ICO of significant breaches can be subjective. We observed one instance where different positions were taken by Legal and the Senior Information Risk Owner (SIRO). This decision process could be helped by using a similar method to that identified within the HSCIC Checklist Guidance document. We also observed there to be a lack of evidence that Caldicott Guardians had been notified of breaches, as required by the incident management procedures.

Evidence relating to the investigation should be held in a central repository and appropriately referenced, particularly as one of the consequences of a data breach may be disciplinary action for the responsible individual.

We also feel that certain key stages of the investigation should be documented and communicated, such as:

- Assessing and communicating whether the measures put in place by the department responsible for the breach to contain and recover lost data is appropriate. This provides an assurance to the reporting department that their actions are appropriate
- Production of a final report to relevant officers detailing the investigation findings and remedial actions. This provides the reporting department with notification that the investigation has been finalising, whilst also communicating to key officers the causes of the breach and the action to be taken to prevent further occurrence.

## Management Response

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Good information governance requires a multi-disciplined approach across every aspect of the Council involved in handling, processing, and sharing information. This governance must also extend to the third parties who process information on our behalf and to an extent those we share data with. The scope of information governance therefore is extensive.

Central to good governance is a robust framework which supports and acknowledges the relevant legal and compliance requirements the Council must abide by and there has already been much improvement recently in many areas of information governance. Work continues to ensure this momentum is maintained and this is evidenced by the fact the majority of recommendations made within the report had already been acknowledged as areas requiring improvement. This report therefore supports some of this work.

It is important to acknowledge however that ensuring an information governance framework is in place is only part of the challenge as good governance also requires organisational buy in, engagement by staff, and recognition that information is an important asset within the Council. This requires cultural change on a wider scale.

Major improvement therefore requires effort from all areas of the Council responsible for handling and processing information and must be supported by a relevant, accurate and consistent information governance framework.

Responses have been given to the recommendations within the report, although we feel that they thematically fall into 3 subject areas; training; security incident reporting; and 3rd party processing/sharing. Our responses can be then summarised as follows:

**Training Comments:** Annual training is an integral part of raising awareness and increasing staff knowledge across every aspect of information governance, particularly when handling personal data.

The annual delivery of information governance training is required to meet both legislative and external compliance requirements across a multi-disciplined subject matter. It must also consider the already high demands on staff.

Informal feedback from staff has indicated that the current training package is complex in its approach, excessive in length and sometimes lacks clarity.

Furthermore the accuracy of the current reporting mechanism is undermined by inaccurate people data.

It is clear that improvement is necessary.

**Security Incident Reporting Comments:** Encouraging timely security incident reporting supports an open and transparent approach to dealing with data breaches; allows the Council to better understand areas of weakness (training, policy, technical solutions); and assists in managing breaches more efficiently thereby reducing the impact of any such breach.

The current security incident reporting process has already been much improved and efforts continue to further develop it. It draws on several sources of good practice and is designed to best fit the Council's needs.

Further improvement will be made.

**Third party Information Processing and Sharing Comments:** The scale and complexity of 3<sup>rd</sup> party information processing and 3<sup>rd</sup> party information sharing makes this a particularly challenging area to apply appropriate governance. This is reflected in the challenges faced by the Auditor when identifying 3<sup>rd</sup> party arrangements currently in place.

The information governance team face similar challenges when supporting colleagues across the Council and it is often a lack of clarity and an absence of a single corporate approach that adds to the complexity of the process - this can, and does, undermine governance controls put in place by the information governance team.

It is opined therefore that low level simplistic process change will have limited impact. The corrective action plan needs to consider changes on an organisational level.

The core requirement of this element of the corrective action plan is to understand where our data resides and who is responsible for it; only then can we begin to map data flows and apply good governance.

**Timelines:** There is a high probability that time lines stated within the response below will be impacted by the current transition work involving support services (and after effect). Similarly a reliance on colleagues from other Director Areas who will be subject to their own demands and priorities will also need to be considered.

Management Actions	No	All to be completed by:
High Priority	6	June 2015
Medium Priority	7	December 2015

## Appendix 3 – Internal Audit Plan 2014/15

Area	Indicative Scope	Planned Days	Planned Start Date	Actual Start Date	Final Report Issued	Status/Assurance Level Given
<b>Critical Service Areas:</b>						
- 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)						
<b>Executive Director – Pete Moore</b>						
<b>Corporate property</b>						
Property Management	Review the effectiveness and delivery of the Property Strategy and utilisation of its property assets.		Dec 2014			Client Brief issued
Capital Contracts	Review of award and management of contracts		Oct 2014	Jan 2015		Draft Report
<b>Fire and Rescue</b>						
Trading Company	Assurance over the governance, risk and control environment arrangements set up for the Company.		Dec 2014	Jan 2015		Draft Report
<b>Sub Total</b>		<b>50</b>				
<b>Executive Director – Richard Wills</b>						
<b>Environment &amp; Planning</b>						
Carbon Reduction Commitment	Review of the arrangements in place to comply with the Environment Agency's requirements under the CRC, including sign off of the LCC Evidence Pack.		July 2014	July 2014	October 2014	Final Report – Effective



Area	Indicative Scope	Planned Days	Planned Start Date	Actual Start Date	Final Report Issued	Status/Assurance Level Given
Joint Policy working / Joint Local Plan	<p>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).</p> <p>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.</p>		June 2014	June 2014		Highlight report issued and Draft Report
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.		Dec 2014			Cancelled – Joint Waste Management Strategy will not be in place until Q3 2015/16
<b>Highways &amp; Transport</b>						
Social Care Transport	To provide assurance that effective arrangements are in place for the operational management of transport services – including Safeguarding arrangements.		May 2014	May 2014	August 2014	Final Report Some Improvement Required

Area	Indicative Scope	Planned Days	Planned Start Date	Actual Start Date	Final Report Issued	Status/Assurance Level Given
<b>Economic Development</b>						
Adult Learning	Review of the financial arrangement in to confirm adequate financial control and sustainability		Oct 2014			Postponed c/fwd to 2015/16
<b>Sub Total</b>		<b>70</b>				
<b>Director of Children Services – Debbie Barnes</b>						
<b>Commissioning</b>						
Joint Commissioning Board	Review of Joint Commissioning Governance and decision making processes. (Co-ordinate audit with Director of Adult Services & Director of Public Health )		July 2014	Feb 2015		Fieldwork Ongoing
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.		May 2014	May 2014	August 2014	Final Report Some Improvement Required
<b>Regulated Services</b>						
Children's Adolescent Mental Health Services	To provide assurance around the commissioning of Children's Adolescent Mental Health Service. LCC are lead		August 2014	Sept 2014		Draft Report

Area	Indicative Scope	Planned Days	Planned Start Date	Actual Start Date	Final Report Issued	Status/Assurance Level Given
	commissioner for funds allocated by NHS England.					
<b>School Administration Services</b>						
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.		June 2014	July 2014	Feb 2015	Final Report – Effective
<b>Performance Assurance</b>						
CfBT contract	Audit of the financial arrangements covering the four funding streams – open book accounting approach		November 2014	Mar 2015		Replaced with review of school improvement process – Special Schools
Educational Performance – Moderation	To review the moderation arrangements of pupil attainment across all Key Stages, including Early Years and pupils with special educational needs.		November 2014			Director requested cancellation
Safeguarding – Organisational Learning	Assurance over organisational learning following the outcome of serious case reviews. Co-ordinating the audit engagement		August 2014	October 2014		Fieldwork in progress

Area	Indicative Scope	Planned Days	Planned Start Date	Actual Start Date	Final Report Issued	Status/Assurance Level Given
	through the Lincolnshire Children Safeguarding Board.					
<b>Human Resources</b>						
People Management	Review the effectiveness, quality 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"> <li>• Resource &amp; Talent Management</li> <li>• Capability and Disciplinary</li> <li>• Managing Employee Performance &amp; Development</li> </ul>		Oct 2014	January 2015		Scope changed at request of director – audit to cover application of the Sickness Management Policy.  Deferred to 2015/16 due to current staff commitments on FDSS / Agresso projects.
Sub Total		150				
Schools	Periodic audits of maintained schools.	150	April 2014	April 2014		26 schools completed
<b>Sub Total</b>		<b>300</b>				
<b>Director of Adult Services – Glen Garrod</b>						
Safeguarding	To provide assurance around the Governance and decision making arrangements of the new mandatory Safeguarding Board. The audit will also review and		July 2014	Aug 2014		Draft Report

Area	Indicative Scope	Planned Days	Planned Start Date	Actual Start Date	Final Report Issued	Status/Assurance Level Given
	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 )		July 2014	Feb 2015		Fieldwork Ongoing
Information Governance	A review to assess the controls in place for preventing Data Security Breaches.		July 2014	July 2014	Mar 2015	Final Report – Major Improvement Required
Workforce Development	A review of training planning and delivery arrangements.					Director requested cancellation, reported to Committee in January 2015
Reablement Service	Review to gain assurance around the new arrangements.		October 2014			Director requested cancellation, reported to Committee in Jan 15
Contract Management - Mental Health & Learning Disabilities	Assurance around the contract governance, monitoring and reporting procedures.		October 2014	Nov 2014	Mar 2015	Final Report – Some Improvement Required

Area	Indicative Scope	Planned Days	Planned Start Date	Actual Start Date	Final Report Issued	Status/Assurance Level Given
<b>Sub Total</b>		<b>100</b>				
<b>Director of Public Health – Tony Hill</b>						
Joint Commissioning Board	Review of Joint Commissioning Governance and decision making processes. (Co-ordinate audit with Director of Adult Services & Director of Children Services )		July 2014	Feb 2015		Fieldwork Ongoing
Sexual Health Services	Review of the Governance and decision making arrangements for commissioning mandated Sexual Health Services.		December 2014	December 2014		Draft Report
Health Protection	A review of the Assurance Framework for protecting the Health of the Local Population, including screening, infection control and immunisation.		July 2014	Aug 2014	Jan 2015	Final Report – Some Improvement Required
Lincolnshire Community Assistance Scheme	To provide assurance around the application, payment, monitoring and reporting procedures and controls for this new scheme.		June 2014	Sept 14	Jan 2015	Final Report – Some Improvement Required
Substance Misuse	Review of the Governance and decision making arrangements		May 2014	June 2014	September 2014	Final Report – Major Improvement Required

Area	Indicative Scope	Planned Days	Planned Start Date	Actual Start Date	Final Report Issued	Status/Assurance Level Given
	for commissioning services.					
Wellbeing Service	Review of the Governance and decision making arrangements for the implementation of the Wellbeing Service.		November 2014	Mar 2015		Fieldwork in Progress
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.		Jan 2015			
Review of Coroner's Officers	To provide assurance in the following areas: <ul style="list-style-type: none"> <li>• the structure is fit for purpose</li> <li>• demand and case management</li> <li>• IT use</li> <li>• agile working</li> <li>• leadership, governance and cultural</li> <li>• local working practice</li> </ul>		Feb 2015			New – Management Request  Awaiting outcome of peer review to finalise scope and avoid duplication. Audit to now start April 2015
<b>Sub Total</b>		<b>100</b>				

Area	Indicative Scope	Planned Days	Planned Start Date	Actual Start Date	Final Report Issued	Status/Assurance Level Given
<b>Corporate Functions - Due Diligence</b>						
- Those systems that support the running of the Council and ensure compliance with key policies						
<b>Executive Director – Pete Moore</b>						
<b>Finance</b>						
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	May 2014	May 2014		Ongoing throughout 2014/15 – testing almost complete – assurance so far – effective
Mouchel Contract	Assurance over handover arrangements and delivery to the end of the contract.		Sept 2014	December 2014		SAP licences – Draft Report
Pensions Fund / Administration	Provide assurances over the arrangements to transfer responsibilities to new provider (9 month process from June 2014)		Oct 2014	Mar 2014		Fieldwork Ongoing
Budget Management	On cyclical plan for 2014/15 – although high confidence in this area – analytical review plus deeper dive into service area budgets		July 2014	Dec 2014		Draft Report
<b>Procurement Lincolnshire</b>						
Contract Management	Review the effectiveness of contract management model enterprise wide.		Through 2014/15			Ongoing



Area	Indicative Scope	Planned Days	Planned Start Date	Actual Start Date	Final Report Issued	Status/Assurance Level Given
EU procurement changes	Review of the procurement regulations to ensure that the necessary changes have been implemented.	15	Nov 2014			Deferred to 2015/16 due to availability of staff within service area (ongoing projects)
<b>Other</b>						
Corporate Governance	To review the effectiveness of the Council's governance arrangements, including compliance with new standards regime		Through 2014/15			Ongoing
Member Support	Review the arrangements for member support in view of the risks identified from the changing political make-up of the council	20	Sept 2014			Fieldwork ongoing – reviewing 3 <sup>rd</sup> party assurance (peer review)
Information governance / records management	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	Dec 2014	Dec 2014		Draft Report
Emergency Planning and Business Continuity	Review the Council's arrangements and resilience to respond and recover to a major event / incident.	15				Moved to 2015/16 Audit Plan
<b>Sub Total</b>		<b>215</b>				

Area	Indicative Scope	Planned Days	Planned Start Date	Actual Start Date	Final Report Issued	Status/Assurance Level Given
<b>ICT</b>						
ICT Infrastructure and service delivery	Work is underway to finalise ICT assurance map and status report – this will inform the choice of audits in this section of the plan.  Scheduling of individual ICT audits will be agreed when the assurance map is finalised.		Sept 2014			Assurance Map and Status Report finalised.  ICT audits postponed to July 2015.
IT Application	Social Care Case Management System		Sept 2014			Fieldwork in progress
<b>Sub Total</b>		<b>130</b>				
<b>Key Projects</b>						
<b>Executive Director – Pete Moore</b>						
New Finance System	Support and advise the Implementation Group on the key workstreams re. transfer to the Finance System		April 2014	April 2014		In progress – periodic reporting to S151 Officer and project Board
Broadband in Lincolnshire	To provide assurance on delivery and compliance with the grant conditions.		Feb 2015	Mar 2015	Mar 2015	Fieldwork in Progress
Corporate landlord	To provide a consultative and supportive role for the 'corporate landlord' project as it progresses along its implementation plan during 2014/15		Dec 2014	Dec 2014	Jan 2015	Final Report – Major Improvement Required
		205				

Area	Indicative Scope	Planned Days	Planned Start Date	Actual Start Date	Final Report Issued	Status/Assurance Level Given
<b>Executive Director – Richard Wills</b>						
Library needs assessment	Review to confirm that proposals for the future of the Library Service will deliver reported savings.	15		July 2014	Jan 2015	Review of organisational learning re Libraries Judicial Review – Final Report
<b>Director of Children Services – Debbie Barnes</b>						
New HR System	Support and advise the Implementation Group on key HR workstreams		April 2014	April 2014		Ongoing alongside work on New Finance System
Families Working Together	To review and audit claims for Troubled Families Grant. Days allocated on the basis of a quarterly claim.	35	Quarterly claim			Quarters 1 to 4 complete
Raising the Participation Age (project) / Tracking the Status of 16 – 18 year olds in education, employment or training (critical activity)	From September 2013, all 17 year olds had a duty to participate in education, employment or training. This extends to 18 year olds from September 2014.  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,		November 2014	Feb 2015		Draft Report

Area	Indicative Scope	Planned Days	Planned Start Date	Actual Start Date	Final Report Issued	Status/Assurance Level Given
	including data sharing arrangements with Educational Institutions.	20				
<b>Director of Adult Services – Glen Garrod</b>						
Transformation Programme	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.  To provide proactive advice and support on governance, managing key risks and effective internal control.	30	July 2014	July 2014		On-going work throughout the year
<b>Sub Total</b>		<b>305</b>				
<b>Emerging Risk &amp; Contingency</b>						
Emerging risk – delivery of transformation	Assurance arrangements around commissioning (in line with the commissioning strategies & the fundamental budget reviews).					
Emerging risk contingency	To audit any significant emerging risks arising in the year – <ul style="list-style-type: none"> <li>Responding to legislation eg</li> </ul>					

Area	Indicative Scope	Planned Days	Planned Start Date	Actual Start Date	Final Report Issued	Status/Assurance Level Given
	Care Bill / Dilnot					
<b>Sub Total</b>		<b>115</b>				
<b>Other Relevant Areas</b>						
Combined Assurance	Co-ordinating and updating assurances on the Council's assurance map with service managers. Co-ordinating the annual status report.	Sept 2014	Sept 2014	Sept 2014	January 2015	Combined Assurance work complete – all status reports produced
<b>Sub Total</b>		<b>50</b>				
<b>Non-Audit</b>						
Advice & Liaison		44				
Annual Report		1				
Audit Committee		20				
<b>Sub Total</b>		<b>65</b>				
<b>Grand Total 2014/15</b>		<b>1500</b>				

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