



# Lincolnshire County Council

## Internal Audit Annual Report –

**2015/16**



## What we do best...

Innovative assurance services

Specialists at internal audit

Comprehensive risk management

Experts in countering fraud

## ...and what sets us apart

Unrivalled best value to our customers

Existing strong regional public sector partnership

Auditors with the knowledge and expertise to get the job done

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

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

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Corporate Management Board

Audit Committee

External Audit

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# Management Summary

## Purpose of Annual Report

- 1 The purpose of the Annual Internal Audit Report is to meet the Head of Internal Audit annual reporting requirements set out in the Public Sector Internal Audit Standards (PSIAS) and the Accounts and Audit Regulations 2015. In particular:-
  - Include an opinion on the overall adequacy of and effectiveness of the Council's governance, risk and control framework and therefore the extent to which the Council can rely on it;
  - Inform how the plan was discharged and the overall outcomes of the work undertaken that supports the opinion;
  - A statement on conformance with the PSIAS and the results of the

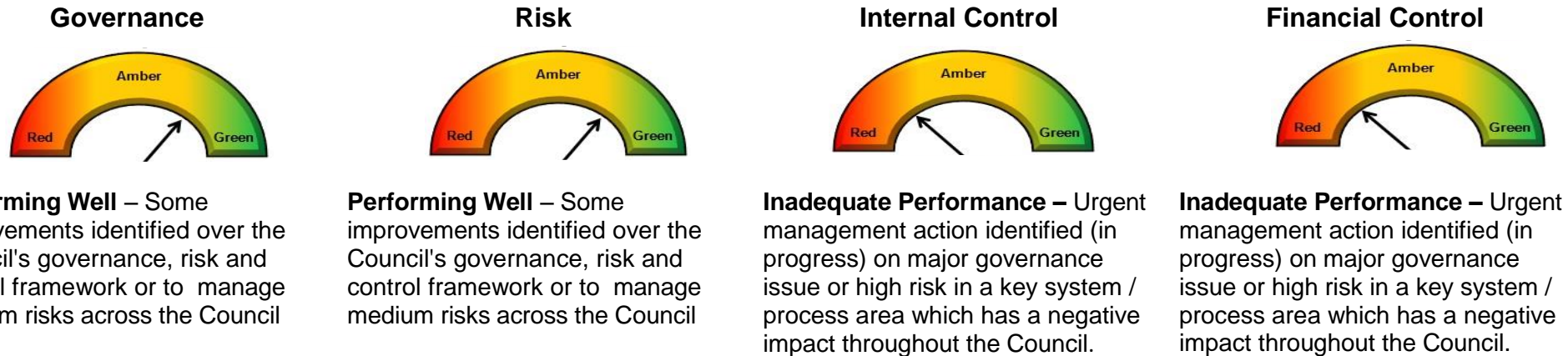
- internal audit quality assurance and improvement programme (QAIP);
- Draw attention to any issues particularly relevant to the Annual Governance Statement.

## Annual Opinion

2. For the twelve months ended 31 March 2016, based on the work we have undertaken and information from other sources of assurance, my opinion on the adequacy and effectiveness of Lincolnshire County Council's arrangements for governance, risk management and control is shown in **Figure 1**

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**Figure 1 – Head of Internal Audit Opinion**





## How we came to our opinion

### Governance

3. Good governance underpins everything the Council does and how it delivers services often comes under close scrutiny. It is therefore vital that resources focus on agreed policy and priorities; that there is sound and inclusive decision making with clear accountability for the use of those resources. This ensures that the County Council achieves the desired outcomes for the people of Lincolnshire.
4. The Audit Committee helps to ensure that these arrangements are working effectively. They regularly review the governance framework and consider the draft and final versions of the Annual Governance Statement.
5. The Council undertakes an annual review of the Council's governance framework. Significant governance issues identified by the Council in the 2016 draft statement are:
  - Financial challenges ahead
  - Our financial control environment
  - Case management system (MOSIAC)
  - Information Management Technology (SERCO)
  - Governance Arrangements – Risk Culture
6. In early 2015 the Council commissioned an independent review on how well its scrutiny function worked. At the County Council meeting on the 18<sup>th</sup> December 2015 a number of improvement actions were agreed.

7. Taking this information into account we have assessed the governance framework as **Green / Amber** – performing well, with some improvements required.

### Risk Management

8. Although we have not audited the risk management arrangements this year we can see that there is regular reporting and monitoring over the Council's strategic risks.
9. There is an established framework in place for the Council to manage the key risks facing services and successful delivery of priorities - with regular reporting to management and members.
10. The Audit Committee continues to receive regular updates on how the Council manages its strategic risks – seeking assurance over the effectiveness of Council's risk management arrangements. No issues have been identified.
11. The 2016 Annual Governance Statement has stated that the Council will need to continue to ensure its risk management processes work well and with a risk culture that promotes:
  - Taking the right risks in an informed way.
  - Having clear accountability for ownership of specific risks and risk areas (officers and councillors).
  - Having transparent and timely risk information throughout the organisation and ensuring early and effective learning both from good practice and also when things go wrong.
12. Taking all of the above information into account we have assessed the risk management as **Green / Amber** – performing well, with some improvements required.

## Internal Control

13. We took account of the outcome of our internal audit work during the year. Our audit plan includes different activities each year – it is therefore not unexpected that these vary; however, the assurance levels do give an insight on the application of the Council's control environment. Positive assurance levels have reduced compared to last year – the most significant being the Council's financial systems – in particular the Accounts Payable and Payroll modules of Agresso.

14. The following areas received a 'low' assurance opinion during the year:-

- Payroll
- Pension contributions
- Concerto Software audit

15. We also gave some areas a 'limited' assurance opinion. These were:

- Accounts payable
- Business Continuity
- Business Rates pool
- EU Procurement Changes
- Mental Health Services

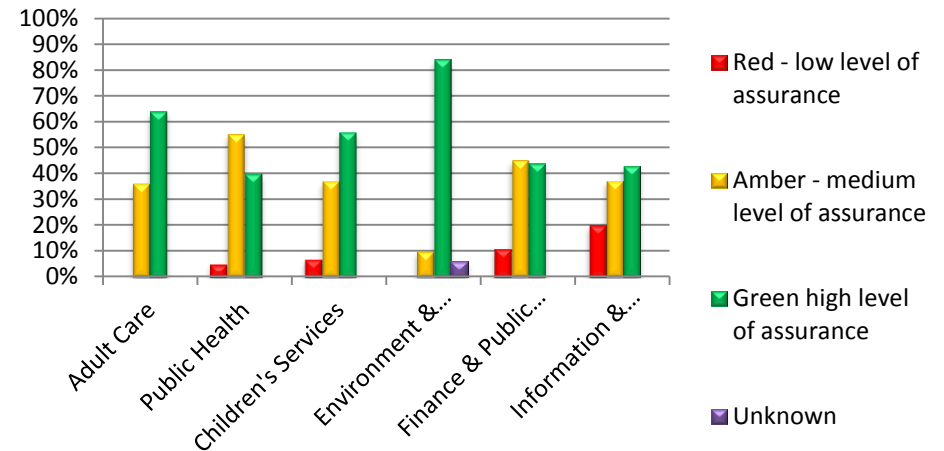
## Combined Status Report

16. A Combined Assurance Status report is produced by each Director on the level of confidence they can provide on service delivery arrangements, management of risks,

operation of controls and performance for their area of responsibility. These reports are reviewed by the Audit Committee and provide key assurance evidence to support the Head of Internal Audit opinion.

17. **Figure 2** shows the current assurance levels for each Executive Director.

**Figure 2 – Overall Assurance Levels 2015/16**



18. There are a number of areas where the management assurance provided was a low level of confidence and / or high risk currently facing the service with management action still required or where we were unable to co-ordinate the assurance information - these relate to:

### Environment & Economy

The following areas are where we were unable to co-ordinate the assurance information – the assurance level is therefore unknown.

- Fleet Management
- Environmental Management
- Operational Flood Management
- Road Safety Partnership

## Combined Status Report (cont)

19. Areas where management assurance provided was a low level of confidence and / or high risk currently facing the service with management action still required:-

### Finance & Public Protection

- budget challenges
- implementation of new finance system (Agresso) - this has impacted assurances provided within the other Directors assurance reports.

### Childrens' Services

- delay in the implementation of the new case management system (MOSIAC)
- continuity of education for children excluded from school,
- closing the attainment gap (School Improvement Service)
- implementing the new framework re special educational needs and Post 16 Learners with learning difficulties and disabilities
- Implementation of admissions software

### Public Health

- Coroners

### Adult Care

- delay in the implementation of the new case management system (MOSIAC)

### Information & Commissioning

- ICT Governance – service reviews and improvement plans
- Information Security – records management
- ICT Service design – service catalogue, capacity management, information security management system
- ICT Service transition – service asset and configuration management
- ICT Operation – request fulfilment

20. Looking ahead the reports identified the following key messages:

**People** Recognising people are key to the work we do – with a commitment to developing staff and ensuring staff are delivering in an efficient way

Ensuring effective transition to new delivery models following restructures.

**Money** Respond to reduced budgets

**Partnerships** Engage effectively key partners to maximise benefits

**Resilience** The experience of implementation of the new financial system AGRESSO has impacted negatively on service performance. Significant staff time has been diverted from direct service delivery to address implementation challenges. Rectification of key aspects of the ICT platform needed to enable the Council to work more effectively. The operational and control issues following implementation of Agresson needs to be resolved.

The Cyber Attack in January 2016 also identified some organisational learning to help improve the Council's business continuity arrangements.

21. Taking all of the above evidence and information into account we have assessed Internal Control as **Red / Amber** – performing inadequately in some key systems / process areas which have a wide negative impact on internal control throughout the Council.

## Financial Control

22. Our work provides an important assurance element to support the External Auditor's opinion on the Council's Statement of Accounts. During the year we reviewed:
- Key Control & Substantive Testing, including data analytics
  - Payroll
  - Accounts Payable
  - Pension contributions and other pay overs
23. Issues and risks around the implementation of Agresso figured regularly in our reports to the Project Board and the Audit Committee during 2014/15 and 2015/16.
24. The Council has experienced significant operational and control issues post implementation of Agresso in April 2015. Consequently the audit role during the first 6 months of Agresso has been in the form of support, advice and analytical work to assist in error identification and/or system faults. Given the level of error and system issues, we initially only completed a high level system review of Accounts Payable and Payroll – reporting '**Low Assurance**' at the Audit Committee's September 2015 meeting.
25. In quarter 4 Serco and LCC management reported an improved control environment and we commenced our audit work with an increased focus on control and transaction testing to help provide a greater degree of assurance over the financial accuracy of the 2015/16 accounts.
26. The outcome of our work identified an improvement in the control environment of the Accounts Payable system (now **Limited Assurance**) but there continued to be significant control weaknesses in both the design and operation of payroll controls. – our assurance opinion remains '**Low Assurance**'. The risks relating to poorly controlled payroll processes - overpayments, accounting errors, fines and reputational damage - continue to occur.

Although our testing didn't find any evidence of fraud - the risk of fraud and error remains high.

27. We were also asked by management to specifically review Pensions Contributions – this work was undertaken in during December – April 2016. On the basis of the testing completed we cannot provide assurance that pension scheme rules are consistently correctly applied or that contributions are complete and accurate.
28. PWC were also appointed by SERCO in quarter 4 to carry out a review of payroll to gain further assurance on the accuracy of the payroll systems functionality. Internal Audit have been working collaboratively with PWC and kept up to date with this exercise.
29. The audit opinion focusses on the control environment and this remains poor. Whilst it is acknowledged that the Council's strong financial control culture in the past – together with management recovery and rectification action has helped minimise the impact of the control failures and weakness - progress has been slow.
30. Taking the above evidence and information into account we have assessed Financial Control as **Red / Amber** – performing inadequately in certain key financial systems flowing directly from issues arising from the implementation of Agresso.



## Counter Fraud

31. The Council continues to have effective counter fraud arrangements in place. The delivery and outcome of proactive counter fraud plan is monitored by the Audit Committee.
32. We co-ordinate the Lincolnshire Counter Fraud Partnership whose key aim is to 'Fight Fraud Locally' and co-ordinate counter fraud resources effectively. Results of this work have helped generate net savings of over £680k.
33. Where our Counter Fraud work identifies control failures we provide improvement actions plans for management to strengthen systems and / or raise awareness of fraud risks.
34. During the year there have been 6 fraud cases, amounting to £97,380 – we have recovered £950. This figure is low because although cases were proven - the burden of proof meant there was not enough for a criminal case. A separate Counter Fraud Annual report is provided to the Audit Committee – this provides more detail on delivery of the approved Counter Fraud work plan.

37. The Council is responsible for developing and publishing an Annual Governance Statement – reporting how they have monitored the effectiveness of the governance arrangements during the year – providing information on any significant governance issues.
38. The Annual Internal Audit Report should inform the Annual Governance Statement – we recommend that the 'low and limited' assurance areas identified in paragraphs **14** and **15** are considered in the development of the Council's Annual Governance Statement. Together with the information contained in the Council's Combined Assurance Status Report (summarised in paragraphs **16 - 19**).

## Roles and Responsibilities

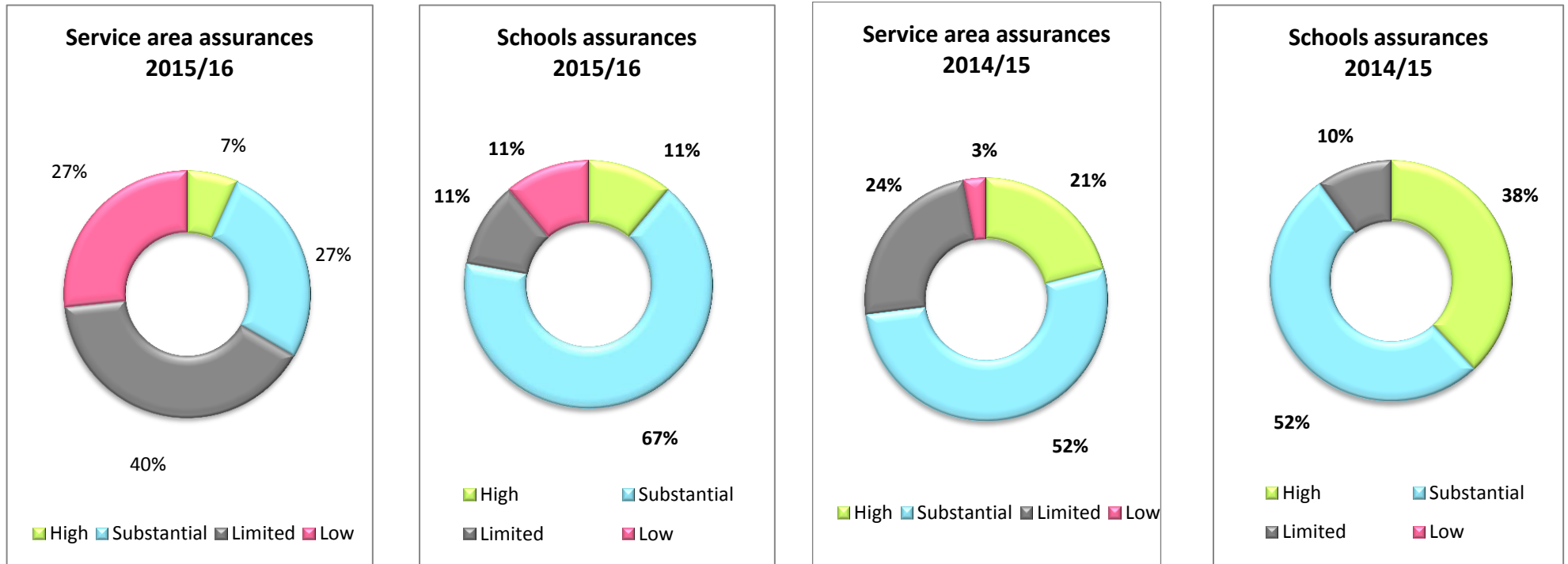
35. The Council is responsible for establishing and maintaining risk management processes, control systems and governance arrangements. Internal Audit plays a vital role in providing *independent risk based and objective assurance* and *insight* on how these arrangements are working. Internal Audit forms part of the Council's assurance framework.
36. Where Internal Audit work has identified improvements, we have worked with management to agree appropriate corrective actions and a timescale for improvement. It is the responsibility of management to implement the agreed actions.

## Benchmarking – Comparison of Assurances

39 **Figure 3** below shows the assurance opinions given in 2015/16 compared to those in 2014/15. Our audit plan includes different activities each year – it is therefore not unexpected that these vary; however, the assurance levels do give an insight on the application

of the Council's control environment and forms part of the evidence that helped inform the overall annual opinion. We can see that overall assurance levels have reduced significantly during 2015/16. The detail of audit work completed during 2015/16 is shown in **Appendices 1 and 2**.

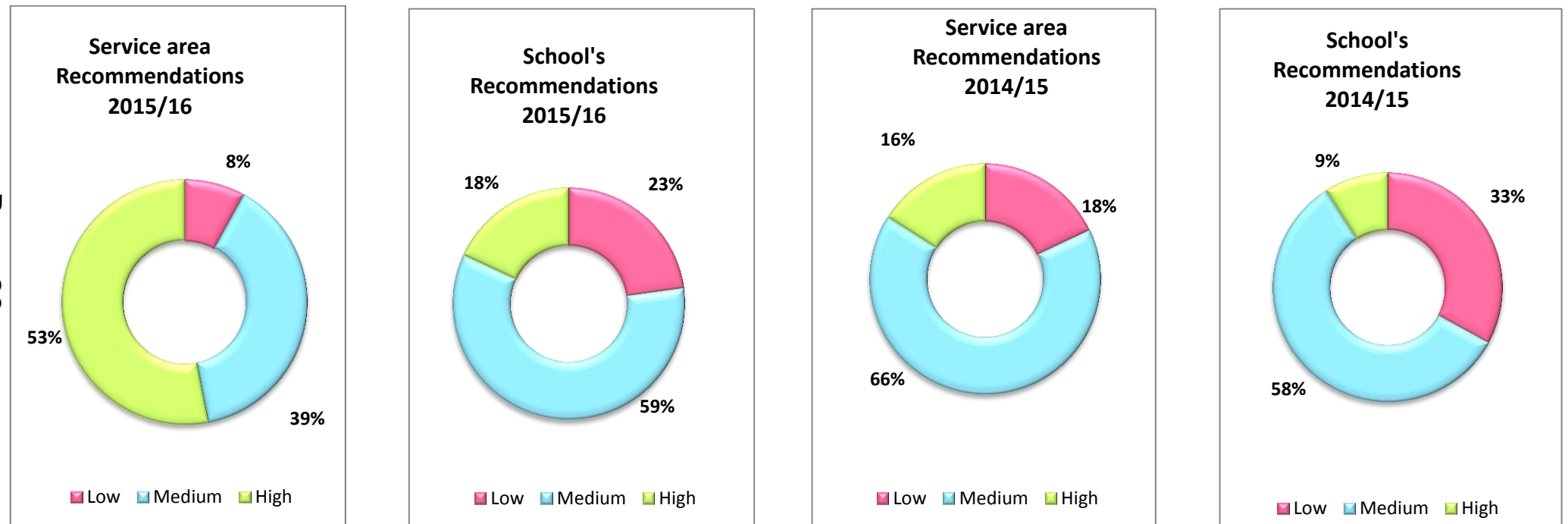
Figure 3 – Comparison of Assurances



## Benchmarking – Comparison of Recommendations

40. **Figure 4** - below shows the comparison of internal audit recommendations made 2014/15 and 2015/16. We can see that there has been an increase in the number of high and medium priority recommendations in both service areas and schools. Details of systems reviewed can be found in **Appendices 1 & 2**. This information forms part of the evidence that helped inform the overall annual opinion.

Figure 4 – Recommendations made



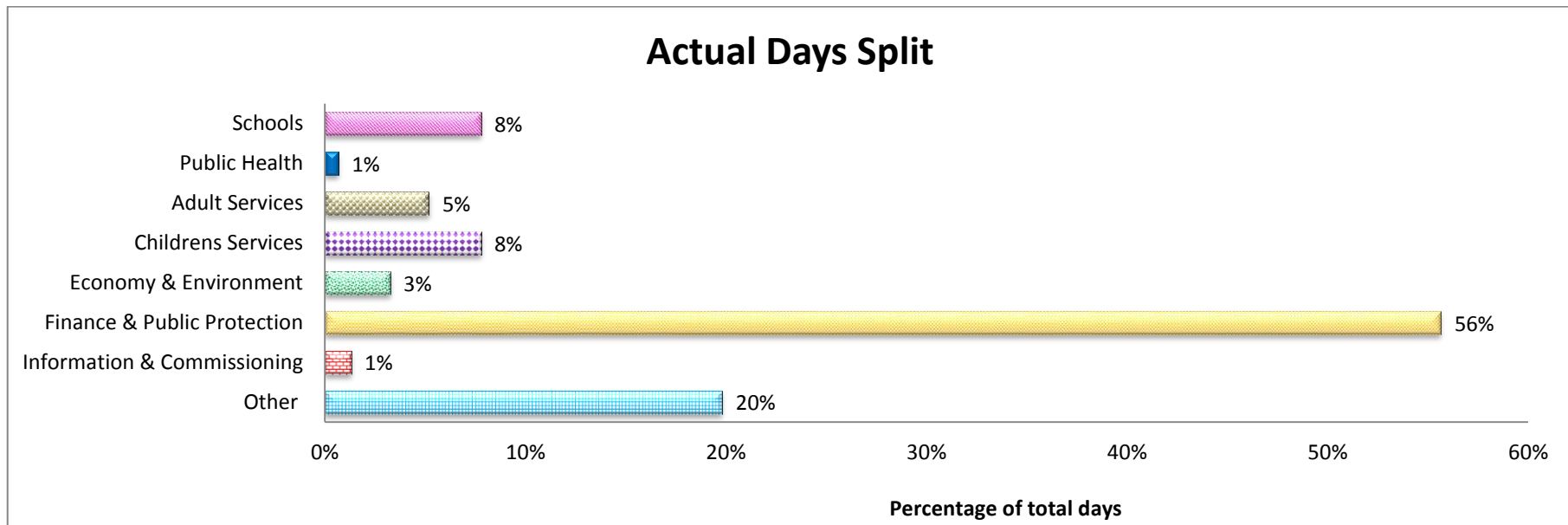
41. We track the implementation of agreed management actions. Over the past year management have implemented **73%** of recommendations due by 31<sup>st</sup> March 2016. The majority of outstanding recommendations relate to the Payroll Audit. Details of outstanding recommendations can be found in **Appendix 3**.

## Scope of Work

42. Our risk based internal audit plan was prepared taking into account the critical activities and key risks to support the basis of my annual opinion. It has remained flexible to enable us to respond to emerging risks and maintain effective focus
43. The service went through restructure during the year which had an impact on our capacity to deliver. This period of transition resulted in the service having 3 vacancies for a period of 6 months – we also had 2 people leave. We are pleased to report that we have now successfully recruited but the time taken to do this has meant we needed to reduce the Council's audit plan. The audit plan was revised.

44. The Audit Committee approved the 2015/16 original audit plan of **1230 days** days on the 30<sup>th</sup> March 2015. We have delivered 98% of the revised plan by the end of the year (**773 days** and **33** pieces of work). **Figure 5** shows the audit areas we covered during the year.

Figure 5– Audit Areas covered in 2015/16 Plan



## Restrictions on Scope / Changes to Plan

45. In carrying out our work we identified no unexpected restrictions to the scope of our work. We have had difficulties in gaining access to staff which resulted in some delay or inability to deliver planned work within the expected timescales.
46. One area where we have had to defer our internal audit work is around IT Audit – the challenges faced through the implementation of 2 major applications, the transition to a new provider has meant that there continues to be limited capacity within ICT to facilitate our audit work. The plan for 2016/17 includes an ICT audit needs assessment and a number of key ICT audit areas. Assurance for 2015/16 has been leveraged through the Combined Status Report
47. A number of audits were removed from the audit plan – these were due to a combination of:
- changes being requested by management - so the timing of the audit adds more value
  - the system was not in an appropriate 'state' to be audited eg not implemented
  - management could not accommodate the audit in their work plan before the end of the year
  - re-prioritising audit resources to those of highest risk eg payroll and Accounts Payable – taking into account the increase in substantive testing and reduced resources.

The areas removed from the plan included:

- Joint Waste Strategy
- Public Health Local Commissioning Framework
- Impact Assessments
- Partnerships
- SEND Transport
- Corporate Complaint procedures
- Bank Reconciliation
- Debtors

- Income
- Treasury Management
- Budget Reports

All have been included in the 2016/17 plan.

48. During the year we were also requested to undertake the following additional work:

- Ongoing audit support to the Agresso project
- Payroll II
- Pension Payovers
- School Improvement Service – Follow up
- Contract awards and management
- Highways grant work

49. I do not consider the restrictions and changes to the plan to have had an adverse effect on my ability to deliver my overall opinion. The combined assurance model adopted by the Council helped in this regard.





## Delivery of Internal Audit Plan 2015/16

50. Internal Audit's performance is measured against a range of indicators. The table **Figure 6** shows our performance on key indicators at the end of the year. We are pleased to report a good level of achievement against our targets – an area of improvement is around contemporary reporting (timescales).
51. Performance around delivery timescales were affected by a number of reasons, namely:-
- finalising the report taking longer than expected
  - handover of a number of audits
  - scheduling and priority planning creating lapsed time
  - availability of client
  - larger and more complex audits in the plan

We have improved our scheduling, liaison and escalation arrangements to help address these issues – together with reinforcing the importance of our performance framework.

### Other Significant Work

52. In March 2016 we organised the Lincolnshire Audit Committee Forum. This proved to be a very successful networking event where public sector audit committees shared good practice and discussed emerging governance and risk issues. The topics included – Effective Audit Committees – Devolution – Cyber Security.
53. During the year we have undertaken some consultancy work – this is where we give advice on governance, risk and control but do not provide an assurance opinion (generally proactive work) - :

- Ongoing support to the Agresso project
- Property – Vinci / Mouchel contract
- Contract awards and management

Performance Indicator	Target	Actual @ 31/03/2016
<b>Productivity &amp; Efficiency</b>		
Actual audits versus planned (by number of audits) – revised plan	100%	98%
% of recommendations agreed	100%	100%
% of overdue recommendations implemented	100% or escalated	73%
Timescales:		
Draft Report issued within 10 days of completion	100%	84%
Final Report issued within 5 days of management response	100%	86%
Draft Report issued within 2 months of fieldwork commencing	80%	48%
<b>Quality of Service</b>		
Client questionnaire scoring better than average for all categories	100%	100%

- Adults transformation programme

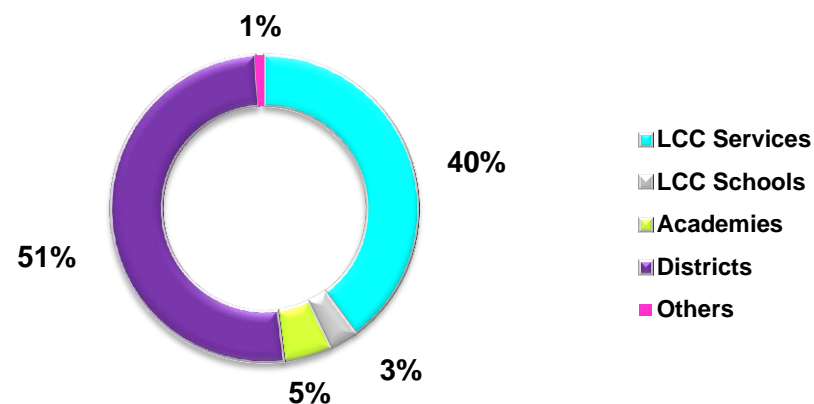
Figure 6 – Performance on key indicators

## Assurance Lincolnshire Partnership

54. The County Council is part of an Internal Audit collaborative partnership, consisting of the following in-house internal audit teams:
- County Council
  - City of Lincoln
  - East Lindsey District Council
  - Leicester City Council
55. By working together the partnership aims to be:
- 'the best audit assurance provider for Lincolnshire public sector agencies'*
56. We improve the overall quality of the services provided through:
- Sharing of knowledge and experience
  - Adoption of leading audit techniques and methods
  - Pooling resources across the organisations to make savings, improve efficiency and offer greater value for money to our clients through streamlining our audit plans to audit/research specific areas of common interest.
  - Resource swaps – which strengthen resilience and sustainability – keeping local talent.
57. The County Council has a number of significant external clients:
- North Kesteven District Council
  - West Lindsey District Council
  - South Holland District Council (ceased 31.3.16)
  - Newark and Sherwood District Council
  - Lincolnshire Academies
  - Gainsborough Town Council
  - Charity

58. During the year the [Assurance Lincolnshire](#) partnership developed a draft 5 year business plan which includes – targets, marketing strategy and continuous workforce skills plans.
59. With the support of Legal Services Lincolnshire we updated our collaboration agreement and service offer agreements to other public sector bodies.
60. Our external clients help Corporate Audit and Risk Management operate within existing budgets and deliver the required 'savings'. In 2015/16 the internal audit service generated income of £275,985 – with the whole service underspending by £124,820. The underspend was mainly due to:
- Restructure transition - time taken to recruit skilled and experienced staff and vacancies being held longer than anticipated
  - IT project(s) not being delivered as planned (requested carryforward of budget in 2016/17).
61. **Figure 7** below shows the breakdown of audit days across our client base:-

**Figure 7 – Days delivered across client base**

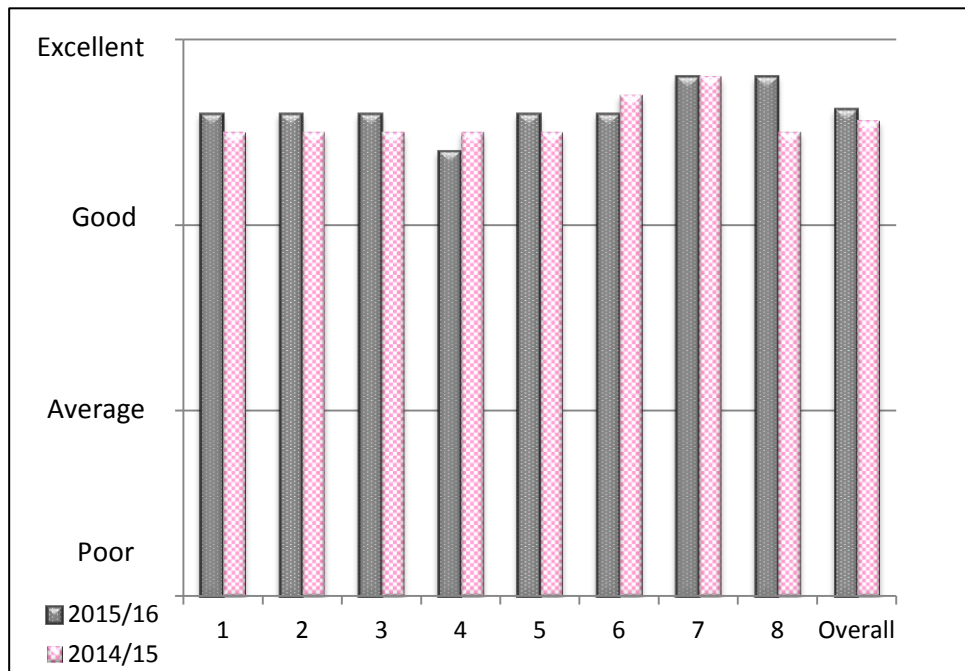


## Effectiveness of Internal Audit



62. We regularly canvass opinions on audit planning, report and communication from management responsible for activities under review. They score the effectiveness of our service as excellent, good, adequate or poor.
63. The table in **Figure 8** outlines the responses by management on our service. For 2015/16 there was a 29% questionnaire return rate (Schools 22% and Service Areas 38%), the overall average rating for the service was good to excellent. Work is underway to improve the process for collecting feedback from clients.

Figure 8 – Client Feedback



### Questions

#### A. Audit Planning

1. Consultation on audit coverage
2. Fulfilment of scope and objectives

#### B. Audit Report

3. Quality of report
4. Accuracy of findings
5. Value of report

#### C. Communication

6. Feedback of finds during audit
7. Helpfulness of auditor(s)
8. Prompt delivery of the audit report

## Quality Assurance

64. We recognise the importance of meeting customer expectations as well as conforming to the UK Public Sector Internal Audit Standards. We continually focus on delivering high quality audit to our clients – seeking opportunities to improve where we can.
65. Our commitment to quality begins with ensuring that we recruit develop and assign appropriately skilled and experienced people to undertake your audits.
66. Our audit practice includes ongoing quality reviews for all our assignments. These reviews examine all areas of the work undertaken, from initial planning through to completion and reporting. Key targets have been specified - that the assignment has been completed on time, within budget and to the required quality standard.
67. Our Quality Assurance Framework (**Appendix 4**) includes all aspects of the Internal Audit activity – including governance, professional practice and communication. We are able to evidence the quality of our audits through performance and delivery of audits, feedback from our clients and an annual self-assessment.
68. There is a financial commitment for training and developing staff. Training provision is continually reviewed through the appraisal process and regular one to one meetings. A training programme has been developed to ensure that staff are kept up to date with the latest technical / professional information and to ensure that they are equipped with the appropriate skills to perform their role.

69. Assurance Lincolnshire conforms to the UK Public Sector Internal Audit Standards. Our quality assurance framework helps us maintain a continuous improvement plan, which includes the following:
- Update Internal Audit Charter and practice manual following revision PSIAS
  - Implement upgrade to audit software
  - Upgrade reporting template to help focus on risk and added value.
  - Contemporary reporting
  - Improve clarity over consultancy engagement terms of reference
  - Further develop Assurance Lincolnshire collaboration
  - Continuing professional development around new and emerging practice guidance e.g. PSIAS, Fighting Fraud Locally, CIPFFA/SOLACE delivering good governance.

A copy of the detailed action plan can be found in **Appendix 5**.

70. An external quality assessment has been commissioned to take place this Autumn.
71. Although internal and external auditors carry out their work with different objectives in mind, many of the processes are similar and it is good professional practice that they should work together closely. Wherever possible, External Audit will place reliance and assurance upon internal audit work.



## Appendix 1 Assurances Given 2015/16

Data is for audits completed during 2015/16

Activity	Assurance	Total recs	Priority of Recommendations		
			High	Medium	Low
<b>Finance and Public Protection</b>					
Emergency Planning & Business Continuity	Limited	4	4	-	-
Property – Vinci-Mouchel Contract	N/A Consultancy	-	-	-	-
Business Rates Pool	Limited	5	3	2	-
Agresso Project	N/A Consultancy	-	-	-	-
Agresso Analytical Work	N/A Consultancy	-	-	-	-
Payroll – Initial Audit	Low	27	18	9	-
Pensions and other pay overs	Low	17	11	6	-
Payroll – Key Controls	Low	51	25	19	7
Accounts Payable – Key Controls	Limited	10	4	5	1
General Ledger – Key Controls	Audit Incomplete	-	-	-	-
Contract Awarding & Management	N/A - Consultancy	-	-	-	-
Income	Moved to 16/17 plan				
Bank reconciliation	Moved to 16/17 plan				
Budget Management – Agresso reporting	Moved to 16/17 plan				
Treasury management	Moved to 16/17 plan				
Key control testing	Complete				
Concerto Software audit	Low	26	8	15	3
<b>Total</b>		<b>140</b>	<b>73</b>	<b>56</b>	<b>11</b>
<b>Environment and Economy</b>					
Adult Learning	Substantial	0	-	-	-
Highways Grant work	N/A Grant Sign off	-	-	-	-
Joint waste management strategy	Moved to 16/17 plan	-	-	-	-
Local enterprise partnership	Moved to 16/17 plan				
<b>Total</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>



Activity	Assurance	Total recs	Priority of Recommendations		
			High	Medium	Low
<b>Children's Services</b>					
Troubled Families	N/A – Grant sign off	-	-	-	-
Raising the Participation Age	Substantial	0	-	-	-
CFBT School Improvement follow up	Substantial	1	1	-	-
Social Care & SEND transport	Moved to 16/17 plan				
Schools audits (Appendix 2)	Complete				
People management	Audit incomplete	-	-	-	-
<b>Total</b>		<b>1</b>	<b>1</b>		
<b>Adult Services</b>					
Transformation Programme	N/A – Consultancy	-	-	-	-
Mental Capacity Act	Limited	5	4	1	-
Lincolnshire Quality Assurance Framework (safeguarding)	Moved to 16/17 plan				
Better Care Fund –Budget Management & Reporting	Moved to 16/17 plan				
Workforce Development	Moved to 16/17 plan				
<b>Total</b>		<b>5</b>	<b>4</b>	<b>1</b>	<b>-</b>

Activity	Assurance	Total recs	Priority of Recommendations		
			High	Medium	Low
<b>Public Health</b>					
Review of Coroners' Officers	Moved to 16/17 plan				
Local commissioning framework – <b>roll forward to 16/17 plan</b>	Moved to 16/17 plan				
Big Society Member Grants	Limited	2	2	-	-
Integrated Community Equipment Scheme	High	0	-	-	-
<b>Total</b>		<b>2</b>	<b>2</b>	<b>-</b>	<b>-</b>
<b>ICT/Chief Information &amp; Commissioning Officer</b>					
EU Procurement Changes	Draft report	6	5	1	-
Impact assessments	Moved to 16/17 plan				
Partnership Management	Moved to 16/17 plan				
Corporate Complaints	Moved to 16/17 plan				
Freedom of Information	Substantial	8	1	5	2
Records Management	Removed				
ICT strategy	Incomplete	-	-	-	-
Disaster recovery & resilience	Removed				
Key Application Audit – Agresso & MOSAIC	Moved to 16/17 plan				
ICT infrastructure & service delivery	Moved to 16/17 plan	-	-	-	-
PREVENT agenda	Audit Incomplete	-	-	-	-
<b>Total</b>		<b>14</b>	<b>6</b>	<b>6</b>	<b>2</b>
<b>Other</b>					
PREVENT agenda	Audit Incomplete	-	-	-	-
<b>Total for LCC</b>		<b>162</b>	<b>86</b>	<b>63</b>	<b>13</b>
Due by 31 March 2016		<b>44</b>	<b>23</b>	<b>11</b>	<b>10</b>
After the 31 March 2016		<b>118</b>	<b>63</b>	<b>52</b>	<b>3</b>

## Appendix 2 Details of School Audits 2015/16

School	Assurance	Total Recs	Priority of Recommendations		
			High	Medium	Low
Grimoldby Primary School	Low	32	14	9	9
Pinchbeck East CE Primary School	Substantial	11	0	9	2
Saltfleetby CE Primary School	Substantial	17	2	11	4
Spalding Primary School	Substantial	14	2	8	4
Surfleet Seas End Primary School	Substantial	11	0	9	2
Theddlethorpe Primary School	Substantial	7	1	4	2
Wyberton Primary School	Substantial	17	2	14	1
Gainsborough Queen Elizabeth High School	Limited	15	2	9	4
Bourne Willoughby School	High	3	0	2	1
<b>Total for Schools</b>		<b>127</b>	<b>23</b>	<b>75</b>	<b>29</b>

Activity	Issue Date	Assurance	Total recs	Recs Imp	Priority of Overdue Recommendations			Recs not due
					High	Medium	Low	
<b>Finance and Public Protection</b>								
Payroll Audit 1 2016	2/3/16	Low	27	15	9	3	0	0
<b>Total</b>			<b>27</b>	<b>15</b>	<b>9</b>	<b>3</b>	<b>0</b>	<b>0</b>

## Outstanding Audit Recommendations for All audits at 31/03/16

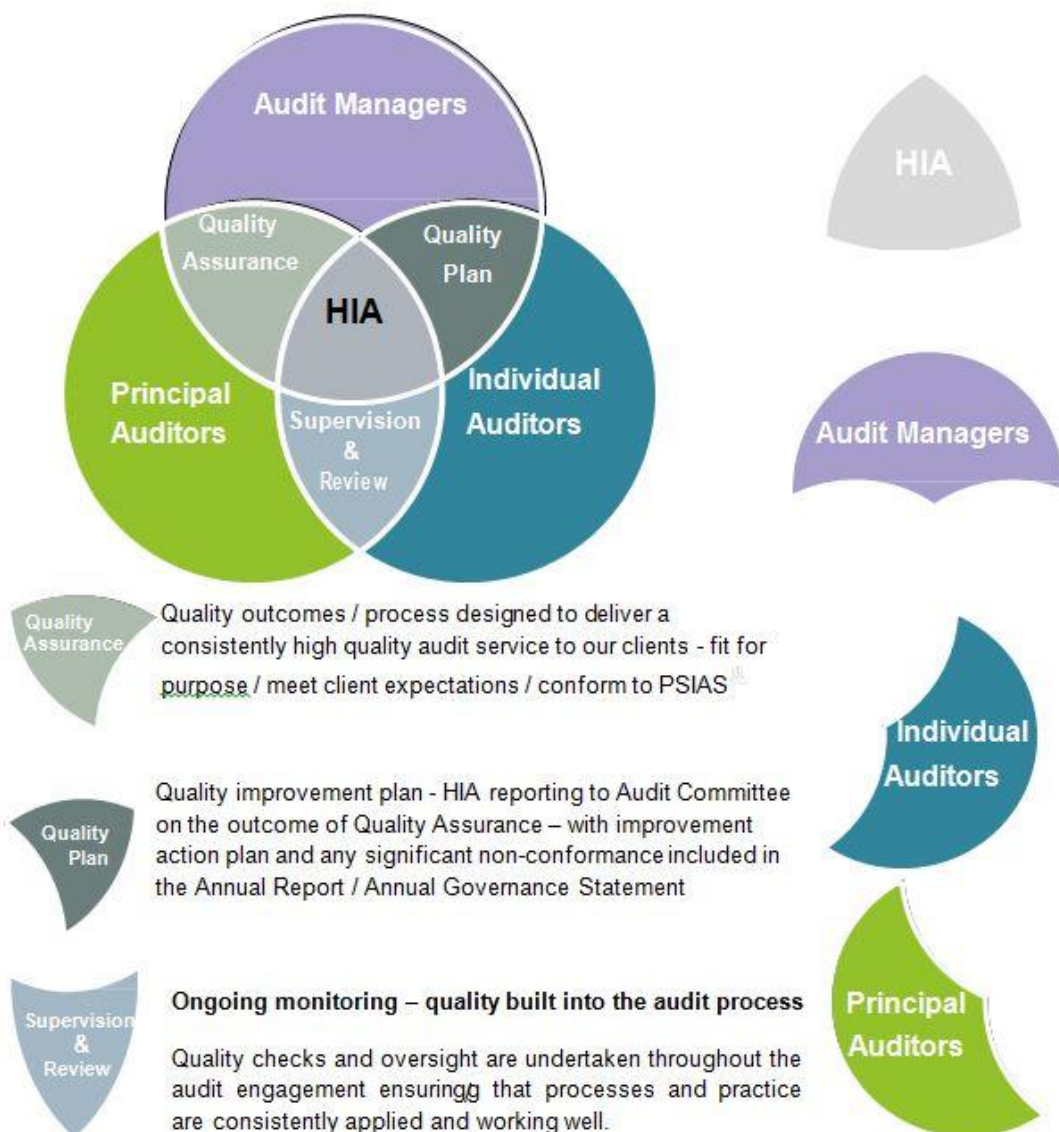
Activity	Issue Date	Assurance	Total recs	Recs Imp	Priority of Overdue Recommendations			Recs not due
					High	Medium	Low	
<b>Finance and Public Protection</b>								
Debtors	1/4/14*	Limited	11	6	4	1	0	0
Income	1/1/14*	Limited	8	7	0	1	0	0
Payroll Audit 1 2016	2/3/16	Low	27	3	16	8	0	0
<b>Public Health</b>								
Coroners	1/6/14	Limited	52	45	5	2	0	0
<b>Environment &amp; Economy</b>								
Home to School Transport	1/1/15	Substantial	14	11	0	3	0	0
<b>Chief Information &amp; Commissioning Officer</b>								
Information Governance	1/3/15**	Limited	15	12	3	0	0	0
<b>Total</b>			<b>127</b>	<b>84</b>	<b>28</b>	<b>15</b>	<b>0</b>	<b>0</b>

\* The outstanding recommendations will be reviewed as part of the audit being undertaken in 2016/17.

\*\* Information Commissioner audit provided 'reasonable assurance' with follow up planned in October 2016.

## Appendix 4 – Quality Assurance Framework

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### Annual self- assessment

- Head of Internal Audit - develop & maintain Quality Assurance Improvement Programme (QAIP) & improvement action plan
- Focus on evaluating conformance with Internal Audit Charter, definition of Internal Audit, Code of Ethics & the Standards
- Arrange an External Assessment – co-ordinated with Audit Committee (planned for 2016)

### Periodic quality assurance assessments

- Obtain periodic assurance that engagement planning, fieldwork conduct and reporting /communicating results adheres to audit practice standards
- Provide HIA with quarterly highlight reports on outcome of reviews
- Conduct all audit engagements in accordance with audit practice standards / PSIAS
- Behave at all times in accordance with the Code of Ethics / Code of Conduct
- Promote the standards and their use throughout the Internal Audit activity
- Commitment to delivering quality services
- Obtain on-going assurance that that engagement planning, fieldwork conduct and reporting /communicating results adheres to audit practice standards
- Undertake engagement supervision and review



## Appendix 5 – Continuous Improvement Plan

Opportunities for improvement		Actions	Timescale for tasks to be achieved	Person responsible	Status
<b>Governance</b>					
1	Audit Committee Effectiveness	Review Terms of Reference of the Audit Committee	September 2015	Lucy Pledge & Chairman of AC	Complete
		Audit committee effectiveness workshop	May 2016	Lucy Pledge	Complete
2	Gathering of business intelligence – keeping informed	Establish formal client liaison contacts for all areas.	June 2015	Rachel Abbott	Complete
		Create Liaison template to ensure consistency and adequate coverage	June 2015	Rachel Abbott	Complete
		Schedule regular formal liaison	June 2016	Principal Auditors	
3	External Assessment	Paper to Audit Committee presenting options	September 2015	Lucy Pledge	Complete
		Walk through of assessment	October 2015	John Sketchley	Complete
4	Benchmarking	Analyse and feedback on CIPFA Benchmarking data and report to management team on key messages	September 2015 -	John Sketchley	Not complete
		Feedback to Team meeting	September 2015	Management Team	Not complete
		Review applicability and relevancy of benchmarking data sources – some information received through network and CIPFA	September 2016	John Sketchley	Not due
5	Business Continuity and contingency arrangements	Document, communicate and test Business Continuity arrangements for Team (Refer to Police Tender ITT and feedback)	September 2015	John Sketchley	Complete

## Appendix 5 – Continuous Improvement Plan

Opportunities for improvement		Actions	Timescale for tasks to be achieved	Person responsible	Status
6	Risk Register	Develop and maintain a service wide risk register Discuss and evaluate at Team Meetings	June 2015	Management Team	Complete
		Feedback to Head of Audit	June 2015	Management Team	Complete
7	Purpose, Authority & Responsibility	Update Audit Charter to Reflect the updated PSIAS (Addition of Core Principles & Mission Statement)	August 2016 (November 2016 Audit Committee)	Lucy Pledge	Not due
8	Audit Committee Effectiveness	Support publication of Audit Committee Annual Report: <ul style="list-style-type: none"> <li>Self-assessment of effectiveness</li> <li>Draft annual report</li> </ul>	May 2016 June 2016	Lucy Pledge & Cllr S Rawlins	In progress
<b>Practice</b>					
9	Document Retention	Align Section document retention schedule to LCC	July 2015	Rachel Abbott	Complete
		Basement Clearance to align to document retention.	August 2015	Rachel Abbott	Complete
		Clear desk policy – remind ALL staff and confirm	May 2015	Rachel Abbott	Complete
10	Quality Assurance and performance - Practice Manual	Full Manual review – conducted with the team	<del>October 2015</del> May 2016	Steph O'Donnell	Draft Complete
11	Quality Assurance - External Assessment	Co-ordinate external assessment and implement any suggested improvements: <ul style="list-style-type: none"> <li>Develop project plan</li> <li>Conduct self-assessment and pull together evidence pack for external assessor</li> <li>Engagement planning</li> <li>Assessment</li> <li>Outcome report</li> </ul>	June 2016 June - July 2016 August 2016 September 2016 November 2016	Lucy Pledge & John Sketchley	Not due

## Appendix 5 – Continuous Improvement Plan

Opportunities for improvement		Actions	Timescale for tasks to be achieved	Person responsible	Status
12	Quality Assurance – feedback from key stakeholders	Bi- annual survey on effectiveness of Internal Audit Service	Postponed – will be picked up as part of External Assessment	-	-
13	Quality Assurance – post audit feedback	Improve post audit questionnaire return rate	September 2016	Amanda Hunt	Not due
14	Implementation of recommendations	Working with management to ensure that agreed actions are implemented – setting realistic timescales and taking ownership for implementation	September 2016	Al Simson	Not due
15	Performance – External Audit Protocol	Update External Audit protocols to ensure best use of combined audit resources for client	July 2016	Lucy Pledge	Not due
16	Performance – Combined Assurance	Review and update process (improve integration of risk management and other sources of assurances)	September 2016	Lucy Pledge & John Sketchley	In progress
17	Performance – ICT Strategy	Update ICT strategy and approach following developments within the collaboration partnership and LCC delivery through SERCO	June 2016	John Sketchley	In progress
<b>Communication</b>					
18	Performance reporting	Communicate to Principals need to set up staff performance meetings (1:1) and to follow framework  Utilise framework	May 2016  May 2016	Rachel Abbott  Principals	Complete
19	Report writing	Work to ensure significance and impact is conveyed in reports: <ul style="list-style-type: none"> <li>Evaluating what it means in terms of the assurance</li> <li>What outcomes are they not achieving, always linking back to the outcome.</li> </ul>	October 2015	<del>Steph O'Donnell</del>  Rachel Abbott	Complete
20	Quality Assurance outcomes	Improve outcome reporting - Key theme report  Developing training and support to improve as required	July 2016	Rachel Abbott and Team Leaders  Management Team	Not due
21	Contemporary reporting	Improve timescales for delivery of audit and investigations from time fieldwork commences to issue of draft and final reports	September 2016	Dianne Downs Audit and Counter Fraud Teams	Not due

## Appendix 5 – Continuous Improvement Plan

Continuing Professional Development (Service / Team)				
	Area / Activity	Outcome	Date Planned	Status
22.	IT Audit Awareness / Training General	<p>Provide general awareness training for the team of key IT risks that they should be aware of in performing audits</p> <p>Provide information on Audit Lincolnshire approach to IT Audits</p>	<p><del>IT Audit provider to pull together a ½ day session.</del></p> <p>JSk to co-ordinate with help of Leicester – Nov 2015</p> <p>Attended training session – to pull together a session for the team July 2016</p>	Done through Midlands Group 20/5/16 – feedback July 2016
23.	Update on UK Public Sector Internal Audit Standards <ul style="list-style-type: none"> <li>• April 2016 additions</li> <li>• Key areas</li> </ul>	Provide a refresher on the PSIAS and make clear links between these and our procedures and practice	July 2016	Not Due
24.	Workshop on Planning and Engagement and developing the engagement terms of reference	Improve understanding and techniques to get the most out of the planning and engagement process – ensuring that the audit / or consultancy engagement focusses on what matters	July 2016	Not Due
25.	Building on the E-learning on risk management process New module being launched at LCC	Ensure that all team is aware of the risk management processes of their clients and how this can help inform the audit process.	By September 2016	Not due

## Appendix 5 – Continuous Improvement Plan

Continuing Professional Development (Service / Team)				
	Area / Activity	Outcome	Date Planned	Status
26.	Pentana (audit software)	Equip staff to use the new audit software to its full potential and maximise compliance with the PSIAS	Dependent on Pentana installation – date still pending  Explore external hosting options	Still waiting on Serco
27.	Risk Appetite	Understanding of risk appetite of organisation	To incorporate into RBIA training – March 2016	Complete
28.	RBIA refresher session	Refresher for staff on AL approach to RBIA and reflecting this in reports.	Initial planning meeting 3 <sup>rd</sup> August. 7 <sup>th</sup> September Further session March 2016	Complete
29.	Principals Day	Introduce Principals to their role and provide support, guidance and signposting so that they can complete this more effectively	May 2016	Complete
30.	Appraisal training	Attend corporate training for the new Principals and new team leader so that they are better equipped to complete appraisals	Working with Dave Simpson to get a face to face event scheduled as there are not currently any planned June or July 2016	Not Due



## Appendix 5 – Continuous Improvement Plan

Continuing Professional Development (Service / Team)				
	Area / Activity	Outcome	Date Planned	Status
31.	Introduction to Audit (CIPFA)	Give the new Senior Auditor and Audit Officer an introduction to auditing	17 <sup>th</sup> May 2016	Complete
32.	LCC Managers Essentials	Enrol new Principals on this training course to support skills development for new role	Enrol by June 2016 Completion date tbc	Not Due
33.	Fraud Awareness Session	Refresher information on Fraud Risks and Indicators including Fighting Fraud Locally	June / July 2016 – CoL leading	Not Due
34.	CIPFA / SOLACE Good Governance Session	Refresher information on Good Governance and key changes / messages in the new guidance	September 2016	Not due
35.	Report Writing Workshop – house style and contemporary reporting	Understand the importance of communicating results to gain understanding and influence change.	August / September 2016	Not due

## Appendix 6 - Glossary of Terms

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

## Assurance Definitions

### Significance

The relative importance of a matter within the context in which it is being considered, including quantitative and qualitative factors, such as magnitude, nature, effect, relevance and impact. Professional judgment assists internal auditors when evaluating the significance of matters within the context of the relevant objectives.

### Head of Internal Audit Annual Opinion

The rating, conclusion and/or other description of results provided by the Head of Internal Audit addressing, at a broad level, governance, risk management and/or control processes of the organisation. An overall opinion is the professional judgement of the Head of Internal Audit based on the results of a number of individual engagements and other activities for a specific time interval.

### Governance

Comprises the arrangements (including political, economic, social, environmental, administrative, legal and other arrangements) put in place to ensure that the outcomes for intended stakeholders are defined and achieved.

### Risk

The possibility of an event occurring that will have an impact on the achievement of objectives. Risk is measured in terms of impact and likelihood.

### Control

Any action taken by management, the board and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved. Management - plans, organises and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved.