

Internal Audit Progress Report

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Introduction

1. The purpose of this report is to:
 - Provide details of the audit work during the period 12th January to 12th March 2017
 - 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 15 County audits, 6 to final report (including 2 consultancy assignments) and 8 to draft report stage as well as finalising 1 school audit.
3. There are currently 6 further audits in progress.
4. The detailed revised 2016/17 Audit Plan is shown in Appendix 2 with current progress as follows:

73% completed or at draft report stage
27% in progress

Internal Audit work completed in the period 12th January to 12th March 2017

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

High Assurance	Substantial Assurance	Limited Assurance	Consultancy Assignments
<ul style="list-style-type: none">■ Bank Reconciliation	<ul style="list-style-type: none">■ European Regional Development Fund■ Trading standards		<ul style="list-style-type: none">■ Mosaic Case Management System■ Greater Lincolnshire Local Enterprise Partnership – Assurance Framework

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 High or Substantial Assurance:

Bank Reconciliation

Our review confirmed that the bank reconciliation processes are working well. There have been difficulties with the transition to Agresso which have now mainly been resolved. Officers are aware that there is a large difference between the general ledger and cash book of £288,590.88. This has remained unchanged since February 2016 and Unit 4 consultants are currently looking into how this can be corrected.

European Regional Development Fund

The European Regional Development Fund (ERDF) is a grant programme run by the EU which aims to promote regional development, stimulate economic growth, encourage technological innovation and help create sustainable jobs. The Council successfully secured £15M of ERDF funding and roughly the same of other EU funding during the 2007-13 grant programme. Three revenue projects and two capital projects have since attracted clawback of grant monies totalling approximately £380K due to non-compliance with grant conditions. The Council were also liaising with the Department for Communities and Local Government regarding possible clawback of between £200-£700K relating to the Teal Park development project. This continues; however our audit sought to provide assurance that lessons have been learnt from these clawbacks so that current projects are not subject to the same treatment in the future.

Our review found that lessons learnt from clawback of ERDF grant monies have been identified by management and that these are being considered during the course of current projects and when bidding for external funding. The issues encountered have also resulted in some changes to procedures and regulations.

Trading Standards

Our audit reviewed arrangements to deliver trading standards functions with reduced resources. We found the Trading Standards Service is delivered via two work streams (Business Compliance, and Intelligence Led). We can confirm that a methodical approach is adopted when prioritising the services' workload, which results in:

- defined work plans for inspection and sampling activities; .
- the allocation of adequate resources to service income generating activity.

The service has adopted the National Trading Standards Board Integrated Operating Model. On-going reactive work is monitored via the Tactical Assessment Group, additional reactive work (as Problem Profiles) is considered by the Group and resources committed where the Group has established that either spare capacity exists; or decides to hold other on-going reactive work in abeyance. Again, the process is methodical in approach.

Our work has made some recommendations for improvements including defining and documenting the framework for risk assessments and consideration of how time manage to be able to quantify or identifying where spare capacity may exists, or whether resources are being utilised in the most effective and efficient manner.

Audits in Progress

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

- HR recruitment processes in Schools
- Integrated Community Equipment Scheme
- Missing Children
- Adult Care Assessments – Initial and annual
- Adult Safeguarding Referrals – Consultancy report
- Accounts Payable
- Pro-contract. Replacement Contract Management system
- Heritage sites

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

8. Audits are currently in progress include:

- Child Sexual Exploitation – Joint working
- Contracts
- VAT
- Annual Key Control testing
- Payroll
- Inclusion

The audits of the Highways Maintenance restructure, Partnerships, Adult Safeguarding Peer Review follow up, Agresso and the ICT work have been delayed by Management and have been rolled into the 2017/18 plan as they will now be undeliverable during 2016/17.

More details on audits in progress can be found at Appendix 2, which details the entire 2016/17 audit plan.

Other Key Work

9. Other key work undertaken during the period includes:

Mosaic Case Management System (Consultancy Assignment)

We reviewed the Case Management Partnership Programme (CMPP) to give independent assurance on the Mosaic Case Management System's readiness for Go Live late in 2016. Although Mosaic was procured in 2014, this audit only began in September 2016 and our findings and opinions are based on this point in time, we did not consider a historical perspective.

Our work included exploring how the project team is approaching Go Live, including training users and support staff, migrating data and integrating Mosaic within LCC's social care processes, to give us confidence that the project will be delivered on time.

We would summarise our main findings as:

- The project is well managed and has a good structure with experienced professionals (both LCC staff and contractors) working on it.
- There is a good working relationship with Serco. This has been fostered by an informal collaborative relationship between the CMPP project manager and the Serco counterpart.
- Mosaic has almost 2,500 users. Training so many people across a county as large as Lincolnshire and in a short space of time has been challenging but has largely been achieved.
- Data is regularly migrated from existing adult and children systems to Mosaic. Migration testing includes referral to the business for confirmation of completeness and accuracy.
- System security and resilience testing results need to be confirmed.
- Business Readiness documentation needs completing.
- Parallel running of Mosaic alongside existing systems for 18 months seems over long.

Greater Lincolnshire Local Enterprise Partnership – Assurance Framework (Consultancy Assignment)

Local Enterprise Partnerships (LEP's) are voluntary partnerships between local authorities and businesses. They were set up in 2011 to help determine local economic priorities and lead economic growth and job creation within the local area. Central Government issued guidance on what they expect to be included in the LEP's local assurance framework in October 2016. LEP's are required to review, refresh and sign off their frameworks using this updated document. Our audit carried out this review in preparation for sign off by the Section 151 Officer.

We reviewed the work in progress GLLEP Local Assurance Framework, and found that the majority of requirements raised by the new guidance were appropriately actioned. We found 73% key points were covered sufficiently. For the other 27% of key points we have made recommendations to strengthen or expand arrangements to fully meet the guidance.

Infrastructure Asset Revaluation

We have completed an audit of arrangements in place to implement the Highways Network Asset Code into the Financial Reporting Requirements of Local Authorities. This was originally due to be applied to the 2016/17 accounts although during the course of the audit this was delayed by government to the 2017/18 accounts.

At its meeting on March 8th, the CIPFA/LASAAC Code Board decided not to proceed with the introduction of the Highways Network Asset Code into the financial reporting requirements for local authorities. The Board decided that, currently and in particular in the absence of central support for key elements of the valuation, the benefits are outweighed by the costs of implementation for local authorities. As our report makes recommendations to meet the code these are now irrelevant so the final report will not be issued.

Performance Information

10. 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%	90%	86%
Percentage of recommendations agreed	100%	100%	100%
Percentage of recommendations implemented	100% or escalated	100% or escalated	100% ¹
Timescales:			
Draft Report issued within 10 days of completion	100%	100%	59%
Final Report issued within 5 days of management response	100%	100%	77%
Draft Report issued within 2 months of fieldwork commencing	80%	80%	44% ²
Client Feedback on Audit (average)	Good to excellent	Good to excellent	Good to excellent

¹ Implemented or reported to audit committee for tracking

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

Appendix 1 - Assurance Definitions³

<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>

³ These definitions are used as a means of measuring or judging the results and impact of matters identified in the audit. The assurance opinion is based on information and evidence which came to our attention during the audit. Our work cannot provide absolute assurance that material errors, loss or fraud do not exist.

Appendix 2 – 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	Jan 17		Draft report stage
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 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	Nov 16		Draft report stage

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	Nov 16	Complete – High Assurance
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	Mar 17		In progress
Local Authority Arrangement for Supporting School Improvement	Sufficiency of transition arrangements for moving from a contracted service to a sector led approach.	Feb 17	Mar 17		In progress
Commissioning Strategy 6: Carers					
CSC Carers Team	Confirm Carers mobilisation plan complete and progress made against delivery of this plan.	Aug 16	Aug 16	N/A	Complete - Scope changed to support through consultancy
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 develop and maintain a skilled workforce.	Sep 16	Jul 16	Sep 16	Complete – Limited Assurance
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		Final report stage
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	Feb 17		In progress
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	Jan 17	Complete – Substantial Assurance

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	Feb 17		Rolled forward
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	Nov 16	Complete
ICT - Key Application Audit – Agresso	Overall Administration of this key application, to include Access, Security and Processing controls.				Rolled forward
ICT - Key Application Audit –Case Management System (MOSIAC)	Overall Administration of this key application, to include Access, Security and Processing controls.	Sep 16	Sep 16		Complete
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>				Rolled forward
Contracts	Management of capital and revenue contracts	Dec 16	Dec 16		In progress
Commissioning Strategy 10: How we do our business					
Corporate Policies and Procedures	Assurance over effectiveness of Corporate Policies and Procedures in providing the 2 nd line of the 3 lines of	Jun 16	Jul 16	Jan 17	Complete – High Assurance

	assurance model.				
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		Complete – High Assurance
Pension Fund	British Wealth Funds - this will change how money is invested and will result in changes for Pensions Committee	Mar 17			Rolled forward
Bank reconciliation	Key systems that support the running of the Council's business and ensure compliance with corporate policies and legal requirements. How often Internal Audit review these activities depends on previous assurance opinions, when we last examined the activity and if there has been any significant changes to the system or senior management. We also consider the requirements of External Audit.	Sep 16	Oct 16		In progress
Payroll		Feb 17	Feb 17		In progress
Income		May 16	May 16		Complete – Substantial Assurance
Creditors		Feb 17	Dec 16		Draft report stage
Debtors		Jun 16	Jun 16	Nov 16	Complete – Limited Assurance
Treasury Management		Nov 16	Nov 16	Jan 17	Complete – High Assurance
VAT		Aug 16	Dec 16		In progress
Key Control Testing		Delivery of key control testing to enable the Head of Internal Audit to form an opinion on the Council's financial control environment.	Jan 17	Jan 17	
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		Draft report stage
Infrastructure Asset Revaluation	Assurance on preparedness for the Implementation of the Highways Network Asset Code into the Financial Reporting Requirements of Local Authorities	Dec 16	Dec 16	Mar 17	Complete
Schools	Periodic audits of maintained schools.	Throughout year			Complete – 6 delivered

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	Jan 16	Complete – Substantial Assurance
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	Oct 16		Complete – Substantial Assurance
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	Nov 16	Complete – Limited Assurance
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
Local Enterprise Partnership – National Assurance Framework	That the Great Lincolnshire Local Enterprise Partnership conforms to the National Assurance Framework for LEP which was revised October 2016	Jan 16	Jan 16	Jan 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	Nov 16	N/A	Fieldwork delayed by director to 17/18 plan
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	N/A	Complete
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	Jul 16	Complete
Commissioning Strategy 15: Community Resilience and Assets					
Heritage sites	Effective governance and financial and stock management in key sites	Mar 17	Dec 16		Draft report stage

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	Jan 17		In progress
ICES	The new contract is being effectively managed and is delivering efficiencies as set out.	Dec 16	Nov 16	Feb 17	Complete – Limited Assurance
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			Rolled forward
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	Oct 16	Jan 17	Complete
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		Draft report stage – waiting on PWC
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	Jun 16	Complete
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	Oct 16	Phase 1 complete
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	Jul 16	Complete
Audit Committee		Various throughout the year			In progress