

Internal Audit Progress Report

Contents

	Page
Introduction	1
Key Messages	1
Internal Audit work completed in the period 9th July to 12th September 2016	1
Audits in Progress and Other Work	4
Performance Information	7
Other Matters of Interest	8
Appendices	
Appendix 1 – Assurance Definitions	12
Appendix 2 – Executive Summaries of reports giving Limited or Low Assurance	13
Appendix 3 – Audit Plan 2016/17	32
Appendix 4 – Outstanding actions at 31 st August 2016	39

Contact Details:
Lucy Pledge CMIIA
Audit & Risk Manager



County Offices, Newland, Lincoln, LN1 1YG
☎:01522 553692 📧 lucy.pledge@lincolnshire.gov.uk

Introduction

1. The purpose of this report is to:
 - Provide details of the audit work during the period 9th July to 12th September 2016
 - Advise on progress with the 2016/17 Audit Plan
 - Raise any other matters that may be relevant to the Audit Committee role

Key Messages

2. During the period we have completed 10 County audits, 6 to final report and 4 to draft report stage as well as finalising 1 school audit.
3. There are currently 14 further audits in progress.
4. The detailed 2016/17 Audit Plan is shown in Appendix 3 with current progress as follows:

- 15% completed or at draft report stage
- 27% in progress
- 4% agreed and scheduled during quarter 2
- 39% agreed and scheduled during quarters 3 and 4
- 15% potential audit areas to be agreed and scheduled¹

Internal Audit work completed in the period 9th July 2016 to 12th September 2016.

5. 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"> ■ Mental Capacity Act ■ EU Procurement ■ Income 		<ul style="list-style-type: none"> ■ Payroll Key Controls ■ Pension Contributions 2015/16 ■ Concerto Property Asset Management System

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

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.

6. Since our last progress report we have issued 3 final reports providing Substantial Assurance:

Mental Capacity Act

The legal framework provided by the Mental Capacity Act 2005 is supported by A Code of Practice (the 2005 Code). Our review sought to provide assurance that the adult care workforce has regard to the Code when acting or making decisions.

We confirmed that arrangements have been put in place which taken together are intended to ensure that decisions taken on behalf of someone who lacks capacity consistently have due regard to guidance contained in the Code of Practice.

To achieve this managers have developed processes aimed at ensuring that the adult care workforce are suitably trained, have access to relevant guidance and that the quality of their work is properly monitored. Our review of this confirmed expansive resources, support and guidance as well as a range of face to face and e-learning training covering Mental Capacity overall as well as focus on specific elements.

Practice standards, including one specific to mental capacity, have been put in place and are the yardstick against which the quality of service delivery and compliance with legal requirements are measured. A system of Quality Practice Audits, essentially file reviews of cases, was introduced at the same time as the standards in order to confirm that the standards are being followed.

We found some issues which affect the value of the quality assurance process:

- There has been a continuing trend of fewer scheduled audits actually taking place, with rates of completion falling to 50% within some teams,
- Not all the audits performed were correctly undertaken leading to cases being wrongly designated as failing to comply with the mental capacity act. There is no common reason for this occurring.
- At the time that we reviewed the audit process quarterly rates of noncompliance with Practice Standard 6 over the previous 12 months ranged from 3 to 6% per quarter. The required standard for compliance is 100%. Managers did not have a complete understanding of the reasons for noncompliance.

EU Procurement – Application of the Public Contract Regulations 2015

Procurement across the Council is largely decentralised with most Directorates undertaking their own standard procurements. As such our focus was on arrangements to support and guide officers charged with procurement in compliant procurement process and decision making. We are confident that

these arrangements are sufficiently robust and consistently applied in practice in order to give the necessary assurance that the Authority requires.

We found the Council's Contract Regulations have been updated to reflect the changes to the Public Contract Regulations 2015. Training has been provided to procurement leads on these changes and the contract regulations are publicly available to all.

Consultation with procurement leads confirmed receipt of recent training and confidence in the training of their teams in conducting procurement activity. One area where the leads identified an issue was access to updated Contract and Procurement Procedure Rules (CPPR's) which at the time of the audit were not available; however these have since been ratified and released.

Our work revealed some areas where we make recommendations for improvement, most significantly:

- A formal training programme should be developed to support staff updates and learning for new staff.
- Introduction of quality assurance checks over procurement should be considered.

Income

We have carried out a review of income processes. This is the first full system review of income since the service transferred to Serco and new finance system - Agresso.

Our review identified that in general income processes operated by the Serco Income Team are working well and their cash handling arrangements are well controlled. Given the difficulties encountered in other areas since the implementation of Agresso, this is a positive outcome and reflects the efforts and experience of the team. We identified many areas where processes and controls are strong; however our report makes some recommendations for improvement, most significantly in relation to independent authorisation of refunds and responsibility for printing and supplying official LCC receipt books.

7. We have also issued 3 final reports providing Limited or Low Assurance. The executive summaries of these reports can be found at Appendix 2; however in brief these audits are:

Payroll – Key Controls (Low Assurance)

Our work assessed key controls and conducted extensive testing to enable the Head of Internal Audit to form an opinion on the Council's financial control environment. Assurance is low as key controls were missing or inconsistently applied. Our report details:

- limited exception reporting,
- inadequate information trails,

- issues with system access and system parameters
- concerns over staff turnover, skills and capacity
- findings relating to poor recovery of over payments.

Pensions Contributions 2015/16 (Low Assurance)

Our review of 2015/16 pension contributions concluded that pension scheme rules have not been consistently applied and we could not confirm that contributions are complete or accurate.

Management at LCC and Serco have developed a project plan to effectively implement the agreed actions to these very significant Payroll and Pension audit findings. Further details of this will be presented separate to this progress report by LCC and Serco Management.

Concerto Property Asset Management System (Low Assurance)

Concerto is a replacement for the existing Techno forge system. It will be used to manage property information, maintenance and management. There will be supplier access through a defined 'portal'.

The support arrangements for the system are as follows:

- Software: Support is provided by the supplier.
- Server hardware and operating system: Support is provided by the supplier, who also hosts the system.

The Concerto web application appears to have been developed with only minimal concern for application security. Access controls need substantial improvement to prevent unauthenticated users from accessing restricted areas of the application. Several security holes exist that could be exploited by users with no privileges to reveal sensitive and confidential data. In its present version the Concerto application would present a serious risk to the commercially sensitive data it holds.

Audits in Progress

8. We have 4 audit's at draft report stage:

General Ledger – Key Controls

Our annual work to provide assurance over the financial control environment has been delayed slightly for General Ledger to coincide with the action plan to support closure of accounts. This audit is complete, but has yet to be issued as we have yet to receive a management response.

HR – Absence Management

Adult Care and Children's Services were previously identified as areas where there were high levels of sickness and reviews have been undertaken by the Absence Management Project Team. Reviews of these 'hot spots' were undertaken in 2012/13 and 2013/14 and considerable improvements have occurred in both areas.

Our audit has sought to provide assurance on application of the Sickness Management Policy across areas of the council not previously subjected to focused review.

Adult Care – Workforce Development

The final version of the Adult Care Workforce Development strategy was signed off in February 2016. This strategy details the delivery and monitoring arrangements within the workforce development process. The purpose of our audit is to review whether the processes and priorities detailed in the workforce development strategy have been actioned and are working effectively in order to provide assurance over this important area of Adult Care.

Lincolnshire Waste Partnership

We have carried out a review of the Lincolnshire Waste Partnership and the Joint Municipal Waste Management Strategy. The Lincolnshire Waste Partnership (LWP) has been set up to enhance the way that sustainable waste management is delivered within Lincolnshire through the identification of best value and long term goals. The LWP consists of one Member and one officer from LCC and all 7 Lincolnshire District Councils. There is also representation from the Environment Agency.

Our review has sought to provide assurance that there are strong Governance arrangements in place for the LWP, as well as ensuring that the Joint Municipal Waste Management Strategy is an up to date and relevant document.

9. The following audits are currently in progress nearing completion:

Adult Safeguarding Referrals

Our audit seeks to provide assurance over safeguarding referrals through examination of the following:

- Confirmation that the Council is Care Act compliant via the referral process
- Robustness of the Risk Assessment process
- Clarity over the different roles and responsibilities and how these interlink
- Effectiveness of the procedures and guidance available to staff

Better Care Fund (BCF)

Lincolnshire's BCF is one of the largest in the Country, setting a 2016/17 budget of £193.7m. This pooled budget is supported by a delivery plan, which specifies where expenditure will be targeted to maximise the chance of performance indicators being met. Lincolnshire County Council (LCC), as host authority for the fund, are responsible for accounting and audit as well as completion and submission of quarterly and annual returns.

Our audit seeks to provide assurance that management and staffing arrangements for the BCF in relation to performance reporting is adequate for reliance purposes. We have also assessed quarterly reporting information to confirm it is accurate, in a suitable format, uses appropriate sources of information, and is subject to appropriate governance arrangements.

Debtors

Our review aims to give you independent assurance that the processes and controls in place for raising, collecting and recovering debts are appropriate and robust. Our work has included full system mapping of the new processes within Agresso as well as detailed testing of controls.

Good Governance Review

Another piece of work that is nearing conclusion has a focus on the revised CiPFA Good Governance Framework – we have adopted a two phase approach to this audit, with phase one due to be completed by the end of September 16 – phase one has been to develop a toolkit to measure the council's conformance against the 7 key elements of good governance and then test through review of LCC's key documentation and guidance. The second phase will use the outcome of phase one to further explore governance arrangements through discussion with staff, management and key partners. Both phases will result in an Audit assurance report.

10. We also have another 10 audits in progress. Details of these can be found at Appendix 3, which details the entire 2016/17 audit plan.

Other Key Work

11. Other key work undertaken during the period includes:

TransportConnects Transport Company (Consultancy Assignment)

Lincolnshire County Council have set up an Arms Length Management Organisation (ALMO), which will operate under 'Teckal' exception. This Organisation will trade as a passenger transport company and will fill a gap currently experienced in the market. The company started trading on 12th September 2016.

We were engaged on a consultancy basis to provide support and advice to the project team on Governance, Risk Management and Control arrangements for the company during the set up stage. As the project moved at a fast pace we issued a series of advice notes covering a range of subjects that included UK Taxation, Company Administration, Governance, Legal Considerations, Financial and Performance Monitoring and Strategy and Objectives. This consultancy assignment is now concluded.

Planning Software Replacement (Consultancy Assignment)

We have also been engaged to provide support and advice on a project to procure and implement a new planning software system. Pre procurement advice has been given and the project is currently in the final stages of the tender process. Once a supplier and system has been agreed implementation will commence, with further audit support expected. The new system will go live 1st April 2017.

Families Working Together

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

Local Enterprise Partnership – Capital Grant Sign Off

We have also conducted an audit to verify and sign off of the LEP capital grant 2015/16 to confirm appropriate use and spending.

Performance Information

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

Performance Indicator	Annual Target	Profiled Target	Actual
Percentage of plan completed (based on revised plan)	100%	31%	24%
Percentage of recommendations agreed	100%	100%	100%
Percentage of recommendations implemented	100% or escalated	100% or escalated	N/A – not yet due
Timescales:			
Draft Report issued within 10 days of completion	100%	100%	80%
Final Report issued within 5 days of management response	100%	100%	N/A
Draft Report issued within 2 months of	80%	80%	60%

Performance Indicator	Annual Target	Profiled Target	Actual
fieldwork commencing			
Client Feedback on Audit (average)	Good to excellent	Good to excellent	Good to excellent

13. Progress with the implementation of agreed management action can be found at Appendix 4.

Other Matters of Interest

14. CiPFA Better Governance Forum – Audit Committee Update Issue 20. Published August 2016.

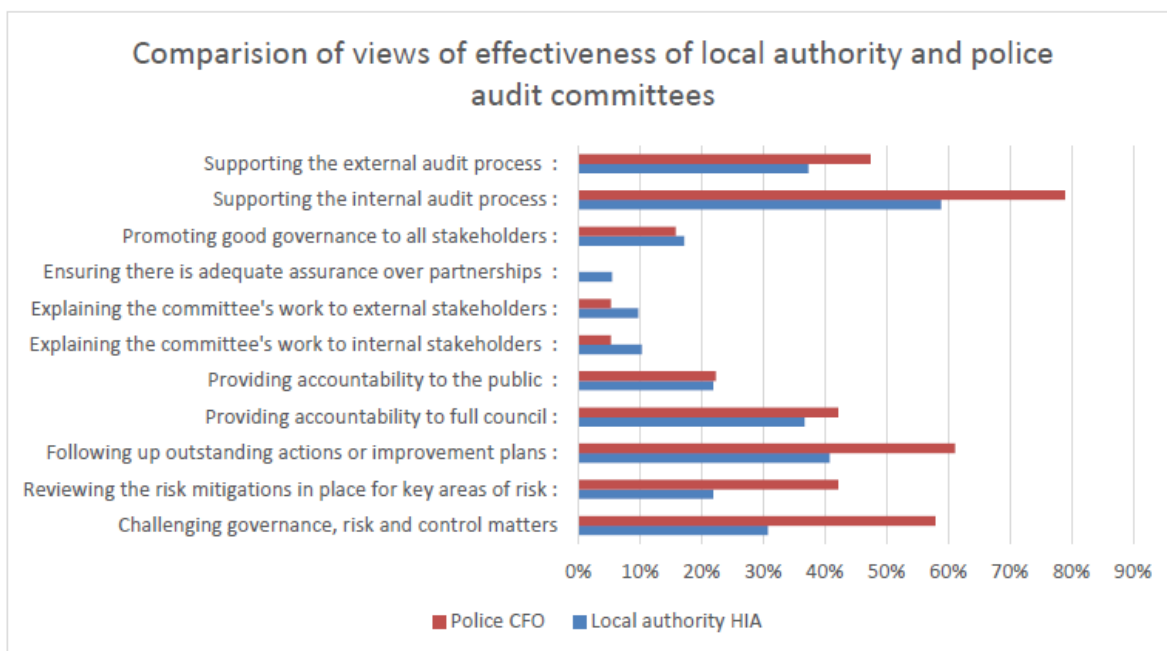
This issue features the main findings of the CiPFA survey of Audit Committees 2016, which we have summarised below. It also covers updates on recent legislation, reports and guidance. The full update can be found at <http://www.cipfa.org/services/networks/better-governance-forum/corporate-governance-documentation/audit-committee-update-issue-20>

CiPFA Survey of Audit Committees 2016

The survey, which was completed by more than 300 heads of internal audit, chief finance officers (CFOs) and chairs of audit committees at local authorities and police bodies provides an excellent insight into the successes and challenges of audit committees in these sectors. It should help audit committee members and those working with them to compare and review their own arrangements and look for opportunities to improve further. As the survey covers two sectors it also allows for comparison between police and local authority committees.

The survey found that since 2011 local authority committee membership has increased on average from 7 to 9 members and there has also been a small increase in the number of independent members from 31% to 39%.

All respondents were asked about audit committee effectiveness in relation to key responsibilities, comparisons can be seen below



Percentage of respondents answering 'very effective'.

Interestingly this showed higher confidence in committees being 'very effective' in police bodies than local authorities; However when analysing responses from audit committee chairs only the trend reverses, with local authorities being more confident in effectiveness.

Respondents also provided information on barriers to effectiveness with local authorities identifying 'limited knowledge and experience' as the major barrier.

Feedback on training and support for audit committee members was general very positive in both sectors. Questioning about wider support received the following:

Do members of the audit committee have access to any of the following resources and support?		
	Local authority chairs	Police chairs
Regular training on relevant subjects	62%	47%
Regular briefings on relevant subjects	82%	76%
Regular briefings or updates on developments affecting the council/police	84%	76%
None of the above	5%	12%

CIPFA has prepared extensive briefings on the findings which will be available to download from the website shortly. We will also have access to tables showing the results of the survey, which we will share through future reports as necessary.

Cards on the Table: English Devolution and Governance

A report by the Centre for Public Scrutiny considering the role of governance in shaping the development of devolution deals. It is intended to be a resource to support those developing devolution arrangements and also to support those

who will provide scrutiny of the arrangements. It can be found at the following link - [Centre for Public Scrutiny](#)

Failing Well

This report from the Institute for Government provides insights on dealing with failure and turnaround from four critical areas of public service delivery. The report raises concerns that there is a greater risk of failure in the public services as a result of budget pressures and structural changes. It also highlights governance aspects that make an organisation more likely to fail. It can be found at the following link - [Institute for Government](#)

15. Public Sector Audit Appointments

We received correspondence from PSAA with updated information on the position on local auditor appointment requirements, following recent developments. Information is as follows:

Local auditor appointments

Last month, the Secretary of State for Communities and Local Government confirmed that Public Sector Audit Appointments Limited (PSAA) has been specified as an appointing person under the provisions of the Local Audit and Accountability Act 2014 (the 2014 Act) and the Local Audit (Appointing Person) Regulations 2015. This means that PSAA will make auditor appointments to relevant principal local government bodies that choose to opt into the national appointment arrangements we are developing, for audits of the accounts from 2018/19.

Current auditor appointments are made under the audit contracts previously let by the Audit Commission and now managed by PSAA under transitional arrangements. These audit contracts will end with the completion of the 2017/18 audits for principal local government bodies including police and fire bodies, and the completion of the 2016/17 audits for NHS bodies.

A top priority for PSAA in developing the new scheme will be to ensure they are able to make independent auditor appointments at the best possible prices. They will also endeavour to appoint the same auditors to bodies which are involved in formal collaboration or joint working initiatives.

They are currently working on the details of the scheme, including a timetable, and will provide further information as soon as possible.

Timetable

Over the next few months all principal authorities will need to decide how their auditors will be appointed under the new requirements. They may make their

auditor appointment themselves, or in conjunction with other bodies. Or principal local government bodies can take advantage of the national collective scheme that PSAA is developing, which should pay dividends in terms of quality, cost, responsiveness and convenience.

New appointments, for the 2018/19 accounts for principal local government bodies, must be made under the provisions of the 2014 Act and confirmed by 31 December 2017.

The date by which principal local government bodies will need to opt into the appointing person arrangement is not yet finalised. The aim is to award contracts to audit firms by June 2017, giving six months to consult on appointments with authorities before the 31 December 2017 deadline. They anticipate that invitations to opt in will be issued before December 2016.

The Local Audit (Appointing Person) Regulations 2015 require that a principal authority may only make the decision to opt into the appointing person arrangement by the members of the authority meeting as a whole, except where the authority is a corporation sole, in which case the decision may be made by the holder of the office.

More information

PSAA will provide further updates as soon as we can.

Information is available on their website on the specified appointing person arrangements and on the transition to local auditor appointment more generally. A prospectus for the new scheme is also available on the website.

16. **Appendix 1 - Assurance Definitions²**

<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>

² 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.

Financial Control Systems Work – Payroll

Background and Context

Issues and risks around the implementation of the payroll module figured regularly in reports to project management and the Project Board during 2014/15. The project did not have 'business expertise' in this area until mid-way through the year, compressing the time available to develop the payroll solution. As a consequence, the Agresso payroll module was implemented in April 2015 with known issues – some functionality had not been built, elements of functionality such as sickness had not been fully tested and there had been no clear parallel runs completed to confirm the system calculated all payments and deductions correctly. In addition, there had been little testing to determine the accuracy of postings to the ledger and no testing around postings to supplier and control accounts. At the time of Agresso implementation Audit could not provide assurance on the system given the lack of parallel run tests and the absence of evidence. The Agresso Board, in conjunction with the Project Manager and team, however determined the risk of not going live was greater than implementing on schedule.

Lincolnshire County Council has experienced significant operational and control issues post implementation of Agresso in April 2015. Payroll has been one of the most problematic systems with ongoing system design issues and high error rates following 'go-live'. Payroll is a significant account within the Financial Statements with a total expense of £343m. Although assurance information suggested the payroll system

was becoming more stable, the risk of fraud and error remained high. This risk is supported by our update to Audit Committee in January 2016 which gave the payroll system low assurance.

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 completed a high level Payroll review in quarter 3. This approach provided independent insight and assessment over system, processes and controls and highlighted outstanding issues and risks (report finalised in December 2015). We have also been commissioned to review the accuracy of pension deductions, third party pay-overs and pension contribution reporting – this work is ongoing and will be reported separately.

In quarter 4 Serco and LCC management reported an improved control environment and we commenced this payroll audit 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. We completed our audit fieldwork in May 2016 having examined 330 payroll transactions. PWC were also appointed by SERCO as consultants in quarter 4 to carry out a review of payroll and re-perform payroll calculations based on agreed rules and parameters to gain further assurance on the accuracy of the payroll functionality. This review was still on going at the time of our audit.

In addition to our Internal Audit work other assurance work undertaken by the Council and SERCO (PWC) has identified the following issues in the payroll system:

Appendix 2 – Executive Summaries of reports giving Limited or Low Assurance

- **Incorrect calculation of NI** – this applies to arrears of pay, where incorrect 'NI rules' have been applied. This was a configuration issue and a fix is being applied for the July 2016 payroll. Work is underway to quantify the impact on individuals pay - initial figures indicate that the number of people affected (across all payrolls) is between the range of 1500 to 2200 people with the value of the error totalling in the region of £105k underpaid NI (£174k underpaid / £68k overpaid). Investigation into all records will be completed by the end of July, with a consolidated position being determined and reported to by SERCO by the end of October 2016.
- **Occupational Sick Pay** – incorrect terms and conditions have been applied to the LCC payroll and some schools. This relates to employees on long term sick – the 5 months full pay and 5 months half pay has not been applied from the 1st April 2015. Work is underway to identify those affected, a system fix is planned to be implemented in September, with rectification of historic records completed by the end of October. In the interim a manual workaround is in place.

Now that the Council and SERCO are in a better position to fully understand and quantify the payroll issues we have advised them to contact HMRC as soon as possible to provide assurance on the actions being taken to ensure the correct accounting of income tax and NI

Scope

Our main focus was to provide assurance on the risks associated with the application of key controls and the completeness and accuracy of transactions in the following areas:

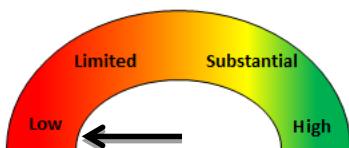
Starters / Leavers / Changes / Claims / Exception Reporting / Payment Runs /Deductions & Pay-overs to External Bodies

As part of this review of the payroll system we performed the following audit work:

- System documentation / mapping, evaluation and walkthrough
- Key control testing
- Analytical Review – data matching / trend analysis
Substantive testing
- Sample testing of error correction for accuracy / completeness
- Error resolution – review feedback from Schools / LCC Directorates

Executive Summary

Low Assurance



Findings	Recommendations	
	High	Medium
1 - 15	35	11

Key Messages



Lack of key controls: Our work has confirmed that key controls required within a payroll system and processes to prevent and detect errors have been or are still missing at quarter 4, or have not been applied consistently throughout 2015/16. This absence of key controls relating primarily to accuracy and completeness of the payroll system has contributed to the level and nature of known errors. The risks related to poorly controlled payroll processes - overpayments, accounting errors, fines and reputational damage - continue to occur. Ongoing issues mean that the risk of fraud and error remains high.

Limited exception reporting: The absence / inadequacy of exception reporting and checking controls have had a significant impact on accurate payroll delivery. The arrangements in place until August 2015 were not adequate and did not provide a robust mechanism to detect potential errors. Although there has been some improvement in the arrangements since August, this audit continues to highlight concerns around the consistency and evidence of checking across the teams and that sufficient time is allowed for completing checks on all exception reports' before payrolls are finalised.

Lack of information trail: 18% (overall average) of Starter, Leaver and Change of Circumstance (COC) forms and claims could not be located. The system also has no historic information audit log. This facility has not been activated due to potential performance system issues. Once a form is approved any information previously requested but not included on the form is not shown. As a result we were unable to gain assurance over many key controls e.g. authorisation, completeness and accuracy of information. Management need to provide training to staff to ensure that no claim or form is processed unless it is completed correctly with adequate supporting information.

High turnover of staff: We remain concerned around the level and expertise of the resources within Payroll to cope

Executive Summary

Key Messages



with the demands of query and error resolution. During our audit there was and continues to be a high turnover of key payroll staff. This results in a loss of systems knowledge and expertise. Until new key staff have been appointed there remains uncertainty over the ability of the payroll team to satisfactorily correct any errors identified and provide assurance over future payroll accuracy.

Incomplete and inaccurate overpayments schedules: 56% of the errors we identified from our testing which resulted in an overpayment were found not to be included on the overpayment schedule. 45% of the overpayment schedule cases tested were found to be incorrectly calculated. These findings bring into doubt the accuracy and completeness of the overpayment schedule.

Analytical review of payments: We completed in December 2015 an analytical review of payments made from April to July 2015. We reviewed 908 payments and produced a list of 292 potential errors +/- £800 that did not appear to have been corrected. This review highlighted several potential error types, the most significant being: Statutory maternity and Statutory sick pay payments, incorrect mileage rates, negative net pay, advances not recovered, employees paid double their salary and incorrect manual corrections. This list of potential error cases was passed to payroll in January 2015 but we were disappointed to find that they have still not been reviewed at year-end. As part of this audit we performed some follow up work on a sample of 30 cases identified as having potential errors. This testing identified that 60% of these potential errors were in fact incorrect and resulted in an overpayment of £75k. Of this total £45k had been corrected but the remainder still need to be corrected to ensure payment, payroll and ledger entries are accurate. This lack of action on the part of the payroll section to review these potential error queries brings into doubt a swift error resolution for cases identified by LCC and PWC audit teams.

Concern over level of skills, experience and capability of payroll staffing resources: Our review of payments made during the year identified that in 23% of the cases tested overpayments occurred as a result of incorrect information processing or manual corrections being made. The volume of errors identified and the lack of action taken on the analytical review queries gives us concern over the knowledge and experience of the payroll staff especially since PWC are also likely to identify several complex cases which could potentially be wrong. The Council

Executive Summary

Key Messages



need to have assurance that Serco has sufficient resources with satisfactory level of skills, experience and capability to correct all the errors identified by PWC and Internal audit and to deliver the level of payroll services to comply with contract specifications and agreed performance levels. We have concerns however about the lack of payroll and pension expertise in the Council to be able to undertake informed Serco contract management, oversight and monitoring. Currently client expertise focusses on Human Resources.

System parameter issues: We identified 10 cases where the mileage was greater than 10,000 but the employees were still paid at 45p per mile when the system should have reduced this to 25p. Also at present there are still no upper limits on mileage rates and the system will still allow high mileage rates e.g. £45 per mile to be paid. These are system parameter issues which require immediate attention to reduce the risk of overpayments being made.

Systems Access – There is still no enforced separation of duties within the Agresso payroll module as all payroll staff have the same standard payroll access. Additionally a number of staff who have access to payroll also have HR admin access (allowing access to amend the establishment structure and create positions). Separation of duties ensures that no one individual can complete a process from end to end and is designed to reduce the risk of fraud.

Overpayments and advances not recovered: The majority of the overpayments on the overpayments schedule had not been recovered at the time of the audit. Recovery letters were sent out at year end. We also identified that 7% of advances with a value of £97k have still not been recovered. Due to the delay in recovering these overpayments and advances there is a greater risk that they will not be recovered and that the errors will remain in payroll and in the Council's accounts. Throughout the Financial year 15/16 3102 faster payroll payments (advances) were made with a total value of £2m. Although the number of faster payments has dropped during the year in April 2016 158 faster payments were still made with a value of £86.9k. This level of faster payments is still rather high since Faster payments require more administration to ensure that they are recovered and administered correctly on the payroll system

Key Messages

Executive Summary



Pay overs: At year end issues remain in reconciling to the LGPS Contribution report and HMRC RTI submissions. It is essential that these are resolved promptly to ensure payments and the Council's accounts are complete and accurate in 2016/17. Continuing issues with HMRC also increase the risk of further fines and an HMRC inspection. Reconciliation to supplier accounts has been impacted by delays in payroll postings and payment by CHAPS. By the end of the year checks prior to payment release were in place (with the exception of HMRC). To improve reconciliation in 2016/17 review should include the cumulative position to ensure continuous balancing. To complete this task, the Senior Control Officer should be given view only access to supplier accounts which he does not have at present.

Prior audit recommendation's not actioned: At the time of the audit 45% of these recommendations had still not been actioned. Some were due to be actioned at year end. These recommendations were found to still be relevant and if actioned earlier would have improved the assurance over controls within the payroll system significantly. Management need to ensure that all of these recommendations and the new recommendations within this report are actioned on a timely basis.

Survey: We carried out a survey in March 2016 to find out how satisfied the schools and corporate users were with the payroll service in 2015-16. The results of this survey support our opinion of Low assurance since Schools scored the payroll service very badly with 91% rating poor service and 81% consider the improvement in the service throughout 2015/16 to be poor.

Executive Summary

Areas of Good Practice



Although significant issues remain, it is important to acknowledge the work that Serco Payroll staff, HR Administration and the Agresso project team have undertaken to try to improve system controls and correct system problems.

Council Management response – Fiona Thompson

The Council Management accepts the findings of the Audit Report. As a priority, the Council will put in place immediate arrangements to address the issue of the adequacy of client skills / capability to manage this aspect of the Serco contract. The Council will also ensure that the lead Client role for payroll is directly involved with Serco, to ensure strategic oversight of the review of the end to end payroll process as part of the overall review of the Payroll Operational delivery by Serco.

Over the past 8 -10 months, the Council Management have been liaising with colleagues in Serco, West Yorkshire Pension Fund (WYPF) and managers to seek to address the range of payroll issues (including Fire and Rescue.) Through regular escalation of global issues and progress monitoring, it is clear there is more stability in the payroll system. However this in depth audit investigation and detailed testing undertaken by Internal Audit has identified the root causes to the issues that the Council has raised. This enables the LCC Client function to deliver its assurance role through monitoring and reviewing the adequacy of the performance, risk management and controls that are being put in place by Serco for the operational delivery of the payroll service.

As reflected in the action plan, the LCC Client function will:

- Track the Serco Payroll audit action plans. Performance will be highlighted to the Recovery Board and the HR & Payroll Portfolio Board on a monthly basis to report those recommendations have been implemented and which are still outstanding
- Monitor on monthly basis that overpayments are corrected and records are amended within the required timescales
- Determine for the future, the additional management information required as part of the KPI contract monitoring arrangements
- Maintain the weekly meetings until end October 2016 between the LCC Service Manager – People and the Serco Head of People Management to monitor overall payroll service performance.
- Provide oversight through monitoring information on the value of both overpayments and recovered monies so that LCC can ensure effective and timely resolution of overpayment issues.

Serco Response – Abigail Tierney

Serco accepts the findings of this audit report. Urgent efforts are underway to improve the Agresso system and HR administrative process to improve the performance of payroll. Our aim is to ensure that every member of staff is paid correctly every time (allowing for business as usual queries / errors). The low assurance provided in this Audit clearly demonstrates the critical need to make the Agresso Payroll system and processes more effective.

This audit highlights the following critical actions which we must undertake:

- The urgent need to ensure Serco has the appropriate level of skills, capacity and training to manage run an effective payroll.
- The further development of the exception reports to robustly check for any payroll anomalies on a monthly basis.
- The implementation of monthly Payroll Checklists and sign offs will be implemented as a priority which will require evidence of reports and sign off by Senior Payroll Staff.
- Work has already commenced on reviewing the payroll reports provided to LCC and Schools to ensure these are fit for purpose. This includes engagement with key customers so the reports reflect their needs.
- A significant improvement plan is already underway to improve the customer service element of payroll. The aim is to target resolving as many queries at first point of contact (this will be measured as a KPI from September), as well as investing in additional resources to reduce the current backlog.
- Robust monitoring of the Audit Actions to ensure they are completed in a timely and effective manner.

Serco has already implemented a number of actions which have led to improvements since this audit was completed. This improvement can be seen in the reduced number of queries the payroll department is receiving on a monthly basis. These include:

- Investment in additional senior resources and 3 payroll administrators.
- The Payroll Manager has reviewed the skills of the Payroll Team and is designing and delivering a training programme to ensure that the necessary skills are available within the team. This includes training for the Payroll team which will be delivered by the Chartered Institute of Payroll Professionals. This includes all statutory and legislative pay.
- Reference sheets to capture all the local pay and conditions.
- A redesigned starters form to increase the mandatory fields and reduce free text to reduce the margin for error.
- Investing in Payroll Software (QTAC) to improve the accuracy of manual calculations.

Addressing the recommendations of this report requires Serco to consider how we can improve our own procedures - as reflected in the action plan - but also identifies changes in LCC's processes to improve the system as a whole. Since the draft audit report was published, we have been working closely with our partners at LCC to ensure our various contributions are properly coordinated and this will continue.

Pension Contributions 2015/16

Background and Context

Lincolnshire County Council has experienced significant operational and control issues since the implementation of Agresso in April 2015. Payroll has been one of the most problematic systems with ongoing system design issues and high error rates following 'go-live'.

The initial structure of the Serco Payroll Team did not include a Payroll Control Officer with specific responsibility and experience in managing the pay over of statutory and voluntary deductions to third parties, providing supporting information and ensuring that payroll reconciles to supplier and control accounts. As a result, delays occurred in these processes, including payment of pension contributions and payments to the Prudential for AVCs.

Concerns were subsequently raised about the accuracy and completeness of pension pay overs to West Yorkshire Pension Fund (WYPF) for local government pensions as the Contributions Report due to provide all data on the LGPS was not in place. As a consequence Internal Audit was commissioned to review processes around the deduction and pay over of pension contributions.

In February 2016 we provided an interim report on our work. This highlighted nine issues of which two relating to doubling of employers' deductions have been addressed. The others remain outstanding and are included within this report.

Scope

Our review was designed to provide independent assurance that Agresso has been set up to correctly apply pension scheme rules and deduct employee and employer contributions correctly.

We have focussed on the Local Government, Teachers and NHS Pension Schemes and payment of AVCs to the Prudential. For 2015/16 LCC has made payments to these schemes of approximately £33.2m, £17.9m, £349k and £706k respectively.

Errors with Firefighter pensions have already been identified by the Fire Service and we understand that Serco have taken steps to review all records and make corrections. Fire Pensions have therefore not been included in this review.

As part of this audit of Pension contributions we performed the following work:

- Discussion to identify how WYPF, NHS Pensions are notified of starters, changes and leavers. (Arrangements with WYPF were interim – information is now processed via the Contributions Report)
- Understanding system configuration to apply different pension bands
- Analytical Review – data matching / trend analysis / outliers
- Substantive testing of individual employee and employer records

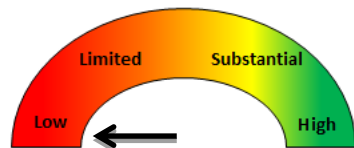
Our process discussions in December established that Teachers' Pensions was not being notified of Starters and Leavers. We understand that by March the backlog had been

Appendix 2 – Executive Summaries of reports giving Limited or Low Assurance

brought up to date but we have not returned to review this process.

In response to LCC's request for all employee payments to be checked, Serco commissioned PWC to undertake analytical review of payroll data. We have been liaising with PWC to provide insight around elements of pension data that it would be useful to analyse to determine the full scope of identified errors.

Executive Summary



Low Assurance Low Assurance

Management Actions	No	To be completed by
High Priority	14	October 2016
Medium Priority	9	October 2016

Key Messages



On the basis of the testing completed we cannot provide assurance that scheme rules are consistently correctly applied or that contributions are complete and accurate. In our transaction testing we identified errors in 50% records examined (78 of 155), and of the records with errors 85% (66 of 78) affect the contributions paid by employees.

The level and the types of errors identified by our audit review reflect that some elements within Agresso were not set up correctly for go-live in April 2015. There are also ongoing issues with process such as entry of Position Changes (resulting in contributions ceasing or reducing) and a lack of understanding around pension schemes (e.g. corrections to employee deductions not being replicated for the employer). It is also notable that in many cases where issues have been identified (such as where Payment & Deduction (P&D) codes were not initially pensionable) there have been little or no retrospective adjustments to collect arrears of employee and employer contributions. It is essential going forwards that Serco introduces additional controls to detect potential errors around contributions, such as exception reporting to highlight where pension deductions have ceased or where there are one sided deductions (either employees or employers contributions are missing). All P& D codes should be checked to ensure they are set up correctly and all payroll staff need to have a better understanding of the schemes and how they work in Agresso.

Errors in deducting contributions not only means LCC as the employer is failing to comply with scheme regulations, but can impact on future employee pensions under CARE schemes if Pensionable Pay is also affected and a reduced figure reported. For 'fully funded' pension schemes such as the LGPS, a reduction in contributions will impact on generation of investment income and actuarial valuation. As a result, higher employer contributions will be required.

Executive Summary

Key Messages



The most significant issues we identified include:

Position Changes - when new Positions are being created in Agresso, a pension scheme is not always being attached. In addition to affecting new employees, this has also affected employees who have moved to new Positions through restructuring. As a result the deduction of pension contributions has ceased. A number of these cases have been identified by Serco and are being treated as overpayments, however we believe additional work is needed to ensure all are identified. This applies across all Pension Schemes. The input of the pension scheme is a manual process, therefore Serco need to consider how reporting can be used to proactively identify these cases in future before payroll is processed.

The percentage band applied for employee contributions to the LGPS scheme is determined by the Expected Pensionable Pay figure entered against the Position. Testing has identified occasions where a pension scheme is attached to the Position but the Expected Pensionable Pay is absent. The contribution rate then falls to the lowest in the scheme bands and as a result employees have underpaid. The employer has a responsibility to apply the correct percentage deduction on the basis of Pensionable Pay and the underpayment by these employees needs to be recovered.

Teachers' Pension rules – the pension contribution paid by teachers is based on the pensionable pay received each month. This means the percentage deduction applied can vary during the year. Teachers' Pensions guidance on the scheme identifies how to determine monthly pensionable pay for particular scenarios such as where employees are on reduced pay due to maternity or sickness absence or where pay increases are paid in arrears. Our testing indicates that Agresso has not been set up as described by this guidance and as a result, in these scenarios, employee contributions have been taken at the incorrect rate.

Teachers' Pensions guidance also states that payments under individual contracts must be treated separately and not combined when determining the band to apply. The schools payroll includes part time teachers who receive payment for additional hours (against zero hours Positions). Testing determined that these payments are being combined but it is not clear whether these should be treated as separate contracts. Serco need to review guidance on the Teachers' Pension scheme and seek advice as necessary to confirm interpretation and ensure Agresso is correctly configured.

Executive Summary

Key Messages



Statutory Sick Pay (SSP) - Pension contributions have not been deducted on SSP paid to employees since go-live. The total amount of SSP paid between April 2015 and March 2016 is approximately £712k. Contributions vary, but combined employees' and employer's contributions due are likely to be in excess of £190k. The issue had been identified by Serco in December and was being investigated by Unit 4. It remains outstanding at May 2016, but we understand the cause has now been identified as an error in the 'workaround' written to support sickness processing.

Statutory Maternity Pay (SMP), Statutory Paternity Pay (SPP) & Variable Payments – In the early part of the year SMP and SPP were not set up as pensionable payments (SMP April to June, SPP April to August). No employee or employer contributions were therefore deducted. We also identified that on the PR (corporate) payroll, pension has not been deducted on variable payments paid in April and May 2015 such as additional hours, overtime and special responsibility allowance. Although the P&D codes have subsequently been amended the arrears due has not been collected. This is also likely to mean that the Pensionable Pay reported for these employees is incorrect and therefore impact on the pension built up during the year. All employee records affected need to be identified and arrangements to address the shortfall in contributions and Pensionable Pay agreed by LCC and Serco.

Delay in deducting Teachers' Pension Contributions - our testing highlighted that 12/20 teachers appointed from April 2015 have not had pension contributions deducted for at least the 1st month of their employment and this has not been corrected. Pensionable service for teachers is reported on an annual service return each year. Provided this is based on the date of appointment held on Agresso rather than the date from which contributions have been deducted, pensionable service (and therefore future pension) should not be affected. LCC is however failing to apply scheme regulations correctly.

Issues relating to Teachers' Pension contributions and application of scheme rules will be identified by the Council's External Auditors when they complete the End of Year Certificate audit and there is a high likelihood of qualification.

Executive Summary

Key Messages



Concern over level of skills, experience and capability of payroll staffing resources: Our review of pension contributions identified that in 30% of the cases tested errors occurred as a result of incorrect information processing or manual corrections being made. The volume and type of errors identified gives us concern over the knowledge and experience of payroll staff and the capacity to correctly address the issues being highlighted. PWC are also likely to identify several complex cases which could potentially be wrong and Serco's internal analysis of pensions (based on reporting from the Project Team) will add to the transactions to be reviewed and corrected. The Council need to have assurance that Serco has sufficient resources with satisfactory level of skills, experience and capability to correct all the errors and to deliver level of payroll services to comply with contract specifications and agreed performance levels.

We also have concerns around a lack of payroll and pension expertise in the Council – currently client expertise focusses on HR. Given the technical and complex nature of both payroll and pensions it is important that the client understands the technical aspects to be able to undertake more informed contract management oversight and monitoring. LCC need to review the adequacy of client skills / capability to manage this aspect of the SERCO contract.

Payslip Display –The % of the pension deduction is not displayed on the payslip. It is therefore difficult for an employee to check that the rate is correct / has not unexpectedly changed.

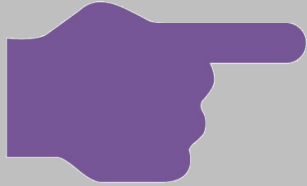
Serco should investigate making changes to the payslip report so that the % deduction is displayed making it easier for both employees and Payroll staff to check the % is correct and that any change is correct.

Other errors we have identified relating to the calculation of pension contributions affect fewer employees and include:

- Excessive employers' LGPS contributions have been taken for 18 members of staff in April 2015.
- Employer's contributions have been overpaid for the LGPS 50:50 scheme – 19.7% contributions have been deducted on double the actual pensionable pay for the members of the scheme
- Occasions where arrears of employees contributions have been collected where deductions have not been made in a month, but there has been no corresponding collection of arrears for employer's contributions

Executive Summary

Areas of Good Practice



Although significant issues remain, it is important to acknowledge the work that Serco Payroll staff, HR Administration and the Agresso project team have undertaken to try to improve payroll system controls and correct system problems.

Through generating reports from Agresso, we are able to confirm that the amounts paid over to West Yorkshire Pension Fund and Teachers' Pensions differ by only very minor amounts to the deductions in payroll (0.005% and 0.02% respectively). The NHS and Prudential deductions agree exactly.

Council Management response:

The Council Management accepts the findings of the Audit Report. As a priority, the Council will put in place immediate arrangements to address the issue of the adequacy of client skills / capability to manage this aspect of the Serco contract. The Council will also ensure that the lead Client role for pensions is directly involved with Serco, to ensure strategic oversight of the review of the end to end pensions' process (part of the review of payroll operational delivery) so that we have assurance that the improvements made are sustainable and fit for purpose.

Over the past 8 -10 months, the Council Management have been liaising with colleagues in Serco, West Yorkshire Pension Fund (WYPF) and managers to seek to address the range of payroll and pensions issues (including issues affecting Fire and Rescue staff.) Through regular progress monitoring, it is clear there has been some progress, albeit limited, i.e. there have been significant improvements in the quality and timeliness of the monthly returns sent by Serco payroll to WYPF. Additionally an audit has commenced by the Payroll Team in relation to Fire Fighters' Pension Schemes in response to issues identified by the Council. However due to Serco resourcing constraints this audit has not progressed as quickly as expected. Additional resources have now been identified by Serco to be able to progress with this audit.

This in depth audit investigation and detailed testing undertaken by Internal Audit has identified the root causes to the issues that the Council has raised. This enables the LCC Client function to deliver its assurance role through monitoring and reviewing the adequacy of the performance, risk management and controls that are being put in place by Serco for the operational delivery of the payroll service. As reflected in the action plan, the LCC Client function will also:

- Track the Serco Pensions audit action plans. Performance will be highlighted to the Recovery Board and the HR & Payroll Portfolio Board on a monthly basis to report those recommendations have been implemented and which are still outstanding
- Monitor on monthly basis that overpayments (due to under contributed pensions) are corrected and records are amended within the required timescales
- Determine for the future, additional management information required as part of the existing KPI contract monitoring arrangements.

Serco Response:

Serco accepts the findings of this audit report and urgent efforts are underway to develop and improve the Agresso system and HR administrative process to ensure they apply pension scheme rules and deduct employee and employer contributions correctly.

This audit points to the following main actions which we must undertake:

- The urgent need to ensure the appropriate level of skills, capacity and training to manage pensions.
- The essential work to be completed by the Resources Team to review all Pension contributions in 2015/16; identify any errors; and ensure these are corrected. This will include close liaison with those individuals affected, LCC and the Pension Authorities.
- Regular and effective engagement with Pension Authorities.
- Robust monitoring of the Audit Actions to ensure they are completed in a timely and effective manner.
- Serco are reviewing payslips to see if %s of contributions can be displayed, along with more detail on other allowances and expenses.

Serco has already implemented a number of actions which have led to improvements since this audit was completed. These include:

- Investment in additional senior resources and 3 additions to the Resources Team (currently 6 people and moving to 9) to undertake a thorough review of all Pension contributions in 2015/16, ensuring any findings are also applied to improve current systems and processes.
- The production of Agresso reports to highlight any anomalies across pensions, both historically and then on an ongoing monthly basis to ensure no further errors are made.
- The Payroll Manager has reviewed the skills of the Payroll and Pensions Team and is designing and delivering a training programme to ensure that the necessary skills are available within the team.
- A redesigned starters form to increase the mandatory fields and reduce free text to reduce the margin for error in both payroll and pensions.
- Investing in payroll software (QTAC) to improve the accuracy of manual calculations.

Addressing the recommendations of the report requires Serco to consider how we can improve our own processes - as reflected in the action plan – but also identifies changes in LCC's processes to improve the system as a whole. We will work closely with our partners at LCC to ensure our various contributions are properly coordinated.

Concerto Property Management System

Introduction and Scope

An audit review of the Concerto web application was included in the 2015-16 Internal Audit operational plan. The objective of the audit was to assist Lincolnshire County Council in achieving its objectives, by reporting on the adequacy and application of controls in place to manage the inherent risks associated with the Concerto application and the access controls within.

The terms of reference for the audit were agreed with the Contract Manager at the start of the audit. The agreed objective of the activity is as follows:

Concerto is a replacement for the existing Technoforge system. It will be used to manage property information, maintenance and management. There will be supplier access through a defined 'portal'.

The support arrangements for the system are as follows:

- ◆ Software: Support is provided by the supplier.
- ◆ Server hardware and operating system: Support is provided by the supplier, who also host the system.

This report presents the findings of the audit review and the recommendations made.

Scope & Methods

The audit examined the strength of controls surrounding the Concerto application. The audit was carried out by means of discussions with system administrators and relevant users. The testing made 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.

Executive Summary **Assurance Opinion - Low**

The Concerto web application appears to have been developed with only minimal concern for application security. Access controls need substantial improvement to prevent unauthenticated users from accessing restricted areas of the application. Several security holes exist that could be exploited by users with no privileges to reveal sensitive and confidential data. In its present version the Concerto application would present a serious risk to the commercially sensitive data it holds. Further detailed information about the findings is found in Appendix 1.

Appendix 3 – Internal Audit Plan 2016/17

Audit Area	Assurance Being Sought	Planned Start Date	Actual Start Date	Final Report Issued	Status / Assurance Given
Commissioning Strategy 1: Children are Safe and Healthy					
Families Working Together	Audit sign off as per the requirements of the grant.	Aug 16	Aug 16		1 st Grant sign off complete
Child Sexual Exploitation (CSE) joint working	Confirm a strategy and local action plan setting out the roles and responsibilities of all partner organisations is in place. Adequate data and intelligence gathering arrangements exist between key providers to ensure a joined-up response in dealing with children at risk of sexual exploitation.	Jun 16	Jun 16		Initial work halted due to unexpected departure of auditor
Missing Children	<p>Confirm that LCC complies with its statutory requirements in relation to missing children to include consideration of risks in relation to Child Sexual Exploitation and Radicalism. Assurance will be sought over 3 strands:</p> <ul style="list-style-type: none"> • Children missing from home or care • Children missing education • Children not receiving 25 hours education per week <p>Our audit will leverage assurance from other sources of recent review, where possible.</p>	Nov 16			

Commissioning Strategy 2: Learn and Achieve					
Social Care and SEND transport	Over transitional arrangements from the current providers to the new arrangements that will commence January 2017	Aug 16	Aug 16		In Progress
School Admissions	Confirmation that the risks regarding implementation of new admissions software have been managed to minimise disruption to schools.	Sep 16			Deferred to Quarter 4 – client request
Inclusion	Verify that the 'Inclusive Lincolnshire' strategy is embedded across Lincolnshire education settings and how the Behaviour Outreach Support Service (BOSS) success is measured and reported.	Feb 17			
Local Authority Arrangement for Supporting School Improvement	Sufficiency of transition arrangements for moving from a contracted service to a sector led approach.	Feb 17			
SEND reform	Update on embedding of the new SEND framework in key areas of the service.	Aug 16			
Commissioning Strategy 3: Readiness for Adult Life					
Careers Advice	That the alternative delivery model for careers advice to young people achieves required outcomes.	Jan 17			
Commissioning Strategy 5: Adult Specialities					
Transfer of the attendance allowance	Support and advice in development of arrangements for the transfer of responsibilities of attendance allowance from Department of Work & Pensions to LCC – maximising governance, risk management and control arrangements.	Mar 17			
Commissioning Strategy 6: Carers					
CSC Carers Team	Confirm Carers mobilisation plan complete and progress made against delivery of this plan.	Aug 16	Aug 16		In progress
Commissioning Strategy 7: Adult Frailty, Long Term Conditions and Physical Disability					
Workforce Development	That the workforce development plan is embedded and delivery arrangements and monitoring are effective to	Sep 16	Jul 16	Sep 16	Complete – Limited Assurance

	develop and maintain a skilled workforce.				
Assessment of needs / Annual care assessments	That there are effective processes and procedures are in place to ensure that timely reviews/reassessments of current and new service user's needs are being undertaken.	Sep 16	Aug 16		In progress
Provider payments – validation and data quality	Confirm there are effective systems and processes in place for validation and authorisation of payments to various providers of care and support for Adults.	Jan 17			
Client Contributions Policy	Confirm that the new contributions policy has been fully implemented and is applied consistently to all applicable service users.	Feb 17			
Better Care Fund	Confirm adequacy of governance, financial management and performance monitoring arrangements to ensure the BCF meets its objectives in the medium term.	Jun 16	Jun 16		In Progress
Integration with Health	Progress and delivery of the plan to integrate Health and Social Care.	Mar 17			
Commissioning Strategy 8: Safeguarding Adults					
Adult Safeguarding – Follow up of Peer review action plan	That actions resulting from the June 2016 peer review of adult safeguarding are progressing as agreed and ensuring desired outcomes.	Feb 17			
Domestic Homicide Reviews	Follow up of Domestic Homicide Reviews involving LCC to confirm that agreed actions have been taken or are progressing and that lessons learnt are embedded.	Jun 16	Jun 16		Audit stopped due to client – Jul 16
Commissioning Strategy 9: Enablers and support to the Council's outcomes					
SERCO – Agresso Post Implementation Review	Review of the implementation of Agresso throughout the key stages of the project, go live and post implementation issues and resolution in order to identify lessons learnt	Jun 16	Jun 16		Draft report
ICT - Key Application Audit – Agresso	Overall Administration of this key application, to include Access, Security and Processing controls.	Not Scheduled			
ICT - Key Application Audit –Case Management	Overall Administration of this key application, to include Access, Security and Processing controls.	Sep 16	Sep 16		In progress

System (MOSIAC)					
ICT Audit	<p>Scheduling of individual ICT audits to be agreed in year. Possible areas for focus include:</p> <ul style="list-style-type: none"> • ICT provider governance arrangements • ICT strategy • Data Sharing • Change Control <p>We will discuss and agree the final ICT plan with the Chief Commissioning</p>	Not Scheduled			
Business Support	Confirm effective and efficient support is given at the right time, place and people to meet the needs of the business	Nov 16			
Service Transformation	Confirm that service reviews, restructures and reductions have been performed in line with the commissioning cycles and aligned to budget plans.	Jul 16			
Contracts	Management of capital and revenue contracts	Not Scheduled			
Commissioning Strategy 10: How we do our business					
Corporate Complaints	Review of the complaints process to provide assurance that it is fit for purpose and meeting targets in resolving customer complaints at the earliest contact.	Jul 16			
Corporate Policies and Procedures	Assurance over effectiveness of Corporate Policies and Procedures in providing the 2 nd line of the 3 lines of assurance model.	Jun 16	Jul 16		In progress
Scrutiny functions	Assurance over effectiveness of Scrutiny functions in providing the 2 nd line of the 3 lines of assurance model.	Sep 16	Sep 16		In progress
Performance Management	Assurance over effectiveness of performance management in providing the 2 nd line of the 3 lines of assurance model.	Not Scheduled			
Pension Fund	British Wealth Funds - this will change how money is invested and will result in changes for Pensions	Mar 17			

	Committee					
Budget Management	Should be more self-service (although other Agresso issues have impacted)	Sep 16				
Bank reconciliation	Key systems that support the running of the Council's business and ensure compliance with corporate policies and legal requirements.	Sep 16				
General Ledger		Oct 16				
Payroll	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.	Jan 17				
Income		May 16	May 16		Draft report	
Creditors		Feb 17				
Debtors		Jun 16	Jun 16		Draft report	
Treasury Management		Nov 16				
VAT		Agresso has impacted and system not working smoothly as previous. Possible change in risk rating from HMRC	Aug 16			Scoping
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 16			
Key Controls – Starters, Leavers and Changes (Schools)	Delivery of HR key control testing at a sample of schools to enable the Head of Internal Audit to form an opinion on the Council's financial control environment.	Jul 16	Jul 16		In progress	
Schools	Periodic audits of maintained schools.	Throughout year			In progress	
Commissioning Strategy 11: Protecting the Public						
Trading Standards	Capacity issues are managed using a risk based methodology and the future model based on income generation is realistic and deliverable.	Sep 16	Aug 16		In progress	
Commissioning Strategy 12: Sustaining and growing business and the economy						
European Regional Development Fund	Accounts are adequate to support expenditure in line with grant conditions.	Jul 16			Scoping	

Commissioning Strategy 13: Protecting and sustaining the environment					
Joint Waste Management Strategy	Review to provide assurance on waste management strategy applied. To include management of overspends – prediction and prevention.	Jun 16	May 16		Draft report
Local Enterprise Partnership Grant sign off	Verification and audit sign off to confirm appropriate use and spending of the LEP capital grant 2015/16	Jul 16	Jul 16	Jul 16	Complete
Commissioning Strategy 14: Sustaining and developing prosperity through infrastructure					
Highways Maintenance Contract	Consultancy - Support and advice on project to implement the recommendations of the 'Cranfield University work'.	Aug 16			Scoping
Planning software procurement	Consultancy - Support and advice in procurement and development of a new planning management system to ensure adequate governance, risk management and controls.	Apr 16	Apr 16		Fieldwork in progress
Transport Connects – 'Teckal' Trading Company	Consultancy – Support and advice on the Governance, Risk Management and Control arrangements for the setup of this 'Teckal Company' to provide passenger transport.	May 16	May 16		Complete
Commissioning Strategy 15: Community Resilience and Assets					
Heritage sites	Effective governance and financial and stock management in key sites	Mar 17			
Lincolnshire Archives	Consultancy - Support and Advice on the planning process for relocation of the archives to a new site	Oct 16			
Commissioning Strategy 16: Wellbeing					
Local Commissioning Framework	The effectiveness of the new Local Commissioning Framework. The Framework will be tested using the Libraries procurement as a sample.	Sep 16			Scoping
ICES	The new contract is being effectively managed and is delivering efficiencies as set out.	Dec 16			Scoping
Commissioning Strategy 17: Enablers and support to key relationships					
Partnership Management	High level review of the process in place for managing and monitoring partnerships.	Aug 16			

Devolution	Confirming effectiveness of governance arrangements of the devolved committee.	Jan 17			
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.	Nov 16			Preparation work
Follow up work – Joint Commissioning Board	2 nd Follow up on progress made with the action plan from this key 2014/15 audit	Sep 16	Sep 16		In progress
Follow up of Recommendations	Audit Reports issued during 2015/16 where an audit opinion of 'Limited' or 'Low' will be followed to establish progress in implementing agreed management actions.	Nov 16			
Advice & Liaison		Various throughout the year			In progress
Annual Report		Jun 16	Jun 16		In progress
Local code of Governance	To develop a toolkit which will then be used to assess the council's code of governance against the revised CiPFA SOLACE guidance on good governance	Aug 16	Aug 16		In progress
Annual Governance Statement	Support development of the AGS and review of the local code of gov in light of the revised CiPFA SOLACE guidance	Jun 16	Jun 16		In progress
Audit Committee		Various throughout the year			In progress

Appendix 4 – Overdue Actions at 31st August 2016

Audit Area	Date	Assurance	Agreed Actions	Implemented	Overdue		Not Due
					H	M	
Coroners	June 2014	Limited/ Substantial	52	45	5	2	0
Information Governance	Mar 2015	Limited	15	12	3	0	0
Home to School Transport	January 2015	Substantial	14	11	0	3	0
Civil Parking Enforcement	April 2014	Substantial	3	2	0	1	0
Business Continuity	January 2016	Limited	4	1	1	0	2
Payroll Audit 1 2016	March 2016	Low	27	19	8	0	0
Payroll – Key controls 2016	July 2016	Low	50	11	4	3	37
Pension Contributions 2015/16	July 2016	Low	48	10	1	0	42
Accounts Payable – Key Controls	July 2016	Limited	10	1	1	0	8
Totals			223	112	23	9	89

This page is intentionally left blank