

Internal Audit Progress Report



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Lincolnshire County Council January 2019

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 7

Key Performance Indicators

Other Matters of Interest

Page 8

CIPFA Publication – Audit Committees – A Practical Guide for
Local Authorities and Police (2018 Edition)

Appendices

Page 9

Assurance Definitions
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 6th November 2018 to 10th January 2019
- 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:

- 17 audits : 8 to final assurance reports , 1 consultancy report and 8 school reports

Assurances

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

High Assurance:

- School Admissions (IT)
- Tax Compliance – Construction Industry Tax

Substantial Assurance:

- Members Allowances
- Projects and Programmes Management
- Send Home Tuition
- Capital Strategy
- Emergency Planning Command Structure

Limited Assurance:

- Capital Receipts:

Consultancy report

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

- Direct Payment Proportionate Auditing Guidance

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.



High Assurance

Schools Admission (IT)

The previous schools admissions system used by the Council was no longer supported by its provider. This led the Council to procure a replacement solution, known as Synergy and provided by the Servelec company. The audit examined the implementation phase of the replacement application. The auditor was provided with project documentation and attended a number of project board meetings. From the information provided and evidence seen at first hand, he was able to confirm that there was a high degree of assurance of the Synergy system being successfully implemented on time, within budget and delivering the required functionality.

Tax Compliance – Construction Industry Tax

Serco's administration of the Construction Industry Scheme (CIS) is working well. Staff within the Serco AP team are experienced in the administration of the Scheme and keep up to date with information from HMRC. They have written guidance on daily and monthly procedures.

Testing confirmed that appropriate deductions are made, that sufficient evidence to support the deduction is retained and that CIS suppliers are verified with HMRC. Business World on (Bwon) reporting of information was one area where it was felt that improvement could be made.

Substantial Assurance

Members Allowances

The Council has a robust policy in place on Members' allowances that complies with legislation, is consistently applied and payments to Members are timely, appropriate and accurate. Some improvements were identified around adequacy of supporting receipts, timeliness of submitting claims and direct access for members to Business World on (Bwon).

Project Programmes Management

Service delivery arrangements, management of risks and operation of controls around the Councils project and programme support management were found to be good. Projects were closely monitored and good governance was achieved via a tracker process. There was however no central register detailing all projects currently being worked on by the council and no central monitoring system in place which would give the Council full oversight and greater control on monitoring progress and issues.

Capital Strategy

The new Prudential code requires Councils to have a Capital Strategy in place by 1/4/19. Lincolnshire County Council does not at present have a centralised Capital Strategy. Finance section is aware of this and are taking steps at present to establish one in line with the code requirements We found that good progress had been made and that steps being taken should ensure that code requirements will be met by the deadline for implementation

Substantial Assurance

Emergency Planning Command Structure

The Emergency Planning Command structure was found to be robust and to comply with regulatory requirements. The policy and procedures have been revised. An emergency planning manual for the commanders to refer to at the time of an EP event has been produced. Training for Strategic Commanders is planned for next year. A Command & Control Review Workshop held in January 2018 identified a number of recommendations. Good progress has been made on the majority of these recommendations.

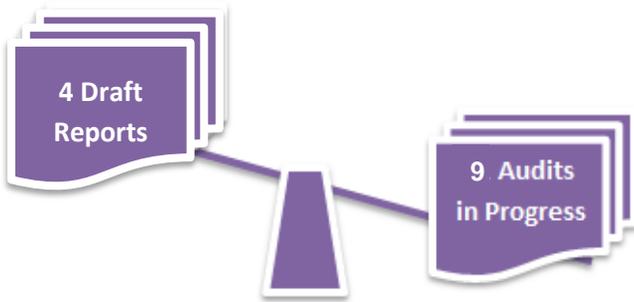
Send Home Tuition

SEND Home Tuition service was found to be fit for purpose and meets the needs of the young people who are accessing the service. We found that staff are being recruited in line with the LCC employment process, performance management is being adequately monitored and regular reports are being provided to management. There are still areas which could be strengthened, particularly around refining performance management and assessment/reporting processes. A number of planned improvements have been implemented this academic year but due to the timing of the audit it was difficult to determine whether these have been effectively embedded.

Limited Assurance

Capital receipts

Section 15(1) of the Local Government Act 2003 gave councils, from April 2016, more flexibility on the use of capital receipts. It allowed capital receipts to be used to fund expenditure on certain projects that are designed to generate ongoing revenue savings or transform services to reduce costs. The fundamental principle of the guidance is that if Capital receipts are used to fund Transformational projects then the Council needs to show that this generated ongoing revenue savings or transformed services to reduce costs as a result. Improvements are required on the reporting of these ongoing savings or reduction in costs.



- Recruitment and retention
- Local Enterprise Partnership
- Wellbeing
- PCI-DSS (Payment card industry – data security standard)
- IR35
- Pension Administration

Audits reports at draft

We have 4 audit's at draft report stage:

- Cyber security
- Gifts and hospitality
- Tax compliance employee expenses and benefits.
- Strategic workforce planning

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

Work in Progress

We also have 9 2018/19 audits in progress :

- Highways 2020 Project
- Good governance review
- Records management
- Apprenticeships
- Children's statutory complaints
- Patch management
- Assurance assessment re Northampton County Council
- LFR fleet management
- Property Plant and Equipment

Details of these can be seen in the 2018/19 plan at appendix 3

Audits planned for quarter 4 include:

- Workforce performance and rewards
- Health and safety
- Counter fraud arrangements
- VAT follow up
- Pension fund asset pooling

Overdue Actions

Details of these can be seen at appendix 2.

65% of actions due have been implemented and for those audits with Limited or Low assurance only 7 recommendations are outstanding. These relate to:

Tax Compliance Vat	2
Accounts payable	1
Fuel cards	2
Carers Workforce	1
Emergency Planning	1

Of the actions remaining to be implemented :

High priority	6	(21%)
Medium priority	20	(72%)
Low priority	2	(7%)

For the majority of these overdue actions progress has been made to address the findings but as at 10th January 2019 they had not been fully addressed.



Other Significant work

Other key work undertaken during the period includes:

Schools audits:

During this period we completed 8 school audits. One school was given high assurance, six schools were given substantial assurance and one was given limited assurance.

Families working together:

We have completed our second audit sign off of the Families working Together claim. Our work identified some families included in the claim that did not meet the criteria. These were removed to correct the submission for payment





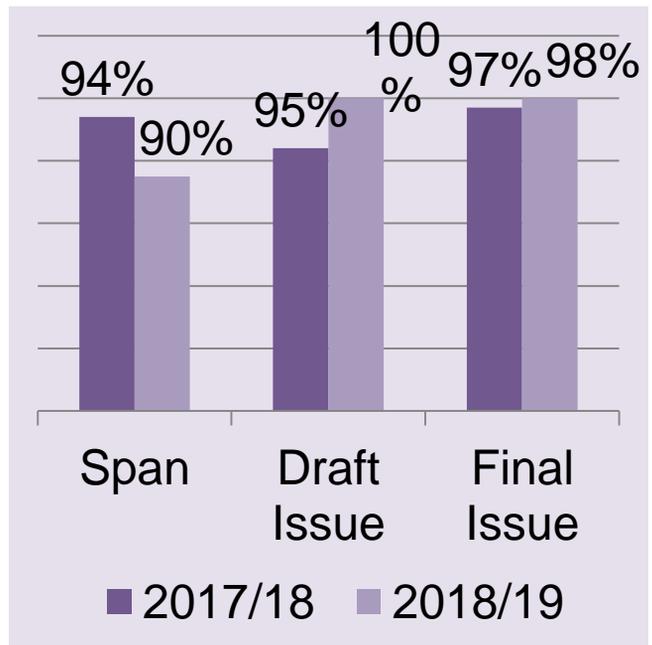
Internal Audit's performance is measured against a range of indicators. The statistics below show our performance on key indicators year to date.

Performance on Key Indicators

100%

Rated our service Good to Excellent

High achievement of Audit KPI's to date





Other Matters of Interest

A summary of matters that will be of particular interest to Audit Committee Members

Chartered Institute of Internal Auditors Audit and risk Awards 2018:

These awards recognise innovation and excellence in Internal Audit.

Assurance Lincolnshire were finalists in 2 categories – we received **Highly Commended** awards in both for :

- **Innovation in training and development** – for our work with Universities and Apprenticeships
- **Outstanding Team Public Sector** – for our work on Governance – Culture and Ethics

Receiving these awards shows how we continue to demonstrate exemplary performance and demonstrated talent, inspiration and innovation in the services we provide

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.

Outstanding Audit Recommendations for all audits at 10th January 2019

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	Nov 2017	Substantial	2	1	0	1	0	0
Bank Reconciliation	Feb 2017	High	4	3	0	1	0	0
Tax Compliance - Vat	July 2017	Limited	9	7	0	2	0	0
Treasury Management	Jan 2017	High	1	0	0	1	0	0
General Ledger (Key Controls)	May 2017	Substantial	8	4	2	2	0	0
Accounts Payable	June 2018	Limited	4	3	0	1	0	0
Emergency Planning	Feb 18	High	2	0	0	0	2	0
Fuel cards	April 18	Limited	8	6	2	0	0	0
Procurement cards	May 18	Substantial	8	7	0	1	0	0
Domestic Homicide Review	Oct 18	Substantial	5	0	0	5	0	0
Cash management – heritage sites	Oct 18	High	3	2	0	1	0	0
Adult Care and Community Wellbeing								
Carers Workforce	Feb 2018	Limited	4	3	0	1	0	0
Environment & Economy								
Information Governance	Dec 2017	Substantial	10	9	0	1	0	0
Emergency planning	Sept 15	Limited	4	3	1	0	0	0
Total Transport Project	April 18	Substantial	5	3	0	2	0	0
Childrens								
Special Educational Needs and Disability Reform	June 17	Substantial	2	0	1	1	0	0
Total			61	51	6	20	2	0

Audit	Scope of Work	Start Planned date	Start Actual date	End Actual date	Status/ 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	15/11/2017	01/04/2018		Consultancy support in process
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	01/03/2018	01/05/2018	Phase complete
LCC 2018/19-03 - Domestic Homicide Review	The audit aims to provide assurance to management that processes for Domestic Homicide Reviews meet legislative requirements and reflect best practice. In addition the audit seeks to provide assurance that reviews have been satisfactorily followed up, with LCC owned actions having been implemented or progressed and lessons learnt embedded.	15/05/2018	21/05/2018	25/10/18	Substantial Assurance (Complete)
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 2018/19-05 - Interests, Gifts and Hospitality Registers	To provide assurance over the management and application of Interests, Gifts and Hospitality policy and registers	11/10/2018	11/10/2018		Limited (Draft stage)
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	30/9/18	Consultancy support complete

Audit	Scope of Work	Start Planned date	Start Actual date	End Actual date	Status/ Rating
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	23/04/2019			Cancelled due to timing by Director
LCC 2018/19-08 - Strategic Workforce Planning	To provide independent assurance that appropriate senior management succession planning is in place at LCC.	01/05/2018	30/05/2018		Draft report
LCC 2018/19-09 - Corporate Complaints, Compliments and Comments	Our review will aim to provide assurance that the complaints, compliments and comments process is fit for purpose and is meeting it's targets in resolving customer complaints at the earliest opportunity.	05/04/2018	05/04/2018	05/07/2018	Substantial Assurance Complete
LCC 2018/19-10 - Records Management	Records Management processes are in place and consistently applied so as to ensure compliance with the General Data Protection Regulation.	01/10/2018	21/11/2018		Fieldwork stage
LCC 2018/19-11 - Cash Management in Registration Service	To gain assurance that management arrangements for income and imprest at Council Establishments ensure risk of loss or misappropriation is adequately controlled.	12/04/2018	05/07/2018	22/10/2018	Substantial Assurance Complete
LCC 2018/19-12 - Transport Connect Assurance Review	Assurance over the governance arrangements of this Teckal company owned by LCC to help inform the annual governance statement	03/04/2018	03/04/2018	21/08/2018	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	13/03/2018	27/09/2018	27/09/2018	Removed – transfer cancelled
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.	01/08/2018	01/08/2018	9/11/2018	High Assurance (complete)
LCC 2018/19-15 - Mosaic - Adult Care and Community Wellbeing	Review the effectiveness of Mosaic across Adults in meeting business needs.	01/05/2018	02/05/2018	28/05/2018	Substantial Assurance (complete)

Audit	Scope of Work	Start Planned date	Start Actual date	End Actual date	Status/ Rating
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 2018/19-17 - Health & Safety	Assurance that the Council's arrangements to manage Health and Safety are adequate and effective.	01/10/2018			Planned Q4
LCC 2018/19-18 - Counter fraud arrangements	Assurance that the Council's management of Counter Fraud arrangements are adequate and effective.	01/10/2018			Planned Q4
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.	10/01/2018	10/01/2018		Substantial Assurance (Draft)
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	12/03/2018	13/9/18	Substantial Assurance Complete
LCC 2018/19-21 - Emergency Planning Command Structure	To provide assurance around the plans being put in place to address command resource and support availability for major EP events.	25/06/2018	03/09/2018	17/12/18	Substantial Assurance Complete
LCC 2018/19-22 - Programme / Project Management Support	Assurance that the programme / project support function is effective in supporting management on key programmes and projects	03/07/2018	11/07/2018	5/12/18	Substantial Assurance (complete)
LCC 2018/19-23 - Members Allowances Scheme	Assurance that a robust policy is in place, applied and payments to members are timely, appropriate and accurate.	26/06/2018	10/09/2018	20/11/18	Substantial assurance (Complete)

Audit	Scope of Work	Start Planned date	Start Actual date	End Actual date	Status/ Rating
LCC 2018/19-24 - Heritage Service Operating Model Change Programme	To 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.	02/07/2018	05/07/2018		On hold until Q1 2019
LCC 2018/19-25 LEP Review	LEP team are meeting the requirements of the Governments 2017 review	10/1/2019			Planned
LCC 2018/19-26 - Cash Management in establishments - Business Support	To gain assurance that management arrangements for income at Council Establishments ensure risk of loss or misappropriation is adequately controlled.	01/07/2018	10/08/2018	10/2018	Substantial Assurance Complete
LCC 2018/19-27 - Cash Management in Establishments - Heritage sites	To gain assurance that management arrangements for income at Council Establishments ensure risk of loss or misappropriation is adequately controlled.	01/07/2018	05/07/2018	10/2018	High Assurance Complete
LCC 2018/19-28 - Cash Management in establishments - Eastgate Children's Home	To gain assurance that management arrangements for income at Council Establishments ensure risk of loss or misappropriation is adequately controlled.	01/07/2018	05/07/2018	10/2018	High Assurance Complete
LCC 2018/19-29 - Cash Management in Establishments - Music Service	To gain assurance that management arrangements for income and imprest at Council Establishments ensure risk of loss or misappropriation is adequately controlled.	01/07/2018	05/07/2018	10/2018	Substantial Assurance Complete
LCC 2018/19-30 - Local Transport Capital Funding Grant 2017-18	To confirm that the expenditure complies with the conditions of the Grant and the funding received agrees to the Grant determination letter.	12/07/2018	12/07/2018	09/2018	Complete – grant signed
LCC 2018/19-31 - Payroll Interim Audit 2018/19	Assurance that the payroll processes and controls are working effectively	24/07/2018	04/09/2018	20/11/18	Substantial Assurance Complete
LCC 2018/19-32 - Children's Service Statutory Complaints	Assurance that robust procedures are in place to manage and monitor statutory complaints and that lessons are shared from these to ensure learning and improvements	01/09/2018	05/09/2018		Fieldwork in progress
LCC 2018/19-33 - Supplier Reliability	Lessons learned review of management of the impact on Lincoln Eastern Bypass when contractor Carillion collapsed.	20/07/2018	20/07/2018	20/11/18	High assurance (Complete)

Audit	Scope of Work	Start Planned date	Start Actual date	End Actual date	Status/ Rating
LCC 2018/19-34 - SEND Home Tuition	Assurance on provision of temporary home tuition to SEND children that require school places with a focus on provider monitoring including safer recruitment processes.	28/08/2018	28/08/2018	5/11/2018	Substantial Assurance (Complete)
LCC 2018/19-35 - Families Working Together	Audit sign off as per the requirements of the grant	06/05/2018	06/05/2018	05/09/2018	Complete
LCC 2018/19-36 - PCI – DSS	Assurance that the Council fulfils all PSI DSS statutory requirements	01/08/2018			Planned
LCC 2018/19-37 - Capital Strategy and capital Receipts	Seeking to gain assurance that ; ·LCC has adequate plans to fulfill emerging legislation relating to capital strategy ·management of capital receipts is transparent and complies with legislation	02/08/2018	13/08/2018	19/12/18	Receipts-Limited assurance Strategy – Substantial assurance (Complete)
LCC 2018/19-38 - Proportionate auditing for Direct Payments	To review the impact of the implementation of the Direct Payments Proportionate Auditing Guidance on the effectiveness of the Direct Payments auditing process.	02/08/2018	10/9/2018	29/11/18	Consultancy report - Complete
LCC 2018/19-39 - Tax Compliance Construction schemes	That the Council is consistently meeting tax reporting requirements of HMRC, to include Real time information reporting, CIS and employee expenses.	01/08/2018	06/09/2018	17/12/18	High assurance (Complete)
Tax compliance Employee expenses and benefits	As above	01/08/2018	06/09/2018		Limited (Draft status)
LCC 2018/19-40 - Bus Service Operators Grant 2017-18	Audit to validate all expenditure on the return has been spent on eligible schemes. In preparation for sign off and return to the Department for Transport (grant making body).	22/08/2018	22/08/2018	25/09/2018	Complete – grant signed
LCC 2018/19-41 Apprenticeships	To provide independent assurance over the extent to which services are effectively able to use the apprenticeship reforms to develop the workforce for both current and future needs and compliance with Government Requirements	15/10/2018	01/11/2018		Fieldwork in progress

Audit	Scope of Work	Start Planned date	Start Actual date	End Actual date	Status/ Rating
LCC 2018/19-42 - VAT follow up	To follow up previous VAT audit in 17/18	06/09/2018			Planned
LCC 2018/19-43 - Pension Fund Asset Pooling	That fund management remains effective and efficient and has successfully implemented the changes necessary for Pension Fund Asset Pooling	10/09/2018			Planned
LCC 2018/19-44 - Assurance assessment re NCC	Review of the report from Northampton County Council and benchmarking against the issues identified in that report	06/07/2018	06/07/2018		On going
LCC 2018/19-45 - LFR Fleet Management	To provide assurance on the adequacy and effectiveness of the fleet management contract for Lincoln Fire and rescue.	18/10/2018	20/11/2018		Fieldwork stage
LCC 2018/19-46 - Patch Management	To provide assurance that IT vulnerabilities are identified and minimized through patch management.	23/10/2018	23/10/2018		Fieldwork stage
LCC 2018/19-47 – Property , Plant & Equipment	The purpose of this review is to provide independent assurance that the Council is complying with the accounting policy and legislation for Plant, Property and Equipment..	12/12/2018	12/12/2018		Fieldwork stage
LCC 2018/19-48 - Wellbeing	To revisit Wellbeing service to ensure that it is working efficiently and effectively	10/1/2019			Planned
LCC 2018/19-49 – Recruitment and retention	Assurance that procedures in place for the recruitment of staff to the Authority maximize the chance of successful appointments.	8/1/2019			Planned
LCC 2018/19-50 – IR35	Assurance the Council has implemented and consistently applies IR35 correctly				Planned
LCC 2018/19-51 – Pensions administration	To analyse and report on the outcomes of West Yorkshire pension funds internal auditors report				Planned