

Internal Audit Progress Report



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Lincolnshire County Council June 2018

Contents

Key Messages

Page 1

Introduction
Summary
Assurances

Internal Audit work completed

Page 2

Overview of Assurances
Audit Reports at Draft
Other Significant Work
Work in Progress

Benchmarking

Page 8

Key Performance Indicators

Appendices

Page 9

Assurance Definitions
Details of Limited / Low Assurances
Details of Overdue Actions
2018/19 Audit Plan to Date

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

Introduction

The purpose of this report is to:

Provide details of the audit work during the period 11th March 2018 to 12th June 2018
Advise on progress with the 2018/19 plan
Raise any other matters that may be relevant to the Audit Committee role

Key Messages

During the period we have completed 13 audits:

- 11 to final assurance reports
- 1 final school audit reports
- 1 other reports

Assurances

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

- Careers Advice – High
- Social Work Recruitment Processes – High
- Pension Fund – Key controls – High
- Total Transport Project – Substantial
- Procurement Cards – Substantial
- Debtors – Key Controls – Substantial
- Absence Management – Substantial
- Accounts Payable – Substantial
- Capital Programme – Limited
- ICT Asset Management – Limited
- ICT Service Improvement - Limited
- Payroll – Limited
- Fuel Cards - Low

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.



During the period we have issued 8 reports giving high or substantial assurance, 4 limited reports and 1 low assurance.

High Assurance

Careers Advice

Work completed during the audit found that broad statutory duties are overall being fulfilled. We were able to confirm that a robust tracking system is in place to report the number of young people highlighted as not in education, employment or training (NEET) and that monthly reporting to the Department for Education is accurate and timely.

Social Work Recruitment Processes

The Council has a clear and demonstrable understanding of the barriers it faces in respect of Social Worker recruitment, and has undertaken a substantial body of work to address these challenges.

We identified numerous initiatives to identify and recruit staff to these 'hard to fill' posts.

We confirmed in the 12-month period of September 2016 to September 2017, the Council undertook two dedicated recruitment campaigns which, along with ongoing recruitment in the period, resulted in the successful appointment to 88 social work posts .

Pension Fund Key Controls

Our review confirmed that full and detailed reconciliation's of the Pension Fund are completed monthly.

We found that the calculations on the reconciliation totals were all correct and the all the investment records agreed to the underlying records therefore confirming existence and valuation of investments.

Substantial Assurance

Total Transport

We found that the Transport Services Group have a clear vision for the future of the county's passenger transport and are committed to building on the progress made through the Total Transport funding.

The commitment is demonstrated through 2 key projects, as outlined in a report to the Lincolnshire Health and Wellbeing Board in September 2017.

We found sound Project Management arrangements are embedded throughout the Transport Services Group; adequate research was undertaken and appropriate consultation process followed in advance of the projects commencing.

Procurement Cards

Our review was undertaken to provide assurance over the processes and controls in place around Procurement Cards to ensure that use is appropriate and transactions are reflected accurately and completely in the Council's accounts.

During the audit we have identified issues and made recommendations relating to four of the risks. We are able to give Substantial Assurance as the impact on the achievement of objectives is assessed to be minor. The majority of key controls such as availability of guidance, approval to have a P-card, segregation of duties and retention of supporting receipts are in place. There are improvements to be made that will strengthen controls and reinforce to card holders when card use is appropriate and where this may not be the case.

Debtors Key Controls

Our review established that generally the processes across the Council and within Serco Credit Control to generate debtor invoices, credit notes and issue reminders are well controlled.

The main area of concern remains the focus on recovery of high value debts with older, lower value debts not being actively chased although this is the approach agreed with LCC.

Substantial Assurance

Absence Management

We are pleased to report that both the process and the service itself have moved on since we last reviewed it following key improvements that have been made. While there are still enhancements that managers can make such as better document retention, we are satisfied that assurance has improved.

Accounts Payable

Our review established that the processes across the Council and within Serco Accounts Payable to raise purchase requisitions and make invoice payments are now generally well controlled and the payment performance KPI has consistently met the target since July 2017. This is in part due to improved exception reporting including the pre payment run checks that the Accounts Payable (AP) team run on Business World on! to minimise the risk of incorrect payments being made.

Limited Assurance

Capital Programme

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

Asset management is currently delivered through:

- SERCO recording assets on an asset register and controlling delivery of assets to the Council and;
- the Council then taking responsibility for controlling assets once allocated to staff.

ICT Asset Management

Our work found that IT Asset Management is working poorly in both areas, with systems and processes in place that are not wholly in line with current best practice. Notably the asset register is correct at the point of issue, but then assets are not tracked once issued to the Council

ICT Service Improvement

Towards the end of our audit service improvement activities were suspended. We found that prior to this service improvement projects had run into difficulties due to a lack of resources and the lack of agreement between the Council and Serco on a number of service improvements. The relationship between the Council's IMT team and Serco is not working effectively and as a result it is unlikely that significant service improvement to ICT delivery can be made until issues are resolved.

Payroll

Our discussions and testing performed has demonstrated some level of improvement in Payroll processes and controls particularly since December 2017. In February 2018 there were 157 open management actions in relation to previous audit reports. 58% have now been closed and of the remainder 16% individual actions are addressed by the Pay Statements project.

The impact of the new Payroll and Pensions Manager is visible. He has worked with the team to introduce strengthened payroll processes and controls and continues to do so, resulting in improvements in the payroll control environment.

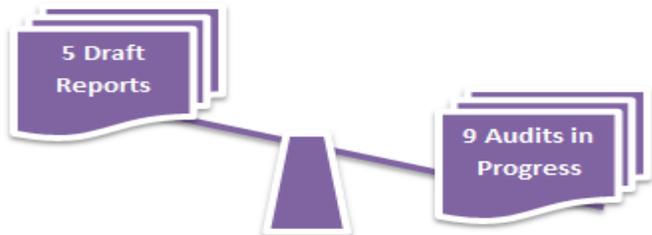
Low Assurance

Fuel Cards

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

The management summary of the limited and low assurance reports can be found at appendix 2. The payroll report is the subject of an additional item on this committee so is not repeated in this report.

The 2 IMT audit reports which have been issued without actions agreed. We have sought to agree these with LCC-IMT since July 2017. At April 2018 these were issued with no agreed actions to ensure our findings remained contemporary and inform the relevant Executive Director – Environment and Economy. The Chairman of the Audit Committee has requested an IT assurance update for the July 2018 committee.



Audits reports at draft

We have 5 audit's at draft report stage:

- General Ledger Key Controls
- Corporate Complaints
- Mosaic Application Audit
- Cyber Security
- Budget Management

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

Work in Progress

We also have 9 2018/19 audits in progress :

- Admissions Software
- Mosaic Data Quality & Reporting (ASC)
- Corporate Support Services Contract
- Highways 2020 Project
- Succession Planning
- Operation Dovetail
- Heritage Delivery Model
- Domestic Homicide Reviews
- Good Governance Review

Details of these can be seen in the 2018/19 plan at appendix 4.

Audits planned for quarter 2 include:

- Cash Management in Establishments
- Tax Compliance
- Mosaic Data Quality & Reporting (Children's Services)
- Adult Care Financial Assessments
- Business Continuity

- IMT Asset Management Follow up
- IMT Service Improvement Follow up

Other Significant work

Other key work undertaken during the period includes:

Families working together

We have concluded our annual audit work of the Families working Together Grant with review and sign off of the final submission 2017/18 for payment. This did not identify any concerns or issues.

Corporate Support Services Contract

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

Corporate Management Board asked Internal Audit to provide independent support, advice and assurance over the Programme – Support and advice work is underway with the first assurance audit, to cover programme management and progress, planned for Quarter 2.

The Head of Internal Audit and the Strategic Commercial & Performance Manager are also co-ordinating External Assurance over the programme – planned for October 2018.

Audit Committee Workshop – March 2018

We facilitated a workshop to review the effectiveness of the Committee and help shape the Audit Committee Annual Report.





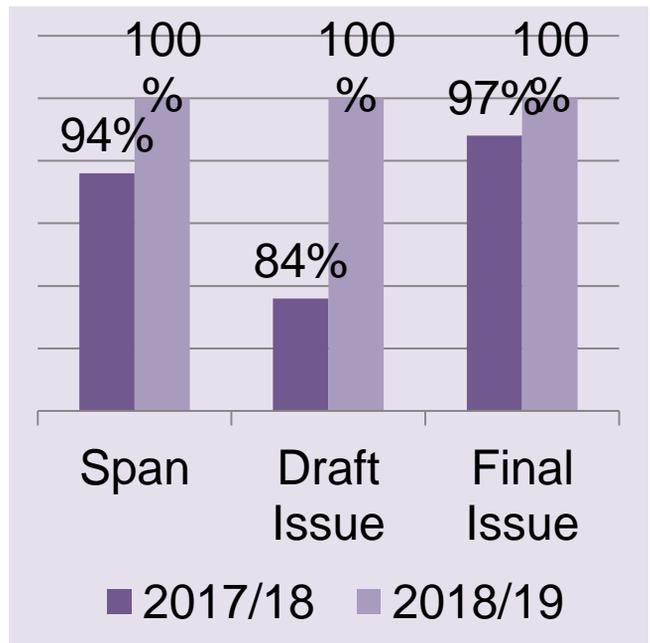
Internal Audit's performance is measured against a range of indicators. The statistics below show our performance on key indicators year to date. At this stage only one 2018/19 audit has been finalised.

Performance on Key Indicators

100%

Rated our service Good to Excellent

High achievement of Audit KPI's to date



High

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

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

Substantial

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

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

Limited

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

Low

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

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

Capital Programme

Limited Assurance

Risk	Rating (R-A-G)	Recommendations	
		High	Medium
Capital Programme does not reflect the Council's priorities	G	0	0
Capital Programme spend is inappropriate or inaccurately reported.	A	0	3
Risks to the delivery of the Programme and individual projects are not well managed.	G	0	0
Capital projects encounter significant overspend	R	3	1
Capital projects fail to achieve their stated objectives / benefits are not realised	G	0	0

Background and Context

The Capital Programme comprises a group of capital investment projects designed to support the achievement of the Council's strategic objectives. In 2017/18 Lincolnshire County Council's Capital Programme gross spend is anticipated to be £138m. The majority of this spend (55%) relates to Highways Infrastructure projects.

Completing the Capital Programme to established budgets, timescales and specifications represents a significant challenge to the Council. Failure to adequately manage the programme could adversely impact upon the Council's delivery of services and its financial viability.

Scope

The purpose of the review was to provide independent assurance around the effectiveness of the governance arrangements for the Capital Programme to ensure that it delivers expected outcomes within budget.

The review focussed on the financial management of the Capital Programme and in particular on three capital schemes: Lincoln East-West Link, New Eastgate Centre, Sleaford and Grantham Poplar Farm School. The following risks were considered:

- Capital Programme does not reflect the Council's priorities.
- Capital Programme spend is inappropriate or inaccurately reported.
- Risks to the delivery of the Programme and individual projects are not well managed.
- Capital projects encounter significant overspend.
- Capital projects fail to achieve their stated objectives / benefits are not realised.

Executive Summary

Our review has concluded that overall the financial controls around capital spend require greater focus, in particular to improve the transparency of the finances of each scheme and to mitigate the risk of overspend. As there only limited controls within the financial system to prevent overspend on a capital scheme, LCC is reliant on monitoring controls such as the monitoring and reporting of capital spend. However significant issues were identified around the effectiveness of the reporting and resultant difficulty in the identification of overspend and scrutiny and challenge of the finances of each scheme. In addition, corporate procedures do not provide any financial limits for the Executive approval of overspend if funding can be found from existing budgets. 1 of the 3 schemes reviewed was in an overspend position

Executive Summary

Key improvement areas identified include:

- Capital reporting requires significant improvement in order to provide a clear representation of a scheme's finances and enable Project teams to make informed decisions around their spend;
- Higher risk capital schemes (e.g. those in an overspend position) should be reported separately within the corporate reporting to enable adequate scrutiny and challenge, particularly by Members.
- Financial Procedures should be tightened and limits introduced so that the amount of overspend does not exceed a given monetary value or % of approved budget without prior Executive approval.
- Finance oversight over schemes could be enhanced through attendance at the Project Boards of the higher risk schemes and through Finance scrutiny of all schemes prior to their final approval.
- Formal Finance training around capital budgets should be provided to Scheme Managers, given that they are responsible for monitoring the spend against their schemes; and
- Capital Target Change processes require greater focus to enhance the clarity, effectiveness and consistency of their authorisation.

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

- The Capital Programme is approved annually by the Council to ensure it reflects their priorities;
- Each scheme reviewed was appropriately approved and had clearly stated benefits;
- Segregation of duties exists between raising and approving capital related purchase orders;
- Capital spend is approved in accordance with authorised limits embedded in Agresso;
- Risk registers and lessons learned logs were maintained for each capital scheme reviewed;
- The phasing of capital spend is reviewed annually to ensure capital budgets are aligned to current spending plans

We would like to thank all of the staff involved in the audit for their help in undertaking the review.

Management Response

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

The report highlights a number of important points, these include the formalisation of the reporting mechanism of large capital projects from inception to completion. This is important to ensure all officers involved have clarity of what is expected of them, members are aware of project progress and financial standing with corrective action being taken more effectively, if required. However, this does not mean, that there is a current lack of awareness. Key members such as the

Leader of the Council and Executive Councillors are kept informed on the progress of capital projects and overspend positions, if that is the case. They take appropriate decisions on that information and agree how overspends will be funded.

Capital project information is available, however, the processes used to share this need to be made more open and robust to ensure more effective monitoring and management. It is a similar case for underspending.

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

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

ICT Asset Management

Limited Assurance

Risk	Rating (R-A-G)	Recommendations	
		High	Medium
Risk 1 – Arrangements for the management of ICT Assets are inadequate	Red	0	1
Risk 2 – The procurement of ICT assets is not controlled	Green	0	0
Risk 3 – ICT assets are not recorded or movements tracked	Red	2	1
Risk 4 – ICT assets are not disposed of correctly	Red	No	Assurance
Risk 5 – ICT assets are not maintained	Green	0	0
Risk 6 – Engagement with stakeholders is not effective	Green	0	0

Background and Context

The Council has a significant investment in ICT assets and under the arrangements for the provision of ICT services SERCO is responsible for the management of those assets. To achieve best value for money and security of those assets it is important that a comprehensive and up-to-date inventory of assets is maintained, that assets movements are tracked, and assets are maintained in accordance with good practice and supplier requirements. This is increasingly important where staff and so assets are no longer stationary and working from remote sites and home is becoming a routine occurrence.

Scope

The review covered the following areas:

- The arrangements for the management of ICT assets
- ICT asset procurement
- The maintenance of the ICT asset inventory
- ICT asset maintenance and disposal
- Communication and engagement with ICT asset users

Executive Summary

Asset management is currently delivered through:

- SERCO recording assets on an asset register and controlling delivery of assets to the Council and;
- the Council then taking responsibility for controlling assets once allocated to staff.

Our work found that IT Asset Management is working poorly in both areas, with systems and processes in place that are not wholly in line with current best practice. Notably the asset register is correct at the point of issue, but then assets are not tracked once issued to the Council.

SERCO did not provide all the information requested and we have not then been able to give assurance over some elements of the asset management process. Consequently we have given a limited assurance opinion at this time.

Executive Summary

Areas for Improvement

The report makes a number of recommendations to generate improvements which will lead to processes more in keeping with the ISO:27001 standard. These have been summarised below.

A number of additional recommendations have been made, including:

Development of an Asset Management Plan that can give the contractor a direction of travel that can support more robust process.

Complete planned deployment of Direct Access which ensures devices more readily connect back to the management systems to keep the detected inventory up to date.

Network access is revoked for assets not seen on the network for a defined period of time. We are aware that discussions around this are taking place between IMT and SERCO.

Best practice, the ISO:27001 standard includes several controls that relate to Asset Management which we have considered:

ISO:27001 A.8.1.1. - Assets associated with information and information processing facilities should be identified and an inventory of these assets should be drawn up and maintained.

The register is only updated by events that become known to SERCO through human interaction and needs to be supplemented by network scans to ensure data is current.

ISO:27001 A.8.1.2. - Assets maintained in the inventory should be owned.

Assets are issued by SERCO to the Council, but the Council does not then track the assets.

Information obtained during the audit identified that the asset register records over 1,400 assets that have not been picked up through network scans and are believed to be still held within the Council.

In addition to surplus assets being an unnecessary cost to the Council, they may present other risks such as:

- Unused equipment may not receive patches and updates to prevent vulnerabilities being exploited
- Excessive licence costs for software installed on these devices
- Possible theft or loss of these assets and the likelihood that such losses may not be identified for a period of time

The Council's financial procedures explicitly state that officers do not need to record IT assets on inventories. We feel this is unhelpful, particularly as:

- the SERCO asset register is not actively maintained
- there is a significant volume of assets not found within the Council
- no periodic checks are undertaken to confirm that the asset register is accurate
- assets are not returned to SERCO when an employee leaves

Executive Summary

We have recommended that Information Asset Owners within the Council take responsibility for identifying what assets are held within their department and that the discrepancy between assets issued and those found to be in use are resolved.

ISO:27001 A.8.1.3. - Rules for the acceptable use of information and of assets associated with information and information processing facilities should be identified, documented and implemented.

The Council provides and maintains an acceptable use policy to help direct staff behaviour. This policy is supported by Information Security training that staff are required to complete annually.

ISO:27001 A.8.1.4. - All employees and external party users should return all of the organisational assets in their possession upon termination of their employment, contract or agreement.

Departments are not currently required to track their own IT assets and do not have ready access to the asset register. They may not then be wholly aware of what assets staff hold and should be returned on leaving. The requirement for Information Asset Owners to track IT assets would remedy this situation.

Information Not Provided

Information necessary to undertaking the audit was requested from SERCO but information relating to the disposal of assets was not provided during the evidence gathering stage of the audit. We were provided with a spreadsheet report of disposals but due to not receiving this on time we were not able to test the accuracy of the information provided.

As a result, we cannot give assurance over this area of the audit and we would draw your attention to the following implications:

We cannot offer assurance that any end of life and equipment deemed uneconomical to repair is being removed from the LCC asset base. This is of increased importance given the disparity between items issued per the asset register and items found on scans undertaken of the LCC network.

We cannot offer assurance that LCC assets are being solely disposed of through an appointed 3rd party, i.e. disposal of LCC assets may be through other means such as private sales. We cannot offer assurance that LCC data held on devices, although encrypted, is being destroyed as part of a disposal process.

No Actions Agreed

A number of recommendations have been made that require responses from the Council's IMT section. We have received some input from the IMT management (see below) but this has not extended to the specific recommendations made. We have made a number of requests for management actions to the recommendations within the report but no responses have to date been received. The report has therefore been issued without such responses.

Given the absence of responses, and the Limited Assurance opinion, we will be undertaking a follow-up review of Asset Management during the 2018/19 year.

Management Response

The findings of the audit enforce the service perception of the current state of Asset Management.

Whilst the service design largely covered those areas found below assurance there is a clear shortfall in service delivery which accounts for most aspects of the shortcomings.

LCC IMT are working with Serco to deliver a Service Improvement plan focused on bring the Asset register in the form of a Configuration Management Database (CMDB) which in addition to Asset information records elements of configuration in addition.

A paper will be presented to CMDB to propose requiring Council Departments to track those assets issued to them in accordance with the recommendation within this report.

ICT Service Improvement

Risk	Rating (R-A-G)	Recommendations	
		High	Medium
Risk 1 – Arrangements for the management service improvement are inadequate	Red	2	1
Risk 2 – Service improvement is not planned	Red	1	0
Risk 3 – Staff resources are inadequate to deliver service improvement projects	Red	1	0
Risk 4 – Engagement with stakeholders is not effective	Amber	0	1
Risk 5 – Project planning and delivery is not effective	Amber	1	0
Risk 6 – Risks are not managed	Amber	1	0

Limited Assurance

Background and Context

ICT has the ability to significantly assist the Council in delivering value for money, efficient and effective services to the public. New and improved technology becomes available on a continuous basis and it is important that the Council is able to improve its service delivery through harnessing the latest technology.

This can only be done if improvements to technology are identified and assessed, and their implementation properly prioritised and planned through an effective service improvement plan.

Continual Service Improvement (CSI) is a core component of the Information Technology Infrastructure Library (ITIL). It is designed to exert influence in every aspect of service management to improve delivery and performance. This review set out to provide management with an assurance level on how well service improvement is planned and managed.

Scope

The review covered the following areas:

- Service improvement management arrangements
- The overall planning and monitoring of service improvement projects
- Staff and other relevant resources
- Arrangements for stakeholder engagement
- The management of individual projects
- The management of overall and individual project risks

Executive Summary

Towards the end of the audit we were informed that Serco has suspended the formal Continuous Service Improvement (CSI) process due to a lack of resource within their Lincoln office. Despite requests to Serco we were not told when the service improvement process was suspended or when it will resume.

Executive Summary

We found that prior to service improvement activities being suspended service improvement projects had run into difficulties due to a lack of resources and the lack of agreement between the Council and Serco on a number of service improvements. The relationship between the Council's IMT team and Serco is not working effectively and as a result it is unlikely that significant service improvement to ICT delivery can be made until issues are resolved.

We have not received the organisation structure and resource information we requested from Serco. The service improvement manager was re-deployed to help manage service delivery, which is short of resources. The service improvement manager role is currently vacant. There are a large number of projects, large and small, at either the planning or in progress stage and these are divided amongst a small number of project managers who are struggling with the volume of work. In our opinion, the ratio of projects to project staff working on them is not helping to deliver effective project management and delivery.

Serco uses its own framework for service improvement which is set out in their Service Improvement and Management (SIAM) policy, effectively their equivalent of ITIL's CSI standard. Whilst Serco does have documented policies and processes as set out in SIAM the process has not been signed off by IMT as the process to be adopted.

Service improvements are identified through service reviews, suggestions from customers, Serco's own business as usual experience. Serco's CSI register of service improvement projects has not been updated since January 2017.

No Actions Agreed

A number of recommendations have been made that require responses from the Council's IMT section. Whilst we have made a number of attempts to obtain a response for inclusion in this final report, this has not been successful. The report has therefore been issued without such responses.

Given the absence of responses, and the Limited Assurance opinion, we will be undertaking a follow-up review of Service Improvement during the 2018/19 year.

Management Response

NO GENERAL MANAGEMENT RESPONSE PROVIDED BY LCC-IMT

Fuel Cards

Low Assurance

Risk	Rating (R-A-G)	Recommendations	
		High	Medium
Fuel cards are not effectively managed	Medium	2	1
Fuel cards are not made for appropriate purchases	Medium	0	2
Fuel usage does not give value for money	Medium	2	1
TOTAL		4	4

Background and Context

In March 2016 responsibility for the management of fuel cards transferred from Procurement Lincolnshire to Business Support. There are 745 fuel cards in circulation and the annual budget is around £700k. There are 3 different contracts in operation all managed by All-star. The three contracts cover different areas:

- Highways, Mobile libraries, Road Safety Partnership, Youth Offending, Lincs Secure Unit, The Beacon Children's Home, Trading Standards and Contract Car Hire (invoice monthly)
- Lincslab (invoice weekly)
- Fire and Rescue (invoice monthly).

Fire and Rescue fuel contract is managed separately and has not been included in the scope of this audit.

The other two contracts have expired and the plan has been to re-tender and bring all the contracts together but so far this plan has not progressed. Procurement Lincolnshire have recently produced a Strategy to consider the best approach for purchasing fuel for the Council's vehicles.

There are 20 different fuel card accounts within the 3 contracts which are managed by different budget holders. Sub-accounts then have single or multiple cards attached, with named cardholders and vehicle registrations. The role of Budget Holders is to authorise the issue of fuel cards and monitor fuel purchases and the fuel card budget in their area. Our work has focussed on LCC vehicles rather than those with cards under Contract Hire arrangements.

Scope

The purpose of the review was to provide assurance that appropriate processes and controls for managing fuel cards are in place and applied consistently by all card users. We sought to provide assurance on the following :

Management: Management arrangements in place to process the fuel cards and fuel card payments are adequate for reliance purposes.

Reporting: Fuel card expenditure and usage reporting information is accurate, in a suitable format and uses appropriate sources of information.

Processes and controls: Fuel card processes and controls are adequate, applied correctly and actioned on a timely basis

We also completed some data analytics on 3 months' detailed card usage information provided to Business Support by All Star. This has highlighted some transactions by contract car hire users that will be followed up as a separate exercise to this audit.

Executive Summary

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

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

- Urgent review to agree the best approach for future arrangements to purchasing vehicle fuel and potential contract re-tender. Procurement have begun this work through development of a draft strategy. We recommend inclusion of finance and HR in this review and decision-making, which should include establishing responsibility for any new contract.
- Improved governance and monitoring of the current Allstar contracts. They are out of date with no extension or variation of contract in place. Allstar could end the contract or vary it without warning which could have significant impact on fuel cards service delivery.
- Governance over fuel card issue, disposals, security, purchases and usage arrangements is generally weak and requires strengthening. There is no Fuel Card policy or procedures in place. This lack of policy and guidance increases the risk that cards will be used inappropriately. People who have left the council could also continue to use the fuel card – fraud risk

Executive Summary

- usage of fuel cards requires greater focus on value for money and efficiencies. Guidance should highlight the reduced fees for using the Council's preferred 'brand', minimising the frequency of refuelling and avoidance of purchasing 'premium' fuel. Unnecessary expenditure is being incurred presently by the Council
- Fuel card usage requires greater oversight to ensure that anomalies are identified and queried. Recording and monitoring processes for fuel purchases require strengthening to ensure a consistent approach is followed by budget managers and to ensure fuel card charges are accurate.

The majority of these issues would be addressed by the establishment of a Fuel Card Policy and procedures which set out the processes to be followed for requesting, issuing, retrieving, security and usage of a fuel card to obtain greater control, efficiencies and value for money.

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

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

Management Response

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

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

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

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

Management Response

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

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

Outstanding Audit Recommendations for all audits at 31/03/18

Activity	Issue Date	Assurance	Total recs	Recs Imp	Priority of Overdue Recommendations			Recs not due
					High	Medium	Low	
Finance and Public Protection								
Medium Term Finance Plan Corporate Policies and Procedures Bank Reconciliation Income Management Treasury Management General Ledger (Key Controls) Trading Standards Business Continuity	Nov 2017	Substantial	2	0	0	2	0	0
	Jan 2017	High	3	2	0	1	0	0
	Feb 2017	High	4	3	0	1	0	0
	Sept 2016	Substantial	9	8	0	1	0	0
	Jan 2017	High	1	0	0	1	0	0
	May 2017	Substantial	8	3	3	1	0	1
	Feb 2017	Substantial	4	3	0	1	0	0
	Feb 16	Limited	4	1	3	0	0	0
Adult Care and Community Wellbeing								
Carers Workforce Workforce Development Better Care Fund Effectiveness Adult Safeguarding Referrals	Feb 2018	Limited	4	0	1	2	0	1
	Jan 2017	Limited	17	16	0	1	0	0
	Jan 2017	Substantial	3	2	1	0	0	0
	May 2017	Consultancy	11	10	0	1	0	0
Environment & Economy								
Information Governance Carbon Management Plan Home to School Transport	Dec 2017	Substantial	10	5	0	3	0	2
	Jan 2018	Substantial	3	0	0	3	0	0
	Jan 2015	Substantial	14	12	0	2	0	0
Total			130	109	10	10	0	1

Audit	Scope of Work	Start Planned Date	Start Actual Date	End Actual Date	Rating
LCC 2018/19-01 - Highways 2020 Procurement Programme	This consultancy assignment will offer support and advice on the programme throughout its journey of re-procurement and contract start in April 2020	01/04/2018	01/04/2018		Consultancy support in progress
LCC 2018/19-02 - Heritage (Phase 2)	Our review will provide the Heritage Service with support and advice during the project to help ensure it is appropriately managed, and that the process is on track to deliver its outcomes. This project needs to identify and present the best options available for the Council to agree, and the future of the Heritage Service depends upon the successful implementation of this agreed method. It is therefore essential that the project has captured and presented the information accurately to allow for a decision to be made from the available options.	15/09/2017	01/07/2018		Rescoping due to project changes
LCC 2018/19-03 - Domestic Homicide Review	Assurance that processes for Domestic Homicide reviews meet legislative requirements and reflect best practice. Follow up of published reviews to confirm agreed actions relating to LCC have been taken or are progressing and that lesson learnt are embedded.	15/05/2018	15/05/2018		Fieldwork in progress
LCC 2018/19-04 - Workforce performance and reward	Assurance that there is a consistent and fair approach planned for linking employee increments to performance from 2018/19	01/11/2017			Delayed to Q4 by Director
LCC 2018/19-06 - Corporate Support Services Commissioning	To provide ongoing insight and advice around project management, governance, risk and control.	01/03/2018	01/03/2018		Consultancy support in progress
LCC 2018/19-07 - Recommissioning of Domestic Abuse Support Service	To provide assurance around the commissioning and contract management of domestic abuse service for standard & medium risk victims and IDVA, including the approach to services for DA perpetrators	23/04/2018			Delayed to Q4 requested
LCC 2018/19-08 - Strategic Workforce Planning	Assurance of the adequacy of work that HR are doing around senior leadership succession planning within the Authority (excluding schools).	01/05/2018	01/05/2018		Fieldwork in progress
LCC 2018/19-09 - Corporate Complaints	Our review will aim to provide assurance that the complaints process is fit for purpose and is meeting its targets in resolving customer complaints at the earliest opportunity.	05/04/2018	05/04/2018		Substantial Assurance
LCC 2018/19-11 - Cash Management in Establishments	That management arrangements for income and imprest at Council Establishments ensure risk of loss or misappropriation is adequately controlled. Using Establishment data produced in 2017/18 select a sample of establishments to visit and test income and imprest management controls.	01/06/2018			Scoping

Audit	Scope of Work	Start Planned Date	Start Actual Date	End Actual Date	Rating
LCC 2018/19-12 - Transport Connect Assurance Review	Assurance over the governance arrangements of this Teckal Company owned by LCC to inform the annual governance statement	03/04/2018	17/04/2018	30/04/2018	Complete
LCC 2018/19-13 - Operation Dovetail (counter terrorism)	Support and advice on the upcoming transfer of PREVENT activities from the Police to the Local Authority to help ensure its success	13/03/2018	13/03/2018		Scoping
LCC 2018/19-14 - School Admissions Software	Confirmation that the risks regarding implementation of the new admissions software have been managed to minimise the disruptions to schools.	01/08/2017	01/06/2018		Fieldwork in progress
LCC 2018/19-15 - Mosaic	Review the effectiveness of Mosaic across Adults in meeting business needs. To review the reliability of information held on Mosaic, usefulness of reporting and the impact on service provision in Adult Care and Wellbeing.	01/05/2018	20/04/2018		Fieldwork in progress
LCC 2018/19-16 - Good Governance Review - Ethics	Assurance that governance arrangements are working effectively to manage Ethics, Partnerships and Transparency. To be conducted from a member perspective.	01/04/2018	01/04/2018		Fieldwork in progress
LCC 2018/19-19 - Cyber Security	Assurance over the Council's arrangements for mitigating the latest cyber security threats. Internal Audit shall identify the latest cyber security threats and determine whether the arrangements to protect against them and recover from them are appropriate and adequate.				Not assessed
LCC 2018/19-20 - Mosaic Application Review	The review will focus on system security, particularly in the following areas: System security (access controls) Performance (accuracy and timeliness) Operating procedures Back-up and recovery Change control		12/03/2018		Substantial Assurance

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