

County Offices  
Newland  
Lincoln  
LN1 1YL

16 June 2017

**Audit Committee**

A meeting of the Audit Committee will be held on **Monday, 26 June 2017 at 10.00 am in Committee Room One, County Offices, Newland, Lincoln LN1 1YL** for the transaction of the business set out on the attached Agenda.

Yours sincerely



Tony McArdle  
Chief Executive

**Membership of the Audit Committee**  
**(7 Members of the Council + 1 Voting Added Member)**

Councillors Mrs S Rawlins (Chairman), A J Spencer (Vice-Chairman), P E Coupland, A P Maughan, R B Parker, P A Skinner and A N Stokes

**Voting Added Member**

Mr P D Finch, Independent Added Person



**AUDIT COMMITTEE AGENDA  
MONDAY, 26 JUNE 2017**

<b>Item</b>	<b>Title</b>	<b>Pages</b>
<b>1</b>	<b>Apologies for Absence</b>	
<b>2</b>	<b>Declaration of members' Interest</b>	
<b>3</b>	<b>Minutes of the meeting held on 27 March 2017</b>	5 - 12
<b>4</b>	<b>Internal Audit Progress Report</b> <i>(To receive a report from Lucy Pledge, Audit and Risk Manager, which provides details of the audit work undertaken during the period 12 March to 12 June 2017)</i>	13 - 56
<b>5</b>	<b>External Audit: Progress Report and Technical Update</b> <i>(To receive a report from Mike Norman from KPMG, which provides the Committee with an overview on progress of the delivery of their responsibilities as the Council's external auditors)</i>	57 - 66
<b>6</b>	<b>Draft Counter Fraud Work Plan</b> <i>(To receive a report from Dianne Downs, Team Leader – Audit, which provides the Committee with information on the proposed Counter Fraud activities for 2017/18 and draft Counter Fraud work plan)</i>	67 - 86
<b>7</b>	<b>Review of Governance Framework &amp; Development of Annual Governance Statement 2017</b> <i>(To receive a report from Lucy Pledge, Audit and Risk Manager, which provides the Committee with the opportunity to review the contents of the draft Annual Governance Statement)</i>	87 - 122
<b>8</b>	<b>Work Plan</b> <i>(To receive a report from Lucy Pledge, Audit and Risk Manager, which provides the Committee with information on the core assurance activities currently scheduled for the 2017/18 work plan)</i>	123 - 128

Democratic Services Officer Contact Details

Name: **Rachel Wilson**

Direct Dial **01522 552107**

E Mail Address [rachel.wilson@lincolnshire.gov.uk](mailto:rachel.wilson@lincolnshire.gov.uk)

**Please note:** for more information about any of the following please contact the Democratic Services Officer responsible for servicing this meeting

- Business of the meeting
- Any special arrangements
- Copies of reports

Contact details set out above.

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## **AUDIT COMMITTEE 27 MARCH 2017**

### **PRESENT: COUNCILLOR MRS S RAWLINS (CHAIRMAN)**

Councillors Mrs E J Sneath (Vice-Chairman), N I Jackson, S M Tweedale and W S Webb

Councillor R G Davies attended the meeting as an observer

Officers in attendance:-

Rachel Abbott (Audit Team Leader), John Cornett (External Auditor, KPMG), David Forbes (County Finance Officer), Claire Machej (Head of Finance (Corporate)), Mike Norman (External Auditor, KPMG), Lucy Pledge (Audit and Risk Manager), Richard Wills (Executive Director, Environment and Economy) and Rachel Wilson (Democratic Services Officer)

### 55 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Miss F E E Ransome and P Wood.

An apology for absence was also received from Mr P D Finch (Independent Added Person)

### 56 DECLARATION OF MEMBERS' INTERESTS

There were no declarations of interest at this point in the meeting.

### 57 MINUTES OF THE MEETING HELD ON 30 JANUARY 2017

RESOLVED

That the minutes of the meeting held on 30 January 2017 be signed by the Chairman as a correct record.

### 58 INTERNAL AUDIT PROGRESS REPORT

Consideration was given to a report which provided an update on internal audit work undertaken in the period of 12 January 2017 to 12 March 2017. It was reported that Internal Audit had completed 6 final reports in this period, which included 1 school audit, of which they all gained good or substantial assurance. Two pieces of consultancy work had also been completed. Members were also advised that eight audits were at a draft stage, with many more in progress, which were detailed in the

report. It was also noted that a full summary of the Audit Plan had been included at Appendix 2 of the report.

Members were provided with the opportunity to ask questions to the officers present in relation to the information contained within the report and some of the points raised during discussion included the following:

- Concern was expressed that the actual percentage of draft reports issued within two months of fieldwork commencing (44%) was significantly below target (80%). Members were advised that there was not one specific reason for this, but many factors had affected this performance. There had been difficulties in agreeing findings and pulling reports together, some audits had also taken longer than expected. It was acknowledged that there were some areas where Internal Audit could improve planning and scheduling. Going forward, the team would be scheduling expected end dates at the start of each audit.
- It was queried whether there were any staff issues or capacity issues within the team that could be impacting on performance, but members were informed that the team would be fully staffed from May 2017 onwards. The delays had mainly been around some of the discussions and agreeing the findings with management. A root cause analysis had been carried and it was found that there were some things which could be done better, such as getting appointments in diaries earlier for senior management. It was also commented that there was a need for the audit team to be a bit firmer in getting dates finalised to meet with senior managers. It was requested that the Audit Committee support this process and ask for managers to attend the Committee to give assurance directly if managers are unable to commit to a meeting date with Internal Audit.
- It was queried what the current position was in relation to Mosaic, and whether the Committee needed to seek any management assurance. Members were advised that the project was moving into its second phase, and had already gone live, but was not live in terms of the finance modules. It was reported that Agresso would be subject to a major upgrade in the next six months, and it was felt it may be better to wait until the update had been installed before the finance aspect went live.
- It was confirmed that where schools were using Agresso, staff would receive training on the new update, which should provide a range of fixes for some of the things which were not currently working well. Officers had been advised that the new version of Agresso would be more user-friendly.

#### RESOLVED

That the outcomes of the Internal Audit work be noted.

#### 59 DRAFT INTERNAL AUDIT PLAN 2017/18

Consideration was given to a report which presented the draft internal audit plan for 2017/18.

Attention was drawn to a typographical error on page 53 of the report which should have been labelled as Appendix B not Appendix C.

It was reported that this was a risk based audit plan and would allow time for emerging risks throughout the year.

Members were provided with an opportunity to ask questions to the officers present in relation to the information contained within the report and some of the points raised during discussion included the following:

- It was queried whether there were any more sessions with partners planned and members were informed that it was planned to hold an Audit forum in the autumn.
- It was queried whether there was any indication of how HMRC viewed the risk position of the authority. It was noted that a VAT inspection had been carried out in January 2017 and it had been found that there had been errors on the VAT return recorded for two years. The authority had been put on warning if the errors continued penalties may be levied. However, officers were fairly confident that the errors resulting from the use of Agresso had been resolved. There was no indication of a change of risk status from HMRC.
- Members were assured that the Internal Audit team had the capacity to meet its targets.
- Members were advised that officers were working to get some career grade apprenticeships in finance, which would help to develop the authority's work force.

RESOLVED

That the audit plan for 2017/18 be agreed.

## 60     EXTERNAL AUDIT PROGRESS REPORT

Consideration was given to a report from KPMG, the County Council's External Auditors, which provided the Committee with an update on the 2016/17 Audit deliverables.

It was reported that the profile of risks was very similar to the previous year, and as part of the planning discussions it was believed that the level of risk would be mitigated.

Members were guided through the highlights of the report and provided with the opportunity to ask questions to the officers present in relation to the information contained within the report and some of the points raised during discussion included the following:

- It was commented that it was interesting that the CIPFA/LASAAC Code Board had decided not to proceed with the introduction of the Highways Network Asset Code into the financial reporting requirements for local authorities as this would have been difficult to undertake and the implications on this authority would have been enormous.

#### 4

### AUDIT COMMITTEE

27 MARCH 2017

- It was confirmed that it was expected that the close down procedure would be smoother this year, as the issues from the previous year had now been resolved.
- It was reported that the following year there should be an accelerated closedown and the accounts closure timetables should be back to where they used to be and would therefore meet the new requirements.
- It was aimed to complete the closedown by 2 June 2017.

RESOLVED

That the progress report be noted.

#### 61 EXTERNAL AUDIT PLAN 2016/17

Consideration was given to a report which described how External Audit would deliver their Financial Statement 2016/17 work for the Council.

The Committee was guided through the headlines of the report which included the Financial Statement opinion audit and Value for Money arrangements work. Members were provided with an opportunity to ask questions to the officers present in relation to the information contained in the report and some of the points raised during discussion included the following:

- The new pooling arrangements for the pension fund would be taken into account in the audit, but only to the extent that they were reflected in the accounts. The external auditors would not give a view on whether they represented value for money, but whether the costs had been taken into account.
- The cost of setting up a new corporate entity to manage the larger pool would be a revenue expense for the pension fund. These changes would affect all local authority pension schemes.
- It was queried whether senior officers were comfortable that there was the ability to meet the deadlines for the closure of accounts. There were also concerns regarding whether staff would be put under any unnecessary pressure during this process. Members were advised that the authority was in a significantly better position than the previous year. It was acknowledged that the deadlines were tight, and staff expected to be busy from the end of March, during April and May. However, the team did not just do this week in 8 weeks, staff would spend 12 months preparing for the accounts closure. There would be incremental changes each month, but it was not expected that this year would be anything too extreme or out of the ordinary.

RESOLVED

That the External Audit Plan be noted.



62     INTERNATIONAL AUDIT STANDARDS - RESPONSE TO MANAGEMENT PROCESSES QUESTIONS

Consideration was given to a report which provided the Committee with an assessment around whether the County Council and Pension Fund financial statements may be mis-stated due to fraud or error.

It was reported that each year the External Auditors were required to obtain an understanding of the Council's management processes in a number of areas. The International Auditing Standards specified the areas concerned and were listed in the report, together with details of the authority's current processes.

It was highlighted that a material mis-statement for the Authority's accounts in 2016/17 was around £12m and £19m for the Pension Fund accounts.

It was reported that work was ongoing in the finance team to identify any errors in the accounts payable (e.g. duplicate payments). However, this work would take a couple of months to finalise, but a number of errors had been found so far and the authority was in the process of recovering them. It was noted that most of these payments had been to current vendors and so would be offset against future payments.

A recent health check in relation to counter fraud arrangements had taken place and it had been found that the authority had very strong arrangements in place, but it was noted that the team were always looking for ways to improve.

**RESOLVED**

That Members were assured that the assessment accurately reflected the Council's management processes to minimise the risk of fraud or error in the County Council and Pension Fund financial statements.

63     STATEMENT OF ACCOUNTS 2016/17

Consideration was given to a report which summarised the changes to the Code of Practice on Local Authority Accounting which would be incorporated into the 2016/17 Statement of Accounts; the review of the Council's Accounting Policies; and the changes resulting from the Accounts and Audit Regulations 2015 and the impact of this on the Council's Statement of accounts for 2017/18.

Members were advised that this was the normal paper which was brought to the Committee at this time of year, and the changes to the Code of Practice were relatively small. The biggest change was in relation to the revised timetable for the preparation time for the Statement of Accounts at the end of financial year 2017/18, as the Council will have one month less to close the financial year and produce the Statement of Accounts.

A query was raised in relation to donated assets, however, members were advised that these were a rare occurrence and related to fixed assets with a value of £10,000 or more.

**6**  
**AUDIT COMMITTEE**  
**27 MARCH 2017**

RESOLVED

1. That the changes required to the County Council's Statement of Accounts from the Code of Practice be noted;
2. That the Statement of Accounting Policies (attached at Appendix A to the report) be approved for use in preparing the Council's accounts for the financial year ending 31 March 2017; and
3. That the changes to the preparation and audit period for the 2017/18 Statement of Accounts as set out in the Accounts and Audit Regulations 2015 be noted.

64 WORK PLAN

The Committee received a report which provided information on the core assurance activities currently scheduled for the 2016/17 work plan.

It was noted that the Audit Committee Annual Report was due to go to the Full Council meeting in September 2017.

RESOLVED

That the work plan as presented be noted.

65 CONSIDERATION OF EXEMPT INFORMATION

RESOLVED

That in accordance with section 100(A) (4) of the Local Government Act 1972, the public and press be excluded from the meeting for the consideration of agenda item 12 on the grounds that if they were present there could be a disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended.

66 IMT ASSURANCE

Consideration was given to a report requested at the meeting of the Audit Committee held on 30 January 2017 which required the Executive Director, Environment and Economy to provide further Assurance for the Information Management and Technology (IMT) service.

Officers responded to a number of queries in relation to the information contained within the report.

RESOLVED

1. That the approach being taken to gain appropriate levels assurance for the IMT service be noted and endorsed.

2. That the IMT areas that Internal Audit had identified to be subject to external review to provide independent assurance be noted and endorsed.

The Chairman thanked all officers for their assistance to the Committee during the last 4 years, including Mike Norman and John Cornett from KPMG, David Forbes and the Finance team, Lucy Pledge and the Internal Audit team and officers from Democratic Services.

To those standing for election, the Chairman wished them the best of luck.

A member commented that it had been a very involved committee, but a very satisfying committee and it had kept the very important functions of the County Council under sensible scrutiny, and thanked the Chairman for her work.

It was also commented that the Committee had worked as a good team and in a non-party political way.

67     CIPFA AUDIT COMMITTEE UPDATE - ISSUE 21

Received for information.

68     CIPFA AUDIT COMMITTEE UPDATE - ISSUE 22

Received for information

The meeting closed at 11.40 am

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**Open Report on behalf of Pete Moore, Executive Director Finance and Public Protection**

Report to:	<b>Audit Committee</b>
Date:	<b>26 June 2017</b>
Subject:	<b>Internal Audit Progress Report</b>

**Summary:**

The purpose of this report is to:

- Provide details of the audit work during the period 12th March to 12th June 2017
- Advise on completion of the 2016/17 Audit Plan and progress with the 2017/18 plan
- Raise any other matters that may be relevant to the Audit Committee role

**Recommendation(s):**

That the Committee note the outcomes of Internal Audit's work and identify any actions that need to be taken

**Background**

This paper covers the period 12 March to 12 June 2017 and reports on progress made against audit plans

**Conclusion**

During the period we have completed 18 County audits, 7 to final report (including a consultancy assignment) and 10 to draft report stage as well as finalising 1 school audit.

There are currently 6 further audits in progress.

The final position on the revised 2016/17 Audit Plan was:

99% completed or at draft report stage  
1% in progress

## Consultation

a) Have Risks and Impact Analysis been carried out??

No

b) Risks and Impact Analysis

N/A

## Appendices

These are listed below and attached at the back of the report	
Appendix A	Internal Audit Progress Report

## Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report

This report was written by Lucy Pledge, who can be contacted on 01522 553692 or [lucy.pledge@lincolnshire.gov.uk](mailto:lucy.pledge@lincolnshire.gov.uk)

# Internal Audit Progress Report

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Contact Details:  
Lucy Pledge CMIIA  
Audit & Risk Manager



County Offices, Newland, Lincoln, LN1 1YG  
☎:01522 553692 ✉ [lucy.pledge@lincolnshire.gov.uk](mailto:lucy.pledge@lincolnshire.gov.uk)



## Introduction

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1. The purpose of this report is to:
  - Provide details of the audit work during the period 12<sup>th</sup> March to 12<sup>th</sup> June 2017
  - Advise on completion of the 2016/17 Audit Plan and progress with the 2017/18 plan
  - Raise any other matters that may be relevant to the Audit Committee role

## Key Messages

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2. During the period we have completed 18 County audits, 7 to final report (including a consultancy assignment) and 10 to draft report stage as well as finalising 1 school audit.
3. There are currently 6 further audits in progress.
4. The final position on the revised 2016/17 Audit Plan was:
  - 99% completed or at draft report stage
  - 1% in progress
5. A significant amount of internal audit time has been spent reviewing the Council's financial system (Agresso) including providing control advice. It is anticipated this will be replicated in 2017/18 – we will be providing assurance on the current control environment and the implementation of the Agresso upgrade – due to go live December 2017. Both seen as high risk areas for the Council.

## Internal Audit work completed in the period 12<sup>th</sup> March to 12<sup>th</sup> June 2017

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

High Assurance	Substantial Assurance	Limited Assurance	Consultancy Assignments
	<ul style="list-style-type: none"><li>■ Missing Children</li><li>■ Pro Contract</li><li>■ Child Sexual Exploitation</li></ul>	<ul style="list-style-type: none"><li>■ HR Recruitment Processes in Schools</li><li>■ Adult Care Assessments</li><li>■ Heritage Site Financial Controls</li></ul>	<ul style="list-style-type: none"><li>■ Adult Safeguarding Referrals</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 have issued 3 final reports providing High or Substantial Assurance:

### **'Missing' Children**

Our audit sought to confirm that LCC complies with its statutory requirements in relation to missing children and to include consideration of risks in relation to Child Sexual Exploitation and Radicalism. Assurance was focused on the following two areas:

- Children missing education
- Children not receiving 25 hours education per week

The Department for Education identifies what is considered to be effective policy and procedures that should be in place in relation to the following five distinct areas:

- Strategic Management and Leadership
- Networks and points of contact
- Information systems
- Re-engaging children into suitable education
- Effective Child tracking systems

Our review of these five key areas found all to be operating effectively. We also assessed training of school employees in relation to Child Sexual Exploitation and Radicalisation and confirmed the mechanisms in place to facilitate this are adequate.

### **ProContract**

The Council introduced a new system to replace the Procurement portal, Delta and the contract register, Firefly. The project aimed to deliver a wider use of ProContract follows its original implementation to meet the Council's urgent requirement for a Dynamic Purchasing System (DPS) solution. This was needed for the procurement of Home to Schools Transport, to give flexibility to the supplier market. ProContract is a proven system that is used by many other local authorities. Implementation will create savings (ongoing costs are lower than those for Delta and Firefly) and, if used correctly, will enhance the completeness of the contract register.

Internal Audit were asked to provide some independent assurance around the system controls and the approach taken for implementation, testing and data migration during the project.

Our review of the ProContract system and supporting project information has confirmed that a sound and appropriate approach has been taken to system development, testing and implementation. The majority of controls expected

within such a system were also found to be in place. As a result we can give management a positive level of assurance.

## **Preventing Child Sexual Exploitation**

Preventing child sexual exploitation is a key requirement of all Local Authorities. However CSE cannot be tackled by one agency operating alone. A multi-agency response does not develop naturally, it must be systematically embedded at all levels and fully integrated through multi-agency forums and work plans. The Local Safeguarding Children Board is the key body for fostering and co-ordinating this multi-agency work.

Our review has provided a substantial assurance opinion that Lincolnshire Safeguarding Children Board has procedures and an action plan in place to respond and tackle child sexual exploitation. We found that the roles and responsibilities of all partner organisations are set, and that adequate data and intelligence gathering arrangements exist between key providers. This ensures a joined-up response is in place for dealing with children at risk of sexual exploitation.

8. The remaining 3 reports give either limited or low assurance. The management summaries of these reports can be found at appendix 2.

## **Audits in Progress**

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9. We have 10 audit's at draft report stage:

- Integrated Community Equipment Scheme (On Hold)
- Substance Misuse Procurement and Contract Management
- Accounts Payable
- Key Control testing, covering:
  - Debtors
  - Pensions
  - General Ledger
- Property Plant and Equipment control testing
- Contracts – Children's Services
- Contracts - Highways
- Payroll
- Inclusion
- Sector Led approach to School Improvement
- Adult Social Care – Provider Payments

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

10. Audits are currently in progress include:

- VAT
- Contracts – Highways
- New Highways Operation Model
- Wellbeing Contract Review
- Housing Related Support Contract Review
- Agresso Milestone 6

More details on audits in progress can be found at Appendix 4, which details the entire 2017/18 audit plan.

## **Other Key Work**

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11. Other key work undertaken during the period includes:

### **Adult Safeguarding Referrals (Consultancy Assignment)**

Our review examined how safeguarding referrals come into the Customer Service Centre (CSC) and how they are processed and recorded. We also looked at the next stage which is known as "Triage". This is the central point that all safeguarding concerns come to next – the final validity check before a case is allocated to Adult Social Care.

The case management system used by the service was transitioned from AIS to MOSAIC at the time of the review. While our testing utilised the AIS system, our findings aim to identify areas of improvement that should be considered in MOSAIC. The details of this report can be found at appendix 3

### **Families Working Together (Grant Sign Off)**

We have concluded our annual audit work of the Families working Together Grant with review and sign off of the final submission 2016/17 for payment. This did not identify any concerns or issues.

### **Ethics Audit**

We are currently developing our model to move to complete Phase 2 of our governance audit. This will involve 'Looking below the surface' – seeking to provide assurance on how well the Council's arrangements work in practice.

### **Members and Audit Committee Induction**

We have been working with Democratic Services to support the induction of new Council members and the Audit Committee. We will be developing an Audit Committee Handbook and working with the new Committee to support the training and development work plan. .

## Performance Information

12. Our performance against targets for 2016/17 is shown in the analysis below:

Performance Indicator	Annual Target	Profiled Target	Actual
Percentage of plan completed (based on revised plan)	100%	100%	99%
Percentage of recommendations agreed	100%	100%	98%
Percentage of recommendations implemented	100% or escalated	100% or escalated	100% <sup>1</sup>
Timescales:			
Draft Report issued within 10 days of completion	100%	100%	58%
Final Report issued within 5 days of management response	100%	100%	75%
Draft Report issued within 2 months of fieldwork commencing	80%	80%	39% <sup>2</sup>
Client Feedback on Audit (average)	Good to excellent	Good to excellent	Good to excellent

13. Our actual performance against timescales is disappointing, especially issue of draft report and timely conclusion of audits. We have carried out some causal analysis on this which has identified many factors, some within and some outside of our control. To address these we have developed an action plan which includes:

- strengthening our procedures in terms of planning audit work,
- working with clients to be firmer on scheduling,
- ensuring earlier escalation of issues causing delay,
- piloting different approaches to gathering information and actions from auditees to ensure work remains timely.

We hope that these actions will result in improvements and better performance for 2017/18, which we will keep you informed on as the year progresses.

<sup>1</sup> Implemented or reported to audit committee for tracking

<sup>2</sup> Delays in agreeing findings and potential impacts with management for several audits is creating delays which impact on this target and the issue of the draft reports

## Appendix 1 - Assurance Definitions<sup>3</sup>

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<p><b>High</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><b>Substantial</b></p>	<p>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.</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.</p>
<p><b>Limited</b></p>	<p>Our critical review or assessment on the activity gives us a limited level of confidence 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><b>Low</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>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>

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<sup>3</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 – Executive Summaries of Audit Reports providing Limited or Low assurance

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### HR Recruitment processes in schools

#### Background and Context

During the 2015 /16 audit of Serco Payroll, problems were encountered in locating supporting documentation relating to starters within schools, resulting in Internal Audit being unable to provide assurance that all necessary recruitment checks had been completed.

Our review was undertaken to confirm that schools had checked and retained relevant records locally to support staff appointments. We also checked that documentation for changes and leavers had been retained at each school site. Our findings from these visits have been drawn together into common themes and learning points for this report. As part of our closure discussions with Council management we need to agree how feedback from our audit will be shared with schools.

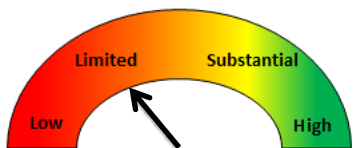
#### Scope

We selected a sample of seventeen maintained schools to visit, and a further 2 were added at Children's Services request. The audit sought to provide assurance that:

- All relevant pre-employment checks have been undertaken in line with Safer Recruitment guidance
- Supporting documentation is retained by the school (where appropriate) for starters, changes and leavers.
- Employee information has been correctly processed onto Agresso
- A register of the business / personal interests of the members of the schools' governing body is maintained and available for inspection on the school's website

During our review we considered the following potential risks:

- Recruitment checks are not fully or thoroughly completed
- Incorrect data is processed by schools leading to incorrect payments to employees
- Regulatory requirements are not complied with
- Staff undertaking checks do not have the necessary knowledge or experience



## Limited Assurance

Potential Risk	Rating (R-A-G)	Recommendations	
		High	Medium
Risk 1 – Recruitment checks are not fully or thoroughly completed and recorded	Red	1	2
Risk 2 – Incorrect data is processed by schools leading to incorrect payments to employees	Amber	0	1
Risk 3 – Regulatory requirements are not complied with	Amber	1	1
Risk 4 – Staff undertaking checks do not have the necessary knowledge or experience	Amber	1	0

### Key Messages



Our review was undertaken to provide assurance that schools follow the safer recruitment guidance and are carrying out the minimum standards of pre-employment checks outlined in the schools' recruitment, selection and induction policy.

Discussion determined that Schools were aware of the necessity and importance of undertaking pre-employment checks and all the schools we visited stated that they were obtaining documentation prior to employees commencing work. However our discussions established there was some uncertainty around document retention and as a result evidence supporting checks was not always on file. We have therefore given a limited assurance rating. It is important to note that evidence of DBS checks was present in 98% files reviewed and where information was missing the schools stated they had completed the checks but not retained documents or recorded reference numbers on the Single Central record.

All schools should receive clarification on the current recruitment, selection and induction policy and where to find it. There should be a reminder of the documentation that schools should be obtaining for each of the minimum pre-employment checks and clarification on what paperwork should be retained



## Key Messages

on file. Governors and Headteachers need to ensure that officers completing checks are clear about what they should do, where guidance can be found and have access to training if needed.

## Management Response




The management teams of Children's Services and People Management welcome this audit report. Whilst we are disappointed about the limited assurance, it is important to highlight that Children's Services asked Audit to target specific schools due to concerns about adherence to policy; therefore we expected the results to highlight concerns and may not be reflective of all maintained schools.

Ofsted, as part of the school's inspection framework judge the effectiveness of school's recruitment processes and outcomes and during the last two terms 54 schools have been subject to an inspection, with no concerns about the effectiveness of school's recruitment processes.

This audit has highlighted the need to understand the Council's responsibilities as an employer to Community, Controlled, Voluntary Aided and Foundation Schools, taking account of the fact that these schools can exercise their right to procure operational Human Resources (HR) services via external providers. It is imperative that we understand this so that there is a clear statement to schools and to the Director of Children's Services about what schools should expect and what the Council expects. Longer term there is a need to work with HR providers to match their offer to these expectations.

A business analysis has been commissioned through the LCC Corporate Performance and Programme Team which will :

- Seek to provide assurance to the Director of Children's Services that the Council is clear on its responsibilities as an employer to Community, Controlled, Voluntary Aided and Foundation Schools



taking account of the fact that some schools have exercised their right to procure operational Human Resources (HR) services via an external provider. (Please note that Academies are excluded from this analysis)

- ensure that LCC People Management's strategic responsibilities to schools are clearly documented
- highlight any issues regarding responsibilities and accountabilities of the areas within scope
- make recommendations on how the business processes linked to the areas in scope could be improved to ensure the Council's responsibilities are being met.

Children's Services and People Management accept all of the recommendations following the audit and timescales have been set to ensure management actions are completed promptly.

## Heritage Sites

### Background and Context

Lincolnshire County Council runs the following heritage sites:

- Lincoln Castle
- Battle of Britain Memorial Flight Visitor Centre (BBMFVC)
- Gainsborough Old Hall
- The Collection / Usher Gallery
- Museum of Lincolnshire Life (Ellis' Mill is run as part of the Museum)
- Lincolnshire Archives

Dobson's Mill, Alford Windmill and Heckington Windmill are owned by Lincolnshire County Council, but are not run by the Council.

In April 2015 Lincoln Castle was reopened after a major refurbishment with success that exceeded all expectations of the Lincoln Castle Revealed project.

During the initial months of trading a financial irregularity occurred which instigated a fraud investigation and audit review. This work resulted in multiple recommendations for improvements in the financial controls.

In 2016 the management of the Café in Lincoln Castle and the Tea Room in Battle of Britain Memorial Flight Visitor Centre was brought back to the Council.

Lincolnshire County Council faces large budget pressures and has been exploring ways of reducing the costs of its Heritage Service whilst still improving and enhancing its public offer. These budget pressure are likely however to have an impact on the Heritage Service overall.

At present the Heritage Services operations budget is £1.8m. The challenge set for the Heritage Service is for it to become self-sustainable from 1st April 2018.

The combined assurance status of the Heritage Service is red with one of the main issues identified being inconsistency of the financial controls across different heritage sites.

## Scope

The focus of our audit aims to provide independent assurance over the effectiveness of the governance, financial and stock management in heritage sites.

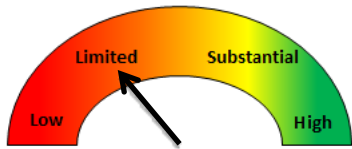
We identified the following as the potential key risks for this audit area:

- Financial management is ineffective
- Stock management is ineffective

To gain assurance over these risks we visited two key heritage sites: Lincoln Castle, which accounted for 73% of the total income from the heritage sites for 2015/16 and Battle of Britain Memorial Flight Visitor Centre, which accounted for 10% of the total income from the heritage sites for 2015/16.

We reviewed:

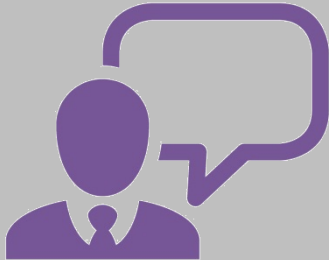
- Financial management in Lincoln Castle and Battle of Britain Memorial Flight Visitor Centre
- Stock management in Lincoln Castle and Battle of Britain Memorial Flight Visitor Centre
- Governance arrangements and staffing in Lincoln Castle and Battle of Britain Memorial Flight Visitor Centre
- Financial and cash handling policies and written procedures from all heritage sites run by Lincolnshire County Council



## Limited Assurance

Risk	Rating (R-A-G)	Recommendations	
		High	Medium
Risk 1 & 2 - Financial and /or stock management is ineffective	Amber	3	1

### Key Messages



Our review has provided a limited assurance opinion of the financial and stock management in heritage sites. We found that Lincolnshire County Council's financial procedures have not been consistently followed when each heritage site has developed their individual financial and stock procedures. This has resulted in limited and inconsistent financial and stock policies, procedures and controls. Limitations in controls increase the risk of potential financial and stock error or manipulation, while inconsistencies could limit the integrity between heritage sites and the assurance that all heritage sites operate to the same high standard.

Our concerns about the impact of inconsistent policies and procedures were confirmed during our site visits to Lincoln Castle and Battle of Briton Memorial Flight Visitor's Centre where we found various control limitations. Each visit provided limited assurance on the effectiveness of financial and stock controls, the key issues include:

- Income collection records have been manually adjusted with no record of when, why, by whom or who authorised this
- Income discrepancies were present for all of our sample at one site. Where discrepancies were recorded 44% were more than £5 with the largest being over £70. The majority of these discrepancies had not been investigated further
- Procedures for holding and handing over safe keys don't ensure the security and accountability for the safe contents at all times
- Debtor processes do not ensure timely invoicing or collection of debt
- No stock management systems are in place for the cafes

## Key Messages



- Gift shop stock management systems can be manually amended

Our findings, their impact and our recommendations are described in detail in the highlight reports issued to Lincoln Castle and Battle of Briton Memorial Flight Visitor's Centre.

During the audit we also identified that an operational risk register is not in place for Heritage Service. Given the challenges facing the service in becoming self-sufficient we recommend a risk management exercise, resulting in a risk register that can then be maintained is carried out as a priority.

We were pleased to see that since Assurance Lincolnshire's review of Lincoln Castle's security and financial management procedures in 2015 there have been improvements made. However financial and stock controls must be improved further in order to achieve full compliance with LCC's policies and financial procedures. We also identified that the recommendations from the review were not translated into an action plan and the progress of the recommendations was not regularly reviewed. Not having an action plan for the implementation of the recommendations of the review and not tracking their progress limits the accountability and increases the possibility that some of the recommendations could be missed and not implemented.

The attached action plan is intended to provide Heritage Service with recommendations on how to further strengthen the processes in place and improve the policies and procedures.

## Areas of Good Practice



During our review we found that:

- ✓ Action has been taken to improve some controls as a result of the recommendations made after the fraud investigation at the Castle during 2015
- ✓ Banking in the heritage sites we visited is done in a timely manner
- ✓ Our high level review of governance confirmed that management structures are in place and there is a training record for staff, with training either completed or scheduled

We would like to thank all representatives of Heritage Service and Business Support Team for their support during this audit. They always made themselves available to assist us in our work and provide any supporting information in a timely manner.

## Managing your risks



Good risk management, including maintaining risk registers, helps you to identify, understand and reduce the chance of risks having a negative impact on achievement of your objectives.

During our audit work we identified the following significant or high risks that we feel should be considered for inclusion on your service Operational Risk register:

- Financial management is ineffective or inconsistent across heritage sites
- Stock management is ineffective or inconsistent across heritage sites

These should be considered as part of the overall risk management exercise we are recommending.

## Management Response



The audit report and recommendations are welcomed by the Heritage Service, and working in close partnership with Business Support, we remain committed to continuous review and improvement.

Significant improvements have been made following the audit inspections at Lincoln Castle, shortly after reopening in April 2015 and this audit was seen as an essential element to both testing of these improvements and an opportunity to further improve resilience.

Both the Heritage Service and Business Support have strengthened the workforce in terms of resilience and leadership, to meet the demands of service, particularly at Lincoln Castle which has seen an unprecedented increase in volume of visitors and associated spend/income. Improvements have clearly been made through the team work between Heritage Management and Business Support and this has fortified a culture of openness, hard work and accuracy with each element being willing to challenge.

Cash handling and review meetings, along with other internal financial and operational processes, have been reviewed on an ongoing basis. Whilst formal minutes have not always been taken, emails, calendar appointments, actions and engagements demonstrate advancement and improvement, and both teams remain committed to ensure a process of continuous review.

In April 2017, Lincoln Castle introduced an externally managed stock management and audit control system with a view to evaluating the effectiveness of this in terms of leakage control and margin optimisation and applying principles across the service in a proportionate way.

The Heritage Service is quite unique amongst the various services that Lincolnshire Council provides. Unaware of some of the financial processes that it has been identified by audit as not wholly adhering to, it is also felt that some of these processes, out of date and currently under review, will not fully capture the operations of heritage though we are appreciative of the support that Audit has offered in this area. On reflection, given the level of income that the service now generates, these processes,



## Management Response



were not immediately reviewed in conjunction with the service growth to ensure both compliance and appropriateness. It is also important to note that due to the diversity and variety of attractions, any financial process should be scaled and proportionate to fit the individual operational site needs.

It is also important that the impact of, and changes as a result of, the introduction of Agresso have significantly reduced resilience, particularly around the three way matching of purchase orders, goods receipt notes and invoices by personnel. Our ability to check, respond and rectify has been compromised. Our joint understanding is that this is now an automatic process within Agresso so comments around the Heritage Service's resilience in this area need to be viewed in this light.

Working in close partnership with the Heritage Service, Business Support has committed over the past couple of years to provide extensive, professional and reliable support functions to this area of the council. Moving forward the Heritage Service will identify a Finance Champion who, in partnership with Business Support, will lead on the establishment of a Financial Handbook and its implementation across the service to ensure a consistent approach to financial processes.

## Adult Care – Initial and Annual Care Assessments

### Background and Context

In 2015 the Care Act became law and specified that all people with a care plan should be kept under review to give them the opportunity to reflect on what is working, what is not working and what might need to change within their Care Plan. The Act specifies that plans are kept under review generally. The review process should be person-centred and outcomes focused, as well as accessible and proportionate to the service users' needs.

The Council established systems in Adult Care procedures that allow the proportionate monitoring of care and/or support plans to ensure that user needs are continuing to be met.

Adult Care procedures not only follow the statutory guidance issued under the Care Act, but also go further specifying additional timescales:

- All assessment should be completed within twenty eight days
- In all circumstances where support services or interventions have been arranged, practitioners should ensure that checks are made within the first week and no later than two weeks to ensure the initial effectiveness of those interventions
- A first review should take place within 6-8 weeks of support starting, both for new or former service users with new care and support, and for existing service users where new services have been organised. This review should be undertaken by the original assessor/team responsible for the assessment and planning work and may be a light- touch review if appropriate
- Thereafter, people should have a review at least once per year, as a minimum requirement

The performance of Adult Care assessments and reviews is a key control in the management of Safeguarding risk. Safeguarding Adults has at present a limited assurance status in the Strategic risk register.

### Scope

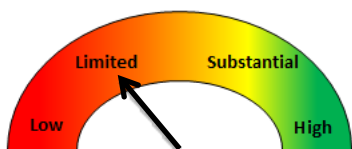
The focus of our audit aims to provide independent assurance over the effectiveness of the process and procedures in place within Adult Frailty and Long Term Conditions Team to ensure that timely reviews/reassessments of current and new service users take place.

We identified the following as the potential key risks for this audit area:

- The activity is not managed effectively
- The quantity or quality of staff is insufficient
- ICT systems fail to produce the required outputs

To gain assurance over these risks we performed the following audit work. Reviewed:

- Procedures and processes in place
- Governance and staffing structure
- Performance information and reporting arrangements
- Quality assurance processes and controls



### Limited Assurance

Risk	Rating (R-A-G)	Recommendations	
		High	Medium
Risk 1 - The activity is not managed effectively	Amber	3	3
Risk 2 - The quantity or quality of staff is insufficient	Amber	0	1
Risk 3 - ICT systems fail to produce the required outputs	Amber	0	1



### Key Messages

Lincolnshire County Council Adult Care has Care Plan review procedures in place to enable compliance with statutory guidance issued under the Care Act 2014. These procedures not only follow the statutory guidance but go beyond by specifying additional timescales to ensure adequate Safeguarding of Adults in Lincolnshire.

Our review, however, identified that there is limited evidence to show that these Adult Care procedures and Care Act statutory guidance requirements are being consistently implemented in practice.

The following areas for improvement have been identified:

## Key Messages



### Monitoring of reviews performed:

The Care act statutory guidance requires that "The first planned review should be an initial 'light-touch' review of the planning arrangements 6-8 weeks after sign-off of the personal budget and plan".

Adult Care procedures require that "A first review should take place within 6-8 weeks of support starting, both for new or former customers with new care and support, and for existing customers where new services have been arranged". The Adult Care procedures also require that "In all circumstances where support services or interventions have been arranged, practitioners should ensure that checks are made within the first week and no later than two weeks to ensure the initial effectiveness of those interventions"

Adult Care Team do not produce or monitor any reporting information on the performance of these 1-2 week checks of the effectiveness of support arrangements or 6- 8 week planned light-touch reviews. Adult Care consider that these reviews will be performed as part of the default process. We cannot however provide assurance that these checks and reviews are done.

### Monitoring of planned 12 months reviews:

The Care Act statutory guidance specifies that "It is the expectation that authorities should conduct a review of the plan no later than every 12 months". Adult Care procedures require that "people should have a review at least once per year, as a minimum requirement".

Adult Care are required to report in their National Data Collections Short and Long Term (SALT) Return the number of planned reviews performed in a financial year. Monitoring of these reviews consists of quarterly Adult Care Performance Reports (ACP reports) - these are not fully capturing the 12 months review requirement from the statutory guidance under the Care Act. Current information doesn't distinguish between different review types and therefore Adult Care Team have limited assurance that all service users are having a planned review no later than every 12 months. Long

## Key Messages



periods between reviews could cause the service users circumstances and needs to change and could therefore become a safeguarding issue and result in reputational damage to the Council.

**The process of monitoring assessments completed within 28 days:** Lincolnshire County Council Adult Care procedures require that assessments are completed within 28 days after the targeted start date. The statutory guidance under the Care Act issued from the Department of Health specifies that the assessment process starts when the local authorities begin to collect information about the person, which is earlier than the used targeted start date. This could lead to possible misunderstanding of what this 28 days monitoring check actually shows. Our review also identified some anomalies with the data used for this indicator. This gives cause for concern over the quality of this data and renders the monitoring of this data open to error and manipulation and the 28 days monitoring open to misinterpretation.

Our findings around the monitoring and the quality of the performance data detailed above have resulted in a Limited Assurance opinion.

The attached action plan is intended to provide Adult Care with recommendations on how to further strengthen the processes in place, the monitoring and compliance with statutory guidance for reviews/reassessments of current and new service users' needs.

## Areas of Good Practice



During our review we found that:

- ✓ There is detailed procedure in place for reviews/reassessments of current and new service users' needs
- ✓ The distribution and presentation of quarterly Adult Care Performance Reports to executive DMT is done in a timely manner
- ✓ Adult Care staff are passionate about their work

We would like to thank all representatives of the Adult Care Team, Performance Team, Quality Assurance Team and Workforce Quality and Development Team for their support during this audit. They always made themselves available to provide any supporting information in a timely manner.

## Managing your risks



Good risk management, including maintaining risk registers, help you to identify, understand and reduce the chance of risks having a negative impact on achievement of your objectives.

Safeguarding adults has been identified as a key risk for the Council on its strategic risk register – with a cautious risk appetite. Management have currently given limited assurance over this risk.

The process of assessing service users' needs is a key control and management should consider if the risks identified in this report should be included in the service operational risk register.

We have also made an advisory point around Adult Frailty and Long Term conditions risk register.

## Management Response



The requirements of the Care Act 2014 and our statutory reporting mechanism are often not in harmony in terms of their expectations and this was previously the case with the Community Care Act 1990. In addition to this the legislative framework that we work within has a relatively endless number of activities that Councils with social care responsibility can / should / must do, and because of this Councils have taken decisions into what activity they will record in an auditable manner, i.e. a tick box on a client records system.

### **Initial 6-8 week review**

In the first instance, this is an activity that the department has not chosen to manage via a tick box on a client's record but by having this as a part of our default pathway, i.e. it is the default way of working and it happens in every case. I am assured by the process that this means that teams who set up services undertake an initial review in every case. This is recorded on a client's record in a free type box. On this basis I am not surprised at the audit reports findings as their methodology has looked for a tick box to monitor this activity and we have chosen not to record it in this way.

### **12 month review (annual review)**

This annual review is a key example where the Care Act 2014 and our statutory reporting (SALT Return) are looking at different activities which are slightly different, and on this basis we have considered the statutory report as the indicator that we will look to monitor our performance. This reporting is done at a management level and at our Executive Directorate Management Team (Exec DMT). At our last reporting period Adult Frailty were on target to meet the annual target of 87% of people in receipt of long term support who have been reviewed in the period. In endeavouring to improve on this performance, the introduction of Mosaic and the remodelling of our front line operational teams will improve the performance on this measure. In comparison to other Local Authorities, we perform well on this measure.

## Management Response



### **Assessments of needs being undertaken in 28 days**

The 28 day target is one that in the pasts of time was a measure under our statutory reporting, however was taken out as it was deemed as not person centred and a crude measure. Having said this we have decided that keeping some measure of assessment timescales is a good one and stayed with the 28 days. Each year this target / measure is reviewed in terms of the 28 days as a measure and whether we still need to report on it, however we believe that some measure / indicator of assessment timescales is needed and we keep it. The current target for 2016/17 is that 95% of our assessment will be completed within 28 days, and our performance at the last monitoring point was 82%, our full year performance outturn 2015/16 was 94%. As a Directorate we acknowledge that the current performance is not necessarily where we would ideally want it to be and that with the introduction of Mosaic and the remodelling of our front line operational teams will improve the performance on this measure.

### **Audit comment**

There was a difference of opinion with management over the interpretation of the implications of evidence found during the audit and the associated risks / assurances in place. These were discussed during the audit process – with high priority findings being taken forward by management.

The audit was conducted before the implementation of MOSAIC. Management are assured that the system consistently and clearly records the assesement process. An internal audit of MOSIAC is included in the 2017/18 Internal Audit Plan.



## Appendix 3 – Executive Summaries of Consultancy Reports

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### ADULT SAFEGUARDING REFERRALS

#### Background

Adult Safeguarding aims to protect an Adult's right to live in safety, free from abuse and neglect. It is about people and organisations working together to prevent and stop the risks and experience of abuse and neglect, while at the same time making sure that the adult's wellbeing is promoted and having regard to their views, wishes, feelings and beliefs in deciding on action.

Lincolnshire has established the Lincolnshire Safeguarding Adults Board (LSAB) to provide assurance that local safeguarding arrangements and partners act to help and protect adults in its area who meet the criteria set out in the Care Act 2014.

Staffs have stated that the volume of safeguarding concerns being raised with Adult Care is increasing, that some concerns are being raised inappropriately and others are raised with missing details. Adult Care asked us to look into these claims. These factors have the potential to impact on the ability of the central safeguarding team to manage the volume of work within target timescales.

Adult Safeguarding continues to be a high priority area and remains on the Council's Strategic Risk Register. It has Limited Assurance status with a cautious Risk Appetite. As part of the annual Assurance Mapping process, Adult Safeguarding received Amber assurance

from management due to the risks associated with increasing demands upon the service.

#### Approach

Our review examined how referrals come into the Customer Service Centre (CSC) and how they are processed and recorded. We also looked at the next stage which is known as "Triage". This is the central point that all safeguarding concerns come to next – the final validity check before a case is allocated to Adult Social Care. Our review involved speaking to staff, walking through the referral process, and observing them as they worked on cases. We also tested a sample of 25 Safeguarding referrals to ensure that the expected procedures had been followed.

The overall risk with safeguarding is "Failure to protect vulnerable adults from abuse or neglect". Under this umbrella risk, we examined three key risks for safeguarding referrals when designing our testing:

- Agreed processes are not complied with
- The quality or quantity of staff is insufficient
- The process is not streamlined and cost-effective

The case management system used by the service has transitioned from AIS to MOSAIC. While our testing utilised the AIS system, our findings aim to identify areas of improvement that should be considered in MOSAIC.

## Executive Summary

The aim of the initial Safeguarding referral process is to provide a streamlined service via a defined procedure. This process should ensure that only genuine Safeguarding concerns are passed onto the Adult Social Care teams, with the appropriate amount of information to allow them to effectively support vulnerable adults. Our review found that there are multiple factors that are reducing the efficiency of the CSC and Triage.

Safeguarding is a very time-sensitive process where actions often need to be put in place quickly to reduce the risk to vulnerable adults. There is clear enthusiasm from both CSC and Triage teams toward improving the service, and all staff members that we spent time with understood the significance of correctly progressing Safeguarding cases. A central thread throughout the whole review is the impact that delays have upon the process, and the majority of our findings link into this. Only by addressing and remedying each of the causes of potential delays can the service provide a consistent approach.

The reporting limitations of AIS have also been highlighted during our audit. This spans both overall performance reporting to management, as well to smaller scale areas such as the number of No Further Action (NFA) cases that CSC are completing. The lack of this information means that the teams cannot provide assurance to management that service improvements are working effectively. Based upon this, we have made recommendations to fully explore MOSAIC moving forward which will allow for more detailed management information.

A number of our recommendations highlight that staff will need to spend time with the new case management system to ensure it fully meets all of their requirements. This will allow the service to focus

upon improvement and allow for support mechanisms to be put in place.

Other examples of issues identified through the review include:

### Restricted Access Delays

These were cases where the service user information is restricted until access was provided by the in-house AIS team within CSC. We found that requests to provide access are not always actioned within a reasonable timescale. For one example observed, it took multiple requests for Triage to access and view a safeguarding referral. Should a referral be a significant Safeguarding matter, this delay could have a detrimental effect upon the Service User's wellbeing, which would lead to reputational and legal damage to the Authority.

### Service Improvement

We were told that there had been far more information and knowledge sharing between CSC and Triage which was helping productivity. This is done on an ad hoc basis so we would recommend that this is completed on a more formal basis.

### Input Errors

Following review of the 25 cases, we highlighted two issues in part of the testing sample. The first involved safeguarding workers or teams not being allocated to a number of cases, and the second is around NFA cases that were not clearly shown as closed on the system. This lack of clarity around status has the potential to cause delays if further referrals were to come in as it would not be clear if a case was open to Safeguarding.

We identified the following areas of good practice during our review:

- ✓ Trained staff that have a clear understanding of Safeguarding issues
- ✓ Improved working relationships between CSC and Triage, leading to Triage stating that less NFA contacts are being sent through
- ✓ Process in place to ensure that adequate staff levels are in place to deal with the volume of Safeguarding contacts
- ✓ Appropriate guidance documentation available for staff

It is our expectation that once MOSAIC has become fully embedded and our recommendations have been actioned, the Safeguarding referral process will provide a more effective and efficient service to the people of Lincolnshire.

We would like to thank the Assistant Director Joint Commissioning and Specialist Services, as well as staff within CSC, Triage and Performance for their help and support in completing this audit review.

## Appendix 4 – Internal Audit Plan 2017/18

Audit	Purpose	Start Planned Date	Start Actual Date	End Actual Date	Progress %	Audit State
						Rating
LCC 2017/18-01 - Procurement & Contract Management - Housing Related Support	To confirm that the Housing Related Support procurement exercise complied with procedures and adhered to legislation and that the subsequent management of the new contract s is effective	18/05/2017			15	Open
						Not assessed
LCC 2017/18-02 - Procurement & Contract Management - Wellbeing	To confirm that the Wellbeing procurement exercise complied with procedures and adhered to legislation and that the subsequent management of the new contract s is effective	22/05/2017			5	Open
						Not assessed
LCC 2017/18-03 - Procurement & Contract Management - Sexual Health	To confirm that the Sexual Health procurement exercise complied with procedures and adhered to legislation and that the subsequent management of the new contract s is effective	01/07/2017			5	Open
						Not assessed
LCC 2017/18-04 - Families Working Together	Audit sign off as per the requirements of the grant.	01/08/2017			0	Draft
						Not assessed

Audit	Purpose	Start Planned Date	Start Actual Date	End Actual Date	Progress %	Audit State
LCC 2017/18-05 - Youth Offending Service Delivery	That stated improvements following the external review of Youth Offending Service published December 2015 have been made and sustained. Focus to include: -Assessment of their QA framework Performance of assessment after a significant incident occur.	02/10/2017			0	Draft
						Not assessed
LCC 2017/18-06 - Transfer of 0-19 Public Health Nurses	Assurance that the governance, risk and monitoring arrangements for this key project are sufficient to ensure delivery of key outcomes for all 8 work streams.	03/07/2017			0	Draft
						Not assessed
LCC 2017/18-07 - School Admissions Software	Confirmation that the risks regarding implementation of the new admissions software have been managed to minimise the disruptions to schools.	01/08/2017			0	Draft
						Not assessed
LCC 2017/18-08 - Special Educational Needs and Disability Reform	Assurance on the embedding of the new SEND framework in key areas of the service. Main focus is data in Mosaic and reporting as this is currently an area of concern.	01/08/2017			0	Draft
						Not assessed

Audit	Purpose	Start Planned Date	Start Actual Date	End Actual Date	Progress %	Audit State
LCC 2017/18-09 - Careers Advice	Assurance that the alternative delivery model for careers advice to young people achieves required outcomes.	01/11/2017			0	Draft
						Not assessed
LCC 2017/18-10 - Quality of Carers Workforce Learning & Development	Assurance that processes in place ensure that the carers support workforce are adequately trained and their quality of work is of the required standard.	16/10/2017			0	Draft
						Not assessed
LCC 2017/18-11 - Client Contributions Policy	Assurance that the new contributions policy has been fully implemented and is applied consistently to applicable Service Users.	17/07/2017			0	Draft
						Not assessed
LCC 2017/18-12 - Integration with Health	Support and Advice on delivery of the plan to integrate Health and Social Care	16/01/2018			0	Draft
						Not assessed
LCC 2017/18-13 - BCF - Disabled Facilities Grants	assurance that adequate governance, monitoring and financial review controls are in place to ensure that District Council's make effective use of funding in line with DOH guidance.	18/12/2017			0	Draft
						Not assessed
LCC 2017/18-14 - Information Systems Team	Assurance that the impact of the monitoring and adequacy of the information produced by Mosaic on Adult Care Services provided.	08/01/2018			0	Draft

Audit	Purpose	Start Planned Date	Start Actual Date	End Actual Date	Progress %	Audit State
						Not assessed
LCC 2017/18-15 - Quality Assurance Framework	Assurance that the quality assurance framework for assessing provision both internally and commissioned is robust and aligned to statutory requirements - to include safeguarding.	26/06/2017			0	Draft
						Not assessed
LCC 2017/18-16 - Deprivation of Liberty	Assurance that succession planning is sufficient to enable adequate numbers of capable and competent DOLs specialists to be available.	02/06/2017			25	Open
						Not assessed
LCC 2017/18-17 - ICT Intelligent Client	Evaluation of the IMT Team acting as an intelligent client in respect of: 1.Delivery of ICT 2.ICT Investment Decisions 3.Project Approval 4.Other critical ICT decision making				0	Draft
						Not assessed
LCC 2017/18-18 - 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.				0	Draft
						Not assessed

Audit	Purpose	Start Planned Date	Start Actual Date	End Actual Date	Progress %	Audit State
LCC 2017/18-19 - Information Governance	To provide assurance over the effectiveness of the Information Governance policies and procedures. To include follow up of Information Commissioners report and recommendations. (Requested by the Chairman of the Audit Committee).				0	Draft
						Not assessed
LCC 2017/18-20 - ICO Cyclical Audit	Delivery of periodic Audits as recommended by the ICO				0	Draft
						Not assessed
LCC 2017/18-21 - Security Management	The review will examine the operation of the Security Working Group in ensuring the implementation and operation of an effective security infrastructure (including access controls)				0	Draft
						Not assessed
LCC 2017/18-22 - ICT Asset Management	Review of SERCO arrangements for the procurement, recording and disposal of ICT assets and their maintenance.				0	Draft
						Not assessed
LCC 2017/18-23 - ICT Service Improvement	Review of SERCO arrangements for the management of service improvement projects, and the resources, plans and processes in place to effect service improvement through new or improved deployment of ICT resources.				0	Draft
						Not assessed



Audit	Purpose	Start Planned Date	Start Actual Date	End Actual Date	Progress %	Audit State
LCC 2017/18-24 - ICT Infrastructure Security Deep Dive	Audit to comprise of initial review of the key elements of the ICT infrastructure to identify the areas to be subject to a deep dive. The key areas are: 1.Governance 2.Network 3.Operations 4.Removable Media 5.Applications Servers 6.Back ups 7.Laptops, tablets and smart phones 8.Security organisation				0	Draft
						Not assessed
LCC 2017/18-25 - Emergency Planning Centre - ICT Infrastructure	Review of effectiveness of ICT arrangements and infrastructure within the county emergency centre.				0	Draft
						Not assessed
LCC 2017/18-26 - Good Governance Review - Phase 2	Assurance that governance arrangements are working effectively to manage Ethics, Partnerships and Transparency. To be conducted from a member perspective.				0	Draft
						Not assessed

Audit	Purpose	Start Planned Date	Start Actual Date	End Actual Date	Progress %	Audit State
LCC 2017/18-27 - Recruitment Processes	Assurance that: 1.Recruitment processes are accessible and ensure that possible candidates are harnessed to apply and don't give up 2.Recruitment follows safer recruitment processes 3.There is compliance with policy 4.Any additional payments are authorised through the right mechanism	01/11/2017			0	Draft
						Not assessed
LCC 2017/18-28 - Agresso - Milestone 6	Consultancy assignment to support and advise on the Governance, Risk and Control during the project to upgrade to Agresso Milestone 6.	01/06/2017			10	Draft
						Not assessed
LCC 2017/18-29 - Emergency Planning	Assurance that prevention and response arrangements are effective to minimise disruption in the event of an emergency, to include: 1.Capacity and capability 2.Collaboration and mutual aid 3.Planning and testing of plans				0	Draft
						Not assessed
LCC 2017/18-30 - Establishments	Consultancy project to identify establishments within the LCC portfolio and how audit processes may be developed to provide assurance over these in future.	01/06/2017			0	Draft
						Not assessed

Audit	Purpose	Start Planned Date	Start Actual Date	End Actual Date	Progress %	Audit State
LCC 2017/18-31 - 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			0	Draft
						Not assessed
LCC 2017/18-32 - Absence Management	Follow up audit to confirm that the actions of the previous audit have been implemented and absence management policy is now being consistently applied.	01/02/2018			0	Draft
						Not assessed
LCC 2017/18-33 - Performance Management	Assurance over effectiveness of performance management in providing the 2nd line of assurance in the 3 lines model.				0	Draft
						Not assessed
LCC 2017/18-34 - Budget Management	Assurance that budget management and monitoring arrangements are effective and actioned in line with Council policy and procedures.	01/11/2017			0	Draft
						Not assessed
LCC 2017/18-35 - Medium Term Financial Planning	Assurance that financial plans are developed to plan future budgets to align to the 4 year funding deal agreed with Government.	01/08/2017			0	Draft
						Not assessed
LCC 2017/18-36 - Capital Programme	Assurance over the governance, decision making and contract management of Capital projects.	22/08/2017			0	Draft

Audit	Purpose	Start Planned Date	Start Actual Date	End Actual Date	Progress %	Audit State
						Not assessed
LCC 2017/18-37 - Interfaces with Agresso	Assurance over the interfaces and manual interventions required to load files from other council systems into Agresso, including Mosaic.  That the security of files that are loaded into Agresso and that details posted are complete, accurate and timely.	01/02/2018			0	Draft
						Not assessed
LCC 2017/18-38 - Payroll	Assurance over the entire payroll process and all the key controls within it. To include follow up of prior year agreed actions.	01/02/2018			0	Draft
						Not assessed
LCC 2016/17 – Payroll	Assurance over the entire payroll process and all the key controls within it. To include follow up of prior year agreed actions.	1/2/2017	1/2/2017		90	Draft report
						Not assessed
LCC 2017/18-39 - Accounts Payable	Assurance over the entire payroll process and all the key controls within it. To include follow up of prior year agreed actions.	01/11/2017			0	Draft
						Not assessed
LCC 2017/18-40 - Pension Administration	Assurance that revised processes since the implementation of Agresso adequately control pension administration.				0	Draft
						Not

Audit	Purpose	Start Planned Date	Start Actual Date	End Actual Date	Progress %	Audit State
						assessed
LCC 2017/18-41 - Fire Pay and Pensions	Assurance that Serco has addressed and rectified the significant issues with Fire and Rescue pay and pension contributions that have occurred since April 2015.	15/06/2017			0	Draft
						Not assessed
LCC 2017/18-42 - Financial Key Control Testing	Delivery of the key control testing to enable the Head of Internal Audit to form an opinion on the Council's financial control environment.	02/10/2017			0	Draft
						Not assessed
LCC 2017/18-43 - Strategic Approach to charging for schools	Assurance that all services offered through the LA commercially to schools are delivered via EduLincs and: 1.that cost recovery follows all accounting rules 2.that services are costed appropriately 3.mechanisms to recover costs ensure that the service receives the income 4.that reporting arrangements enable decision making for the future	26/06/2017			0	Draft
						Not assessed
LCC 2017/18-44 - Blue Light Collaboration	Assurance that effective programme management is in place to deliver new working arrangements that meet the Council's needs and will be delivered on time and within budget.	20/11/2017			0	Draft
						Not assessed

Audit	Purpose	Start Planned Date	Start Actual Date	End Actual Date	Progress %	Audit State
LCC 2017/18-45 - Domestic Homicide Review	Assurance that processes for Domestic Homicide reviews meet legislative requirements and reflect best practice. Follow up of published reviews to confirm agreed actions relating to LCC have been taken or are progressing and that lesson learnt are embedded.				0	Draft
						Not assessed
LCC 2017/18-46 - Waste Strategy follow up	Follow up on the findings of the LWP 16/17 audit to examine progress made	01/03/2018			0	Draft
						Not assessed
LCC 2017/18-47 - New Highways Operating Model	Support and advice on the effectiveness of the restructure of the Highways team in delivering the service.	01/06/2017			15	Draft
						Not assessed
LCC 2017/18-48 - Transport IT and Telematics	Assurance that the process of updating transport IT systems and the real time tracking of Vehicles ensures they a fit for purpose.	02/10/2017			0	Draft
						Not assessed
LCC 2017/18-49 - Total Transport Project	Assurance that these projects are effectively managed to contribute to the Total Transport Project. Sample of the on going projects may include Non-emergency passenger transport, market development and the procurement process.	01/11/2017			0	Draft
						Not

Audit	Purpose	Start Planned Date	Start Actual Date	End Actual Date	Progress %	Audit State
						assessed
LCC 2017/18-50 - Heritage	Support and advice on arrangements to create a self-sufficient Heritage Service to start transition 2018/19. To include strategic approach and business planning.	01/06/2017			5	Draft
						Not assessed
LCC 2017/18-51 - Telecare Contract	Assurance over the adequacy of the tender processes followed in awarding the telecare contract	12/01/2018			0	Draft
						Not assessed
LCC 2017/18-52 - Partnerships	Support and advice to the Council on developing a protocol for effective partnership management.				0	Draft
						Not assessed
LCC 2017/18-53 - One Public Estate	Assurance that the governance, risk and collaboration within this key project are adequate to deliver the expected outcomes.				0	Draft
						Not assessed





**Open Report on behalf of Pete Moore, Executive Director Finance and Public Protection**

Report to:	<b>Audit Committee</b>
Date:	<b>26 June 2017</b>
Subject:	<b>External Audit: Progress Report and Technical Update</b>

**Summary:**

This report from KPMG provides the Audit Committee with an overview on progress on delivery of their responsibilities as the Council's external auditors.

**Recommendation(s):**

The Audit Committee to consider the progress report and identifies any further information/actions that may be required.

### Background

Appendix A is KPMG's report providing an update. This includes:-

- Audit 2017/18
- Audit Plan 2017/18
- Other work
- Technical update

### Conclusion

The report provides assurance over the progress and delivery of the external audit plan and that any risks to successful production of the financial statements and audit are being managed

### Consultation

**a) Have Risks and Impact Analysis been carried out??**

No

## **b) Risks and Impact Analysis**

Any changes to services, policies and projects are subject to an Equality Impact Analysis. The considerations of the contents and subsequent decisions are all taken with regard to existing policies.

### **Appendices**

These are listed below and attached at the back of the report	
Appendix A	External Audit: Progress Report & Technical Update

### **Background Papers**

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report

This report was written by Mike Norman, who can be contacted on 011593535545 or [michael.norman@kpmg.co.uk](mailto:michael.norman@kpmg.co.uk).



# External Audit: Progress Report and Technical Update

**Lincolnshire County Council**

Audit Committee – June 2017

# Contents

The contacts at KPMG in connection with this report are:

**John Cornett**

Director

Tel: 0116 256 6064

Email:

[John.Cornett@kpmg.co.uk](mailto:John.Cornett@kpmg.co.uk)

**Pike Norman**

Manager

Tel: 0115 935 3554

Email:

[michael.norman@kpmg.co.uk](mailto:michael.norman@kpmg.co.uk)

**John Pressley**

Assistant Manager

Tel: 0115 935 3471

Email:

[john.pressley@kpmg.co.uk](mailto:john.pressley@kpmg.co.uk)

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1. Technical Update 4

This report provides the audit committee with an overview on progress in delivering our responsibilities as your external auditors.

The report also highlights some of the recent communications and other publications on the main technical issues which are currently having an impact in local government.

If you require any additional information regarding the issues included within this report, please contact a member of the audit team.

This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. Public Sector Audit Appointments issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on Public Sector Audit Appointment's website ([www.psa.co.uk](http://www.psa.co.uk)).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact John Cornett, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers (on 0207 694 8981, or by email to [andrew.sayers@kpmg.co.uk](mailto:andrew.sayers@kpmg.co.uk)). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing [generalenquiries@psaa.co.uk](mailto:generalenquiries@psaa.co.uk), by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3H.

# External audit progress report - June 2017

This document provides the Audit Committee with a high level overview on progress in delivering our responsibilities as your external auditors.

At Appendix 1 we have provided a technical update on relevant reports and publications by National Audit Office, CIPFA and other bodies.

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Commentary	
<b>2016/17 Audit</b>	<p>We presented the draft 2016/17 audit plan for the external audit of the Authority and the Lincolnshire Pension Fund to the March 2017 Audit Committee. We have continued to liaise with management on the significant financial and operational issues at the Council.</p> <p>The Pension Fund interim audit was carried out at the beginning of March 2017 and there are no matters of concern that we need to report to the Committee. We have further work in progress regarding the normal IAS19 reporting arrangements which we expect to complete in August 2017.</p> <p>The County Council interim audit was carried out during March and April 2017. We found a general improvement, compared to last year, in the framework of controls in place and in the arrangements for financial monitoring and reporting. Payroll system controls continue to be a area of concern and we expect our audit approach to this to again be largely substantive. There are two areas of planned interim work which are still in progress:</p> <ul style="list-style-type: none"> <li>• review of Agresso general IT controls - the Council and Serco are working to provide the outstanding information requested by our IT audit specialists. We expect this work to be complete by the end of June 2017</li> <li>• payroll and Accounts Payable data and analytics work – we are working through the data already provided by the Council and Serco and have requested further information. We expect to complete this work before we start the main audit visit at the end of July 2017.</li> </ul> <p>Our work over the coming quarter will include:</p> <ul style="list-style-type: none"> <li>• ongoing liaison with finance staff and Internal Audit and further meetings with senior officers as part of the audit process to better understand the current and longer term issues that the council is addressing;</li> <li>• liaising with internal audit;</li> <li>• starting our final accounts audits. The Pension fund and County Council audits are planned to start 3 and 31 July 2017 respectively; and</li> <li>• revisiting our VFM conclusion risk assessment and forming our VFM conclusion for 2016/17.</li> </ul> <p>The results of our audit will be reported to the September 2017 Audit Committee.</p>
<b>Other audit related work</b>	<p>In May 2017 we completed our planned review of the systems and controls in place at the Council to manage subcontractors delivering education and training funded by the Skills Funding Agency in 2016/17. We issued our assurance report on 24 May 2017.</p>
<b>Technical Update</b>	<p>At Appendix 1 we have provided a technical update on a small number relevant reports and publications by the National Audit Office and CIPFA which have been issued in recent months.</p>

# Appendix 1 - Technical update - NAO publications

Area	Comments
Planning for 100% retention of Business Rates	<p>In March 2017 NAO published a report on <i>Planning for 100% local retention of business rates</i>. The report finds that the Department for Communities and Local Government (DCLG) has made good progress in designing the scheme for 100% retention of business rates by local authorities, but the scale of the remaining challenges presents clear risks both to the timely delivery of the initiative and to the achievement of its overall objectives.</p> <p>DCLG's core objectives for the scheme, due to start in 2019/20, are to drive local economic growth, and to promote financial self-sufficiency for English local government. The NAO report, however, raises questions as to whether DCLG's current planning approach is best configured to deliver a scheme capable of meeting those objectives fully.</p> <p>By allowing local authorities to retain 100% of business rates, DCLG hopes that this will incentivise them to grow their tax bases by adopting pro-development planning practices which in turn will support economic growth. But tax base growth does not necessarily mean economic growth: new developments might lead to the relocation of existing economic activities rather than the creation of new ones, for instance. The report finds that these issues have not been fully examined in DCLG's work to date. Crucially, DCLG has not looked in detail at whether the current scheme, in which authorities retain 50% of business rates, has promoted pro-growth behaviour in authorities.</p> <p>DCLG is promoting financial self-sufficiency in the sector through the 100% local retention scheme in the context of a long-term reduction in local authority funding. DCLG is reviewing the relative distribution of funding in the sector through a Fair Funding Review, but there is not scheduled to be a Spending Review in which the absolute level of funding in the sector is reviewed, until after the 100% scheme is operational. In this context, the report highlights the risk of implementing a 100% local rates retention scheme that might be technically sound but lacks sufficient funding for the sector to deliver its statutory functions.</p> <p>The report recognises that DCLG is managing a complex project, involving extensive sector engagement, and made good progress. The NAO, however, found clear risks to the timely delivery of the 100% scheme. Many significant and challenging issues remain outstanding, such as delivering the Fair Funding Review. Some slippage on meeting milestones to date, constraints on DCLG's resources, and DCLG's intention to concentrate important decisions in a short space of time towards the end of the timetable create the potential for pressure in the late stages of the project. The NAO highlights the risk that the pressure to deliver by 2019/20 could result in a scheme that has not been fully tested. The report also stresses the need for DCLG to assure itself that the scheme will deliver its core policy objectives and that these are not overlooked among the technical challenges of designing the scheme to a tight timetable.</p> <p>A copy of the report can be found on the NAO website at <a href="http://www.nao.org.uk/report/planning-for-100-local-retention-of-business-rates">www.nao.org.uk/report/planning-for-100-local-retention-of-business-rates</a></p>

# Appendix 1 - Technical update - NAO publications

Area	Comments
Protecting information across Government	<p>This May 2017 report highlights some issues relevant in light of the malware cyber-attack on 12 May. It sets out the increasingly complex challenge of protecting information while re-designing public services and introducing the technology necessary to support them.</p> <p>According to the NAO, too many bodies with overlapping responsibilities operate in the centre of government, confusing departments about where to go for advice. As at April 2016, at least 12 separate teams or organisations in the centre of government had a role in protecting information, many of whom produce guidance. While the new National Cyber Security Centre (NCSC) will bring together much of government's cyber expertise, in the NAO's view, wider reforms will be necessary to further enhance the protection of information.</p> <p>As accountability for information security is devolved to departments, government does not currently collect or analyse its overall performance in protecting information on a routine basis. This means it has little visibility of information risks in each department and has limited oversight of the progress departments are making to better protect their information.</p> <p>Reporting personal data breaches is chaotic, with different mechanisms making departmental comparisons meaningless. In addition, the Cabinet Office does not have access to robust expenditure and benefits data from departments, in part because they do not always collect or share such data. The Cabinet Office has recently collected some data on security costs, though it believes that actual costs are 'several times' the reported figure of £300 million.</p> <p>Some departments have made significant improvements in information governance, but most have not given it the same attention as other forms of governance. The Cabinet Office does not currently provide a single set of standards for departments to follow, and does not collate or act upon those weaknesses it identifies.</p> <p>In the context of a challenging national picture it has been difficult for government to attract people with the right skills. The government established a security profession in 2013, and has undertaken some initial work to establish professional learning and development. Demand for skills and learning across government is growing and is likely to continue to grow. According to the NAO, plans to cluster security teams may initially share scarce skills, but will not solve the long-term challenge.</p> <p>According to the NAO, the Cabinet Office is taking action to improve its support for departments, but needs to set out how this will be delivered in practice. The NAO recommends that to reach a point where it is clearly and effectively coordinating activity across government, the Cabinet Office must further streamline the roles and responsibilities of the organisations involved, deliver its own centrally managed projects cost-effectively and clearly communicate how its various policy, principles and guidance documents can be of most use to departments.</p> <p>The report can be found at the following link:  <a href="https://www.nao.org.uk/report/protecting-information-across-government/">https://www.nao.org.uk/report/protecting-information-across-government/</a></p>

# Appendix 1 - Technical update - CIPFA publications

Area	Comments
<p><b>Reality Check: Next steps in developing Sustainability and Transformation Plans</b></p>	<p>The NHS planning guidance set out the notion of Sustainability and Transformation Plans (STPs) in 2015. The plans aimed to bring together local leaders in health, local government and patient representation to plan how services would become sustainable between 2016 and 2021.</p> <p>The STPs would facilitate health service providers and local authorities working together to ensure that services are delivered across the whole of the local health and care economy and not lead by any particular organisation's priorities. Forty four local areas were established and initial plans were to be submitted in February 2017.</p> <p>The 44 STPs which form the basis for NHS planning in the coming years, and explicitly link it to social care, are all now public in their draft forms.</p> <p>In this May 2017 'Insight' report CIPFA concludes that the success of the STPs is reliant on realistic plans that set out appropriate actions, while fostering a culture of genuine sharing and working together.</p> <p>In its assessment of the 44 draft STP plans, CIPFA says that while in principle STPs represent a positive, place-based step forward, the timescales and speed of savings required have led to a number of 'business as usual' propositions, rather than the development of the concrete, transformational changes needed to deliver financial sustainability in the long term.</p> <p>If STPs are going to have a meaningful impact on what CIPFA estimates to be a £10bn funding gap by 2020/21, CIPFA says there must be adequate upfront investment; robust governance arrangements; and thorough contingency planning, with realistic assessments of alternative scenarios.</p> <p>"Service integration is a no-brainer for patients, families and stretched NHS teams and as a means of addressing the need for financial stability in the health sector, STPs offer a promising start towards taking forward the changes needed in the health and social care system.</p> <p>"In reviewing the 44 plans, it is clear that much still needs to be done, particularly in developing full scenario planning and understanding risk. Transparency and realism is crucial, even if it does expose the difficulties involved in achieving the plans. Otherwise there is a danger that the desire to present a positive position will lead to unrealistic judgements being made.</p> <p>CIPFA's report can be found at the following link:  <a href="http://www.cipfa.org/about-cipfa/press-office/latest-press-releases/sustainability-of-the-nhs-is-reliant-on-upfront-investment,-robust-governance-and-awareness-of-risk">http://www.cipfa.org/about-cipfa/press-office/latest-press-releases/sustainability-of-the-nhs-is-reliant-on-upfront-investment,-robust-governance-and-awareness-of-risk</a></p>





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**Open Report on behalf of Pete Moore, Executive Director Finance and Public Protection**

Report to:	<b>Audit Committee</b>
Date:	<b>26 June 2017</b>
Subject:	<b>Draft Counter Fraud Work Plan</b>

**Summary:**

This report provides the Committee with information on the proposed Counter Fraud activities for 2017/18 and draft Counter Fraud work plan.

**Recommendation(s):**

1. To review and approve the Counter fraud Work Plan for 2017/18.

**Background**

The Counter Fraud Plan for 2017/18 is designed to deliver a tough response to fraud committed against local authorities in Lincolnshire. The draft work plan (see Appendix A – work plan to 31 March 2018) follows best practice guidance and addresses priorities highlighted in the Councils fraud risk assessments.

**Conclusion**

The Audit Committee plays a key role in monitoring the effectiveness of Counter Fraud arrangements. In considering the proposed Counter Fraud work plan the Committee should be able to:

- Gain assurance that the Council has effective arrangements in place to fight fraud locally
- Confirm that counter fraud resources are targeted to the Council's key fraud risks.

**Consultation**

**a) Have Risks and Impact Analysis been carried out?**

No

## **b) Risks and Impact Analysis**

Risk N/A

### **Appendices**

These are listed below and attached at the back of the report	
Appendix A	Counter Fraud Work Plan to 31 March 2018

### **Background Papers**

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report

This report was written by Lucy Pledge, who can be contacted on 01522 553692 or [Lucy.pledge@lincolnshire.gov.uk](mailto:Lucy.pledge@lincolnshire.gov.uk)





# Lincolnshire County Council Counter Fraud Plan 2017/18



**June 2017**





## **What we do best.....**

**Innovative assurance services**

**Specialists at internal audit**

**Comprehensive risk management**

**Experts in countering fraud**

## **..... and what sets us apart**

**Unrivalled best value to our customers**

**Existing strong regional public sector partnership**

**Auditors with the knowledge and expertise  
to get the job done**

**Already working extensively with the not- for-profit  
and third sector**

The contacts at Assurance Lincolnshire are:

Lucy Pledge CMIIA, QIAL  
Audit and Risk Manager (Head of Internal Audit)  
[Lucy.pledge@lincolnshire.gov.uk](mailto:Lucy.pledge@lincolnshire.gov.uk)

Dianne Downs  
Team Leader  
[Dianne.downs@lincolnshire.gov.uk](mailto:Dianne.downs@lincolnshire.gov.uk)

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## Introduction

1. This report summarises the proposed work of the Counter Fraud and Investigation Team for 2017/18. The aim is to give a high level overview of areas we are likely to cover during the year - giving you an opportunity to comment on the proposals.
2. The plan has been developed as a statement of intent to enable us to respond to changes during the year. Whilst every effort will be made to deliver the plan, we recognise that we need to be flexible and prepared to revise activity – responding to changing circumstances or emerging risks.
3. The Council's counter fraud arrangements demonstrate its continued commitment to strong governance and best use of resources. Our response to Central Government's expectations for tackling fraud and corruption is reflected in the plan. It is important that we maintain our counter fraud response and resilience as the changes to the Council's service delivery continue to evolve.





## Background

4. The Counter Fraud and Investigations Team (CFIT) is well established and has a track record of delivering both proactive counter fraud work and responding to whistleblowing allegations and reports of suspected fraud.

The Audit Committee provides oversight on the effectiveness of the Council's counter fraud arrangements – including the progress and delivery of this work plan. We provide Progress Reports during the year and an Annual Report on the outcome of our work.

5. In 2015 we secured £250k Government funding to establish the Lincolnshire Counter Fraud Partnership. This partnership is made up of all the local authorities and the Police in Lincolnshire and has during its operation so far:
  - secured fraud / error savings of £786k
  - raised awareness of fraud within the Community
  - managed resources more effectively by sharing resources and expertise
  - pooling intelligence in the fight against fraud
6. Following this success Lincolnshire Council's and Lincolnshire Police have agreed to continue fund this initiative for 2017/18. It is anticipated that savings generated from the work will, in the medium to long term, enable the partnership to become self-funding.

7. The Counter Fraud Plan 2017/18 has been developed to deliver a proportionate response to the risk of fraud for both Lincolnshire County Council and its partners in Lincolnshire Counter Fraud Partnership.



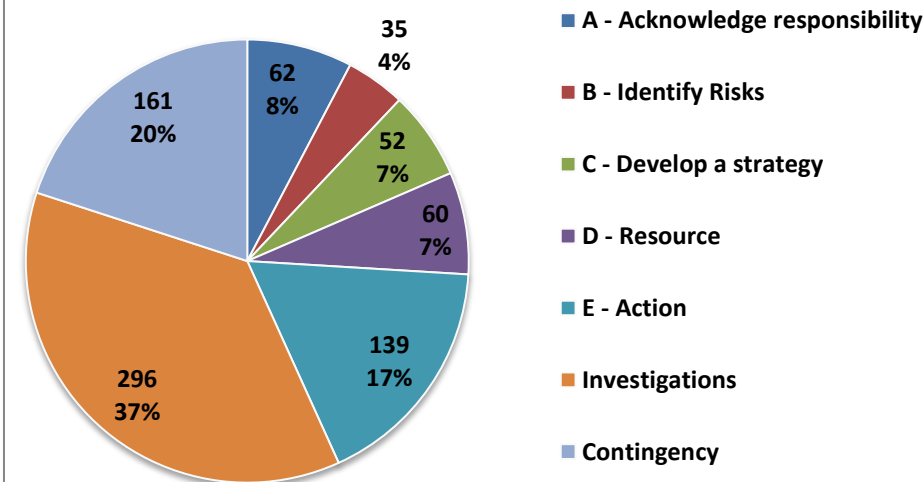
## Counter Fraud Plan 2017/18

8. In April 2016, the Government launched the Local Government Counter Fraud and Corruption Strategy 2016-2019 - Fighting Fraud and Corruption Locally. The Strategy is supported by the CIPFA's Code of Practice, providing a blueprint for a tough response to fraud committed against local authorities.
9. The Council's counter fraud arrangements are designed to adhere to the principles and specific areas expected and identified in the CIPFA Code of Practice.
10. To ensure that the plan reflects key areas, we have aligned the 2017/18 Counter Fraud plan to the CIPFA Code's 5 key principles:
  - Acknowledge responsibility
  - Identify risks
  - Develop Strategy
  - Provide resources
  - take action
11. Our Counter Fraud Plan and indicative scope have therefore been developed to:
  - ensure continuing good practice for fraud prevention and detection
  - respond to higher risk areas identified in LCC's Fraud Risk Register
  - tackle cross cutting themes identified by the

- Lincolnshire Counter Fraud Partnership
  - react to emerging fraud risks

12. We propose to allocate our Counter Fraud resource as shown in **Figure 1** - with the proposed counter fraud activities outlined at Appendix A. The plan identifies specific areas that will be delivered, but also some unallocated contingency. The contingency allows for greater flexibility to respond to emerging risks and larger scale investigations.

**Figure 1: Allocation of counter fraud resource - days by activity.**



13. During 2017/18 key areas of Counter fraud actively will include:
- Reviewing our policies to ensure they are up to date and reflect current good practice - Counter Fraud Strategy, Money Laundering and Whistleblowing. update the Council's fraud risk assessment
  - ranking activities as high, medium or low risk. This allows us to prioritise areas for review and ensure our counter fraud arrangements remains risk based and responsive.
  - continue to work closely with the Internal Audit Team and use our data analytic expertise to enhance our analysis of fraud and error testing across the key financial systems – this will use a continuous testing approach that will allow us to identify trends and patterns within transactions.
14. We participated in The National Fraud Initiative 2016/17 and results of data matches were provided early in 2017. We will continue to review data matches provided in the reports to identify fraudulent transactions and errors requiring attention.
15. We will continue our whistleblowing and counter fraud awareness activity - raising awareness and understanding of corporate fraud at all levels.
16. Action plans will continue to be produced from our work on investigations and proactive counter fraud exercises to aid organisational learning and prevent issues reoccurring.
17. The Lincolnshire Counter Fraud Partnership will continue to co-ordinate the response of Lincolnshire local authorities in tackling high risk areas of corporate fraud. We aim to maximise recoveries for all partners where possible as well as building fraud awareness and sharing best practice.
18. The Council has reviewed and realigned its counter fraud team capabilities – increasing the planned days to 805 in our Counter Fraud Plan for 2017/18. This includes capacity to deliver the Lincolnshire Counter Fraud Partnership work plan. For comparison; in 2016/17 the Counter Fraud Plan was 716 days - including 176 days leading and delivering the Lincolnshire Counter Fraud Partnership work plan.



## Staff Resource

19. The core team who will deliver the Counter Fraud Plan are:

Name	Grade
<b>Dianne Downs</b>	Audit Team Leader
<b>Donald Adams</b>	Principal Investigator
<b>Matt Drury</b>	Principal Investigator
<b>Gillian Martin</b>	Principal Investigator
<b>TBC</b>	Senior Investigator

Full contact details for the team can be found at Appendix B

20. The team will be supported by specialists from Assurance Lincolnshire and our wider audit frameworks as and when appropriate and by our pool of Relief Conduct Investigators.

21. An indicative staff mix delivering our Counter Fraud plan to you is shown below:

Grade	2017/18 plan (Average Days)	Grade Mix %
Head of Corporate Audit & Strategic Risk Management	40	5%
Audit Team Leader	90	11%
Principal Investigator	479	60%
Senior Investigator	195	24%



## Appendix A – Counter Fraud Plan 2017/18

Specific step (from CIPFA Code of Practice)	Nature of work	Indicative Scope	Scheduling
<b>CIPFA Code of Practice – Key Principle A : Acknowledge Responsibility</b>			
A1 - Acknowledge the threat of fraud and corruption	<ul style="list-style-type: none"> <li>Engagement and training</li> <li>Fraud awareness</li> <li>Website updates</li> <li>Response to the Home Office Report on Serious and Organised Crime</li> <li>Launch and promotion of e-learning package (in conjunction with Lincolnshire Counter Fraud Partnership)</li> </ul>	Briefing sessions – training for members, management and staff (general and specific fraud areas), including induction training for new members	Throughout 2017/18
A2 - Acknowledge the importance of a culture that is resilient to the threats of fraud and corruption		Annual Plan for Counter Fraud activity to Audit Committee	Quarter 1 (2017/18) & Quarter 4 - March 2018 (18/19 Plan)
A3 - Governing Body acknowledges its responsibility for the management of its fraud and corruption risks		Continued development of fraud resilience through the Lincolnshire Counter Fraud Partnership (LCFP).	Throughout 2017/18
A4 - Governing Body sets a specific goal of ensuring and maintaining its resilience to fraud and corruption		Roll out of new fraud e-learning module Promotion and publicity through a 'fraud awareness fortnight'	Quarter 1
		Updates, risks, results and information (various publications and channels)	Throughout 2017/18

Specific step (from CIPFA Code of Practice)	Nature of work	Indicative Scope	Scheduling
		Response to Serious Organised Crime Pilot Project across Lincolnshire	Throughout 2017/18
<b>62 Days (8%)</b>			

Specific step (from CIPFA Code of Practice)	Nature of work	Indicative Scope	Scheduling
<b>CIPFA Code of Practice – Key Principle B : Identify Risks</b>			
B1 - Fraud risks are routinely considered as part of risk management arrangements	<ul style="list-style-type: none"> <li>• Research and intelligence gathering to highlight emerging risks</li> <li>• Benchmarking activity</li> <li>• Update fraud risk profile</li> <li>• Analysis and publication of fraud losses</li> </ul>	Participation in Midlands Fraud Group, work with TEICAFF advisory group, CIPFA Counter Fraud Centre, follow up of NAFN alerts and horizon scanning for relevant legislative changes	Throughout 2017/18
B2 - The organisation identifies the risks of fraud and corruption		Review and update of the Council's Fraud Risk register.	Quarter 2
B3 - The organisation publishes estimates of fraud loss to aid evaluation of fraud risk exposures		Participation in CIPFA Fraud and Corruption Tracker (CFaCT) Annual Survey	Quarter 1 (June submission ) Quarter 3 Review results (December)
B4 – The organisation evaluates the harm to its aims and objectives			

Specific step (from CIPFA Code of Practice)	Nature of work	Indicative Scope	Scheduling
		Annual and progress reports of counter fraud activity to Audit Committee  Data analysis & risk assessment: <ul style="list-style-type: none"> <li>• for counter fraud proactive exercises</li> <li>• to support key control and continuous testing</li> </ul> Update responses to the LCC Fraud Health Check.	Quarter 1 (for July 2017) Quarter 3 (for January 2018)  Throughout 2017/18  Quarter 2 onwards
<b>35 Days (4%)</b>			

Specific step (from CIPFA Code of Practice)	Nature of work	Indicative Scope	Scheduling
<b>CIPFA Code of Practice – Key Principle C : Develop a Strategy</b>			
C1 - Governing Body formally adopts a counter fraud and corruption strategy to address identified risks	<ul style="list-style-type: none"> <li>• Counter Fraud Strategy</li> <li>• Review and refresh policy documents</li> </ul>	Continue to develop Counter Fraud Strategy  Review and updates of Policies including:	Quarter 1
C2 - Strategy includes the organisation's use of joint working		<ul style="list-style-type: none"> <li>• Counter Fraud Policy</li> <li>• Fraud Response Plan</li> </ul>	Quarter 2 Quarter 2

Specific step (from CIPFA Code of Practice)	Nature of work	Indicative Scope	Scheduling
<p>or partnership approaches C3 - The strategy includes both proactive and responsive approaches:</p> <p>Proactive action:</p> <ul style="list-style-type: none"> <li>• Develop counter fraud culture</li> <li>• Prevent fraud through implementation of robust internal controls</li> <li>• Use of techniques such as data matching</li> <li>• Deterring fraud attempts by publicising the organisation's anti-fraud and corruption stance and the actions it takes against fraudsters</li> </ul> <p>Responsive action:</p> <ul style="list-style-type: none"> <li>• Detecting fraud through data and intelligence analysis</li> <li>• Implementing effective whistleblowing arrangements</li> <li>• Investigating fraud referrals</li> </ul> <p>Applying sanctions and seeking redress</p>		<ul style="list-style-type: none"> <li>• Fraud Communication Strategy</li> <li>• Money Laundering Policy (ML)</li> <li>• Investigation Practice Notes</li> </ul> <p>Activity planning of pro-active counter fraud work - response to risk assessment and data analytics.</p>	<p>Quarter 2 Quarter 4 Quarter 4</p> <p>Quarter 2</p>
<p><b>52 Days (7%)</b></p>			



Specific step (from CIPFA Code of Practice)	Nature of work	Indicative Scope	Scheduling
<b>CIPFA Code of Practice – Key Principle D : Provide Resources</b>			
D1 - Annual assessment whether level of resource invested to countering fraud and corruption is proportionate to the level of risk	<ul style="list-style-type: none"> <li>• Lincolnshire Counter Fraud Partnership</li> <li>• Midlands Fraud Group</li> <li>• Collaboration with and support to Internal Auditors at Assurance Lincolnshire</li> <li>• Manage pool of Conduct Investigators</li> </ul>	Fraud advice across LCC services areas and to strategic partners.	Throughout 2017/18
D2 - The organisation utilises an appropriate mix of experienced and skilled staff		Management of Lincolnshire Authorities Whistleblowing Facility.	Throughout 2017/18
D3 - The organisation grants counter fraud staff unhindered access to its employees		Development of internal data analytics capability – system upgrade and training	Throughout 2017/18
D4 - The organisation has protocols in place to facilitate joint working and data and intelligence sharing		Response to Serious Organised Crime Pilot Project across Lincolnshire	Throughout 2017/18
		Use of pooled funding contributions from Lincolnshire's District Councils and Lincolnshire Police for provision of support to the Lincolnshire Counter Fraud Partnership	Throughout 2017/18
	Delivery of 3 Lincolnshire Counter Fraud Partnership meetings	Quarter 1, 3 & 4	

Specific step (from CIPFA Code of Practice)	Nature of work	Indicative Scope	Scheduling
		Engagement with national and regional best practice groups including co-ordination of Midland Fraud Group meetings	Throughout 2017/18
<b>60 Days (7%)</b>			

Specific step (from CIPFA Code of Practice)	Nature of work	Indicative Scope	Scheduling
<b>CIPFA Code of Practice – Key Principle E : Take Action</b>			
E1 - The organisation has put in place a policy framework which supports the implementation of the Counter Fraud Strategy	<ul style="list-style-type: none"> <li>Response to National Fraud Initiative 2016/17 results</li> <li>Proactive counter fraud exercises</li> </ul>	Analysis of data matches identified through National Fraud Initiative 2016/17	Throughout 2017/18
E2 - Plans and operations are aligned to the strategy	<ul style="list-style-type: none"> <li>Data analysis</li> <li>Investigations – whistleblowing referrals</li> </ul>	Proactive counter fraud exercises: <ul style="list-style-type: none"> <li>Procurement fraud (specific areas)</li> <li>Schools</li> </ul>	Start Quarter 2
E3 - Making effective use of initiatives to detect and prevent fraud, such as data matching or intelligence sharing	<ul style="list-style-type: none"> <li>Investigations – fraud</li> <li>Applications of sanctions</li> <li>Seeking redress</li> <li>Advice</li> </ul>	Investigations arising from whistleblowing reports and frauds identified	Throughout 2017/18
E4 - Providing for independent assurance over fraud risk	<ul style="list-style-type: none"> <li>Promotion of counter fraud activity</li> <li>Organisational learning</li> </ul>	Production of management reports and action plans to aid organizational	Throughout 2017/18

Specific step (from CIPFA Code of Practice)	Nature of work	Indicative Scope	Scheduling
<p>management, strategy and activities</p> <p>E5 - Report to the Governing Body at least annually on performance against the counter fraud strategy and the effectiveness of the strategy. Conclusions are featured within the Annual Governance report</p> <p>* Note also Specific Step – C3</p>	<ul style="list-style-type: none"> <li>• Reports to Audit Committee</li> </ul>	<p>learning – investigation outcomes and learning points</p> <p>Applications of sanctions – civil, disciplinary and criminal</p> <p>Seeking redress where successful prosecutions are achieved</p> <p>Promotion and publicity work through various media channels including production of a new fraud awareness leaflet for distribution</p> <p>Provision of advice on fraud risks and mitigating controls Promotion of fraud prevention measures</p> <p>Production of progress and annual counter fraud and whistleblowing reports to the Audit Committee</p>	<p>Throughout 2017/18</p> <p>Throughout 2017/18</p> <p>Throughout 2017/18</p> <p>Throughout 2017/18</p> <p>Quarter 1 (for July 2017) &amp; Quarter 3</p>
<p><b>435 Days (54%) - Including 296 days (37%) for investigations</b></p>			

Specific step (from CIPFA Code of Practice)	Nature of work	Indicative Scope	Scheduling
Contingency	Emerging risks		
<b>161 Days (20%)</b>			

## Appendix B –STAFF CONTACTS

NAME	GRADE	TELEPHONE	EMAIL
Lucy Pledge	Audit and Risk Manager	01522 553692	<a href="mailto:Lucy.pledge@lincolnshire.gov.uk">Lucy.pledge@lincolnshire.gov.uk</a>
Dianne Downs	Team Leader- Audit	01522 553682	<a href="mailto:Dianne.downs@lincolnshire.gov.uk">Dianne.downs@lincolnshire.gov.uk</a>
Donald Adams	Principal Investigator	01522 553689	<a href="mailto:Donald.Adams@lincolnshire.gov.uk">Donald.Adams@lincolnshire.gov.uk</a>
Matt Drury	Principal Investigator	01522 548867	<a href="mailto:Matt.Drury@lincolnshire.gov.uk">Matt.Drury@lincolnshire.gov.uk</a>
Gillian Martin	Principal Investigator	01522 676501	<a href="mailto:Gillian.Martin@lincolnshire.gov.uk">Gillian.Martin@lincolnshire.gov.uk</a>
TBC	Senior Investigator	01522 552798	TBC

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**Open Report on behalf of Pete Moore, Executive Director Finance and Public Protection**

Report to:	<b>Audit Committee</b>
Date:	<b>26 June 2017</b>
Subject:	<b>Review of Governance Framework &amp; Development of Annual Governance Statement 2017</b>

**Summary:**

This report proposes that the Audit Committee considers and approves the Annual Governance Statement 2017.

The Council is required to reflect on how well the Council's governance framework has operated during the year and identify any governance issues that we need to draw to the attention of Lincolnshire's residents.

Good governance underpins everything we do as a Council and how we deliver services often comes under close scrutiny.

A 'good' Annual Governance Statement is an open and honest self-assessment of how well we have run our business across all activities - with a clear statement of the actions being taken or required to address any areas of concern.

The Audit Committee oversees the development of the Annual Governance Statement and recommends its approval to the Council.

This paper provides the Committee with the opportunity to review the contents of the draft statement - ensuring that it accurately reflects the Committee's terms of reference.

**Recommendation(s):**

That the Committee considers the contents of the Annual Governance Statement 2017 and:

1. Agree that it accurately reflects how the Council is run;
2. That the statement includes the significant governance issues / key risks it would have expected to be published;
3. Identify any changes it wishes to make to the statement

- |  |
|--|
| 4. Identify any assurance requirements for its work plan |
|--|

## Background

### What do we mean by Governance?

1. Each year the Council is required to reflect on how its governance arrangements have worked – identifying any significant<sup>1</sup> governance issues that it feels should be drawn to the attention of the public – in the interests of accountability and transparency. We do this through the Annual Governance Statement.

2. Good Governance can mean different things to people – in the public sector it means:

*"Achieving the Intended Outcomes While Acting in the Public Interest at all Times"*

*"If management is about running the business – governance is about seeing that it is run properly"<sup>2</sup>*

3. It is comprised of systems, processes and culture and values, by which the Council is directed and controlled and through which they account to, engage with, and where appropriate, lead their communities.

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<sup>1</sup> Significance = The relative importance of a matter within the context in which it is being considered, including quantitative and qualitative factors, such as magnitude, nature, effect, relevance and impact.

<sup>2</sup> Robert Tricker. An expert in Corporate Governance.

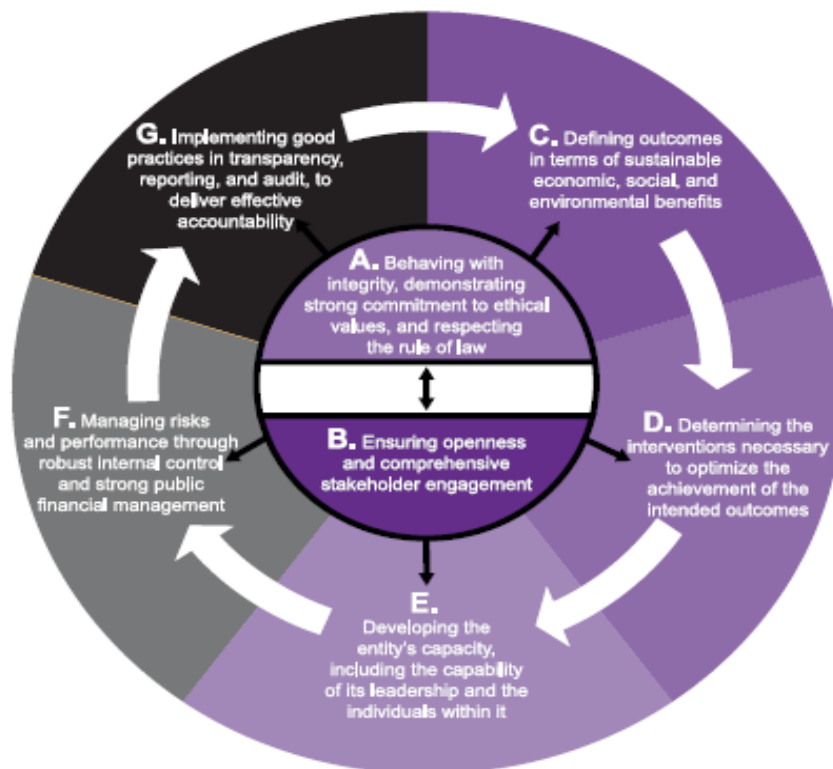


## What is the Governance Framework?

- Each local authority operates through a governance framework which brings together an underlying set of legislative requirements, governance principles and management processes. It ensures that the Council's business is conducted in a legal and proper way – ensuring that public money is properly used - economically, efficiently and effectively.
- In April 2016, CIPFA / SOLACE published an updated 'Delivering Good Governance in Local Government – Framework and Guidance'. This sets out the latest good practice operating in the current public sector environment. It defines seven core principals by which a Council can test out their governance arrangements. These are shown in **Figure 1** below.

**Figure 1 – Good Governance principals**

### **Achieving the Intended Outcomes While Acting in the Public Interest at all Times"**

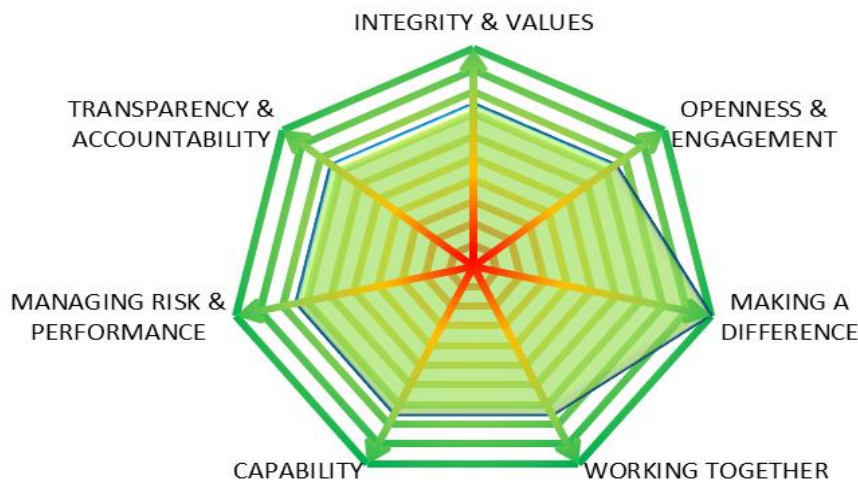


The International Framework notes that:

*Principles A and B permeate implementation of principles C to G. The diagram also illustrates that good governance is dynamic, and that an entity as a whole should be committed to improving governance on a continuing basis through a process of evaluation and review.*

6. An Internal Audit on the Council's governance framework was undertaken during 2016 – benchmarking its arrangements against this Framework and Guidance. .
7. Overall the audit confirmed that the Council has the appropriate systems and processes in place to ensure good governance is maintained. **Figure 1** shows how this pans out for each good governance principle.

**Figure 1 – Evidence demonstrating good governance**



Principle A - Integrity & Values	<b>Substantial</b> Assurance
Principle B- Openness & Engagement	<b>Substantial</b> Assurance
Principle C - Working together	<b>Substantial</b> Assurance
Principle D - Making a difference	<b>High</b> Assurance
Principle E - Capability	<b>Substantial</b> Assurance
Principle F Managing risk & performance	<b>Substantial</b> Assurance
Principle G Transparency & accountability	<b>Substantial</b> Assurance

8. One common theme identified in the audit was the impact of operating with reduced resources. Whilst teams could no longer do certain tasks – the audit still found that governance was being leveraged from other sources – minimising gaps in the Council's framework. It was refreshing that there were no "surprises" identified or significant improvement areas. Some suggested improvements were recommended around completing the ethical audit and updating the financial procedure on Partnerships, Trading and External Funding (Financial Procedure 8).

## Annual Review of our Governance Framework

9. The annual review and development of the Annual Governance Statement is undertaken by the Governance Group in consultation with the Executive Directors. The Council's Governance Group comprising of:
  - Monitoring Officer - Executive Director – Environment and Economy
  - Section 151 Officer - Executive Director – Finance and Public Protection
  - County Finance Officer
  - Audit and Risk Manager (Head of Internal Audit )
  - Chief Legal Officer
  - Democratic Services Manager
  - Corporate Management Board
10. The sources of information used to develop the Governance Statement include:
  - The assurance arrangements of the Council, particularly each Directors Combined Assurance Status reports.
  - Head of Internal Audit annual audit opinion (Annual Report 2016/17)
  - Council's Strategic Risk Register and risk management arrangements
  - External Audit Annual Audit Letter
  - Ombudsman investigations
  - Complaints and lessons learnt
  - Comments of the Corporate Management Board

### *Governance Issues*

11. As a result of our annual review we have identified the following areas where further work is required to improve systems or monitor how the key risks facing the Council are being managed. These are:
  - IT Governance (included in 2015/16 statement)
  - Financial sustainability (included in 2015/16 statement)
  - Financial control environment (included in 2015/16 statement)
  - Market Supply in Adult Care
  - SERCO contract – Lessons Learnt KPMG report
  - Delivery of Support Services Improvements - SERCO
  - Collaborative working – Governance arrangements

The draft Annual Governance Statement 2017 is attached in **Appendix A**.

12. These areas are highlighted because of the need for the Council to be realistic and open about those functions and activities which require, or are likely to require, support (including but not limited to financial support) over the next year in order to ensure that they are working effectively and efficiently. This in turn should ensure that any future problems in those

areas are averted or at the very least minimised. They also represent some of the key areas that will help us deliver Council priorities

13. In conducting the review, there were a number of areas identified by the Corporate Management Team that were not significant issues but warrant keeping a 'watching brief' over through the Executive Director. These were:

Resilience	Ability to deliver services in the event of an incident (Emergency Planning or Business Continuity incident) over a prolonged period of time – our Business Continuity Arrangements.
	Currently limited Assurance over this critical business activity and 2 year work plan in place.
Key Projects	Level of Assurance and oversight for CMB (Linked to the KPMG report)
Financial Procedure 8	Approval of update <ul style="list-style-type: none"> <li>• Partnership</li> <li>• Income Generation</li> <li>• Trading Companies</li> </ul>
Ethical Audit	Phase 2 of the Governance Review being progressed:
Political Governance	Support review of how well the new scrutiny structure is working following implementation.
Clinical Governance	Ensure that appropriate governance, risk and control measures in place in the new delivery model.

- 14 The draft Annual Governance Statement can be found in Appendix A. It is presented to the Committee for your consideration and 'challenge' of the contents eg:

- Does it accurately reflect the Committee's understanding of how the Council is run?
- Reflecting on evidence presented to the Committee during the year and other relevant information are the significant governance / key risks those that the committee expected to see published? Are there any surprises / gaps?

Note: Recognising that the statement is a reflective / backward look at the Council from April 2015 to June 2016 but does need to be contemporary at the time of publication.

15. The CIPFA Better Governance Forum has issued some guidance for Audit Committees to help when considering the development of an effective Annual Governance Statement – this is attached in **Appendix B**.
16. Our governance framework and annual review covers all activities of the Council including Fire and Rescue and Pensions.

**Conclusion**

17. Overall the Council has the appropriate systems and processes in place to ensure good governance is maintained - which is demonstrated by the realistic and open assessment of its functions and activities.
18. Officers have identified a number of governance issues to be included in the Annual Governance Statement. The Audit Committee is asked to independently review and approve these for ‘realism’.
19. The final Annual Governance Statement will be presented to the Committee in September for approval

**Consultation**

**a) Have Risks and Impact Analysis been carried out??**

No

**b) Risks and Impact Analysis**

Any changes to services, policies and projects are subject to an Equality Impact Analysis. The considerations of the contents and subsequent decisions are all taken with regard to existing policies

**Appendices**

These are listed below and attached at the back of the report	
Appendix A	Appendix A Lincolnshire County Council - Annual Governance Statement 2017
Appendix B	Appendix B CIPFA Better Governance Forum - Audit Committee Update Issue 22

**Background Papers**

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report

This report was written by Lucy Pledge, who can be contacted on 01522 553692 or [lucy.pledge@lincolnshire.gov.uk](mailto:lucy.pledge@lincolnshire.gov.uk)

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**Annual  
Governance  
Statement 2017  
DRAFT**

# Contents

1	Executive Summary
1	Significant Governance Issue
3	What is Corporate Governance?
5	The Council – How it works
6	Outcomes and Value for money
7	How do we know our arrangements are working?
11	Our Strategic Risks
13	Looking Back on 2015/16



## Executive Summary

The Leader of the Council (Cllr Martin Hill OBE) and Chief Executive (Tony McArdle) both recognise the importance of having good management, effective processes and other appropriate controls in place to run the Council in delivering services to the communities of Lincolnshire.

Each year the Council is required to produce an Annual Governance Statement (AGS) which describes how its corporate governance arrangements have been working. To help us do this the Council's Audit Committee undertakes a review of our governance framework and the development of the AGS.

On the 26<sup>th</sup> June 2017 the Audit Committee considered and challenged the content and the significant governance issues identified in the Statement – ensuring that the Statement properly reflects how the Council is run – identifying any improvement actions.

The final statement was formally approved by the Audit Committee on the 25<sup>th</sup> September 2017 - where it was recommended for signing by the Leader of the Council, Chief Executive and the Executive Director – Finance and Public Protection.

## Significant Governance Issues

Overall we can confirm that the Council has the appropriate systems and processes in place to ensure good governance is maintained. Whilst we are satisfied that these generally work well our review has identified a number of areas for improvement, namely:

Key improvement Area	Lead Officer	To be delivered by
IT Governance	Executive Director – Environment and Economy	September 2017
Financial Sustainability	Executive Director – Finance & Public Protection	February 2018
Financial Control Environment	Executive Director – Finance & Public Protection Executive Director – Children Services (HR/ Payroll)	December 2017 December 2017
Market Supply	Executive Director – Adult Services	March 2018
SERCO contract – Lessons Learnt (KPMG report)	Chief Executive	September 2017
Delivery of Support Services and Improvement - SERCO	Chief Executive	September 2017

Key improvement Area	Lead Officer	To be delivered by
Collaborative Working - Governance Arrangements	Executive Director – Finance & Public Protection	December 2017

Progresses made dealing with the governance issues identified in the 2015/16 Annual Governance Statement are contained on page 12. This shows that the planned improvements in the Council's financial control environment and in the information management team (SERCO) have yet to be addressed. They have therefore been included in the current statement.

We are satisfied that steps are being taken to address the above issues and will monitor implementation and operation as part of performance management. The Audit Committee will also help us with independent assurance during the year.

Councillor Martin Hill OBE  
Leader of the Council

Tony McArdle  
Chief Executive

Pete Moore  
Executive Director – Finance and Public Protection

(oversight responsibility for Governance and the Council's Section 151 Officer)

*Signed on behalf of Lincolnshire County Council*

## What is Corporate Governance?

Good Governance can mean different things to people – in the public sector it means:

*"Achieving the Intended Outcomes While Acting in the Public Interest at all Times"*

Corporate governance generally refers to the processes by which an organisation is directed, controlled, led and held to account.

The Councils governance framework aims to ensure that in conducting its business it:

- operates in a lawful, open, inclusive and honest manner
- makes sure public money is safeguarded, properly accounted for and spent wisely
- has effective arrangements in place to manage risk
- meets the needs of Lincolnshire communities - secures continuous improvements in the way it operates.

Our governance framework comprises of the culture, values, systems and processes by which the Council is directed and controlled. It brings together an underlying set of legislative and regulatory requirements, good practice principles and management processes.

## The Principles

### A summary

<b>Principle A</b>	<b>Principle B</b>	<b>Principle C</b>
Integrity and Values	Openness & Engagement	Working Together
<b>How we do this:</b>	<b>How we do this:</b>	<b>How we do this:</b>
<p>Staying true to our strong ethical values and standards of conduct</p> <p>Respecting the rule of law</p> <p>Creating a culture where statutory officers and other key post holders are able to fulfil their responsibilities</p> <p>Ensuring fraud, corruption and abuse of position are dealt with effectively</p> <p>Ensuring a safe environment to raise concerns and learning from our mistakes</p>	<p>Keeping relevant information open to the public and continuing their involvement</p> <p>Consultation feedback from the public is used to support service and budget decisions</p> <p>Providing clear rationale for decision making – being explicit about risk, impact and benefits.</p> <p>Having effective scrutiny to constructively challenge what we do and the decisions made</p>	<p>Having a clear vision and strategy to achieve intended outcomes - making the best use of resources and providing value for money</p> <p>Being clear about expectations - working effectively together within the resources available</p> <p>Developing constructive relationships with stakeholders</p> <p>Having strong priority planning and performance management processes in place</p> <p>Taking an active and planned approach to consult with the public</p> <p>Regularly consult with employees and their representatives</p>

## The Council aims to achieve good standards of governance by:

- A. behaving with integrity and in accordance with our core values
- B. being open and ensuring effective engagement takes place
- C. working together to achieve our intended outcomes
- D. setting goals for economic, social and environmental benefits and reaching them
- E. growing our capacity - including our leadership and the people who work with us
- F. managing risks and performance through robust internal control and strong financial management

<b>Principle D</b>	<b>Principle E</b>	<b>Principle F</b>	<b>Principle G</b>
Making a Difference	Capability	Managing Risk & Performance	Transparency & Accountability
<b>How we do this:</b>	<b>How we do this:</b>	<b>How we do this:</b>	<b>How we do this:</b>
Having a clear vision and strategy setting out our intended outcome for citizens and service users	<p>Clear roles and responsibilities for Council leadership</p> <p>Maintaining a development programme that allows Councillors and Officers to gain the skills and knowledge they need to perform well in their roles.</p> <p>Evaluating Councillor and Officers' performance</p> <p>Regular oversight of performance, compliments and complaints to enable results (outcomes) to be measured and enable learning</p>	<p>Ensuring that effective risk management and performance systems are in place. That these are integrated in our business systems / service units</p> <p>Having well developed assurance arrangements in place</p> <p>Having an effective Audit Committee</p> <p>Effective counter fraud arrangements in place</p>	<p>Having rigorous and transparent decision making processes in place</p> <p>Maintaining and effective scrutiny process</p> <p>Publishing up to date and good quality information on our activities and decisions.</p> <p>Maintaining an effective internal and external function</p>

# The Council – How it works

The Annual Governance Statement covers the period 1<sup>st</sup> April 2016 to 31<sup>st</sup> March 2017. The information below relates to this period. A new Executive and Scrutiny structure will come into effect from May 2017.

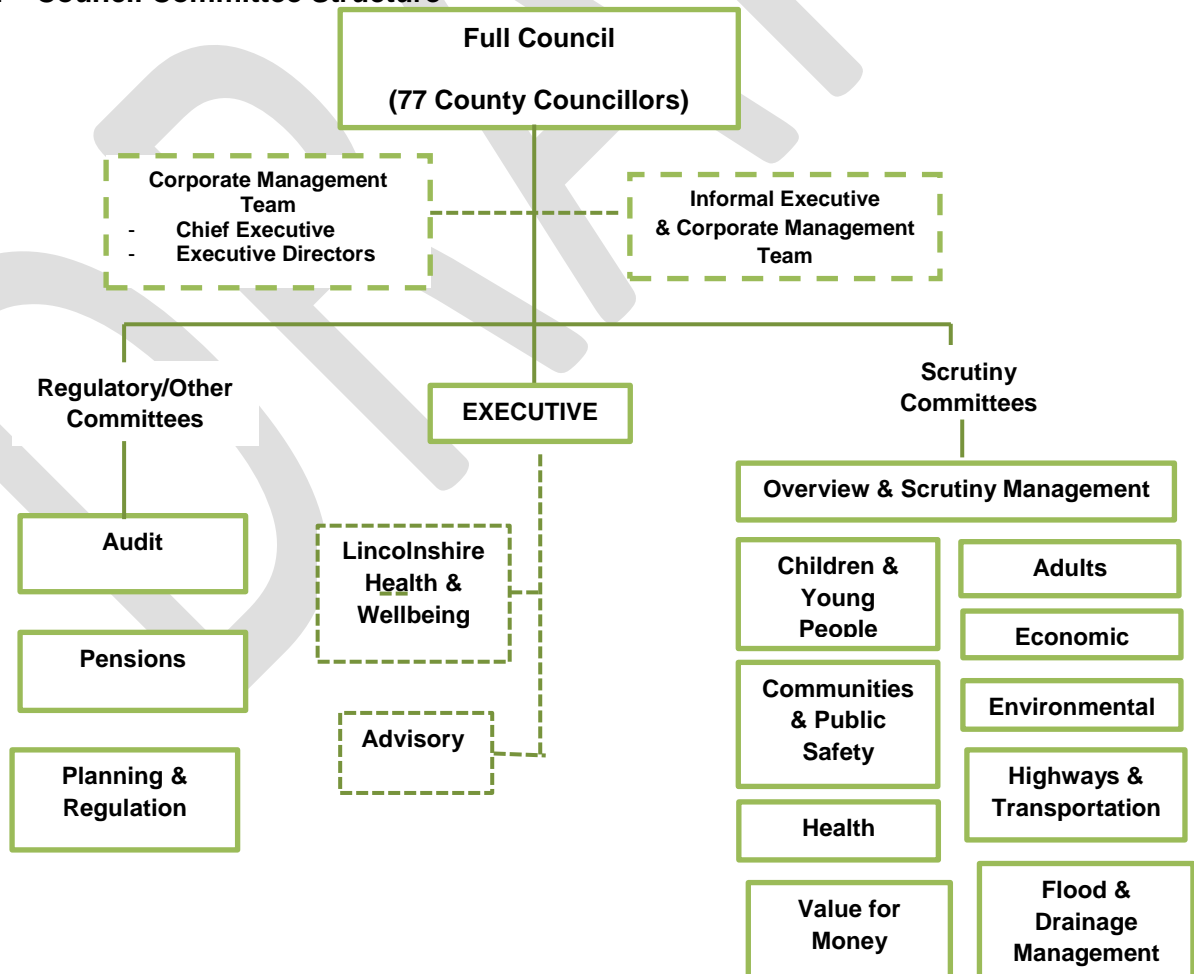
The Council is made up of 77 Councillors and operates a Leader and Executive model of decision making.

All 77 Councillors meet at full Council to agree the budget and policy framework. In 2016/17 ten Councillors form the Executive. The Executive make the decisions that deliver the budget and policy framework of the Council.

The remaining 67 Councillors form scrutiny committees. These committees develop policy and scrutinise decisions made by the Executive and key decisions made by officers – holding them to account. A number of Committees deal with Regulatory issues.

We have reviewed our scrutiny arrangements during 2016 – aiming to make them more effective. The new scrutiny structure for the new Council started in May 2017. We will assess how well they are working later in the Autumn.

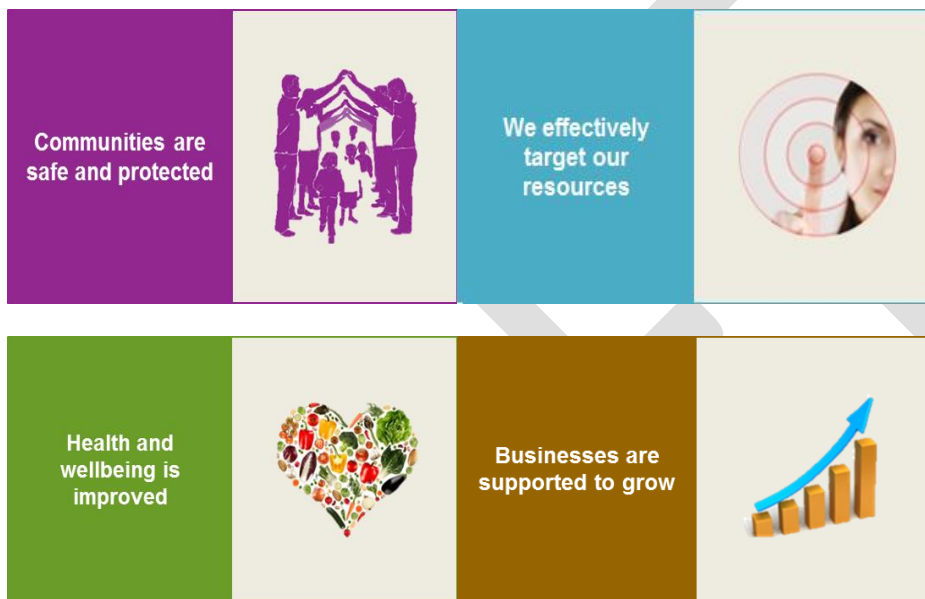
**Figure 2 – Council Committee Structure**



# Outcomes and Value for money

## Our Plan and Performance Dashboard

We want to support a society where people contribute to their communities and are willing and able to look after themselves and others; a county where:



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## Managing our Resources (Value for Money)

*Note: Performance and Value for Money Information will be populated once the final data is available and External Audit opinion received*

# How do we know our arrangements are working?

There are a number of ways we do this:-

## The role of management

Our managers have the day to day responsibility for managing and controlling services - they are accountable for their successful delivery. They set 'the tone from the top' and develop and implement the policies, procedures, processes and controls – ensuring compliance.

Our Corporate Management Team and Governance Group oversee the review and the Council's governance arrangements and the development the Annual Governance Statement.

This year, a review of our governance arrangements was undertaken by Internal Audit – commissioned by our Governance Group. The outcome of this confirmed that we comply with current best practice – with strong governance arrangements in place that are up to date and relevant to the environment we work in. The review did suggest a number of improvements around:

- **Ethics** – One key area of the new governance guidance is demonstrating the 'ethical mind set' in how decisions are made. An Internal Audit is planned for 2017/18 seeking to provide the Corporate Management Board with assurance on how well our governance arrangements work in practice.
- **Partnerships** - better accountability and transparency is required over contract and partnership risks and their assurance arrangements. The Council's financial procedures and guidance in this will be updated during 2017.

## Our Governance Framework

- Services are delivered economically, efficiently & effectively
- Management of risk
- Effectiveness of internal controls
- Democratic engagement & public accountability
- Budget & financial management arrangements
- Roles & responsibilities of Members & Officers
- Standards of conduct & behaviour
- Compliance with laws & regulations, internal policies & procedures
- Actions plans dealing with significant issues are approved, actioned & reported upon

Assurance  
Required Upon

Code of  
Corporate  
Governance

- Constitution (incl. statutory officers, scheme of delegation, financial management & procurement rules)
- Audit Committee
- Internal & external audit
- Independent & external sources
- Council Executive & Scrutiny
- Medium Term Financial Strategy
- Complaints system
- HR policies & procedures
- Whistleblowing & other countering fraud arrangements
- Risk management strategy & framework
- Performance management system
- Codes of conduct
- Corporate Management Team

Sources of Assurance



## The role of the Audit Committee

The Council's Audit Committee plays a vital role overseeing and promoting good governance, ensuring accountability and reviewing the ways things are done.

The Audit Committee provides an assurance role to the Council by examining areas such as audit, risk management, internal control, counter fraud and financial accountability. The Committee exists to challenge the way things are being done, making sure the right processes are in place. It works closely with both Internal Audit and senior management to continually improve the Council's governance, risk and control environment.

## Our Governance Framework

- Statement of accounts
- External audit reports
- Internal audit reports
- Local Government Ombudsman report
- Risk Management Reports
- Counter fraud reports
- Scrutiny reviews
- Effectiveness reviews of Audit Committee
- Combined Assurance Status Reports
- Overview & Scrutiny Annual Report
- Performance & Delivery Reports
- Annual Report
- Monitoring Officer Annual Report

### Assurances Received

- IT Governance
- Financial Sustainability
- Financial Control
- Environment
- Market Supply
- SERCO contract – Lessons Learnt (KPMG report)
- Delivery of Support Services & Improvement – SERCO
- Collaborative Working – Governance Arrangements

### Opportunities to improve – our key risks

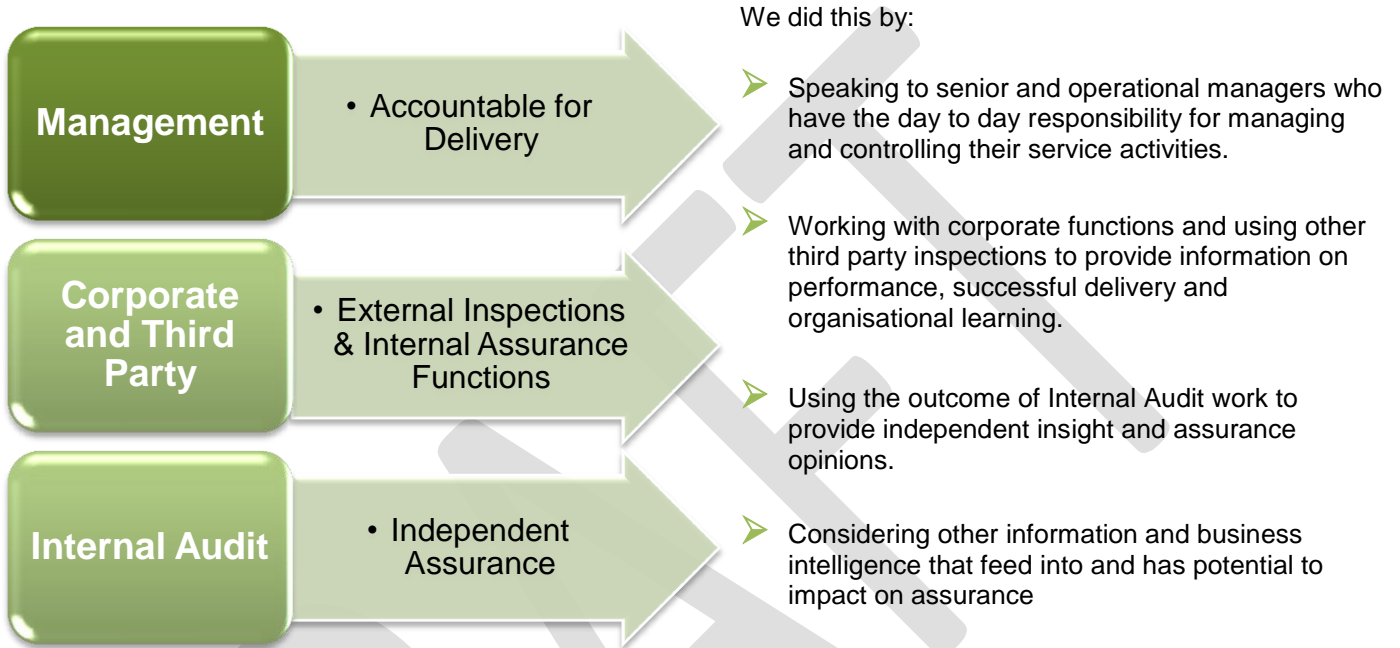
Annual  
Governance  
Statement



## Combined Assurance

A Combined Assurance Status report is produced by each Director on the level of confidence the Council can have on its service delivery arrangements, management of risks, operation of controls and performance for their area of responsibility. These reports were reviewed by the Audit Committee in January 2017.

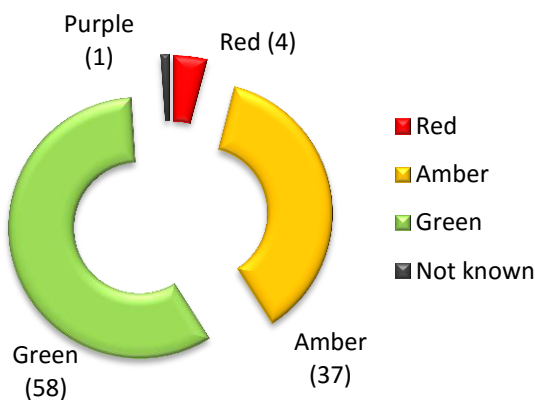
The Council adopts the 'three lines of assurance methodology;-



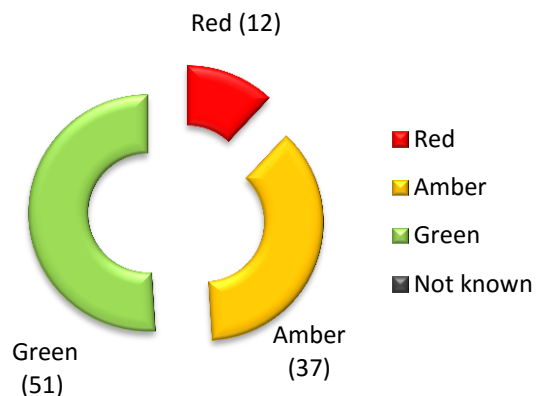
Overall it gives a positive assurance picture for the Council but does reflect the complex environment in which we operate. The future will mean that the Council will need to be comfortable with taking more high risk decisions and accepting that there may be service failures as a consequence of budget and service reductions

## Our assurance levels

**Overall Assurance Status 2015/16**



**Overall Assurance Status 2016/17**



**Key**

**Red**

**Amber**

**Green**

**Purple**

High impact on resources, significant costs likely, high impact on service delivery

Medium or short term impact on resources, costs covered within existing financial plans, low impact on service delivery

Monitor and be aware, activity to mitigate risk within existing service delivery plans

Not known

DRAFT

## Our Strategic Risks

Good risk management is part of the way we work. It is about taking the right risks when making decisions or where we need to encourage innovation in times of major change – balancing risk, quality, cost and affordability. This put us in a stronger position to deliver our goals and provide excellent services. Our risk management process is well established in the way we work. The Audit Committee is responsible for reviewing how effective our risk management procedures are.

Our Strategic Risk Register is regularly reviewed and our risks are being effectively managed.

Risk	Mitigating Actions	Risk Rating	Level of Assurance
Safeguarding Children	<i>Good and effective management arrangements in place with controls working effectively</i>	Amber	Substantial
Safeguarding Adults	<i>Ongoing work to implement the new case management system</i>	Amber	Limited
Good Business Continuity and Resilience	<i>Programme in place to review and test continuity and recovery plans</i>	Amber	Limited
Funding and maintaining financial resilience	<i>Balanced budget and Medium Term Financial Strategy in place</i>	Amber	Substantial
Ability to deliver our programme of designated projects	<i>Project management arrangements in place</i>	Amber	Substantial
Adequacy of market supply to meet eligible needs for adults	<i>Ongoing work with market and suppliers to stimulate market in target areas</i>	Amber	Limited
Ability to recruit and retain staff in high risk areas	<i>Proactive work continuing in this area</i>	Amber	Limited
Maintenance of effective governance arrangements	<i>Benchmarked against good practice and review of scrutiny structure implemented</i>	Green	Substantial
Ensuring contracts are fit for purpose in the Commission Agenda / significant contracts	<i>Commercial team supports the business with ongoing work to strengthen contract management (intelligent client) and learning from procurement / existing contracts</i>	Amber	Limited
Effective implementation of Agresso system – Finance and HR systems	<i>Ongoing work to improve systems, processes and controls.</i>	Amber / Red	Limited / Low
Cyber Security	<i>Ongoing work to identify and manage the ever changing risk presented by cyber threats. ISO/IEC 27001:13 accreditation attained</i>	Red	Limited

Key	Risk	Assurance
Red =	High impact on resources, significant costs likely, high impact on service delivery	Low level of confidence over the design and operation of controls, performance or management of risk
Amber =	Medium or short term impact on resources, cost covered within existing financial plans, low impact on service delivery	Medium level of confidence over the design and operation of controls, performance or management of risk
Green =	Monitor and be aware , activity to mitigate the risk within existing service delivery plans / management arrangements	High level of confidence over the design and operation of controls, performance or management of risk

DRAFT

## Looking Back on 2015/16

A number of improvement actions were identified as part of the 2015/16 Annual Governance Statement. The table below shows progress with these actions:

Action Identified	Progress
Financial Challenges Ahead – medium term financial strategy in place and the Council will submitted a 4 year efficiency plan to help secure Government funding in future years.	On track
Financial Control Environment – implementation of improvement plan by SERCO	Behind Plan
Implementation of Case Management System (Mosaic)	On track
Information Management Team (SERCO) - Delivery IMT transformation projects is behind schedule which is delaying improvements to the Council's IT operations and service efficiencies across the Council. Various dates for projects tracked through the Governance Board.	Behind Plan
Establishing the Combined Authority	No longer applicable
Governance Arrangements – Review risk culture	Complete
Governance Arrangements – Review strategic risk register	On track

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CIPFA Better Governance Forum

## Audit Committee Update

– helping audit committees to be effective

Issue 22

- Developing an Effective Annual Governance Statement
- Regular Briefing on Current Developments
- Audit committee training

March 2017

## Introduction

Dear Audit Committee Member,

Welcome to Issue 22 of our briefings for audit committee members in public sector bodies.

It has been produced by the CIPFA Better Governance Forum and is free to our subscribing organisations. Its aim is to provide members of audit committees with direct access to relevant and topical information that will support them in their role.

This issue takes a fresh look at the annual governance statement in the light of the changes to the governance framework for local government bodies. Producing a statement each year can become a stale process rather than something more valuable, and audit committees can play a very helpful role in supporting their organisation to publish a more meaningful statement.

As always, there are links to new developments and resources of interest for audit committee members.

I hope you will find this issue helpful. Do let me know of any suggestions for future topics or feedback on the briefing.

Best wishes

Diana Melville  
Governance Advisor  
CIPFA Better Governance Forum  
[Diana.Melville@cipfa.org.uk](mailto:Diana.Melville@cipfa.org.uk)

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## Receive our Briefings Directly

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If you have an organisational email address (for example [jsmith@mycouncil.gov.uk](mailto:jsmith@mycouncil.gov.uk)) then you will also be able to register on our website and download any of our guides and briefings directly. To register now, please visit [www.cipfa.org/Register](http://www.cipfa.org/Register).



## Previous Issues of Audit Committee Update

You can download all the previous issues from the CIPFA Better Governance Forum website. The earlier issues are on the archive site. Click on the links below to find what you need.

Issue	Principal Content	Link
Issues from 2010 – subsequent issues have updated the content in these issues.		
Issues from 2011		
4	Strategic Risk Management, Governance Risks in 2011, Role of the Head of Internal Audit	<a href="#">Issue 4</a>
5	Understanding the Impact of IFRS on the Accounts, Key Findings from CIPFA’s Survey of Audit Committees in Local Government	<a href="#">Issue 5</a>
6	Partnerships from the Audit Committee Perspective	<a href="#">Issue 6</a>
Issues from 2012		
7	Assurance Planning, Risk Outlook for 2012, Government Response to the Future of Local Audit Consultation	<a href="#">Issue 7</a>
8	Commissioning, Procurement and Contracting Risks	<a href="#">Issue 8</a>
9	Reviewing Assurance over Value for Money	<a href="#">Issue 9</a>
Issues from 2013		
10	Public Sector Internal Audit Standards and Updates to Guidance on Annual Governance Statements <a href="#">See Issues 21 and 22 for updated content.</a>	<a href="#">Issue 10</a>
11	Local Audit and Accountability Bill, the Implications for Audit Committees, Update of CIPFA’s Guidance on Audit Committees	<a href="#">Issue 11</a>
12	Reviewing Internal Audit Quality, New CIPFA Publication, Audit Committees Practical Guidance for Local Authorities and Police, Regular Briefing on Current Issues	<a href="#">Issue 12</a>
Issues from 2014		
13	Reviewing the Audit Plan, Update on the Local Audit and Accountability Act, Briefing on Topical Governance Issues	<a href="#">Issue 13</a>
14	External Audit Quality and Independence, Government Consultation on Local Audit Regulations, CIPFA’s Consultation on a New Counter Fraud Code, Regular Briefing on Current Issues	<a href="#">Issue 14</a>
15	CIPFA Code of Practice on Managing the Risk of Fraud and Corruption, the Audit Committee Role in Countering Fraud, Regular Briefing on Current Developments	<a href="#">Issue 15</a>

<a href="#">Issues from 2015</a>	
What Makes a Good Audit Committee Chair? Governance Developments in 2015	<a href="#">Issue 16</a>
The Audit Committee Role in Reviewing the Financial Statements, Regular Briefing on Current Developments	<a href="#">Issue 17</a>
Self-assessment and Improving Effectiveness, Appointment and Procurement of External Auditors, Regular Briefing on Current Issues	<a href="#">Issue 18</a>
<a href="#">Issues from 2016</a>	
Good Governance in Local Government – 2016 Framework, Appointing Local Auditors, Regular Briefing on Current Issues	<a href="#">Issue 19</a>
CIPFA Survey on Audit Committees 2016, Regular Briefing on Current Issues	<a href="#">Issue 20</a>
The Audit Committee and Internal Audit Quality, Briefing on Topical Issues	<a href="#">Issue 21</a>

# Workshops and Training for Audit Committee Members in 2017

## **CIPFA Internal Audit Conference**

CIPFA's annual conference for internal auditors will cover professional developments and sharing of good practice.

- 11 May 2017, Oxford Spire Hotel, Oxford

## **Developments in police audit committees**

These events are suitable for members of those joint audit committees supporting police and crime commissioners (PCCs) and chief constables. These events are run in conjunction with CIPFA's Police Network.

- 20 September 2017, London
- 21 September 2017, York

## **Development day for local government audit committees**

This workshop is suitable for audit committee members or those working with the audit committee in local government. It will cover an update on new developments and legislation relevant to the audit committee role.

- December 2017 and January 2018, further details to be confirmed

Other CIPFA events information and dates are available on the [website](#).

## **In-house training and facilitation**

In-house audit committee training and guidance tailored to your needs is available. Options include:

- key roles and responsibilities of the committee
- effective chairing and support for the committee
- working with internal and external auditors
- public sector internal audit standards
- corporate governance
- strategic risk management
- value for money
- fraud risks and counter fraud arrangements
- reviewing the financial statements
- assurance arrangements
- improving impact and effectiveness.

For further details contact or email [diana.melville@cipfa.org](mailto:diana.melville@cipfa.org) or visit the [CIPFA website](#) where we have a brochure to download outlining the support we have available for audit committees.

# Developing an Effective Annual Governance Statement

CIPFA and Solace introduced a new governance framework, *Developing Good Governance in Local Government: Framework*, in April 2016, with seven new governance principles. By adopting the new Framework local authorities should be ensuring that their governance arrangements in practice are in accordance with the principles. The annual governance statement (AGS) is a mandatory requirement for local government bodies set out in statutory regulations<sup>1</sup>. In essence, it is an accountability statement from each local government body to stakeholders on how well it has delivered on governance over the course of the previous year. The benchmarks that are used to make that statement are the principles in the Framework.

## What does the guidance say?

The guidance for the AGS is included along with the Framework and it builds on the previous requirements<sup>2</sup>. In addition to the organisation acknowledging its responsibility for ensuring governance is effective, the AGS should:

- focus on outcomes and value for money
- evaluate against the local code and principles
- be in an open and readable style
- include an opinion on whether arrangements are fit for purpose
- include identification of significant governance issues and an action plan to address them
- be signed by the chief executive and leading member in a council. The PCC and chief constable should sign theirs.

There are also two new areas introduced for 2016/17. Some authorities already include a section that accounts for actions taken in the year to address the significant governance issues identified in the previous year's AGS. CIPFA felt that this was good practice and so has included it as a requirement for the AGS going forward. In addition, CIPFA has not established any 'set text' for authorities to use in acknowledging their responsibility for the governance framework. Many authorities have tended to use the original text from the 2007 guidance, but CIPFA has not included this in the latest guidance in order to encourage more flexibility.

## Who is the audience?

The AGS is prepared to account to your stakeholders and they are wide and varied. They include:

- local citizens
- local businesses
- partners
- Department for Communities and Local Government (DCLG)
- external auditors, inspectorates and regulators.

In addition, it should also be a statement that is of value internally – to other members of the governing body and to staff.

## What makes a meaningful statement?

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<sup>1</sup> In England the [Accounts and Audit Regulations 2015](#), in Scotland [The Local Authority Accounts \(Scotland\) Regulations 2014](#), in Wales [The Accounts and Audit \(Wales\) Regulations 2014](#), in Northern Ireland [The Local Government \(Accounts and Audit\) Regulations \(Northern Ireland\) 2015](#)

<sup>2</sup> [Delivering Good Governance in Local Government: Framework \(Addendum\)](#) CIPFA 2012

The most important way to make the statement meaningful is to ensure that it is an open and honest reflection of your governance and your current challenges. It has been known for the AGS to contain 'window dressing statements' to gloss over areas of poor performance or to fudge the effectiveness of interventions. Where that is the case, the AGS adds little value and doesn't build confidence in the leadership of the organisation. One of the key aspects of the AGS is the identification of areas for improvement and the associated action plan. Where these are done, well the AGS becomes a meaningful tool for improving governance.

The AGS should also provide a clear evaluation against the principles of good governance and an opinion of whether the arrangements are fit for purpose or not. If the opinion is vague or not included then again the AGS does not send a clear message about accountability.

### **What can be done to make the statement more effective?**

Effectiveness of an AGS will be improved if it more successfully communicates the key messages. There are a number of approaches that some authorities have taken to make their AGS more effective:

- keeping it short and focused – where an organisation has an up-to-date local code that sets out their arrangements, then the AGS can make reference to that rather than repeat the detail
- using diagrams to explain key elements
- using colour or pictures to engage the reader.

Regardless of how well the AGS is written, it will not be effective if it is not regarded as important by those charged with governance and the leadership team.

### **What shouldn't we do?**

There are a number of pitfalls in preparing an AGS. These are some of the common ones:

- not ensuring that a range of perspectives support the AGS
- making it too long and wordy
- including too much description rather than evaluation
- omitting the opinion on whether the arrangements are fit for purpose or not
- not being explicit about the actions that will be taken to address the governance issues identified.

### **How can the audit committee help?**

The audit committee can play a very valuable role in the development of the AGS and in the finished look of the statement. The committee should understand the process that has been undertaken to review governance and so should be able to see how the conclusions in the AGS have been arrived at. There should be no real surprises for the committee.

The committee can provide a valuable reality check for the draft document as well. Is it well written and clearly presented? Is the action plan adequate and realistic?

The committee can send an important message about the value and importance of the AGS, which will support those providing assurance to support its conclusions. Once the AGS has been approved, the committee can review progress in implementing the actions, so helping to ensure that the AGS is meaningful and is an effective tool for improvement in governance.

### **Other points to note**

For the 2017/18 AGS in England the deadline for approval and publication of the statement will be brought forward to 31 July instead of 30 September as at present. This is a requirement of the [Accounts and Audit Regulations 2015](#). Many authorities are planning to approve their AGS and accounts earlier for the 2016/17 year as a preparation for this. As a

result, committees may find that the AGS is appearing on their agendas earlier than in previous years.

The Better Governance Forum held workshops in February and March 2017 on the AGS and developing local codes. Copies of the presentations are available to download from the [CIPFA website](#).

Diana Melville

## Recent Developments You May Need to Know About

### Legislation, Regulations and Consultations

#### **Public Sector Internal Audit Standards**

The responsible internal audit standard setters for the public sector (which includes CIPFA in respect of local authorities) have been consulting on whether the PSIAS should be updated to reflect the changes made to the International Professional Practices Framework on which PSIAS is based. The consultation period ended in January and a decision is expected before the end of March.

Any changes to the PSIAS are expected to be implemented from April 2017 for 2017/18. The changes will need to be adopted by all public sector internal audit teams, supported by their audit committees.

Audit committees should ask for an update on the standards, particularly any that impact on the reporting relationship between internal audit and the audit committee. Audit committees should also be aware that conformance with the standards will be assessed through the external quality assessment, known as an EQA, if one has not yet taken place. An EQA has to be completed for all local authority bodies before April 2018, as they must take place at least once every five years.

#### **Emergency services collaboration**

The [Policing and Crime Act 2017](#) includes a duty for all relevant emergency services (defined as police forces, fire and rescue services and the emergency aspects of the ambulance service) in England to consider collaboration with each other in their local area. This could take a range of forms including collaboration across the different services. The audit committees of emergency services bodies should therefore be aware of this duty and local plans. Where collaborative arrangements are proposed, then consideration will need to be given to the governance, risk, control and audit implications.

The Act also provides for a police and crime commissioner to be the fire and rescue authority for the local area. Where this is the case it is likely to have consequences for police audit committees and fire authority audit committees. The details of how the audit committee arrangements might work are being considered as part of ongoing work on the finance and governance implications of the proposals.

#### **Audit committees in combined authorities**

Combined authorities are required to have audit committees under the [Cities and Local Government Devolution Act 2016](#), including a requirement to appoint at least one independent member. DCLG has now issued [the Combined Authorities \(Overview and Scrutiny Committees, Access to Information and Audit Committees\) Order 2017](#), concerning the definition of independence of such audit committee members. While the regulations only apply to audit committee members appointed to combined authorities, other authorities considering the appointment of an independent member may want to take them into account.

## Reports, Recommendations and Guidance

#### **Financial reporting**

There are changes to the 2016/17 financial statements which are designed to make them easier to understand. One principal change is that the income and expenditure account no longer has to follow a standard format, known as the Service Accounting Code of Practice

(SeRCOP). This means that authorities are free to set out their statements in a way that suits them, for example they can follow the structure of the budget monitoring reports that are used throughout the year to inform members on financial performance. CIPFA has produced a helpful guide, [Understanding Local Authority Financial Statements](#), which explains the key statements and features. It also includes a checklist designed to help the authority improve the presentation.

### **Local audit appointments**

English authorities have until 9 March to inform the nominated sector body, Public Sector Audit Appointments (PSAA), if they wish to join the collective procurement and appointment arrangement. The decision must be made by full council, fire authority or police and crime commissioner as appropriate.

PSAA have published an [updated timetable and procurement strategy](#) plus frequently asked questions. All appointments, whether made independently or through PSAA, must be completed by 31 December 2017.

### **Auditors' work 2015/16: local government and health bodies**

PSAA has published [annual reports](#) reviewing the results of auditors' work in local government and in health bodies in 2015/16. They cover the timeliness and quality of financial reporting, auditors' local value for money work, and the extent to which auditors utilised their statutory reporting powers. Half of NHS bodies and 6% of local government bodies received a qualified conclusion on their value for money arrangements.

### **National Audit Office good practice resource**

The National Audit Office (NAO) has published a good practice guide to commissioning, procurement and contract management drawing on their findings from recent value for money studies. [Commercial and Contract Management: Insights and Emerging Best Practice](#) highlights control and performance issues across the commercial lifecycle, providing a useful resource when evaluating local plans and contracts.

### **Financial sustainability of schools**

The NAO has published a report, [Financial Sustainability of Schools](#), that highlights the need for mainstream schools to make £3bn in efficiency savings by 2019/20 and highlights the risk that schools will make savings that impact on educational outcomes. The NAO calls for better oversight from the Education Funding Agency of financial management in schools.

### **The governance challenges posed by indirectly provided, publicly funded services in Wales**

The Wales Audit Office (WAO) has published a [discussion paper](#) exploring the governance issues created by the delivery of public services by a range of organisations that are at arms-length from the public body providing funding. It highlights some of the areas of governance risk and discusses how effective governance can be put in place.

### **Local authority funding of third sector services**

A [report](#) from WAO examines the effectiveness of local authorities' arrangements for funding third sector services. It finds that local authorities are neither making the best use of the third sector nor doing enough to ensure they are securing value for money. Authorities could do more to establish a strategic approach and evaluate the impact of their work.



## Charging for services and generating income by local authorities

The WAO has published a [report](#) examining income generation and the extent to which authorities have adopted a strategic approach. It has concluded that despite raising more money from charging, authorities are not pursuing all options to generate income because of weaknesses in their policies and in how they use data and information to support decision making. The report also includes a helpful checklist to support a review of an authority's approach to income generation.

## Look out for

CIPFA is currently updating its publication [Audit Committees Practical Guidance for Local Authorities and Police](#) (CIPFA 2013). The new edition will reflect the regulatory changes to governance, internal audit and the financial statements. It will also take into account the new external audit arrangements under which local authorities will be working, and the recommendations of the Financial Reporting Council over audit independence and ethical standards.

If you have any comments or suggestions for the improvement of the current edition please email [diana.melville@cipfa.org](mailto:diana.melville@cipfa.org)

It is anticipated that the new publication will be available in the autumn.

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020 7543 5600 \ [www.cipfa.org](http://www.cipfa.org)

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Diana Melville  
CIPFA  
77 Mansell Street  
London  
E1 8AN  
[diana.melville@cipfa.org](mailto:diana.melville@cipfa.org)  
[www.cipfa.org](http://www.cipfa.org)

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**Open Report on behalf of Pete Moore, Executive Director Finance and Public Protection**

Report to:	<b>Audit Committee</b>
Date:	<b>26 June 2017</b>
Subject:	<b>Work Plan</b>

**Summary:**

This report provides the Committee with information on the core assurance activities currently scheduled for the 2017/18 work plan

**Recommendation(s):**

1. Review and amend the Audit Committee's work plan ensuring it contains the assurance areas necessary to approve the Annual Governance Statement 2018.
2. Consider the actions identified in the Action Plan.

**Background**

The work plan has been compiled based on the core assurance activities of the Committee as set out in its terms of reference and best practice (see Appendix A – work plan to 31 March 2018)

**Conclusion**

The work plan helps the Audit Committee effectively deliver its terms of reference and keeps track of areas where it requires further work and/or assurance

**Consultation**

**a) Have Risks and Impact Analysis been carried out??**

No

**b) Risks and Impact Analysis**

Any changes to services, policies and projects are subject to an Equality Impact Analysis. The considerations of the contents and subsequent decisions are all taken with regard to existing policies.

## Appendices

These are listed below and attached at the back of the report	
Appendix A	Work Plan to 31 March 2018
Appendix B	Action Plan

## Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report

This report was written by Lucy Pledge, who can be contacted on 01522 553692 or [Lucy.pledge@lincolnshire.gov.uk](mailto:Lucy.pledge@lincolnshire.gov.uk)

## Appendix A

Audit Committee Work Plan – 2017/18		
26 <sup>th</sup> June 2017	Assurances Required/Being Sought	Relevancy – Terms of Reference
<b>Core Business</b>		
Internal Audit Progress Report	Gain an understanding of the level of assurances being provided by the Head of Internal Audit over the Council's governance, risk and internal control arrangements and why.	To consider reports from the head of internal audit on internal audit's performance during the year, including the performance of external providers of internal audit services. These will include: a) Updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work. b) Regular reports on the results of the Quality Assurance and Improvement Programme. c) Reports on instances where the internal audit function does not conform to the Public Sector Internal Audit Standards and Local Government Application Note, considering whether the non-conformance is significant enough that it must be included in the Annual Governance Statement. To consider summaries of specific internal audit reports as requested.
External Audit Progress Report	Seek assurance over progress and delivery of the external audit plan and that any risks to successful production of the financial statements and audit are being managed.	To comment on the scope and depth of external audit work and to ensure it gives value for money
Draft Counter Fraud Work Plan.	Gain assurance that the Council has effective arrangements in place to fight fraud locally.  Ensure that counter fraud resources are targeted to the Council's key fraud risks.	To monitor Council policies on confidential reporting code, anti-fraud and anti-corruption policy and the Council's complaints process.
Draft Annual Governance Statement 2017	Confirm that the Annual Governance Statement reflects the Committee's understanding of how the Council is run and that any significant governance issues / risks have been identified / published.	To oversee the production of the Council's Annual Governance Statement and to recommend its adoption

## Audit Committee Work Plan – 2017/18

24 July 2017	25 September 2017	20 November 2017
	<p>Constructively challenge the information and evidence being presented.</p> <p>Ensuring value for money assurance arrangements are reported on and assessing how this features in the Annual Governance Statement.</p> <p>Improving how the Council discharges its responsibilities for public reporting e.g. better targeting at the audience and plain English</p>	To consider the Council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice
Draft Statement of Accounts 2016/17	External Audit's ISA260 Report to those charged with Governance on Lincolnshire County Council's Statement of Accounts & Lincolnshire Pension Fund Accounts for 2016/17	Counter Fraud Progress Report
IMT Update July or September	Final Statement of Accounts 2016/17	Whistleblowing Annual Report
Review of Head of Internal Audit's Annual Report and Opinion 2016	IMT Update July or September	Annual Report reviewing the effectiveness of the Council's complaints and compliments process, including how well the Council has dealt with complaints as demonstrated by the Local Government Ombudsman's Report.
Review of draft Annual Report on the work of the Audit Committee	Counter Fraud Risks	
Annual review of the effectiveness of the Council's Internal Audit Function	Approval of the Annual Governance Statement 2017	
Approval of Counter Fraud Annual Report 2016/17	Risk Management Progress Report	
	Internal Audit Progress Report	
	External Audit Progress Report	
<b>Other Assurance</b>	<b>Other Assurance</b>	<b>Other Assurance</b>

### Audit Committee Work Plan – 2017/18

January 29 <sup>th</sup> 2018	March 26 <sup>th</sup> 2018	
Internal Audit Progress Report	Internal Audit Progress Report	
External Audit Progress Report	External audit Plan 2018/19	
	External Audit Progress Report	
<b>Other Assurance</b>	Draft Internal Audit Plan 2018/19	
Combined Assurance Status Reports		

## Appendix B

### Audit Committee Action Plan 2017/18

Action	Terms of Reference Outcome	Key Delivery Activities	When
1. 1. Clarify who should attend the Audit Committee and expectations on the information being presented.	<p>Ensure that relevant and focussed reports are presented. Provide more certainty that assurance is relevant and reliable</p> <p>Promote constructive challenge during meetings</p> <p>Strengthen accountability arrangements and the effectiveness of the Audit Committee</p>	Develop reporting protocol	<p>30<sup>th</sup> September 2016</p> <p style="color: red;">Revised to 31<sup>st</sup> December 2016</p>
2. Develop Action plan following self-assessment workshop considering the following:	Improve effectiveness of the committee	Work with Councillor Development Group to develop a person spec with key attributes for people on an Audit Committee	31 <sup>st</sup> January 2017
		Recruit an additional 'independent' member	30 <sup>th</sup> June 2017

### Audit Committee Action Plan 2017/18

	Review the meeting cycle and agenda content with Democratic Services and the Chairman	1 <sup>st</sup> March 2017
	Deliver risk management training and awareness for members and staff	Arranged for March 2017
	Ensure that there is a private meeting with External Auditor at least once a year.	Agree with KPMG – November or January
	End of meeting debrief / lunch	Chairman to arrange as required
	Briefing / update on key risks between meetings	Noted
	Arrange informal meeting with CMB	Completed – formal meeting agreed Chairman – January 2017

Potential Agenda Items
Governance and Control of Trading Companies
Records Management – social care case files
County Farms
Joint Commissioning Board - Partnerships
Reviewing and encouraging transparency in partnership decision making
Understand and seek assurance over the governance and risks associated with our key partners -via Combined Assurance Status Reports
Compliance with the Transparency Code