



Public Sector Auditing.... Private Sector Thinking

Internal Audit Progress Report



Date: January 2016

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Introduction

1. The purpose of this report is to:
 - Provide details of the audit work during the period 1st September 2015 to 31 December 2015
 - Advise of progress with the 2015/16 Audit Plan
 - Raise any other matters that may be relevant to the Audit Committee role

Key Messages

2. During the period we have completed 12 County audits, 5 to final report and 4 to draft report stage as well as finalising 3 school audits.
3. There are currently 2 further audits in progress. All contracted Academy visits for 2015/16 are progressing in accordance with their agreements.
4. The service restructure was implemented 1st October 2015. The period of transition into the new structure and recruitment to vacant posts has not progressed as swiftly as anticipated and will continue to impact on audit resources to the end of 2015/16. We are managing this resource shortage with use of temporary staff where possible.
5. The service restructures and impact of Agresso during 2015/16 has resulted in a revision to the Internal Audit Plan. We reported that this would take place during the September 2015 Audit Committee Meeting. Revisions have now been agreed with Directors and the annual plan reduced to 848. The full revision briefing paper is shown in Appendix 4.
6. The detailed Audit Plan is shown in Appendix 3 with current progress as follows:
 - 48% completed or at draft report stage
 - 14% In progress
 - 29% agreed and scheduled during quarter 4
 - 11% potential audit areas to be agreed and scheduled¹

¹ Our quarterly liaison meetings agree and schedule audits during the year based on the risk based plan and new emerging risk areas.

Internal Audit work completed in the period 1st September 2015 to 31st December 2015

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

High Assurance	Substantial Assurance	Limited Assurance	Low Assurance
■	<ul style="list-style-type: none"> ■ CfBT – School Improvement Plans ■ Raising the Participation Age ■ Adult Learning 	<ul style="list-style-type: none"> ■ Business Rate Pooling ■ Big Society Grants 	■

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.

8. Since our last progress report we are reporting 2 audits with an opinion of 'Limited Assurance' – more detail can be found at Appendix 2:

Business Rate Pooling

We found that the business rate pooling processes are being adequately managed. Government business rate guidance and the Memorandum of association were complied with; However inconsistent methods of calculating retained business rate Income and making provisions for appeals have resulted in large variances between estimates and actual income, impacting negatively on budget management.

Big Society Grants

Our review identified strong areas such as reporting to full council and individual councillors on fund utilisation and a sound procedure for approval and payments of grants; however a lack of monitoring of the approved projects raises the potential for misappropriation of the funding and an adverse impact on the reputation of the Council and the wider Big Society concept. This reputational risk materialised in May 2015 when misuse of the big society fund was reported by Local Media as a result of an official complaint to the Council, which further supports the need for robust monitoring arrangements.

9. Below is a summary of the areas where we gave the audit opinion of 'High' or 'Substantial' assurance:

CFBT School Improvement Plans follow up review

CfBT are contracted to provide school improvement services across all three education settings within Lincolnshire: primary, secondary and special schools.

In June 2015 we completed a review of the School Improvement Service (SIS) and in our report we made eight recommendations.

The purpose of this audit is to provide independent assurance in respect of one of the recommendations made; whether the CfBT SIS Assurance Review monitoring protocol is embedded within all education settings, particularly secondary and special schools.

We found that maintained schools and academies are receiving appropriate support under the core offer, although the documentation of visits and other interaction is not yet consistent across the educational settings. Quality assurance arrangements have been developed utilising a diverse range of techniques. Information in respect of schools is now held centrally.

Raising the Participation age

In the 2008 Education and Skills Act, the government set out its intention to raise the participation age (RPA). Since 2013, all those up to the age of 17 have been required to take part in some kind of 'appropriate' education and training. From 2015, this extended to age 18. The raising of the participation age gives local authorities new roles, opportunities and challenges in supporting young people who are not in education, employment or training.

Benchmarking, wider performance data and other evidence indicate that the authority is satisfactorily implementing RPA statutory guidance.

We found that;

- strategic overview has been undertaken of the provision available. The analysis undertaken did not identify any gaps in provision within the area.
- support is made available to all young people aged 13-19 and to those up to age 25 with an Learning Disability Assessment or Education, Health and Care plan that will encourage, enable or assist their participation in education or training.
- participation in education and training of 16 and 17 year olds in the area is effectively promoted.
- A tracking system is maintained to identify 16 and 17 year olds who are not participating in education or training.

Adult Learning

The Adult Learning service offers community learning programmes throughout the county operating on a budget of approximately £1.6m per annum. Our audit sought to provide assurance on the financial management of the service.

We are confident that processes in place are sufficiently robust and resilient to ensure that grant income is recognised in the correct accounting periods and that accurate and complete claims for funding are made to the Skills Funding

Agency. However the problems with Agresso are affecting the ability to manage budgets and the scheme of delegation is in the process of being revised.

Audits in Progress

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

Business Continuity Management

Business Continuity Management (BCM) is a planning process which aims to ensure that key services to the community can continue to be delivered, to an acceptable level, in the event of an incident or disruption and return to normal working once the incident has been resolved. Our review has sought to provide assurance in the following areas:

- Sufficient capacity and resilience exists to respond to, and recover from, wider area prolonged emergencies and business disruption impacting on the continuity of critical functions and normal service delivery.
- Up to date Business Continuity plans are in place for all the Council's critical functions (including where relevant within the supply chain), which are fit for purpose.
- Business Continuity plans are regularly exercised, maintained and reviewed.
- Business Continuity is externally promoted to small business and the voluntary sector.

Concerto Property Asset Management System

We have included this audit in ICT plan as Concerto software is a new application. The scope of this review includes assessing whether adequate controls are in place to protect the system and data from unauthorised access, modification and system unavailability.

Agresso Project – Payroll

Our review focused on identifying and evaluating the controls in place within the 'end to end' payroll process, with a view to establishing the position around reporting and year end procedures. We aim to provide assurance that LCC have a robust, well controlled and fit for purpose payroll system.

Mental Capacity Act

The Mental Capacity Act 2005, provides a statutory framework for people who lack capacity to make decisions for themselves. It is supported by a Code of Practice (the Code), which provides guidance and information about how the Act works in practice.

Whilst the Act does not impose a legal duty on anyone to 'comply' with the Code certain categories of people including social workers, care managers, etc

are legally required to 'have regard to' relevant guidance in the Code of Practice. That means they must be aware of the Code of Practice when acting or making decisions on behalf of someone who lacks capacity to make a decision for themselves, and they should be able to explain how they have had regard to the Code when acting or making decisions.

Our review will seek to provide assurance that the adult care workforce have regard to the Code when acting or making decisions. Our work reviewed the following areas:

- Training of the adult care workforce relating to the Mental Capacity Act 2005 and the Code of Practice
- Application of the code guidance in practice
- Monitoring the application of the code by senior management within adult services.
- Management of Deprivation of Liberty Safeguard (DoLS) risks. (High level review only)

11. The following audits are currently in progress:

Pensions

Since the implementation of Agresso in April 2015, a number of issues relating to pension deductions and third party payovers have been brought to the attention of LCC senior management. These have included:

- Delayed payment of contributions to third parties
- No / incomplete information provided to third parties to support payovers
- Incomplete / incorrect information reported to Pension Funds on starters / leavers / changes

The LCC Pension Fund Manager has also highlighted areas of concern specifically relating to the LGPS. Our review includes:

- identifying and evaluating the current procedures and controls in place to provide monthly contribution reports and to update pension funds on starters, leavers and changes
- review of payroll to third party payover reconciliations and supporting reports
- analytical review and substantive testing to assess the accuracy and completeness of Prudential AVC, LGPS, Teachers and NHS pension deductions and monthly contributions paid over
- accuracy and completeness of pension postings to the general ledger

Freedom of Information

Our audit seeks to provide assurance that the authority is compliant with the Freedom of Information Act 2000. The review will include assessment of training, policy, guidance, and publication schemes. We will also evaluate processing and performance in relation to statutory timescales.

Other Work

12. Agresso Project - Finance

We continue to work closely with the Agresso project team – post implementation to provide guidance and support as needed.

13. Families working together

On behalf of Children's Services we provide assurance that the performance figures provided to the DCLG relating to the quarterly Troubled Families grant claim are:

- Accurate
- Bona fide
- Related to eligible families (based on criteria from the financial framework payments-by-results scheme for local authorities)
- Supported by adequate evidence

We have completed our first quarter audit of the grant claim and plan to carry out the quarter 2 and 3 work this month.

14. Tender and Contract Award – Draft stage – awaiting management response

In August an issue arose around the tender and award of a major building contract – management commissioned us to review the procurement process and the subsequent letting of the contract. Our review focused on compliance issues around:

- new Public Contract Regulations, which came into effect on 26 February 2015
- Council's own Contract Regulations and Contract and Procurement Procedures
- Gateway Control Framework for building projects
- partnership contract specification

We have now completed this work and reported back to management in full. We have agreed an action plan ensuring lessons learnt are considered in the future.

Performance Information

15. Our performance against targets for 2015/16 is shown in the analysis below:

Performance Indicator	Annual Target	Profiled Target	Actual
Percentage of plan completed (based on revised plan)	100%	75%	57%
Percentage of recommendations agreed	100%	100%	100%
Percentage of recommendations implemented	100% or escalated	100% or escalated	N/A
Timescales: ²			
Draft Report issued within 10 days of completion	100%	100%	100%
Final Report issued within 5 days of management response	100%	100%	75% ³
Draft Report issued within 2 months of fieldwork commencing	80%	80%	40% ⁴
Client Feedback on Audit (average)	Good to excellent	Good to excellent	Good to excellent

Other Matters of Interest

16. CIPFA Audit Committee Update 18

In the recent Audit Committee update the CIPFA Better Governance Forum has provided some guidance on self-assessment and improving effectiveness for Audit Committees. The guidance includes a suggested approach for assessment through considering 4 broad areas:

- whether the committee is meeting recommended practice for committees in its sector
- whether the committee is addressing its areas of responsibility adequately
- whether the members have acquired the necessary knowledge and skills to be effective
- whether the committee is adding value to the organisation

² Based on targets for 5 2015/16 reports completed

³ Big Society Fund final report handed from one leaving staff member to another which created a delay

⁴ Big Society Fund opinion created some rewriting of reports and further work on review. Complexities and availability of key staff during the payroll audit resulted in 2 month span being exceeded. CfBT review suffered delays in the review process due to investigation priorities.

The document also provides advice on how to undertake the assessment and acting on its results. A copy of the update is provided as Appendix B which accompanies the progress report.

17. Lincolnshire Audit Committee Forum

Members will be familiar with the Lincolnshire Audit Committee Forum – an Audit Committee networking group to enable sharing of good practice, emerging governance and risk issues and hot topics for public sector audit committees. It is designed to help and support audit committees effectiveness.

We plan to host an all-day forum event on 17th March 2016 at North Kesteven District Council (supported by KPMG). The indicative agenda is:

Morning (Chairman and Vice-Chairman)

- What makes an effective audit committee
- Information sharing
- Hot topics
- Networking lunch

Afternoon (open to all members of the Audit Committee)

- Cyber risk
- Thinking about risk

Appendix 1 - Assurance Definitions⁵

<p>High</p>	<p>Our critical review or assessment on the activity gives us a high level of confidence on service delivery arrangements, management of risks, and the operation of controls and / or performance.</p> <p>The risk of the activity not achieving its objectives or outcomes is low. Controls have been evaluated as adequate, appropriate and are operating effectively.</p>
<p>Substantial</p>	<p>Our critical review or assessment on the activity gives us a substantial level of confidence (assurance) on service delivery arrangements, management of risks, and operation of controls and / or performance.</p> <p>There are some improvements needed in the application of controls to manage risks. However, the controls have been evaluated as adequate, appropriate and operating sufficiently so that the risk of the activity not achieving its objectives is medium to low.</p>
<p>Limited</p>	<p>Our critical review or assessment on the activity gives us a limited level of confidence on service delivery arrangements, management of risks, and operation of controls and / or performance.</p> <p>The controls to manage the key risks were found not always to be operating or are inadequate. Therefore, the controls evaluated are unlikely to give a reasonable level of confidence (assurance) that the risks are being managed effectively. It is unlikely that the activity will achieve its objectives.</p>
<p>Low</p>	<p>Our critical review or assessment on the activity identified significant concerns on service delivery arrangements, management of risks, and operation of controls and / or performance.</p> <p>There are either gaps in the control framework managing the key risks or the controls have been evaluated as not adequate, appropriate or are not being effectively operated. Therefore the risk of the activity not achieving its objectives is high.</p>

⁵ These definitions are used as a means of measuring or judging the results and impact of matters identified in the audit. The assurance opinion is based on information and evidence which came to our attention during the audit. Our work cannot provide absolute assurance that material errors, loss or fraud do not exist.

Appendix 2 – Reporting on Limited or Low Assurance

Business Rate Pooling

Introduction & Scope

We performed a review of the interim business rate pooling calculations in June 2015 and the final calculations in September 2015. We reviewed the methodology applied in arriving at the business rate estimates and actual pooling figures.

In 14/15 the business rate Pool members were Lincolnshire County Council, North Kesteven District Council, South Kesteven District Council, East Lindsey District Council, Lincoln City Council and Boston Borough Council. The aim of the Pool is that by councils working together they can retain a greater proportion of any business rates growth within the Pool area, providing an opportunity to promote further economic growth as well as build financial resilience.

The importance of the Pool is now even greater due to a recent announcement by the Chancellor of the Exchequer about a series of major reforms to local government. The principal area of reform is that by the end of the Parliament, local government will be able to retain 100 per cent of local taxes.

As a result of this announcement business rates will now become a main source of Funding for local government. The accuracy of the business rate pooling calculation is therefore of greater significance in 15/16.

Our work involved reviewing the adequacy of the business rate pooling calculations to meet the following objectives:

- Compliance with Government business rate guidance
- Compliance with Memorandum of Understanding
- Consistency of approach in methodology by all councils within the Pool.

We reviewed the following as part of the business rate pooling audit:

- The accuracy and the methodology applied for Retained business rate income for each council in the Pool
- The percentage of business rate retained income to the split per the Memorandum of understanding.
- The movement between the estimated interim income figures and the final actual figures.
- The provision for appeals as a % of the rate yield

Key Messages

Limited Assurance

We found that the business rate pooling processes are being adequately managed. Government business rate guidance and the Memorandum of association were complied with; However inconsistent methods of calculating retained business rate Income and making provisions for appeals have resulted in large variances between estimates and actual income, impacting negatively on budget management.

Summary of findings

Inconsistent methodology at interim stage

The review of the interim calculation of the retained income figure identified that in some cases the methodology followed by the councils was not consistent:

- Renewable energy - Some councils took the renewable energy figure off to arrive at the collectible rates and then took it off again to arrive at the net yield figure. Net yield was therefore understated. Other councils incorrectly added on the renewable energy figure to arrive at the collectible rates and then took it off to arrive at the net yield figure. Net yield was therefore overstated.
- Transitional protection payments – One council did not include the TPP in their calculation. The net yield was therefore overstated.
- One council did not take off their cost of collection in arriving at the net yield. The net yield is therefore overstated.
- Flood relief – one council did not include the flood relief in their calculation
- S31 discretionary relief – one council based their estimate on receiving relief on all applicable properties which is not a realistic estimate as the Government decided that awards had to be applied for and not automatically granted.

It should be noted however that none of the above inconsistencies had a material impact on the overall retained income figures.

However, this may not always be the case and a consistent methodology should be applied in future.

Cipfa Model

At the year end the actual business rate income figures are input onto a Cipfa calculation model spreadsheet. For both models 1 and 2 errors were identified by NKDC in the links and formulas. We reviewed model 3 and have identified a further error in the calculation of the safety net threshold. Although these errors did not result in material differences it does mean that less reliance and assurance can be placed on these spreadsheet calculations.

Unreliable estimates

We reviewed the year end actual income figures to the interim estimates and found there were large variances. For the majority of the councils the variance was around 3.5%. This was due mainly to the changes in provision for appeals. The Government announced shortly after budgets had been set for 2014/15 that no more appeals would be accepted after the 31 March 2015 against the 2005 and 2010 valuation listings. As a result all the councils had a large number of appeals (some over £1million) lodged in March 2015 which could not have been predicted with any accuracy.

One council had a variance of 11% which was caused by 2 material rateable value properties making a late appeal which affected their provision. They also were affected by the valuation office determining that one of their new energy plants was mostly renewable energy which appears to contradict with an earlier determination for a similar facility which was mainly classed as non-renewable. Both of these factors caused their retained income to be materially reduced.

A consistent approach by all councils to the estimates used needs to be applied in future in order to aid easier and quicker identification in-year should such similar issues arise.

Provision for appeals

We identified that at present there is not a consistent approach by the councils to the provision for appeals. A simple analysis of the level of provision as a percentage of the rate yield sees a range of 3.7% to 17.6% for the various councils in the Pool. While local variation will naturally play its part, such a range is felt to indicate different approaches to the calculation of appeals is also at play. There is also no consistent approach to the data collection for appeals. Some councils use Analyse Local where as others use data collated internally.

A consistent approach to data collection and to the calculation of a provision for appeals needs to be established.

Inclusion in the Pool

Our work identified that some councils at present in the pool are getting closer to the safety net which could therefore result in the Pool in future years having to pay them money. Other councils which did not join the Pool last year were found as a result to have made a levy payment to the Government instead of to the Pool (resulting in a loss of £600,000 of resources from Lincolnshire).

In order for the Pool to continue to be effective and beneficial to all the Pool members the councils included in the Pool need to be monitored and reviewed regularly, in order to maximise the overall financial position for Lincolnshire authorities.

Big Society Grants

Introduction and Scope

Introduced in 2011 under the Central Governments Big Society initiative, the Councillor's Big Society Fund enables all the County Councillors for Lincolnshire to make awards of funding to a range of local groups and organisations. The objective of the fund is to enable the Councillors to improve the quality of life and wellbeing of their local communities.

At the start of the financial year each Councillor is allocated £2,000 to award to Groups or Organisations in order to help them make a positive change in the local area or benefiting the wider community. It is at the discretion of the individual Councillor as to how much they award from the amount and how they split the funds amongst the Groups and Organisations. Any unallocated funding is return to core budgets at the year end. The total fund for 2014/15 was £154,000, with £150,564 being spent on 364 projects across the county.

Groups or Organisation can approach their local Councillor to make a request at any time throughout the year and there is no requirement for match funding. All the approved schemes are required to spend the monies awarded within 12 months of receipt and respond to any monitoring and evaluation requests from the Council.

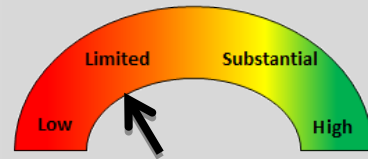
In order to provide assurances on the arrangements for managing the Councillor Big Society Fund and ensuring they are operating effectively to achieve the desired outcomes we reviewed the process and concentrated on the following key areas:

- The fund is appropriately administered and managed.
- Grants are spent in line with the intended purpose.
- Regular reporting is made to Councillors on the use of the fund.

Executive Summary

Assurance Opinion


Limited



Our review identified strong areas such as reporting to full council and individual councillors on fund utilisation and a sound procedure for approval and payments of grants; however a lack of monitoring of the approved projects raises the potential for misappropriation of the funding and an adverse impact on the reputation of the Council and the wider Big Society concept. This reputational risk materialised in May 2015 when misuse of the big society fund was reported by Local Media as a result of an official complaint to the Council, which further supports the need for robust monitoring arrangements.

To give assurances that the fund has been properly managed from application of award to the completion of the scheme, officers should introduce a monitoring programme in line with the grant funding agreement. This will ensure that funds are only awarded where the criteria has been met and spent in accordance with the intended purpose in order to achieve positive outcomes.

Direction of Travel

 No Change / Stable

Last audited in 2012, we could only give limited assurance over management of the funds. Although the documentation covering the Big Society Funds processes and procedures has been amended and improved since the previous audit, currently no monitoring of the approved projects is being carried out, which was a key finding in our last report. This has not improved as the team report no resource to carry out the monitoring processes.

The Grant Funding Agreement for the scheme states that assurance may be obtained from organisations to demonstrate that funds have been managed appropriately, proper records have been retained and that the recipient acknowledges the funding provided by the Council. Additionally any surplus funds should be identified and returned to support other projects. These assurances are not currently sought and monitoring was very limited during 2014/15.

To give assurances that the fund has been properly managed from application of award to the completion of the scheme, sample monitoring needs to be undertaken on a regular basis. This will help to verify that the awards have only been made to Organisations and Groups who demonstrated compliance with the criteria and that

the funds have been used appropriately to make a positive change in the local area and benefit the wider community.

This information can then be used in the post scheme evaluation with any lessons learned and good practice taken forward and applied to future initiatives.

Whilst acknowledging that no monitoring was currently being carried out, officers explained that there was a documented procedure in place to do so and they planned to implement a programme for monitoring for the approved projects late 2015 when additional resources become available.

During the audit we did note several areas of good practice, in particular:

- We found the processing and administration of grant awards to be effective
- There is a clear separation between the input and authorisation of awards
- Regular updates on the position of their individual allocation are presented to each Councillor prior to Full Council meetings
- Reporting on the overall progress of the fund is made to Full Council by the Lead Councillor.

Findings identified during the audit are detailed within the attached action plan. This includes recommendations which, once implemented, should help strengthen controls and improve the overall management of the fund.

We would like to take this opportunity to thank the Officers within Community Engagement for their time and assistance during the review.

Management Response

We appreciate the comments about the sound process of administration and management; this has come about as the result of regular review discussions with Business Support. We acknowledge and accept the recommendation on monitoring and actions have been agreed and have already commenced to address this. We raised concerns at the Audit Closure meeting around recommendation 2 with regard to Members checking policies and that this should be proportionate. It was agreed that a tick box will be added at the side of the statement already included on the application form to enable Member's to confirm that the fund's guidance has been followed. The Guidance will also be amended to reflect this; in addition to including the point that only the current version of the BSF application form can be accepted.

Management Actions	No	All to be completed by:
High	2	December 2015

Appendix 3 – Internal Audit Revised Plan 2015/16

Area	Indicative Scope	Planned start date	Actual start date	Final Report date	Status / Assurance opinion
Executive Director – Pete Moore					
Emergency Planning and Business Continuity	Review the Council's arrangements and resilience to respond and recover to a major event / incident.	Jun 2015	Jul 2015	Sept 2015	Limited assurance – Draft report seeking to resolve management disagreement.
Property – VINCI-Mouchel Contract	Consultancy assignment to support the business in developing the governance, management and monitoring arrangements for the new VINCI-Mouchel property contract	Apr 2015	Apr 2015	N/A	Assignment complete
Business rates Pool	Review of methodology used to calculate the additional income generated from pooling to confirm this aligns to national guidance and the MOU and verify calculations are based on correct data.	May 2015	May 2015	Oct 2015	Audit Complete – Limited assurance
Agresso Finance system	Consultancy assignment to support the business in ensuring efficacy of the new finance system.	Apr 2015	Apr 2015	Sept 2015	Report to committee September 2015
Payroll system	Consultancy assignment to support the business in ensuring efficacy of the new payroll system.	Apr 2015	Apr 2015	Jan 2016	Audit complete – Low Assurance
Executive Director – Richard Wills					

Joint waste management strategy	Review to provide assurance on arrangements and progress for the district waste strategy. To include assessment of financial benefits and district engagement.	Nov 2015			Strategy delayed by countywide proposal – audit to be rolled forward to 16/17 plan.
Adult Learning	Review of the financial arrangement in to confirm adequate financial control and sustainability	Oct 2015	Oct 2015	Jan 2016	Audit complete – Substantial assurance
Highways Grants Work	Audit of 3 Highways grants to provide verification on use of grants to the provider	Oct 2015	Oct 2015	N/A	Audit Complete
Director of Children Services – Debbie Barnes					
Families Working Together	To provide audit support as per the requirements of the grant on a quarterly basis	Jun 2015	Jun 2015	N/A	Quarter 1 and 2 return audits complete
Raising the Participation Age (project) / Tracking the Status of 16 – 18 year olds in education, employment or training (critical activity)	From September 2013, all 17 year olds had a duty to participate in education, employment or training. This extends to 18 year olds from September 2014. To review the arrangements in place that ensure young people are aware of their duty to participate and that there will be sufficient provision available. This could include how the LA are identifying young people that are not in education or training, including data sharing arrangements with Educational Institutions.	Jun 2015	Jul 2015	Sept 2015	Audit complete – Substantial assurance

People Management	<p>Review the effectiveness, quality and compliance of the People Strategy launched in 2012 and the strands underpinning delivery of the Council's people management arrangements.</p> <p>Area of focus will be application of the sickness / absence policy.</p>	Oct 2015 Jan 2016			Delayed by people management due to Agresso data issues – rescheduled Q4
CFBT School Improvement Plans	Follow up audit to confirm whether the CfBT SIS Assurance Review monitoring protocol is embedded within all education settings, particularly secondary and special schools.	Jul 2015	Jul 2015	Sep 2015	Audit complete – Substantial assurance
Schools	Periodic audits of maintained schools.	Jun 2015	Jul 2015	N/A	8 schools complete
Director of Adult Services – Glen Garrod					
Mental Capacity Act	<p>Review, advice and guidance around the transformation programmes within Social Care, including the Case Management System and Lincolnshire Health and Adult Care - considering the design and application of the governance structure.</p> <p>To provide proactive advice and support on governance, managing key risks and effective internal control.</p>	Oct 2015	Oct 2015		Draft report stage
Safeguarding Adults Follow up	Provide assurance on the alignment of the safeguarding referral process with 'The Care Act' and its consistent application across the Council and its providers.	Jan 2016			

Better Care Fund – Budget Management and Reporting	A review of LCC's management and reporting arrangements for the Better Care Fund budget	Feb 2016			
Director of Public Health – Tony Hill					
ICES	<p>The Integrated Community Equipment Service (ICES) provides short and long term loans of equipment, through a Joint Commissioning approach between LCC and the CCG's.</p> <p>A competitive tendering has been undertaken and the new five year ICES contract will be awarded in August 2015, commencing April 2016. Our work will provide assurance on the commissioning and management of this service.</p>	Jan 2015			
Big Society Member Grants	Review to provide assurance that big society member grants are appropriately utilised and accounted for to maximise the benefit to communities.	Sept 2015	Sept 2015	Nov 2015	Audit complete – Limited Assurance
Chief Information and Commissioning Officer – Judith Hetherington-Smith					
EU procurement changes	Review of the procurement regulations to ensure that the necessary changes have been implemented.	Jan 2016			Audit brief agreed
Impact Assessments	To provide assurance that the corporate policy on impact assessments is embedded and applied consistently.	Feb 2016			
FOI and Transparency Agenda	Review of Freedom of Information and Transparency reporting to provide assurance on compliance with legislation.	Oct 2015	Dec 2015		Audit in progress

Due Diligence - Those systems that support the running of the Council and ensure compliance with key policies					
Key Control Testing	Delivery of key control testing to enable the Head of Internal Audit to form an opinion on the Council's financial control environment.	Jan 2016			
Pensions	Assignment to provide assurance over the accuracy of pension deductions and pay overs.	Dec 2015	Dec 2015		Audit in progress
Budget Management – Agresso reporting	To provide assurance on the adequacy of budget management reporting process post Agresso implementation.	Feb 2016			
ICT audit					
ICT	<p>ICT plays a vital role in supporting the Council's business and customer interface. Possible areas identified on the assurance map include:</p> <ul style="list-style-type: none"> ■ ICT strategy ■ Disaster recovery & resilience ■ Key Application Audit – Agresso and Case Management System (MOSIAC) 				

Concerto	The audit will examine the strength of controls surrounding the Concerto application and will be carried out by means of discussions with system administrators and relevant users. The testing will make use of non-invasive audit tools in order to assess whether adequate controls are in place to protect the system and data from unauthorised access, modification and system unavailability.	Aug 2015	Aug 2015	Oct 2015	Draft report
Emerging Issues and Key Risks					
<p>To enable Internal Audit to respond to changes during the year we will meet regularly with Senior Management to agree which areas to focus our audit assurance work.</p> <p>The following areas have been identified through our risk assessment and on the assurance map as possible areas to focus audit activity:</p>					

Executive Director – Pete Moore

- Youth Offending
- Trading Standards
- VAT
- Budget Preparation and Financial strategy

Executive Director – Richard Wills

- Flood Management
- Lincolnshire Supported Bus Service
- Capital Projects
- Highways Maintenance – Revenue Contract

Director of Children Services – Debbie Barnes

- Exclusions
- Special Educational Needs and Disabilities Reform
- Closing the Gap
- Social care and SEND transport

Director of Adult Services – Glen Garrod

- Mental Health Services
- Carers

Director of Public Health – Tony Hill

- Customer Service Centre
- Health Improvement, prevention and self-management
- Integrated & Equipment Service

Chief Information and Commissioning Officer – Judith Hetherington-Smith

- Procurement Cards

Other relevant Areas					
Combined Assurance	Updating assurances on the Council's assurance map with senior managers and helping to co-ordinating the annual status report.	Oct 2015	Oct 2015	Jan 2016	Work complete
Follow up of Recommendations	Audit Reports issued during 2014/15 where an audit opinion of 'major improvement' or 'inadequate' will be followed to establish progress in implementing agreed management actions.	Oct 2015	Oct 2015	Nov 2015	Follow up work complete
Advice & Liaison					
Annual Report					
Annual Governance Statement					
Audit Committee					
Total Planned Days 848					

Appendix 4 –Changes to Internal Audit Plan 2015/16

Given the nature of any plan – changes occur or events happen in any case during the year that impact on delivery of the agreed plan eg:

- Timescales need changing to ensure that the audit delivers effective and relevant assurance
- Initiatives have been slower to implement than anticipated therefore changing the potential type of work / assurance required eg consultancy /sounding board for new systems and developments - rather than assurance on an implemented initiative
- Operational requests by management to reschedule the audit

In addition to the above the Internal Audit service has undergone a restructure as part of the wider 2015 service reviews. The new structure was implemented 1st October 2015 and we are currently working our way through the recruitment process. Inevitably there will be a period of transition as we move into the new structure and as new roles and responsibilities are understood and embedded – which will impact on the delivery of the internal audit plan for 2015/16.

We have worked through these revisions and assessed the impact on the assurances over critical functions. Proposed changes are outlined by directorate, we would like to discuss and agree these with you so that we are able to produce a revised plan. **Agreed with each Director**

Finance and Public Protection

Audit Area	Indicative Scope	Existing Assurances	Proposal	Rational
Agresso – Post Implementation	Consultation assignment to provide resources to support and advise on Agresso – post implementation	Report to audit committee September 2015 – Low Assurance.	Increase days by 100 to 150 ⁶	Agresso – post implementation has created an unforeseen audit resource demand both for support and advice and analytical work to assist in identifying errors in creditor and payroll payments. Planned resources increased significantly to meet this demand.

⁶ Approximately 100 days of this work has already been completed

Audit Area	Indicative Scope	Existing Assurances	Proposal	Rational
Financial Key Control Testing	Delivery of key control testing to enable the Head of Internal Audit to form an opinion on the Council's financial control environment.	Report to audit committee September 2015 – Low Assurance.	Increase days by 70 to 150	Increased focus on control and transaction testing to help provide a great degree of assurance over financial accuracy of the accounts.
Bank reconciliation	Key systems that support the running of the Council's business and ensure compliance with corporate policies and legal requirements. How often Internal Audit review these activities depends on previous assurance opinions, when we last examined the activity and if there has been any significant changes to the system or senior management. We also consider the requirements of External Audit.	Report to audit committee September 2015 – Low Assurance.	Roll forward to 2016/17 plan	Both SERCO and Agresso are not in position where full system audits could be completed in these areas. Resources will add more value on testing key controls and transactions. As such resources moved to Financial Key Control Testing.
General Ledger				
Payroll				
Income				
Creditors				
Debtors				
Treasury Management				

Environment and Economy

Audit Area	Indicative Scope	Existing Assurances	Proposal	Rational
Local Enterprise Partnership	Provide assurance over the selection process for funded projects to confirm robust and transparent and appropriate separation of duties for management of	This area is assessed as Green on the 14/15 assurance map.	Remove	Requested by Justin Brown at Liaison meeting October 2015 as the LEP as External auditors 'Streets' are

Audit Area	Indicative Scope	Existing Assurances	Proposal	Rational
	contracts maintained.			conducting a financial audit.

Children's Services

Audit Area	Indicative Scope	Existing Assurances	Proposal	Rational
Social Care and SEND transport	To assess the adequacy of processes, procedures and practice in finding the balance between suitable provision and VfM on these specialist transport contracts.	Incorporated into Home to School transport on the last assurance map the assurance level was Amber due to budget pressures.	Roll forward to 2016/17 plan	Roll forward requested by Stuart Carlton at Liaison – September 2015 as work is currently underway to improve this area and an audit would be deemed more valuable next year.
Schools	Periodic audits of maintained schools.	Assurance through rolling programme of audits as well as targeted visits based on LCC information. Assurances on schools also received through schools team, SFVS and schools forum.	Reduce annual days by 60 to 45	Issues with Agresso limited ability to visit schools during quarters 1 and 2. Annual days on school visits reduced according as deemed low risk.

Adult social Care

Audit Area	Indicative Scope	Existing Assurances	Proposal	Rational
Workforce Development	A review of training planning and delivery arrangements.	This area is assessed as Red on the 14/15 assurance map – deemed as low assurance and high risk.	Roll forward to 2016/17 plan	Delay until next year requested by Glen Garrod
Adult Safeguarding – Lincolnshire Quality Assurance Framework	Co-ordinate a self-assessment using the framework to provide positive assurance to the Lincolnshire Adult	This area is assessed as Green on the 14/15 assurance map.	Roll forward to 2016/17 plan	Initial work conducted identified links to Procurement Lincolnshire contract

Audit Area	Indicative Scope	Existing Assurances	Proposal	Rational
	Safeguarding Board	Assurances also gained through Procurement Lincolnshire contract monitoring processes.		monitoring procedures – these are being explored to ensure there is no duplication in monitoring. Timing is no longer appropriate.
Better Care Funding – Financial Management	Not agreed yet	Better care fund (overall) assessed as Amber when last discussed during assurance mapping. Audit of the Joint Commissioning Board during 2014/15 gave limited assurance over governance arrangements.	Addition	Requested by David Laws – ASC finance as LCC is the Host Partner.

Public Health

Audit Area	Indicative Scope	Existing Assurances	Proposal	Rational
Local Commissioning Framework	Provide assurance around the effectiveness of the new Local Commissioning Framework. The Framework will be tested using the Libraries procurement as a sample.	This was not identified as an emerging risk during the last assurance mapping session so was not rag rated	Roll forward to 2016/17 plan	Adoption of this framework has been delayed and therefore it is not yet in use. Review of the framework in quarter 4 is unlikely to provide adequate examples of its application to be able to assess its effectiveness.
Review of Coroners Officers	To provide assurance in the following areas: <ul style="list-style-type: none"> the structure is fit for purpose 	This area is assessed as Red on the 14/15 assurance map.	Roll forward to 2016/17 plan	Coroners Officers have been the subject of a peer review which has resulted in a comprehensive action plan.

Audit Area	Indicative Scope	Existing Assurances	Proposal	Rational
	<ul style="list-style-type: none"> ■ demand and case management ■ IT use ■ agile working ■ leadership, governance and cultural ■ local working practice 			An audit at this time has a great potential of duplicating this work, as such adding little value at this time.

Chief Information and Commissioning Officer

Audit Area	Indicative Scope	Existing Assurances	Proposal	Rational
ICT Audits	<p>ICT plays a vital role in supporting the Council's business and customer interface. Possible areas identified on the assurance map include:</p> <ul style="list-style-type: none"> ■ Disaster recovery & resilience ■ Key Application Audit – Agresso and Case Management System (MOSIAC) 	<p>Report to audit committee September 2015 on Agresso – Low Assurance.</p> <p>Varied management assurances over other areas of ICT</p>	<p>Remove</p> <p>Roll forward to 2016/17 plan</p>	<p>Disaster recovery covered in Business Continuity Audit.</p> <p>Issues with Agresso have created delays for both systems meaning the timing of these system reviews must be delayed.</p>
Corporate Complaints	<p>Review of the complaints process to provide assurance that it is fit for purpose and meeting targets in resolving customer complaints at the</p>		<p>Roll forward to 2016/17 plan</p>	<p>Initial work identified complaints process is currently being amended so delay will ensure assurance is provided</p>

Audit Area	Indicative Scope	Existing Assurances	Proposal	Rational
	earliest contact.			over new process.
Partnership Management	High level review of the process in place for managing and monitoring partnerships.	Corporate approach to partnerships has been replaced by local approach	Remove	Include partnership management of key specific partnerships in 16/17 plan

Revised 2015/16 LCC Audit Plan

Area	Indicative Scope	Status
Critical Service Areas		
Those areas identified by senior management as having the most impact on successful delivery of Council priorities or whose failure could result in significant damage to reputation, financial loss, impact on people (risks)		
Executive Director – Pete Moore		
Emergency Planning and Business Continuity	Review the Council's arrangements and resilience to respond and recover to a major event / incident.	Audit Complete
Property VINCI-Mouchel Contract	Consultancy assignment to support the business in developing the governance, management and monitoring arrangements for the new VINCI-Mouchel property contract	In progress

Business Rate Pool	Review of methodology used to calculate the additional income generated from pooling to confirm this aligns to national guidance and the MOU and verify calculations are based on correct data.	Audit Complete
Executive Director – Richard Wills		
Joint waste management strategy	Review to provide assurance on arrangements and progress for the district waste strategy. To include assessment of financial benefits and district engagement.	Planned –Q4
Adult Learning	Review of the financial arrangement in to confirm adequate financial control and sustainability	Draft report
Highways Grants Work	Audit of 3 Highways grants to provide verification on use of grants to the provider.	Audits Complete
Director of Children Services – Debbie Barnes		
Families Working Together	To provide audit support as per the requirements of the grant	In progress
Raising the Participation age	<p>From September 2013, all 17 year olds had a duty to participate in education, employment or training. This extends to 18 year olds from September 2014.</p> <p>To review the arrangements in place that ensure young people are aware of their duty to participate and that there will be sufficient provision available. This could include how the LA are identifying young people that are not in education or training, including data sharing arrangements with Educational Institutions.</p>	Audit Complete

CfBT – School Improvement Service	Follow up audit to confirm whether the CfBT SIS Assurance Review monitoring protocol is embedded within all education settings, particularly secondary and special schools.	Audit Complete
People Management	Review the effectiveness and application of the sickness / absence policy	Delayed due to data issues, rearranged Q3
Schools	Periodic audits of maintained schools.	7 Complete
Director of Adult Services – Glen Garrod		
Mental Capacity Act	Assurances around ensuring Mental Capacity Act is adhered to and Authority not at risk of future claims.	In progress
Better Care Fund – Budget Management and Reporting	See above	Scheduling to be agreed
Safeguarding Adults follow up	Provide assurance on alignment of the safeguarding referral process with The Care Act and its consistent application across the council and its providers.	Scheduled – Q4
Director of Public Health – Tony Hill		
ICES	<p>The Integrated Community Equipment Service (ICES) provides short and long term loans of equipment, through a Joint Commissioning approach between LCC and the CCG's.</p> <p>A competitive tendering has been undertaken and the new five year ICES contract will be awarded in August 2015, commencing April 2016. Our work will provide assurance on the commissioning and management of this service.</p>	Scheduled – Q4

Big Society Member Grants	Review to provide assurance that big society member grants are appropriately utilised and accounted for to maximise the benefit to communities.	Draft Report
Chief Information and Commissioning Officer – Judith Hetherington-Smith		
EU procurement changes	Review of the procurement regulations to ensure that the necessary changes have been implemented.	Audit planning
Impact Assessments	To provide assurance that the corporate policy on impact assessments is embedded and applied consistently.	Planned Q4
Freedom of Information and Transparency	Review of Freedom of Information and Transparency reporting to provide assurance on compliance with legislation.	Scheduled Q3
ICT Infrastructure and service delivery	Work is underway to finalise ICT assurance map and status report – this will inform the choice of audits in this section of the plan. Scheduling of individual ICT audits will be agreed when the assurance map is finalised.	Audit Complete
Due Diligence - Those systems that support the running of the Council and ensure compliance with key policies		
Agresso	Consultancy assignment to support the business in ensuring efficacy of the new finance system.	¾ of time used supporting and advising
Payroll	Consultancy assignment to support the business in ensuring efficacy of the new payroll system.	Draft Report
Pensions	Assignment to provide assurance over the accuracy of pension deductions and payovers.	Initial work in progress

Key Control Testing	Delivery of key control testing to enable the Head of Internal Audit to form an opinion on the Council’s financial control environment.	Scheduled – Q4
Budget Management – Agresso reporting		Scheduled – Q4
ICT audit		
ICT plays a vital role in supporting the Council's business and customer interface. Possible areas identified on the assurance map include:		Plan in progress
<ul style="list-style-type: none"> ■ ICT strategy 		
Concerto Audit - The audit will examine the strength of controls surrounding the Concerto application and will be carried out by means of discussions with system administrators and relevant users. The testing will make use of non-invasive audit tools in order to assess whether adequate controls are in place to protect the system and data from unauthorised access, modification and system unavailability.		Draft Report
Emerging Issues and Key Risks		
To enable Internal Audit to respond to changes during the year we will meet regularly with Senior Management to agree which areas to focus our audit assurance work.		
The following areas have been identified through our risk assessment and on the assurance map as possible areas to focus audit activity:		
<p>Executive Director – Pete Moore</p> <ul style="list-style-type: none"> ■ Youth Offending ■ Trading Standards 		
<p>Executive Director – Richard Wills</p> <ul style="list-style-type: none"> ■ Flood Management ■ Lincolnshire Supported Bus Service 		

- Capital Projects
- Highways Maintenance – Revenue Contract

Director of Children Services – Debbie Barnes

- Exclusions
- Closing the Gap

Director of Adult Services – Glen Garrod

- Carers

Director of Public Health – Tony Hill

- Customer Service Centre
- Health Improvement, prevention and self-management

Chief Information and Commissioning Officer – Judith Hetherington-Smith

- Procurement Cards
- Procurement Lincolnshire - Governance

Other relevant Areas		
Combined Assurance	Updating assurances on the Council’s assurance map with senior managers and helping to co-ordinating the annual status report.	In progress
Follow up of Recommendations	Audit Reports issued during 2014/15 where an audit opinion of 'major improvement' or 'inadequate' will be followed to establish progress in implementing agreed management actions.	In progress

Advice & Liaison		
Annual Report		
Annual Governance Statement		
Audit Committee		
Total Planned Days 848		

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