

# Internal Audit

## Progress Report



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# Lincolnshire County Council November 2018

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CIPFA Publication – Audit Committees – A Practical Guide for  
Local Authorities and Police (2018 Edition)

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Assurance Definitions  
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The matters raised in this report are only those that came to our attention during the course of our work – there may be weaknesses in governance, risk management and the system of internal control that we are not aware of because they did not form part of our work programme, were excluded from the scope of individual audit engagements or were not brought to our attention. The opinion is based solely the work undertaken as part of the agreed internal audit plan.

# Introduction

The purpose of this report is to:

- Provide details of the audit work during the period 11<sup>th</sup> September 2018 to 5<sup>th</sup> November 2018
- Advise on progress with the 2018/19 plan
- Raise any other matters that may be relevant to the Audit Committee role

## Key Messages

During the period we have completed:

- 8 audits to final assurance reports

## Assurances

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

High Assurance:

- Cash management – Heritage Services
- Cash management – Eastgate Children’s Home
- Supplier Reliability

Substantial Assurance:

- Domestic Homicide Review
- Cash management – Business Support
- Cash management – Music Services
- Cash management – Registration Services
- Payroll Interim

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.



# High Assurance

## Cash Management – Eastgate Children’s Home

The cash handling arrangements were found to be robust with several areas of good practice. The imprest was held securely with good handover procedures, adequate supporting documentation, sufficient segregation of duties between the imprest holder and operator and accurate of coding of purchases made through petty cash.

## Cash Management – Heritage Services

Income and cash handling arrangements were found to be robust with several areas of good practice. Income received was held securely, banked regularly, had adequate supporting documentation and was accurately coded. The imprest was held securely, submitted regularly, purchases were coded correctly and there was adequate segregation of control between imprest and operator

## Supplier Reliability

The audit looked to provide independent assurance that following the collapse of Carillion procedures had been appropriately carried out on the re-tender to Galliford Try and that Best Value had been secured. We also reviewed that due diligence checks were completed before awarding the original contract to Carillion and the extent that any lessons learnt from this situation have been shared with current or future projects to mitigate the impact of a similar situation occurring.

We found that appropriate due diligence financial checks were completed for all tenders in November 2015 for the original contract and that LCC have strong due diligence and contract management controls. We found that all options in the re-tender process were examined and assessed to mitigate the cost impact from the failure of Carillion. The best value decision was made following the appraisal of the options available. Senior Management and Members were kept informed of progression. Consultation was sought with Legal and Procurement and decisions were signed off by the right people at appropriate stages in the plan. The lessons learnt project is still in progress and a report still needs to be produced.

# Substantial Assurance

## Cash Management – Music Service

Strong processes were in place for income collected. Adequate supporting documentation was held for income transactions and income was held securely.

There was no formalized charging policy in place to show how the music rates were set. This would increase transparency in the charging process. There were some occasions where cash held was in excess of the £300 insurance limit and therefore banking's should either be performed more regular or cash held in a safe.

## Cash Management – Business Support

Good cash handling processes and controls were in place but there were some weaknesses in control that were found, The handover procedures of petty cash imprest accounts could be strengthened, The accuracy of coding on BWON could be improved. The imprest payment limit of £150 was sometimes exceeded and staff need to be reminded of the limit.

## Cash Management – Registration Services

Robust cash handling and imprest processes and controls are in place but improvements could be made with the handover procedures of imprest accounts and cash received should be checked to ensure that it does not exceed the insurance limit of £300.

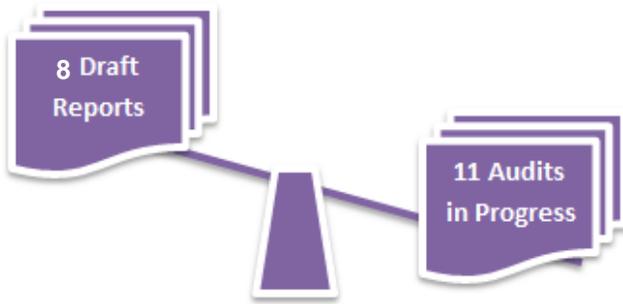
## Domestic Homicide Review

The audit reviewed whether processes for Domestic Homicide Reviews meet legislative requirements, reflect best practice and that reviews have been satisfactorily followed up. We also confirmed that LCC owned actions have been implemented or progressed and lessons learnt embedded. We found areas where good practice was in place. Local protocols are in line with the statutory guidance issued by the Home Office and these have been updated on a timely basis to reflect changes in legislation and best practice. DHR's are being completed in line with statutory requirements. There were a small number of areas for improvement, particularly around demonstrating good governance. Decisions made by the DHR panels and the DHR overview reports need to be more clearly evidenced.

# Substantial Assurance

## Payroll Update

The aim of the audit was to gain assurance on progress made in the Payroll control environment. The audit reviewed HR Administration and Payroll processes to confirm that the controls in place are adequate, including the workarounds / detective controls designed to identify and address known issues. We undertook sample testing over transactions to confirm the application and evidencing of controls, and that transactions are bona fide, complete and accurate. This report is discussed as a separate item on the agenda.



## Audits reports at draft

We have 8 audit's at draft report stage:

- Cyber security
- Schools admission software
- Strategic workforce planning
- SEND home tuition
- Capital strategy and capital receipts
- Direct payments proportionate auditing
- Programme and project management
- Members allowances

These will be reported to the committee in detail once finalised.

## Work in Progress

We also have 11 2018/19 audits in progress :

- Highways 2020 Project
- Tax compliance
- Good governance review
- Emergency planning command structure
- Heritage service design
- Records management
- Apprenticeships
- Children's statutory complaints
- Patch management
- Assurance assessment re NCC
- Gifts and hospitality

Details of these can be seen in the 2018/19 plan at appendix 2

Audits planned for quarter 4 include:

- Workforce performance and rewards
- Domestic abuse support service
- Health and safety
- Counter fraud arrangements
- VAT follow up
- Pension fund asset pooling
- LFR fleet management



## Other Significant work

Other key work undertaken during the period includes:

### Corporate Support Services Contract

The Contract with Serco for Corporate Support Services expires 31<sup>st</sup> March 2020. A Programme of work has been set up to manage this process through individual project streams.

Corporate Management Board asked Internal Audit to provide independent support, advice and assurance over the Programme which has continued during the period. On 2<sup>nd</sup> October Council chose the option to extend the contract with Serco after 31<sup>st</sup> March 2020. As such this audit work has now concluded.

### Highways 2020

We have been providing support to the Highways 2020 project which is in the process of re-procuring for the Highways contracts. During the period we completed a review of Governance and Project Management arrangements. We found these to be robust and effective. We issued a highlight report to management but no recommendations for improvements were necessary.





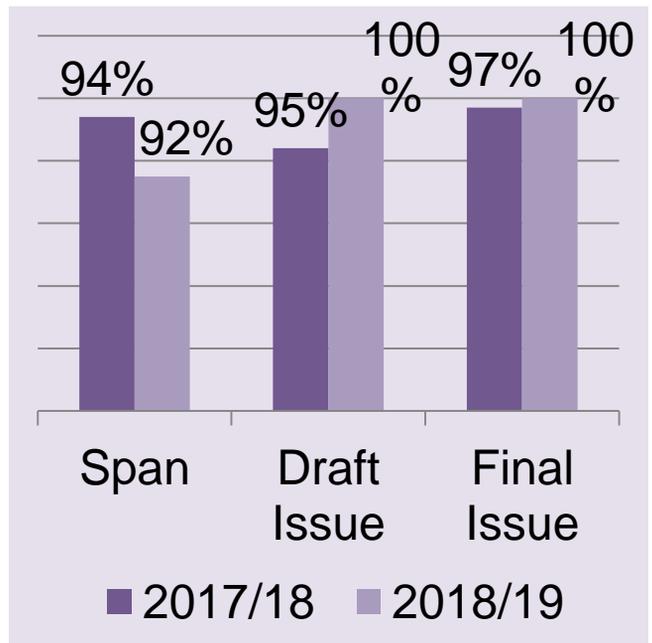
Internal Audit's performance is measured against a range of indicators. The statistics below show our performance on key indicators year to date.

## Performance on Key Indicators

# 100%

Rated our service Good to Excellent

# High achievement of Audit KPI's to date





# Other Matters of Interest

A summary of matters that will be of particular interest to Audit Committee Members

## **CIPFA Position Statement on Audit Committees in Local Authorities and Police 2018.**

CIPFA has published an updated Position Statement setting out the principles that it recommends for audit committees in the local government sector. The statement covers the role and purpose of the committee, its key areas of focus and the membership of the committee.

Key changes to the CIPFA guidance:

The key changes include:

- emphasis on establishing an effective structure (applicable to local authorities only)
- new guidance on the audit committee role in relation to external audit
- audit committee role in collaborative arrangements
- accountability and annual reports
- new self-assessment of good practice.

**High**

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. Controls have been evaluated as adequate, appropriate and are operating effectively.

**Substantial**

Our critical review or assessment on the activity gives us a substantial level of confidence (assurance) 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 have been evaluated as adequate, appropriate and operating sufficiently so that the risk of the activity not achieving its objectives is medium to low.

**Limited**

Our critical review or assessment on the activity gives us a  
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.

**Low**

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.

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.

Audit	Scope of Work	Start Planned date	Start Actual date	End Actual date	Status/ Rating
LCC 2018/19-01 - Highways 2020 Procurement Programme	This consultancy assignment will offer support and advice on the programme throughout its journey of re-procurement and contract start in April 2020	15/11/2017	01/04/2018		Consultancy support in process
LCC 2018/19-02 - Heritage (Phase 2)	Our review will provide the Heritage Service with support and advice during the project to help ensure it is appropriately managed, and that the process is on track to deliver its outcomes. This project needs to identify and present the best options available for the Council to agree, and the future of the Heritage Service depends upon the successful implementation of this agreed method. It is therefore essential that the project has captured and presented the information accurately to allow for a decision to be made from the available options.	15/09/2017	01/03/2018	01/05/2018	Phase complete
LCC 2018/19-03 - Domestic Homicide Review	The audit aims to provide assurance to management that processes for Domestic Homicide Reviews meet legislative requirements and reflect best practice. In addition the audit seeks to provide assurance that reviews have been satisfactorily followed up, with LCC owned actions having been implemented or progressed and lessons learnt embedded.	15/05/2018	21/05/2018	25/10/18	Substantial Assurance (Complete)
LCC 2018/19-04 - Workforce performance and reward	Assurance that there is a consistent and fair approach planned for linking employee increments to performance from 2018/19	01/11/2017			Delayed to Q4 by Director
LCC 2018/19-05 - Interests, Gifts and Hospitality Registers	To provide assurance over the management and application of Interests, Gifts and Hospitality policy and registers	11/10/2018	11/10/2018		Fieldwork stage
LCC 2018/19-06 - Corporate Support Services Commissioning	To provide ongoing insight and advice around project management, governance, risk and control.	01/03/2018	01/03/2018	30/9/18	Consultancy support complete

Audit	Scope of Work	Start Planned date	Start Actual date	End Actual date	Status/ Rating
LCC 2018/19-07 - Recommissioning of Domestic Abuse Support Service	To provide assurance around the commissioning and contract management of domestic abuse service for standard & medium risk victims and IDVA, including the approach to services for DA perpetrators	23/04/2019			Delayed to Q4 by Director
LCC 2018/19-08 - Strategic Workforce Planning	To provide independent assurance that appropriate senior management succession planning is in place at LCC.	01/05/2018	30/05/2018		Limited Assurance (Draft)
LCC 2018/19-09 - Corporate Complaints, Compliments and Comments	Our review will aim to provide assurance that the complaints, compliments and comments process is fit for purpose and is meeting it's targets in resolving customer complaints at the earliest opportunity.	05/04/2018	05/04/2018	05/07/2018	Substantial Assurance Complete
LCC 2018/19-10 - Records Management	Records Management processes are in place and consistently applied so as to ensure compliance with the General Data Protection Regulation.	01/10/2018			Fieldwork stage
LCC 2018/19-11 - Cash Management in Registration Service	To gain assurance that management arrangements for income and imprest at Council Establishments ensure risk of loss or misappropriation is adequately controlled.	12/04/2018	05/07/2018		Substantial Assurance Complete
LCC 2018/19-12 - Transport Connect Assurance Review	Assurance over the governance arrangements of this Teckal company owned by LCC to help inform the annual governance statement	03/04/2018	03/04/2018	21/08/2018	Complete
LCC 2018/19-13 - Operation Dovetail (counter terrorism)	Support and advice on the upcoming transfer of PREVENT activities from the Police to the Local Authority	13/03/2018	27/09/2018	27/09/2018	Removed – transfer cancelled
LCC 2018/19-14 - School Admissions Software	Confirmation that the risks regarding implementation of the new admissions software have been managed to minimise the disruptions to schools.	01/08/2018	01/08/2018		High Assurance (Draft)
LCC 2018/19-15 - Mosaic - Adult Care and Community Wellbeing	Review the effectiveness of Mosaic across Adults in meeting business needs.	01/05/2018	02/05/2018	28/05/2018	Complete Substantial Assurance

Audit	Scope of Work	Start Planned date	Start Actual date	End Actual date	Status/ Rating
LCC 2018/19-16 - Good Governance Review - Ethics	Assurance that governance arrangements are working effectively to manage Ethics, Partnerships and Transparency. To be conducted from a member perspective.	01/04/2018	01/04/2018		Fieldwork in progress
LCC 2018/19-17 - Health & Safety	Assurance that the Council's arrangements to manage Health and Safety are adequate and effective.	01/10/2018			Planned Q4
LCC 2018/19-18 - Counter fraud arrangements	Assurance that the Council's arrangements to Counter Fraud are adequate and effective.	01/10/2018			Planned Q4
LCC 2018/19-19 - Cyber Security	Assurance over the Council's arrangements for mitigating the latest cyber security threats. Internal Audit shall identify the latest cyber security threats and determine whether the arrangements to protect against them and recover from them are appropriate and adequate.	10/01/2018	10/01/2018		Substantial Assurance (Draft)
LCC 2018/19-20 - Mosaic Application Review	The review will focus on system security, particularly in the following areas: System security (access controls) Performance (accuracy and timeliness) Operating procedures Back-up and recovery Change control	12/03/2018	12/03/2018	13/9/18	Substantial Assurance Complete
LCC 2018/19-21 - Emergency Planning Command Structure	To provide assurance around the plans being put in place to address command resource and support availability for major EP events.	25/06/2018	03/09/2018		Fieldwork in progress
LCC 2018/19-22 - Programme / Project Management Support	Assurance that the programme / project support function is effective in supporting management on key programmes and projects	03/07/2018	11/07/2018		Substantial Assurance (Draft)
LCC 2018/19-23 - Members Allowances Scheme	Assurance that a robust policy is in place, applied and payments to members are timely, appropriate and accurate.	26/06/2018	10/09/2018		Substantial assurance (Draft)

Audit	Scope of Work	Start Planned date	Start Actual date	End Actual date	Status/ Rating
LCC 2018/19-24 - Heritage Service Operating Model Change Programme	To provide the Heritage Service with support and advice during the project to help ensure it is appropriately managed, and that the process is on track to deliver its outcomes.	02/07/2018	05/07/2018		On hold until Q1
LCC 2018/19-26 - Cash Management in establishments - Business Support	To gain assurance that management arrangements for income and imprest at Council Establishments ensure risk of loss or misappropriation is adequately controlled.	01/07/2018	10/08/2018	10/2018	Substantial Assurance Complete
LCC 2018/19-27 - Cash Management in Establishments - Heritage sites	To gain assurance that management arrangements for income and imprest at Council Establishments ensure risk of loss or misappropriation is adequately controlled.	01/07/2018	05/07/2018	10/2018	High Assurance Complete
LCC 2018/19-28 - Cash Management in establishments - Eastgate Children's Home	To gain assurance that management arrangements for income and imprest at Council Establishments ensure risk of loss or misappropriation is adequately controlled.	01/07/2018	05/07/2018	10/2018	High Assurance Complete
LCC 2018/19-29 - Cash Management in Establishments - Music Service	To gain assurance that management arrangements for income and imprest at Council Establishments ensure risk of loss or misappropriation is adequately controlled.	01/07/2018	05/07/2018	10/2018	Substantial Assurance Complete
LCC 2018/19-30 - Local Transport Capital Funding Grant 2017-18	To confirm that the expenditure complies with the conditions of the Grant and the funding received agrees to the Grant determination letter.	12/07/2018	12/07/2018	09/2018	Complete – grant signed
LCC 2018/19-31 - Payroll Interim Audit 2018/19	Assurance that the payroll processes and controls are working effectively	24/07/2018	04/09/2018		Substantial Assurance (Complete)
LCC 2018/19-32 - Children's Service Statutory Complaints	Assurance that robust procedures are in place to manage and monitor statutory complaints and that lessons are shared from these to ensure learning and improvements	01/09/2018	05/09/2018		Fieldwork in progress
LCC 2018/19-33 - Supplier Reliability	Lessons learned review of management of the impact on Lincoln Eastern Bypass when contractor Carillion collapsed.	20/07/2018	20/07/2018		High assurance (Complete)

Audit	Scope of Work	Start Planned date	Start Actual date	End Actual date	Status/ Rating
LCC 2018/19-34 - SEND Home Tuition	Assurance on provision of temporary home tuition to SEND children that require school places with a focus on provider monitoring including safer recruitment processes.	28/08/2018	28/08/2018		Substantial Assurance (Draft)
LCC 2018/19-35 - Families Working Together	Audit sign off as per the requirements of the grant	06/05/2018	06/05/2018	05/09/2018	Complete
LCC 2018/19-36 - PCI – DSS	Assurance that the Council fulfils all PSI DSS statutory requirements	01/08/2018			Planned
LCC 2018/19-37 - Capital Strategy & Receipts	Seeking to gain assurance that ; ·LCC has adequate plans to fulfill emerging legislation relating to capital strategy ·management of capital receipts is transparent and complies with legislation	02/08/2018	02/08/2018		Limited assurance (Draft)
LCC 2018/19-38 - Proportionate auditing for Direct Payments	To review the impact of the implementation of the Direct Payments Proportionate Auditing Guidance on the effectiveness of the Direct Payments auditing process.	02/08/2018	02/08/2018		Limited assurance (Draft)
LCC 2018/19-39 - Tax Compliance	That the council is consistently meeting tax reporting requirements of HMRC, to include Real time information reporting, CIS and employee expenses.	01/08/2018	06/09/2018		Fieldwork in progress
LCC 2018/19-40 - Bus Service Operators Grant 2017-18	Audit to validate all expenditure on the return has been spent on eligible schemes. In preparation for sign off and return to the DfT (grant making body).	22/08/2018	22/08/2018	25/09/2018	Complete – grant signed
LCC 2018/19-41 - Apprenticeships	To provide independent assurance over the extent to which services are effectively able to use the apprenticeship reforms to develop the workforce for both current and future needs and compliance with Government Requirements	15/10/2018	01/11/2018		Fieldwork in progress
LCC 2018/19-42 - VAT follow up	To follow up previous VAT audit in 17/18	06/09/2018			Planned

Audit	Scope of Work	Start Planned date	Start Actual date	End Actual date	Status/ Rating
LCC 2018/19-43 - Pension Fund Asset Pooling	That fund management remains effective and efficient and has successfully implemented the changes necessary for Pension Fund Asset Pooling	10/09/2018			Planned
LCC 2018/19-44 - Assurance assessment re NCC	Review of the report from Northampton County Council and benchmarking against the issues identified in that report	06/07/2018	06/07/2018		On going
LCC 2018/19-45 - LFR Fleet Management	To provide assurance on the adequacy and effectiveness of the fleet management contract for Lincoln Fire and rescue.	18/10/2018			Planned
LCC 2018/19-46 - Patch Management	To provide assurance that IT vulnerabilities are identified and minimised through patch management.	23/10/2018	23/10/2018		Fieldwork stage

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