



County Offices
Newland
Lincoln
LN1 1YL

14 September 2018

Audit Committee

A meeting of the Audit Committee will be held on **Monday, 24 September 2018 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

A handwritten signature in black ink that reads 'Keith Ireland'.

Keith Ireland
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, 24 SEPTEMBER 2018**

Item	Title	Pages
1	Apologies for Absence	
2	Declaration of Members' Interests	
3	Minutes of the meeting held on 23 July 2018	5 - 12
4	Payroll Control Environment <i>(To receive a verbal update from Fiona Thompson (Service Manager – People Management) on the Payroll Control Environment)</i>	Verbal Report
5	Internal Audit Progress Report <i>(To receive a report by Lucy Pledge (Audit and Risk Manager), which invites the Committee to note the outcomes of Internal Audit's work and identify any actions that need to be taken)</i>	13 - 32
6	Introduction to External Auditors - Mazars <i>(To receive a report from Mark Surridge (Mazars), which provides the Committee with a brief introduction to the Council's newly appointed External auditors, Mazars)</i>	33 - 38
7	Update position on Risk Management <i>(To receive a report by Rachel Abbott (Audit Team Leader), which provides the Committee with an update as to the progress made with the refresh of the Strategic risk register and an update on risk management generally)</i>	39 - 48
8	Work Plan <i>(To receive a report by Lucy Pledge (Audit and Risk Manager), which provides the Committee with information on the core assurance activities currently scheduled for the 2018/19 work plan)</i>	49 - 58
9	Briefing on Fraud Awareness <i>(To receive a briefing from Dianne Downs (Team Leader – Counter Fraud and Investigations)</i>	Verbal Report

CONSIDERATION OF EXEMPT INFORMATION

In accordance with Section 100 (A)(4) of the Local Government Act 1972, agenda item 10 has not been circulated to the press and public on the grounds that it is considered to contain exempt information as defined in paragraph 3 of Schedule 12A of the Local Government Act 1972, as amended. The press and public may be excluded from the meeting for the consideration of this item of business.

10	Fraud Risk Register <i>(To receive an exempt report by Matt Drury (Principal Investigator), which provides information on the Fraud Risk Register)</i>	59 - 70
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REPORTS FOR INFORMATION

(These reports are for information only and do not require discussion at this time. Any issues the Committee feel require discussion can be highlighted under the work plan and scheduled for a future meeting)

11	Internal Audit Report - Fuel Cards	71 - 76
12	Internal Audit Report - Capital Programme	77 - 82

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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.

All papers for council meetings are available on:
www.lincolnshire.gov.uk/committeerecords



AUDIT COMMITTEE 23 JULY 2018

PRESENT: COUNCILLOR MRS S RAWLINS (CHAIRMAN)

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

Also in attendance: Mr P D Finch (Independent Added Person)

Officers in attendance:-

Rachel Abbott (Audit Team Leader), John Cornett (External Auditor, KPMG), Bev Finnegan (Programme Manager), David Forbes (County Finance Officer), Mike Norman (External Auditor, KPMG), Lucy Pledge (Audit and Risk Manager), Ian Reed (Emergency Planning and Business Continuity Manager), Dave Simpson (Technical and Development Finance Manager), Irene Smith (Strategic Finance Manager - Corporate), John Wickens (Chief Digital Officer), Richard Wills (Executive Director, Environment and Economy) and Rachel Wilson (Democratic Services Officer)

14 APOLOGIES FOR ABSENCE

There were no apologies for absence.

15 DECLARATION OF MEMBERS' INTERESTS

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

16 MINUTES OF THE MEETING HELD ON 25 JUNE 2018

RESOLVED

That the minutes of the meeting held on 25 June 2018 be signed by the Chairman as a correct record.

17 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 5 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.

18 IMT AUDIT RESPONSE

Consideration was given to an exempt report which provides an update to the Audit Committee on the IMT services actions and responses to questions raised in the IMT Combined Assurance Report, regarding the cyber security and asset management reports.

A number of questions from members were responded to by officers.

RESOLVED

That an update report on progress made would be brought back to the meeting of the Audit Committee in September 2018.

The meeting continued in public**19 AUDIT COMMITTEE ANNUAL REPORT JULY 2018**

The Committee received a report which provided the opportunity to consider the effectiveness and workload of the Audit Committee in providing a "watchdog" function, promoting and ensuring good governance and accountability in Lincolnshire County Council.

It was reported that the Chairman planned to take the report to the meeting of the County Council in September.

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:

- It was queried whether the last paragraph under Financial Control – Payroll System (p.31 of the agenda pack) sounded too enthusiastic, and the following was suggested instead "The Committee had been given verbal assurance that the payroll system was working towards substantial assurance".
- It was clarified that the reporting year for the Annual Report ran until July, and it was suggested that this was made more obvious, and it was agreed to add this information into the introduction.
- In relation to Appendix 3 of the report it was queried whether the dots could be changed to crosses to make them easier to see.
- In relation to page 46 of the agenda pack, it was suggested that it should be made clearer that scrutiny chairman should be made aware that they could refer things to audit.
- In appendix B of the report it was stated that the majority of Committee Members felt able to contribute, and it was suggested that this should be everybody on the Committee.
- On page 48 of the report, it was felt more emphasis should be given to the meeting between the Audit and OSMB Chairmen as it was thought that a lot had come out of that meeting in terms of working together in the future, for example in relation to the risk register.

- It was queried whether inclusion of the attendance data was necessary, and it was commented that it was an accountability mechanism and should remain in the report.
- It was highlighted that the meeting referred to on page 48 of the agenda pack should read 2018 instead of 2019.
- It was noted that IMT governance continued to be of serious importance to the Committee which would be keeping a watching brief on it over the coming months.
- It was commented that in relation to IMT the Committee had seen good progress, but there was still a need more and to keep up the pressure.
- It was commented that in terms of IMT, it seemed to have moved from firefighting to a planned route of action.
- It was reported that the amended version of the Annual Report would be circulated to members. If there were any further comments members were asked that they be sent directly to the Audit and Risk Manager and that the Chairman should be copied in.

RESOLVED

That the draft Annual Report be noted.

20 BUSINESS CONTINUITY MANAGEMENT

It was reported that Business Continuity Management (BCM) was highlighted with lower assurance as part of the Finance and Public Protection Combined Assurance Status Report which was presented to the Audit Committee in January 2018. The report updated members on progress made by the Emergency Planning and Business Continuity Service since this report was published and informed the Committee of the work still outstanding.

Members were advised that in 2016, the Emergency Planning Service underwent a restructure and Business Continuity became a part of that Service.

It was noted that the Emergency Planning unit had seen an unprecedented amount of incidents over the last 12 months.

Members were guided through the report and 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:

- In terms of IT capacity for individual councillors and staff and the regularity with which councillors were not able to function, it was queried when it stopped being 'business as usual'. It was also queried what emphasis was put on councillors not being to be contactable on a reliable basis, as they were not able to function in the way that they wanted to.
- It was noted that corporate communication plans had been developed about how to communicate with staff and members in events of IT outage, and how to inform people that there was an IT problem.

- As part of the Steering Group work, the Service was looking for an elected member to champion business continuity.
- It was commented that the Committee should be concerned with whether the new processes were being put in place and whether it could get assurance on the processes. However, it was thought that these assurances were in place.
- It was queried how often the documentation was reviewed, and members were advised that training was carried out for staff as well as managers. The assessments were revised on an annual basis as things changes and Emergency Planning and Business Continuity Officers would go through these with managers.
- All key staff would be identified as part of the process.
- It was queried whether the Team carried out any horizon scanning. Members were advised that Plans were based around four things – loss of people, premises, IT or utilities.
- It was queried whether there was a Business Continuity Plan in the event of non-executive councillors IT failure which was not fixed within three days. It was noted that Plans were generally focused around critical systems or services, and in the event of a critical incident, all the relevant people would be brought together. It was suggested that this query be taken to the Steering Group to seek assurance, about keeping key people connected.
- With regard to the Sustainable Transformation Plan (STP), it was commented that this could cause a lot problems in relation to business continuity due to reduced resources in the NHS.
- It was queried whether IT issues for councillors fell into 'business as usual' for Democratic Services.
- In terms of horizon scanning, it was noted that during the last IT outage, some of the areas which had not been deemed critical, did become critical due to the time of year that the outage occurred e.g. school transport.
- It was also noted that as the authority had experienced these critical incidents, those areas which did have a BCP in place, had since put one in place.
- In terms of finance, there was only one critical system, which was the ability to perform the treasury management function of the Council.
- It was also noted that not being able to maintain the governance of the organisation was also a critical issue.

RESOLVED

That the Committee note progress made since January 2018 and also notes the work that was still outstanding.

21 ANNUAL REPORT ON CORPORATE COMPLIMENTS AND COMPLAINTS

Consideration was given to a report which provided an update on Corporate Complaints and Compliments, a description of performance data and improvement actions. It was reported that there had been an increase in the number of complaints that reflected an increase in business, particularly for Adult Care and Community Wellbeing services, and also reflected particular activities in other areas, including the development of a new hazardous waste recycling unit and changes to Telecare

charging. It was also reported that complaints handling was improving, with good progress made against the new corporate indicator of responding within one day (previously within five days). Lessons were being learned from complaints and improvement actions implemented. Members were advised that work was still underway with a single system for handling complaints. The report presented built on the annual report which was presented to Audit Committee in November 2017.

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:

- Officers were thanked for a thorough report, and commented that it was positive that the feedback loop was in place and progressing.
- It was queried whether officers were satisfied that learning was taking place from the feedback, and that it wasn't just a product of changing policies.
- It was queried whether there were concerns that there seemed to be a trend for the compliance with the resolution of complaints outside of 10 business days to be decreasing from quarter 1 to quarter 4.

Post meeting note: In exploring the reduction in percentage of complaints resolved within 10 days in Quarter 4, it has been identified that, whilst some complaints were completed within the timeframe there was difficulty in closing some down. This issue will be fully explored with findings addressed by the Data & Training Sub Groups.

- It was suggested that there may be a need to look at numbers, and not just percentages.
- Whilst it was acknowledged that many complaints were unsubstantiated, it was commented that there was a need to be aware that there were disgruntled people.
- Members were advised that complaints were a means of finding out what was going on in communities, and the authority should not be afraid of receiving them, and people should not be discouraged from complaining.
- There was also a need to ensure that people's experience of the complaints system was not a negative one.
- It was queried what level of member involvement there was with complaints, and whether any members liked to 'get a feel' for what the nature of complaints were about. It was confirmed that member involvement was a part of the action plan. It was commented that members would appreciate being informed if a complaint had been received from someone in their electoral division.
- Members were informed that compliments received were also being looked at.

RESOLVED

That the comments made in relation to the report be noted.

22 WORK PLAN

Consideration was given to a report which provided the Committee with information on the core assurance activities currently scheduled for the 2018/19 work plan.

It was confirmed that a report on IMT would come back to the meeting on 24 September 2018. However, it was commented that it would not be useful to have it on the agenda if the reporting deadlines for actions had not been met. Members were advised that this would be checked prior to the report being added to the agenda, and if necessary it could instead go to the November meeting.

It was confirmed that an audit opinion on the payroll audit would be provided at the November meeting.

It was also noted that the Combined Assurance reports for all directorates were due to come to the Committee in January, and it was commented that this would be first of these meetings for the new Chief Executive and Corporate Management Board.

RESOLVED

That the Work Plan, as set out in the report, and additional comments made be noted.

**23 EXTERNAL AUDIT'S ISA 260 REPORT TO THOSE CHARGED WITH
GOVERNANCE ON LINCOLNSHIRE COUNTY COUNCIL'S STATEMENT
OF ACCOUNTS AND LINCOLNSHIRE COUNTY COUNCIL PENSION
FUND ACCOUNTS FOR 2017/18**

Consideration was given to the External Audit ISA260 report 2017/18 which was presented by KMPG, the Council's external auditors. Members were guided through the report, with particular attention paid to the summary section on the financial statements and the control environment as well as the value for money arrangements.

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:

- It was commented that the working papers had not been up to the same quality as previously, and it was queried whether this was due to the shorter time scale or staff carrying out tasks they were not qualified for. Members were advised that the external auditors had not interpreted it as staff carrying out functions they were not capable of, but as a result of the faster close down. However, this had been highlighted as a risk.
- It was noted that there had been changes in key members of staff within the Finance team and it was thought the team had worked very hard to get to this position.
- Confirmation of investment values had been requested from the banks earlier in the year, but had not yet been received.

RESOLVED

That the report be noted.

24 FINAL STATEMENT OF ACCOUNTS FOR LINCOLNSHIRE COUNTY
 COUNCIL FOR THE YEAR ENDED 31 MARCH 2018

Consideration was given to a report which presented the final Statement of Accounts for Lincolnshire County Council for the financial year 2017/18.

It was noted that there were a number of minor alterations to the Accounts, since they had last been received at the meeting on 25 June 2018. Officers were in the process of agreeing these with changes with KPMG and it was noted that many of the changes were presentational and were listed in the report at paragraph 1.9.

RESOLVED

1. That the update of the External Auditor regarding their audit work of the draft Statement of Accounts be noted;
2. That the Letter of representation be approved on behalf of the Council to enable the Audit Opinion to be issued following the update of the External Auditor
3. That the Statement of accounts for 2017/18 be approved, taking into consideration that further changes may still happen that would be agreed between the External Auditor and Senior Officers to enable publication by the deadline of 31 July 2018.

The meeting closed at 12.02 pm.

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Regulatory and Other Committee

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

Report to:	Audit Committee
Date:	24 September 2018
Subject:	Internal Audit Progress Report

Summary:

The purpose of this report is to:

- Provide details of the audit work during the period 13th June to 11th September 2018
- Advise on the progress with the 2018/19 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 13th June to 11th September and reports on progress made against the 2018/19 audit plan

Conclusion

During the period we have completed 4 audits:

- 4 to final assurance reports
- 1 final school audit reports

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 .

Internal Audit

Progress Report



Image Courtesy of the Official UK Puzzle Club

Lincolnshire County Council

September 2018

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

Appendices

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Assurance Definitions
CSSC Highlight Report
Details of Overdue Actions
2018/19 Audit Plan to Date

Lucy Pledge - Audit and Risk Manager (Head of Internal Audit)
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Rachel Abbott – Audit Team Leader
rachel.abbott@lincolnshire.gov.uk

This report has been prepared solely for the use of Members and Management of Lincolnshire County Council. Details may be made available to specified external organisations, including external auditors, but otherwise the report should not be used or referred to in whole or in part without prior consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended for any other purpose.

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

Introduction

The purpose of this report is to:

- Provide details of the audit work during the period 13th June 2018 to 11th September 2018
- Advise on progress with the 2018/19 plan
- Raise any other matters that may be relevant to the Audit Committee role

Key Messages

During the period we have completed 4 audits:

- 4 to final assurance reports
- 1 final school audit report

Assurances

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

- Mosaic Adults– Substantial
- Corporate Complaints – Substantial
- Budget management – Substantial
- Mosaic IT Application – Substantial

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.

0

HIGH
ASSURANCE

4

SUBSTANTIAL
ASSURANCE

0

LIMITED
ASSURANCE

0

LOW
ASSURANCE

Substantial Assurance

Mosaic Adults

Our review was to ascertain the effectiveness of Mosaic across Adults in meeting business needs. We found that significant progress has been achieved over the last 12 months to stabilise and undertake the required re-mediation work following Mosaic go-live:

- The relationship between Serco and LCC in supporting Mosaic is much improved and the teams remain co-located, working closely together to prioritise development activity.
- There are good governance processes in place over changes made to the Mosaic system.
- The training and guidance documents available is vast and detailed.
- Monthly Champions and Super-user meetings take place which maintains good communication links between Mosaic team and Mosaic users

Users rated their satisfaction levels with using Mosaic as generally "Good" to "very good".

However, there is more work to do to realise the full potential of Mosaic across Adults and Community Wellbeing and there are still some improvements that can be made that will strengthen controls and improve the efficiency and functionality of the Mosaic system.

Corporate Complaints

Our review sought to provide assurance around the Customer Corporate Complaints, Compliments and Comments Policy and Procedures by reviewing if they are fit for purpose and the Council is meeting its target of resolving customer complaints at the earliest opportunity.

We found that there are strong governance processes in place. 97% of complaints were acknowledged within 1 working day and 93% of complaints received were resolved within 10 working days, which is the earliest possible opportunity to resolve a complaint.

The latest policy and procedure is also readily available on the LCC website, easy to read and available in other languages and Braille.

There are some improvements that can be made that will strengthen controls and reinforce the complaints process. We agreed actions to address this.

Substantial Assurance

Budget Management

The purpose of our review was to provide independent assurance that the Council's budget monitoring and management are effective and actioned in line with agreed policies and procedures. We found that generally the processes for budget monitoring and reporting within the Council are working well. We identified a small number of minor issues, including a need to update the budget holder handbook.

Mosaic IT Application

The application controls reviewed provide assurance that the controls surrounding confidentiality, integrity and availability of the Mosaic system and the data are properly managed.

While there have been issues with downtime in the past the system reports from our providers show a stable system on the whole. One area for improvement would be the ability to send and receive requests to the host (Servelec) without first having to travel via the Council's corporate network. This would ensure uptime is maximised and avoid some of the issues experienced by users of the ageing Council infrastructure.

We found no issues with the controls surrounding the application's access controls which are designed to ensure only those with authority to access to the application can do so.

The controls surrounding operating procedures, back-up and recovery and change control are satisfactory. The results of our testing of controls influencing transactions showed no significant issues.

IMT Audit Update

Update on current and recent ICT audit work.

Cyber Security

A draft report has been issued and the indicative assurance is limited.

We have met with David Ingham, Information Assurance Manager, and actions have been agreed which have been referred to John Wickens, ICT Strategy Manager, for comment and agreement

Mosaic Application Review

A final report has been issued with substantial assurance.

PCI DSS (Payment Card Industry Data Security Standards)

Terms of reference have been drafted. We were due to commence this audit in August but a meeting with the manager identified that the project to ensure compliance is in its early stages and that an audit will add no value at the moment. As a result the audit has been put back to Quarter 4.

School Admissions Application

This is an on-going review of the implementation of a new school admissions system. We will be issuing an interim report shortly with a final report when implementation is complete.

Payment Gateway

We are in the process of agreeing the terms of reference for a review of the controls being implemented as part of the payment gateway project.

Patch Management

The terms of reference have been drafted and are with SERCO for comment.

Previous Audit Reports - Asset Management and Service Improvement

It was reported to the Audit Committee at its meeting on 25th June 2018 that actions had not been agreed in respect of the audits of Asset Management and Service Improvement. We have since met with management to discuss the 2 reports with the following outcome:

Asset Management

We have agreed actions to resolve the issues with asset management including the implementation of a technical solution to manage assets in regular use and other controls to manage old equipment not regularly in use.

Service Improvement

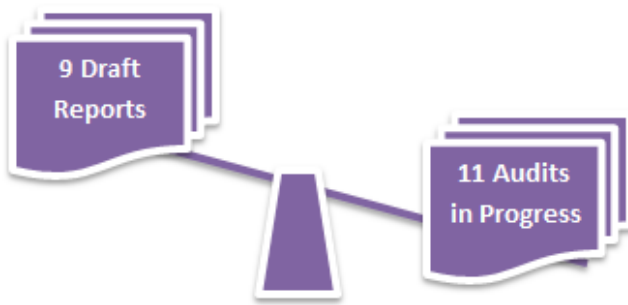
The IMT manager has indicated that there has been a significant improvement in this area. SERCO has put more resources in place to deliver service improvement and service improvement plans are in place. He has indicated that KPI's are being achieved by SERCO.

Both these audits will be followed up later in the year to ensure that agreed actions have been implemented and improvements are real and continuing.

Update by ICT Strategy Manager

The ICT Strategy Manager has been requested to provide the Committee with an update on IMT Assurance, in particular on the Red rated activities on the IMT assurance map, the IT strategic risks and IT Governance arrangements, at the Committee meeting on the 19th Nover





Audits planned for quarter 3 include:

- Health and Safety
- Counter Fraud
- Emergency Planning Command Structure
- Statutory Complaints – Children's
- PCI –DSS
- Tax Compliance
- Vat follow up

Audits reports at draft

We have 9 audit's at draft report stage:

- Cyber Security
- Schools Admission Software
- Strategic Workforce Planning
- Domestic Homicide Review
- Cash Management in Establishments (5 separate reports)

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

Work in Progress

We also have 11 2018/19 audits in progress :

- Corporate Support Services Contract
- Highways 2020 Project
- Good Governance Review
- Payroll
- Supplier Reliability
- SEND Home Tuition
- Capital Strategy
- Direct Payments Proportionate Auditing
- Programme and Project management
- Members Allowances
- Heritage Service Design

Details of these can be seen in the 2018/19 plan at appendix 3.

Action Updates

Within the June 2018 progress report we reported two audits:

- Capital Programme – Limited Assurance
- Fuel Cards – Low Assurance

Managers from both service areas are in attendance today to update members on progress with actions to address these audit findings.

The management summaries of these reports are attached as background papers for member information.



Other Significant work

Other key work undertaken during the period includes:

Families working together

We have completed our first audit sign off of the Families working Together. Our work identified some families included in the claim that did not meet the criteria. These were removed to correct the submission for payment.

Corporate Support Services Contract

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

Corporate Management Board asked Internal Audit to provide independent support, advice and assurance over the Programme which has continued during the period. We have recently completed our first highlight report on our work and this has been presented to the Programme Board.

Local Transport capital funding Grant and Bus Service Operators Grant

Both Grants are required to be reviewed by Internal audit to provide confirmation to Department for Transport by 30th Sept that the Grants have been spend in accordance with the Grant criteria. The Local Transport Grant declaration letter will have the qualification that all the funding has not been spent.





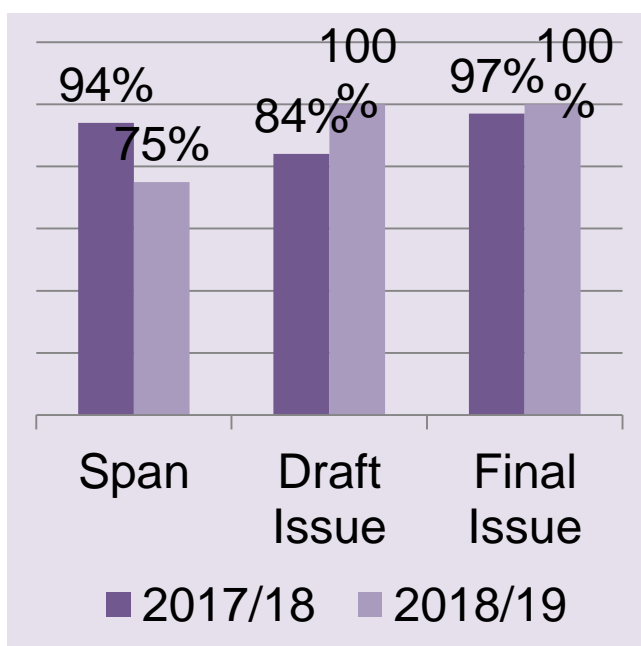
Internal Audit's performance is measured against a range of indicators. The statistics below show our performance on key indicators year to date.

Performance on Key Indicators

100%

Rated our
service Good
to Excellent

High achievement of Audit KPI's to date





Other Matters of Interest

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

Lincolnshire Audit Committee Forum

The Lincolnshire Audit Committee Forum is a networking group which enables the sharing of good practice, emerging governance and risk issues and hot topics for public sector audit committees. It is designed to help and support the effectiveness of audit committees.

This is good opportunity to meet up with members of audit committees countywide and we plan to host an all-day forum event on 16th October 2018. This forum day is open to all members of public sector Audit Committees.

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

This publication sets out CIPFA's guidance on the function and operation of audit committees and represents good practice for audit committees in local authorities throughout the UK.

It emphasises the importance of audit committees and recognises the key part they play in governance. The publication covers:

- Core functions
- Possible wider functions
- Independence and accountability
- Membership and effectiveness
- Suggested terms of reference
- Audit committee members – knowledge and skills framework

High

Our critical review or assessment on the activity gives us a high level of confidence on service delivery arrangements, management of risks, and the operation of controls and / or performance.

The risk of the activity not achieving its objectives or outcomes is low. Controls have been evaluated as adequate, appropriate and are operating effectively.

Substantial

Our critical review or assessment on the activity gives us a substantial level of confidence (assurance) on service delivery arrangements, management of risks, and operation of controls and / or performance.

There are some improvements needed in the application of controls to manage risks. However, the controls have been evaluated as adequate, appropriate and operating sufficiently so that the risk of the activity not achieving its objectives is medium to low.

Limited

Our critical review or assessment on the activity gives us a
The controls to manage the key risks were found not always to be operating or are inadequate. Therefore, the controls evaluated are unlikely to give a reasonable level of confidence (assurance) that the risks are being managed effectively. It is unlikely that the activity will achieve its objectives.

Low

Our critical review or assessment on the activity identified significant concerns on service delivery arrangements, management of risks, and operation of controls and / or performance.

There are either gaps in the control framework managing the key risks or the controls have been evaluated as not adequate, appropriate or are not being effectively operated. Therefore the risk of the activity not achieving its objectives is high.

Outstanding Audit Recommendations for all audits at 13/09/2018

Activity	Issue Date	Assurance	Total recs	Recs Imp	Priority of Overdue Recommendations			Recs not due
					High	Medium	Low	
Finance and Public Protection								
Medium Term Finance Plan Bank Reconciliation Tax Compliance - Vat Treasury Management General Ledger (Key Controls) Accounts Payable Accounts Payable	Nov 2017	Substantial	2	0	0	2	0	0
	Feb 2017	High	4	3	0	1	0	0
	July 2017	Limited	9	6	0	3	0	0
	Jan 2017	High	1	0	0	1	0	0
	May 2017	Substantial	8	3	2	3	0	0
	June 2018	Limited	4	3	0	1	0	0
	April 18	Limited	7	1	0	1	0	5
Adult Care and Community Wellbeing								
Carers Workforce Direct Payments (Penderels) Better Care Fund Effectiveness Adult Safeguarding Referrals	Feb 2018	Limited	4	3	0	1	0	0
	Feb 18	Substantial	4	1	2	1	0	0
	Jan 2017	Substantial	3	2	1	0	0	0
	May 2017	Consultancy	11	10	0	1	0	0
Environment & Economy								
Information Governance Emergency planning Total	Dec 2017	Substantial	10	8	0	2	0	0
	Sept 15	Limited	4	3	1	0	0	0
			64	42	6	16	0	0

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

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

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

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

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

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

Report to:	Audit Committee
Date:	24 September 2018
Subject:	Introduction to External Auditors - Mazars

Summary:

To provide the Audit Committee members with a brief introduction to the Council's newly appointed External auditors, Mazars.

Recommendation(s):

That the Audit Committee notes the introduction from Mazars.

Background

Lincolnshire County Council's external audit service is being supplied by Mazars. This report forms an introduction to Mazars, providing some background information on the company and the personnel who will work with Lincolnshire County Council.

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 consideration of the contents and subsequent decisions are taken with regard to existing policies.

Appendices

These are listed below and attached at the back of the report	
Appendix A	Introduction to Mazars

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 Mark Surridge, who can be contacted on 07875 974291 or Mark.Surridge@mazars.co.uk .



Introduction to Mazars

Year ending 31 March 2019

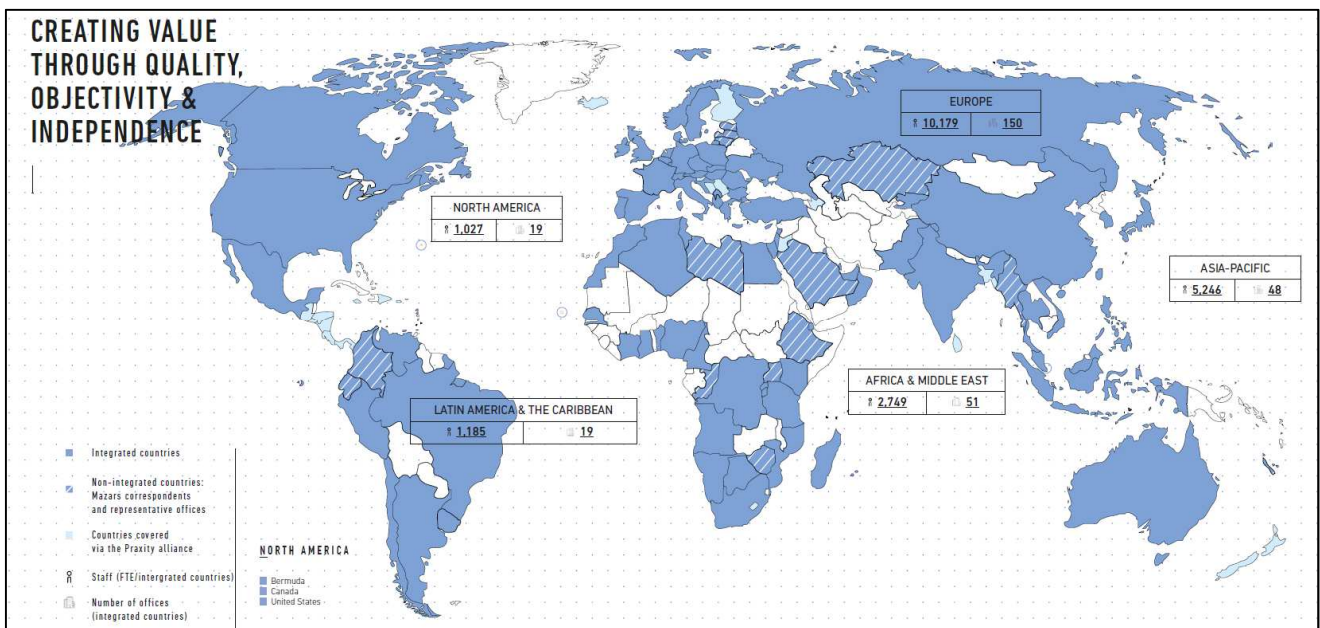
Strictly private and confidential

MAZARS AT A GLANCE

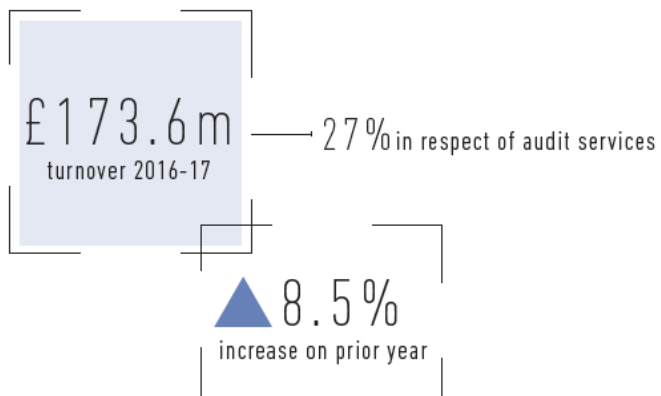
Mazars LLP

- Fee income €1.5 billion
- Over 86 countries and territories
- Over 300 locations
- Over 20,000 professionals
- International and integrated partnership with global methodologies, strategy and global brand

Mazars Internationally



Mazars in the UK



2. AUDIT TEAM



Mark Surridge - FCCA, CPFA

Role

- Mark will be the key contact for the Management and the Audit Committee. He will have overall responsibility for delivering a high quality audit and will attend Audit Committee meetings.

Relevant experience

- With over 15 years audit, assurance and advisory experience in local government, healthcare, social housing and higher education sectors, Mark operates at the Board level with clients, where he is an auditor and advisor to clients which range in size from £60million to £1.3billion. His public sector experience is supplemented by a two year spell in the Internal Audit function of a US Listed global drinks company, and he utilises the full breadth of his experience to bring value and business insight to his clients.
- His current clients include Derbyshire County Council and Lincolnshire County Council and other local authorities in Lincolnshire, Nottinghamshire and Derbyshire.

Mike Norman - CPFA

Role

- Mike will be responsible for the work performed on-site and be your regular contact throughout the audit year.

Relevant experience

- Mike has significant public sector audit experience including Lincolnshire local government bodies, NHS Trusts and CCGs as well as other central government and non profit organisations. Mike joined Mazars in September 2017, and was the engagement manager under your previous auditors. Mike is therefore familiar to the Audit Committee, has well established relationships with your managers and has a good understanding of the Council's issues.

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

Report to:	Audit Committee
Date:	24 September 2018
Subject:	Update position on Risk Management

Summary:

This report provides the Committee with an update as to the progress made with the refresh of the Strategic risk register and an update on risk management generally.

Recommendation(s):

- 1) Note the contents contained within this report.

Background

- **Strategic risk register**

Following our update risk management report back in March 2018 to the members of the Audit Committee, we are looking to go to CMB for agreement on the current risks contained within the Strategic risk register and new risks that have been highlighted following the sessions with the Senior Leadership Group (SLG) earlier in the year. The timeframe for this has been adjusted to ensure we have sufficient input from the new Chief Executive.

We have however, started to progress individual updates with various managers on the risks contained within the Strategic risk register. This is ongoing at present with a view to taking the outputs from these discussions to individual risk owners for final agreement by December 2018 and reported back to Audit Committee in January 2019 with a completed Strategic risk register.

The current Strategic risk register includes the following risks;

Risk area	Risk Rating	Assurance Level
Safeguarding children	Green	Substantial
Safeguarding adults	Amber	Substantial
Business Continuity	Amber	Substantial

Risk area	Risk Rating	Assurance Level
Funding and financial resilience	Amber	Substantial
Project delivery	Amber	Substantial
Recruitment & retention of staff in high risk areas	Amber	Limited
Contracting – Significant Contracts	Amber	Limited
Cyber Security	Red	Limited

- **Risk Management Strategy**

We have updated our risk management strategy and this can be found in Appendix A.

- **Review of Corporate Risk & Safety Group**

It was felt timely that a review of the adequacy of the Corporate Risk & Safety Group was looked at. You may recall that this is the governance group that looks at Strategic issues / risks at a corporate level on Risk Management and Health & Safety matters.

Since our last meeting in March 2018, we have spoken with individual representatives on the group and asked the following questions;

- Do you believe that you have a consistent approach to risk & safety within your directorate?
- Could you evidence that messages at corporate risk & safety group are cascaded down within your directorate?
- Do you have a recognised Health & Safety lead for your directorate?
- Do you have a recognised Risk management lead for your directorate?
- What level is the lead for these areas within your directorate?
- Do you want corporate support or attendance at your group / or equivalent where risk & safety matters are discussed?
- Do you want a bespoke policy / terms of reference to work within your respective groups / or equivalent where risk & safety matters are discussed?
- Do you want corporate goals setting from the Corporate Risk & Safety Group?
- Do you think the Corporate Risk & Safety Group is fit for purpose?

In summary, there was a consensus that the Corporate Risk & Safety Group is fit for purpose. Individuals felt that it was good to have some form of governance around Risk & Health and Safety matters.

Other key themes coming out of the review were as follows;

- There are no requirements for additional goals to be set by the Corporate Risk & Safety group as it was felt that the way the current terms of reference have been written, these are effectively goals / targets to adhere too. These will need updating however.
- Notwithstanding the above, it was commented that it would be beneficial for the 'champions' who sit on the group to have some form of roles and responsibilities as individuals. This would enforce their roles on the group. We will draw up and take a draft copy of some roles & responsibilities for consideration at the next Corporate Risk & Safety Group.
- The addition of the top 5 risks for each directorate to be incorporated into the agenda and time spent on comparing and contrasting these and seeing whether there are any that should be included within the strategic risk register. This will be included within the next agenda of the Corporate Risk & Safety Group.
- There is no representative from the Commercial team on the group.
- With respect to additional representation such as Procurement, ICT, Legal etc, it was felt by the majority that they should come as and when the agenda requires attendance. This will be included within the agenda as and when required.
- There needs to be less operational discussions and more strategic direction.
- A theme at each meeting such as procurement to discuss the financial limits & rules was a suggestion. This will be included within the agenda as and when required.
- **Public Finance Innovation Awards – Innovation in Risk Management**

Following confirmation that risk management had been shortlisted as finalists for the Public Finance Innovation Awards, we are pleased to announce that we won the category of Innovation in Risk Management in April 2018. This was for our work on risk appetite over the past few years.

Conclusion

We continue to provide risk management throughout the organisation and adhere to best practice. This helps the Audit Committee to have a level of assurance that risks are being managed effectively.

Consultation

a) Have Risks and Impact Analysis been carried out?

Yes

b) Risks and Impact Analysis

Any changes to services 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	Risk Management Strategy

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 Debbie Bowring, who can be contacted on 01522 553772 or debbie.bowring@lincolnshire.gov.uk .

Thinking about risk

Our risk management strategy



2018-2020

Page 43



Aim

The aim of this strategy is to provide an effective framework for the council to manage the key risks facing our services and the successful delivery of the outcomes of our annual Business Plan, through the commissioning strategies.

The strategy supports the council's outcomes:

- Our communities are safe and protected
- Health and well-being is improved
- Businesses are supported to grow
- We effectively target our resources

The Risk Management Strategy recognises that whilst there have been a number of years of unprecedented challenges for the council in delivering its services and business plan priorities, it remains a volatile, complex and fast changing environment.

The strategy seeks to encourage well measured ethical risk taking where it is likely to lead to sustainable improvements in service delivery to the people of Lincolnshire. It is there to support both the management of threats and the taking of opportunities.

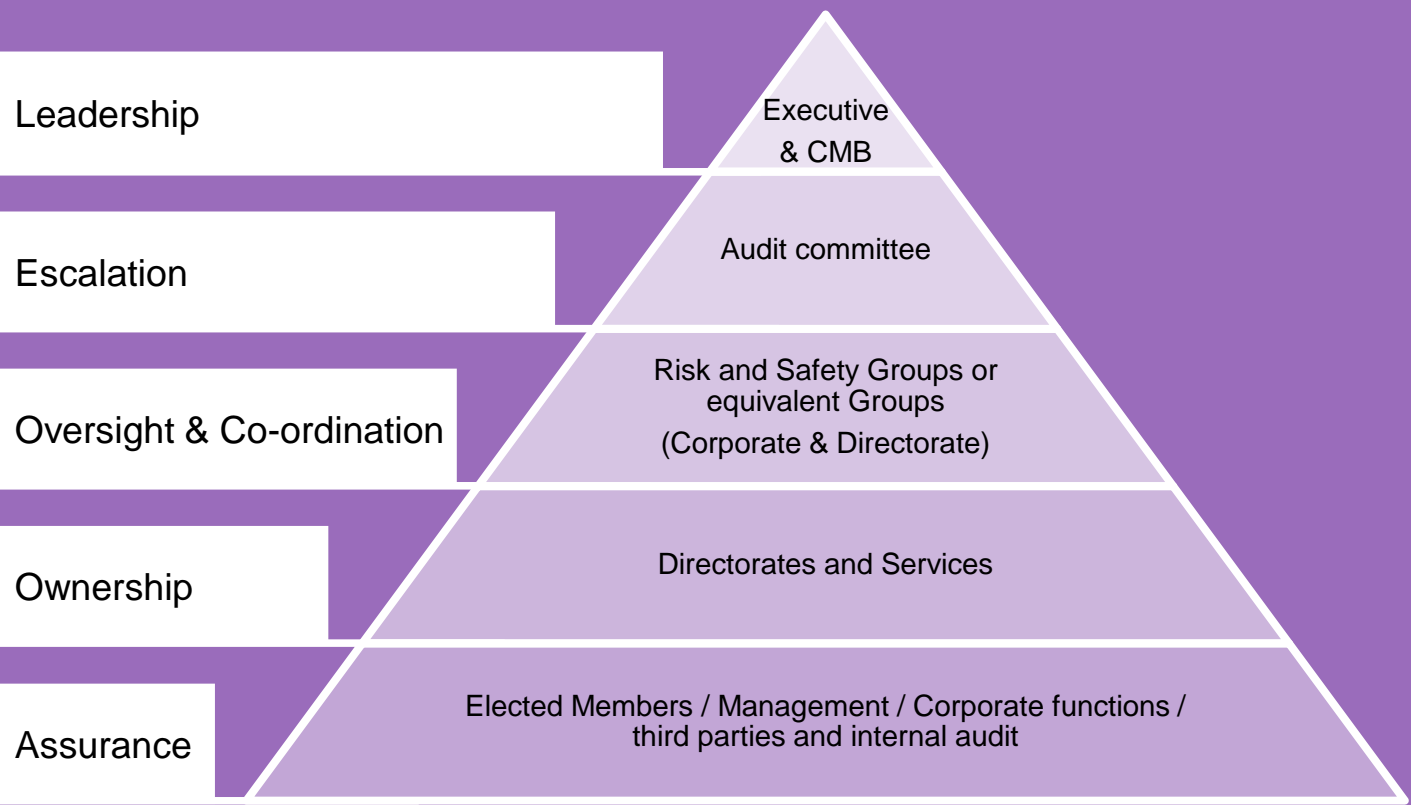


Our strategic risk management

Our Strategic approach to risk management is to make informed decisions and realise opportunities which are vital to successful transformational change.

- To set the 'tone from the top' on the level of risk we are prepared to accept on our different service delivery activities and priorities. Understanding our 'risk appetite' following the review of the appetites to incorporate a new 'opportunistic' category, acknowledging that how we 'think about risk' will be different depending on the context of corporate impact and sensitivity.
- Acknowledging that even with good risk management and our best endeavours – things can go wrong. Where this happens we use the lessons learnt to try and prevent it from happening again.
- Developing leadership capacity and skills in having a clear understanding of the risks facing the council in delivering our services and how we manage these. Risk management should be integral to how we run council business / services.
- Supporting a culture of well measured risk taking throughout the council's business, including strategic and operational. This includes setting risk ownership and accountabilities and responding to risk in a balanced way – thinking about the level of risk, reward, impact and cost of control measures.
- Ensuring our approach to risk management is proportionate to the decision being made.
- Effective monitoring and board / executive intelligence on the key risks facing the council.
- Good practice tools and training to support management of risks which is applied consistently throughout the council.
- Keep abreast of best practice throughout the industry, in addition to the external review of our risk management practices.

Achieving success – Implementing our Strategic Risk Management Strategy



Within this structure, each party has the following key roles:

- The Executive and Corporate Management Board, at the top of the pyramid, has the ultimate accountability for the risk and related control environment, and is responsible for approving and reviewing risk policies and setting the level of risk the council is prepared to accept - its 'risk appetite'.
- The Audit Committee is responsible for overseeing the effectiveness of the council's risk management arrangements, challenging risk information and escalating issues to the board / executive;
- The Risk and Safety Groups or equivalent are responsible for the facilitation and coordination of risk management activity across the council;
- Departments and services are the 'risk-takers' and are responsible for identifying, assessing, measuring, monitoring and reporting significant risks associated with their functions or activities which feed into strategic risks; and
- As a part of the council's combined assurance model, elected members, management, third parties and Internal Audit give assurance on the management of risks and the operation / performance of controls.

Our risk appetite statement is creative and risk aware.

'The council wishes to be creative and open to consider all potential delivery options with well measured risk taking whilst being aware of the impact of its key decisions'

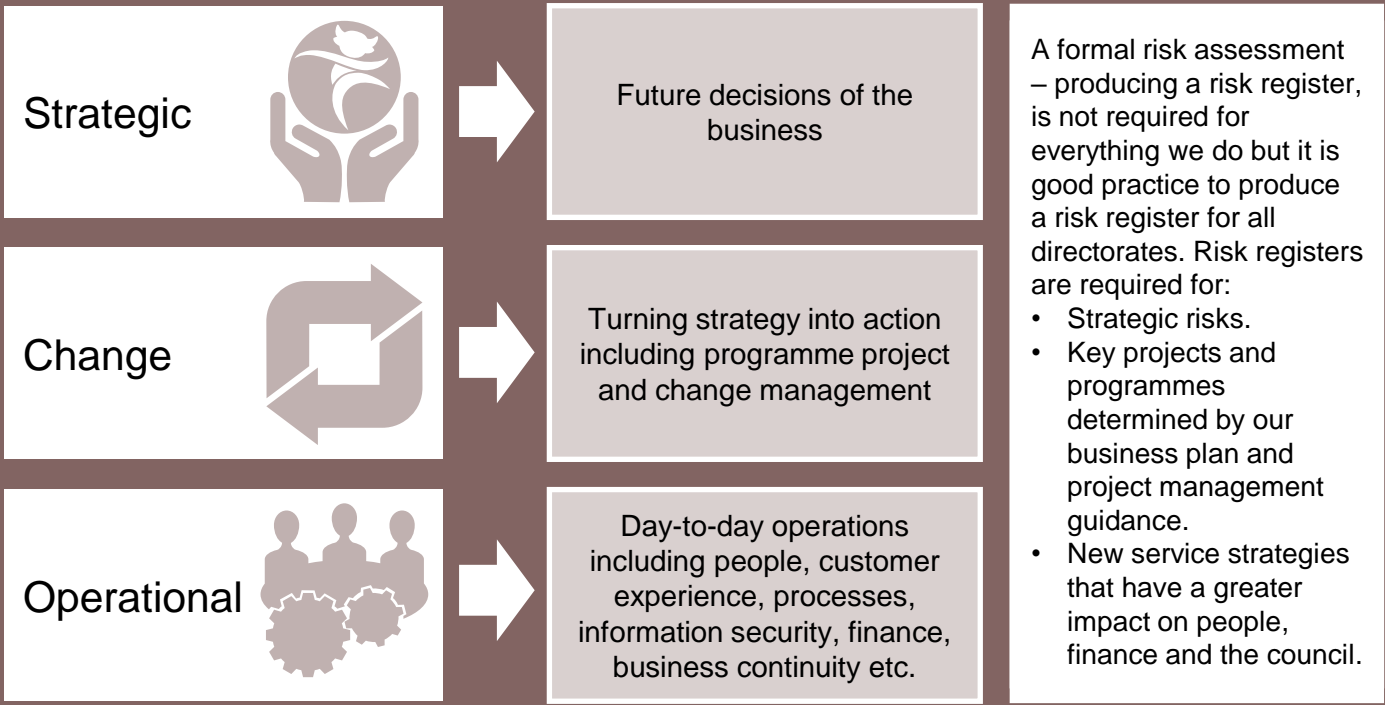
This means that our risk and assurance systems need to be working well so that we create an environment of 'no surprises'.

Whilst working within this overall context – 'tone from the top' – it is acknowledged that our risk appetite will vary depending on the nature of the service. For example the council's appetite for risk taking on safeguarding adults and children is more cautious.

Where the council undertakes operations or initiatives outside the agreed risk appetite this must be reported and monitored through the appropriate executive director. This helps promote informed decision-making based on risk awareness.

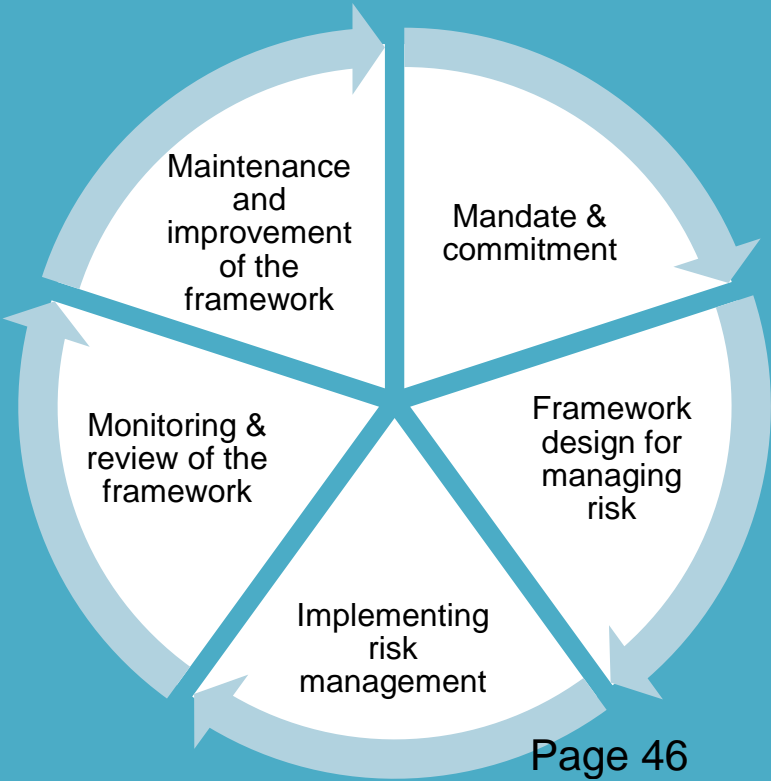
Risk management guidance

Every aspect of the Council's work involves some level of risk. Policy making, decision making, financial management and day to day delivery of services, all of these involve risk. The Council does not advocate that all risk is removed from its work - instead it requires us to be 'risk aware' – balancing quality, cost and risk in our work on behalf of the Council. It requires that we take steps to ensure that the identified risks are kept within acceptable parameters with 'no surprises'. Risk management also ensures that we maintain our public sector ethos and keep an ethical mindset. 'How we do it', is as important as 'what we do' when making decisions within risk management. Our risk management arrangements enable us to manage uncertainty in a systematic way at all levels of the council's business – see below.



Risk management and assurance framework

As a part of the council's combined assurance model, elected members, management, third parties and Internal Audit give assurance on the management of risks and the operation / performance of controls.



Combined Assurance

- management
- corporate / third party
- internal audit

Giving assurance on service delivery, management of risks, operation of controls and / or performance



Key decisions

All key decisions presented to the Executive must clearly show the key risks associated with the decision (recommendations), the potential impact and how these will be managed. This helps promote informed decision making, particularly in an environment of uncertainty and change.

Risk management support

The Corporate Insurance and Risk Management Team helps support management and promotes good practice.

The key roles of this team are:

- To coordinate and maintain the council's strategic risk register, including identifying any emerging risks.
- To develop and co-ordinate the implementation of the Risk Management Strategy.
- Provide guidance on risk management.
- To support members and senior managers to help them identify their and the councils risk appetite and also identify and manage risks facing the council.
- Promote good risk management through training via e-learning and face to face and awareness events / publications.
- Measuring / monitoring the successful implementation of the Strategic Risk Management Strategy priorities by demonstrating that the council:
 - Has a culture which supports well thought through risk taking and innovation, with leadership who support, own and lead on risk management.
 - Enables members, management and staff to make decisions that are in accordance with the council's risk appetite.
 - Learns when things go wrong and have no major surprises that could adversely affect the trust and confidence of the people of Lincolnshire in the services the council provides.



Our risk management guidance sets out our requirements and gives people the tools to help them identify and manage risks effectively. The diagram below shows the different elements of our risk management and assurance framework and we have developed some simple guidance and tools to help you. This can be found within Risk Management on the internal [George pages](#). On Lincs to Learn you will find 2 courses, one on Strategic Risk Management and the other one is on Operational Risk Management.

For further assistance and guidance you can also contact the risk management team on the following email address:

risk.management@lincolnshire.gov.uk

Another good practice tool to help you identify 'people' risks is the Equality Impact Analysis Toolkit – please follow [this link](#) for more information.

Glossary of terms

Word	Description
Impact	Impact (often referred to as a consequence) to the organisation should the risk materialise
Risk	ISO 31000: An effect (positive or negative) of uncertainty on objectives / actions
Business Plan	The council’s plan of action
Commissioning Strategies	A collection of strategies to ensure services which are sourced externally are sourced correctly
Strategy	An overarching set of guidelines to a particular topic
Risk Appetite	The level of risk an individual or organisation is willing to take
Combined Assurance	Reports providing reassurance against procedures / processes & services within the council
Tone from the Top	The guidance provided from the top management / member level of the council
Operational	Relating to functions which do not directly cause significant impact to the council as a whole.
Risk assessment	An analysis of a risk
Emerging Risks	Possible risks which may impact the council
Risk Management	The monitoring, analysis and control of risks
E-Learning	An online based learning facility providing training to employees

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

Report to:	Audit Committee
Date:	24 September 2018
Subject:	Work Plan

Summary:

This report provides the Committee with information on the core assurance activities currently scheduled for the 2018/19 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 2019.
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 2019).

Additional work requested by the Committee to be included at this meeting:-

- Updates on actions arising from the Fuel Card Audit and the Capital Programme Audit
- ICT update on actions arising from the ICT Asset Management Audit and ICT Service Improvement Audit
- An update on the payroll control environment

The Committee has also requested support on reading and understanding the Council's Counter Fraud Risk Register. This has been included in the work plan for this meeting as 'Briefing on the Counter Fraud Risk Register' and will be part of the open section of the agenda.

Sometime ago the Audit Committee requested that a second added member be added to the Committee membership. The rationale is to bring independent challenge and a different perspective to the Committee. Agreement has now been given and the request to change the Constitution, to allow a second added

member, to the Audit Committee will go to Full Council 14th September 2018. In the meantime, the recruitment process has started.

To help promote Audit Committee member development and networking, an Autumn Audit Committee Forum is planned for 16th October 2018 at North Kesteven District Council Offices in Sleaford. All members of public sector audit committees are welcome and the event is organised by LCC's internal audit team and will be supported by the external auditors, Mazars.

The Agenda could include:

- Update on latest Governance & Audit issues
- Information sharing:
 - Agenda topics and ways of working
 - Hot Topics
- Risk Management – the basics and hot topics

Appendix B – keeps track of actions agreed by the Committee and future potential agenda items. CIPFA issued a new edition of Audit Committees, Practical Guidance for local Authorities and Police in May 2018 and this is noted as a potential training/agenda issue.

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
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 .

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Appendix A

Audit Committee Work Plan – 2018/19		
24 September 2018	Assurances Required/Being Sought	Relevancy – Terms of Reference
Core Business		
Payroll Control Environment – verbal update	Seek assurance that payroll performance is satisfactory	To monitor the adequacy of the internal control environment to provide members with independent assurance.
Internal Audit Progress Report – including update on actions arising from the Fuel Card Audit and the Capital Programme Audit and an update on actions arising from the ICT Asset Management Audit and ICT Service Improvement Audit.	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.	<p>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:</p> <ul style="list-style-type: none"> 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. <p>To consider summaries of specific internal audit reports as requested.</p>

Audit Committee Work Plan – 2018/19		
Introduction to the new External Auditors, Mazars	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
Update for the Committee on work to be completed with senior management on risk appetite, review of strategic risks and their alignment to the commissioning strands.	Seek assurance that risk-related issues are being addressed.	To monitor the effective development and operation of risk management in the Council
Briefing and Report on the Counter Fraud Risks Register	Seek assurance on the adequacy of the fraud risk controls in place	To review the assessment of fraud risks and potential harm to the Council from fraud and corruption.
Other Assurance		
19 November 2018	28 January 2019	25 March 2019
Payroll Control Environment - update	External Audit Progress Report	Internal Audit Progress Report
Counter Fraud Progress Report and Policy Reviews	Internal Audit Progress Report	External Audit Progress Report
Whistleblowing Annual Report	Strategic Risk Register	Draft Internal Audit Annual Plan 2019/20
In depth ICT update	A report on the general learning points around what happened in Northamptonshire, including the role of the Audit Committee	Draft External Audit Annual Plan 2019/20
		Draft Annual Governance Statement 2019
		Draft Counter Fraud Annual Plan 2019/20
Other Assurance	Other Assurance Combined Assurance Status Reports	Other Assurance

17 June 2019	22 July 2019	23 September 2019
Internal Audit Progress Report	Approval of Audit Committee Annual Report	Internal Audit Progress Report
External Audit Progress Report	Scrutiny of the Draft Statement of Accounts	External Audit Progress Report
Draft Audit Committee Annual Report	External Audits ISA 260 Report to Those Charged with Governance on Lincolnshire County Council's Statement of Accounts and Lincolnshire County Council Pension Fund Accounts for 2017/18	Update on strategic risk register
Annual Report on the Council's IA Function	Approval of Audit Committee Annual Report	Report on the Counter Fraud Risks Register
Approval of Annual Governance Statement		
External Audit Grant Certification Report	Final Statement of Accounts for Lincolnshire County Council for the year ended 31 March 2018	
International Audit Standards on the risks associated with the impact of potential fraud and error on the Financial Statements	Annual Report reviewing the effectiveness of the Council's complaints and compliments process	
Other Assurance	Other Assurance	Other Assurance

Appendix B

Audit Committee Action Plan 2018/19			
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	May 2018
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	Completed
		New Committee members appointed – work with new Committee to draw up a training and development plan.	Briefing on Counter Fraud – September meeting
		Recruit an additional 'independent' member	Agreement received – recruitment to start
		Deliver risk management training and awareness for	Delivered

Audit Committee Action Plan 2018/19

		members and staff.	
		Ensure that there is a private meeting with External Auditor at least once a year.	Agreed. Next one will take place in March 2019
		End of meeting debrief / lunch	Chairman to arrange as required
		Briefing / update on key risks between meetings	Noted
		Arrange informal meeting with CMB	Completed – informal meeting agreed Chairman – January 2018
3. A report be brought back to the Committee on the general learning points around what happened in Northamptonshire, including the role of the Audit Committee	Improve effectiveness of the committee		January 2019

Potential Agenda Items	
Audit Committees Practical Guidance for Local Authorities and Police 2018 – training on the new guidance	
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	

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Internal Audit Report – Fuel Cards

**Background paper for
Audit Committee**

24.09.2018

Executive Summary –

Key messages

Although responsibility for managing Fuel Cards was transferred from Procurement Lincolnshire to Business support in 2016 the majority of the weaknesses identified are both historic and current. As a result the Council is not achieving value for money and there is an increased risk of loss due to fraud. The issues identified significantly impact on the effective management of the processing and controls over fuel cards which has resulted in a low assurance rating.

Our review has concluded that overall the management, processing, monitoring and financial controls around fuel cards require greater focus, in particular :

- Urgent review to agree the best approach for future arrangements to purchasing vehicle fuel and potential contract re-tender. Procurement have begun this work through development of a draft strategy. We recommend inclusion of finance and HR in this review and decision-making, which should include establishing responsibility for any new contract.
- Improved governance and monitoring of the current Allstar contracts. They are out of date with no extension or variation of contract in place. Allstar could end the contract or vary it without warning which could have significant impact on fuel cards service delivery.

- Governance over fuel card issue, disposals, security, purchases and usage arrangements is generally weak and requires strengthening. There is no Fuel Card policy or procedures in place. This lack of policy and guidance increases the risk that cards will be used inappropriately. People who have left the council could also continue to use the fuel card – fraud risk
- The usage of fuel cards requires greater focus on value for money and efficiencies. Guidance should highlight the reduced fees for using the Council's preferred 'brand', minimising the frequency of refuelling and avoidance of purchasing 'premium' fuel. Unnecessary expenditure is being incurred presently by the Council
- Fuel card usage requires greater oversight to ensure that anomalies are identified and queried.
- Recording and monitoring processes for fuel purchases require strengthening to ensure a consistent approach is followed by budget managers and to ensure fuel card charges are accurate.
- The majority of these issues would be addressed by the establishment of a Fuel Card Policy and procedures which set out the processes to be followed for requesting, issuing, retrieving, security and usage of a fuel card to obtain greater control, efficiencies and value for money.

We would like to thank Business Support for their assistance with the audit.

Areas of good practice

The Council is in the process of developing a fuel card strategy. To do this they reviewed the way that the Council purchase fuel as part of a procurement for the services. The strategy reviews the various options available to the council to make efficiency savings through fuel cards and looks at alternative methods for purchase of fuel.

Managing your risks

During our audit we identified one risk that should be considered for inclusion in your service Operational Risk Register.

- Ensure all contracts held by the Council are valid

Management response

The Fuel Card processes were passed to Business Support a couple of years ago, since this time there has been work undertaken with the Procurement team in understanding the pathways that LCC could take to re-contract, however progress has been slow. This inspection has been a good opportunity, and timely, for us to work with the Audit team to understand what the requirements are for greater compliance, further management and new processes.

Further work across the business is needed, engagement with Procurement, HR, Finance Highways, Mobile libraries, Youth Offending, Lincs Secure Unit, The Beacon Children's Home, Trading Standards and Contract Car Hire team, as main users of the scheme, is critical in order to fully review the Contract, the usage and drafting policies to outline compliance; cross working will be essential to the success.

Priority will be on retendering the Contract and implementing a strong corporate policy.

Business Support will create a robust project to ensure compliance is better managed, reported and value for money is accountable and identified.

Due to the volume of work that is required addressing all items within the Audit will take a number of months, and following early engagement with LFR it has been determined they will be excluded from the process due to the reasons stated below, but all Procedures will be shared.

Fire & Rescue statement from Julia Skinner, Contracts Manager: LFR arrangements for using and monitoring fuel cards are efficient and effective. We are 'in contract' and have good quality and accurate monitoring information available 24/7 and in fact we are in the process of increasing the use of fuel cards as a result of a vehicle fuel review.

1. Fuel cards are not effectively managed	HIGH
<p>RECOMMENDATIONS -</p> <p>Establish a fuel card policy which provides guidance to staff about the processes to be followed for issuing and returning fuel cards, the security arrangements for fuel cards and the terms and conditions for usage of fuel cards. We suggest liaison with finance and HR in producing the policy. Once agreed the policy should be circulated to all current cardholders.</p> <ul style="list-style-type: none"> • Ensure that all fuel card users are required to sign as having read this policy before they are issued with a fuel card. • Ensure that budget holders are required to sign as having read this policy when they take over responsibility of management of fuel cards 	<p>DATE</p> <p>commence April 2018, expected completion September 2018</p>
2. Fuel cards are not effectively managed	HIGH
<p>RECOMMENDATIONS - HIGH</p> <ul style="list-style-type: none"> • Obtain formal agreement with Allstar that they are not going to stop providing the fuel card service in the next 6 months. • Set up a small working group to review, consider and agree the best option in the strategy. We suggest this should include representation from finance, HR and possibly Serco (in relation to Contract Hire Scheme users). • The Group should agree responsibility for any future contract(s) to ensure approval for the agreed option is formally obtained and complies with the Council's Scheme of Authorisation. • The new contract should ensure that the supplier complies with the Council's No PO No Pay policy and provides invoices directly to the Scanning Bureau. 	
3. Fuel cards are not effectively managed	HIGH
<p>RECOMMENDATIONS - HIGH</p> <p>An authorisation process for issuing fuel cards should be established. The process should require that:</p> <ul style="list-style-type: none"> • Only authorised Budget Holders are able to request and authorise the issue of a new fuel card. • A list of authorised Budget Holders should be set up and updated to Business Support with any changes as they occur. • A form should be established which has to be completed and signed by the person receiving the card and authorised by the Budget Holder requesting the issue of the card. • The authorisation form should include acceptance of the terms and conditions applied to the fuel card. 	

3. Fuel cards are not effectively managed CONTINUED	
<ul style="list-style-type: none"> • Discuss with Allstar ways of enhancing their Security information requirements for issuing fuel cards. • Ensure Cards issued are all sent to one central address – business support would be the best option. • All fuel card details should be checked prior to them being issued to the account holder. • Consider whether to continue to allow additional cards for the same vehicle 	
4. Fuel cards are not effectively managed	HIGH
<p>RECOMMENDATIONS - HIGH</p> <p>A leaver process should be established and this could require that:</p> <ul style="list-style-type: none"> • HR includes a requirement on the leavers' checklist for managers to recover fuel cards (where appropriate) when an employee leaves. • All cards inactive for > 3 months should be reported to budget holders to confirm that they are still required. • Guidance includes a requirement for budget holders to inform Business Support of all fuel card leavers within 2 weeks after they have left. • Business Support must then deactivate all of these cards 	<p>Business Support to establish a procedure, and actively manage the process</p>
5. Fuel cards are not effectively managed	MEDIUM
<ul style="list-style-type: none"> • Ensure all dormant card accounts are closed and monitoring of use as recommended above is introduced • Combine all cards into a single contract when this is retendered • Reduce the number of transactions (consider including advice within staff guidance to only fuel up when the fuel tank is no higher than a quarter full) • Highlight to staff that Tesco is the 'preferred' brand and use of this supplier reduces administration charges to the Council 	<p>Commence April 2018, expected completion September 2018, but then on going monitoring.</p>

6. Fuel cards are used to make inappropriate purchases	MEDIUM
<p>RECOMMENDATIONS</p> <p>Improve monitoring of fuel spend to ensure anomalies are identified and queried.</p>	Commence April 2018, then on going
7. Fuel cards are used to make inappropriate purchases	MEDIUM
<p>RECOMMENDATIONS - HIGH</p> <p>Produce guidance to all budget holders and business support on how they are required to:</p> <ul style="list-style-type: none"> • record all fuel card purchases, • what supporting documentation they need to obtain and keep • what checks on this supporting documentation they need to perform 	Commence April 2018, expected completion September 2018
8. Fuel cards are not effectively managed	MEDIUM
As part of the formalisation of a new fuel card contract and policy the accounting mechanism for recording and authorising fuel card purchases should be reviewed and if possible streamlined.	September



Internal Audit Report – Capital Programme

**Background paper for
Audit Committee**

24.09.2018

Executive Summary –

Key messages

Our review has concluded that overall the financial controls around capital spend require greater focus, in particular to improve the transparency of the finances of each scheme and to mitigate the risk of overspend. As there are only limited controls within the financial system to prevent overspend on a capital scheme, LCC is reliant on monitoring controls such as the monitoring and reporting of capital spend. However significant issues were identified around the effectiveness of the reporting and resultant difficulty in the identification of overspend and scrutiny and challenge of the finances of each scheme. One of the three schemes reviewed was in an overspend position.

Key improvement areas identified include:

- Capital reporting requires significant improvement in order to provide a clear representation of a scheme's finances and enable Project teams to make informed decisions around their spend;
- Higher risk capital schemes should be reported separately within the corporate reporting to enable adequate scrutiny and challenge, particularly by Members.
- Financial Procedures around overspend should be reviewed and formalised to ensure greater transparency and challenge of overspend.

- Finance oversight over schemes could be enhanced through attendance at the Project Boards of the higher risk schemes
- Formal Finance training around capital budgets should be provided to Scheme Managers, given that they are responsible for monitoring the spend against their schemes;
- Capital Target Change processes require greater focus to enhance the clarity, effectiveness and consistency of their authorisation; and
- Greater transparency is required around the utilisation of external capital funding.

Areas of good practice

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

- The Capital Programme is approved annually by the Council to ensure it reflects their priorities;
- Each scheme reviewed was appropriately approved and had clearly stated benefits;

- Each scheme reviewed was appropriately approved and had clearly stated benefits;
- Segregation of duties exists between raising and approving capital related purchase orders;
- Capital spend is approved in accordance with authorised limits embedded in Agresso;
- Risk registers and lessons learned logs were maintained for each capital scheme reviewed;
- The phasing of capital spend is reviewed annually to ensure capital budgets are aligned to current spending plans
- We would like to thank all of the staff involved in the audit for their help in undertaking the review..

Management response

Financial Strategy welcomes this report on capital management which highlights a number of areas that require improvement, it has enabled existing capital programme management improvement plans to be updated and amended to incorporate recommendations made.

The report highlights a number of important points, these include the formalisation of the reporting mechanism of large capital projects from inception to completion. This is important to ensure all officers involved have clarity of what is expected of them, members are aware of project progress and financial standing with corrective action being taken more effectively, if required.

However, this does not mean, that there is a current lack of awareness. Key members such as the Leader of the Council and Executive Councillors are kept informed on the progress of capital projects and overspend positions, if that is the case. They take appropriate decisions on that information and agree how overspends will be funded. Capital project information is available, however, the processes used to share this need to be made more open and robust to ensure more effective monitoring and management. It is a similar case for underspendings.

It is unfortunate that in this case the limitations of having only a small number of opinion levels and the terminology attached to those levels, gives a slightly misleading view with a designation of limited assurance, capital management is better than that, however, it is agreed and understood that improvements are required to ensure the procedures and processes we operate under and within are made to ensure key decisions affecting large financial sums, including under/overspends, are taken at the most appropriate levels with the correct information being made available.

We continue to work with all service areas to ensure they comply with the governance processes surrounding the capital programme.

1. Capital projects encounter significant overspend	HIGH
<p>RECOMMENDATIONS</p> <p>Capital Reporting Project to deliver Agresso reporting on the cumulative financial position of each scheme to ensure that Project teams, senior management and Members receive complete, meaningful and consistent financial information. Feedback should be collated from the end users such as the Scheme Managers to identify reporting requirements</p>	<p>DATE</p> <p>31.12.18</p>
2. Capital projects encounter significant overspend	HIGH
<p>RECOMMENDATIONS</p> <p>Once reporting is in place (see issue 1), higher risk individual capital schemes, for example those in an overspend position, with a significant change in scope or those that will deliver late, should be reported separately within the quarterly Capital Budget Monitoring reports for scrutiny purposes.</p>	<p>DATE</p> <p>31.12.18</p>
3. Capital projects encounter significant overspend	HIGH
<p>RECOMMENDATIONS</p> <ol style="list-style-type: none"> 1. Consideration should be given to developing a separate Financial Procedure for the Capital Programme to elevate the importance of sound capital financial management. These could include areas such as the capital approval process, capital monitoring, virements, capital financing, capital receipts and the roles and responsibilities of the Project teams and Finance. 2. To consider the governance and risk implications of schemes incurring significant overspend without challenge and approval of the Executive Board. 3. To formalise and tighten the procedure for the reporting of overspend, for example, the procedure should stipulate the means and timescales for informing the Executive Councillor of the overspend 	<p>DATE</p> <p>31.12.18</p>

4. Capital Programme spend is inappropriate or inaccurately reported.	MEDIUM
<p>RECOMMENDATION</p> <p>There should be Finance representation on the Project Boards of high risk ,high spend capital schemes.</p>	<p>DATE</p> <p>immediate</p>
5. Capital projects encounter significant overspend	MEDIUM
<p>RECOMMENDATION</p> <p>All Scheme Managers responsible for monitoring spend against their schemes should be provided with Finance training on capital spend</p>	<p>DATE</p> <p>1.04.18</p>
6. Capital Programme spend is inappropriate or inaccurately reported.	MEDIUM
<p>1. The procedures for processing Target Change forms should be documented. These should include the following:</p> <ul style="list-style-type: none"> - Clear guidance as to who should be approving specific types of target change and the requirement for the approvals to be provided directly from the approvers and - The requirement for supporting evidence of the approvals to be checked and retained by the Financial Strategy team prior to processing. <p>2. The Finance Service teams should be notified that Target Changes forms will only be processed upon receipt of evidence of their approval, which should be submitted either within or together with the Target Changes forms (with a reference to this in the Target Change form).</p> <p>3. Consideration should be given to introducing a check box to the Target Charges form to evidence that the check for appropriate approval has been undertaken by the Financial Strategy team prior to processing the change.</p>	<p>DATE</p> <p>30.09.18</p>

7. Capital Programme spend is inappropriate or inaccurately reported.	MEDIUM
<p>1. Formal records should be kept to support decisions made around the use of external funding on capital schemes and Budget Holders should be informed of the receipt of such funding on a timely basis.</p> <p>2. Financial Procedures around the Capital Programme should incorporate the use of grant funding within individual schemes.</p>	<p>DATE</p> <p>31.12.18</p>