



GA.03 13/14

**Governance & Audit
Committee**

27th June 2013

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Subject: Internal Audit Plan 2012/13 – March 2013 to May 2013 Progress report

Report by:

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Purpose / Summary:

The report gives members an update of progress, by the Audit partner, against the 2012/13 annual programme agreed by the Audit Committee on the 12th March 2012 and 2013/14 annual programme agreed by the Audit Committee on the 21st March 2013.

RECOMMENDATION(S):

- 1) **Members consider the content of the report and identify any actions required.**

IMPLICATIONS

Legal: None directly arising from the report

Financial: None directly arises from the report.

Staffing: None.

Equality and Diversity including Human Rights:

NB: A full impact assessment **HAS TO BE** attached if the report relates to any new or revised policy or revision to service delivery/introduction of new services.

None arising from this report

Risk Assessment: N/A

Climate Related Risks and Opportunities: None arising from this report

Background Papers: No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

Call in and Urgency:

Is the decision one to which Rule 14 of the Scrutiny Procedure Rules apply?

Yes

No

Key Decision:

Yes

No



Internal Audit - Progress Report 2013 / 14



Date: *June 2013*

Contents

Introduction	1
Key Messages	1
Internal Audit work completed from March to May	1
Other Significant Work	3
Audits in Progress	3
Performance Information	4
Other Matters of Interest	5
Appendices	
Appendix 1 - Assurance Definitions	7
Appendix 2 - Limited or No Assurance Internal Audit Reports	8-25
Appendix 3 - Outstanding recommendations as at 30th November 2012	26
Appendix 4 - Internal Audit Plan & Schedule 2012/13	27-31

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Introduction

1. The purpose of this report is to:
 - Advise of progress being made with the Audit Plan
 - Provide details of the audit work during the period
 - Provide details of the current position with agreed management actions in respect of previously issued reports
 - Raise any other matters that may be relevant to the West Lindsey Audit Committee role

Key Messages

2. Delivery of the 2012/13 Internal Audit plan has continued to progress and is now 95% complete. The investment decisions audit is the only piece of work outstanding, which has been intentionally delayed to allow the review of the Elswitha Quarter project to be completed.

Work on the 2013/14 has commenced with five audits currently in progress.

Internal Audit work completed from 1st March to 31st May

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

Full Assurance	Substantial Assurance	Limited Assurance	No Assurance
<ul style="list-style-type: none">• Income collection• Bank reconciliation	<ul style="list-style-type: none">• Gainsborough regained – Development• Non – current Assets	<ul style="list-style-type: none">• Gainsborough regained – Implementation• General Ledger• Financial Management• Income Generation• Information Governance	No reports

Note: The Audit Committee should note that the assurance expressed is at the time of issue of the report but before the full implementation of the agreed management action plan. Definitions levels are shown in Appendix 1.

4. We are reporting four limited assurance audits in this quarter, the key area where we have recommended improvement are:

Gainsborough regained - Implementation

- Senior management need to satisfy themselves that the Masterplan 2012 as developed meets their requirements before it is taken any further, and that the fledgling governance and funding arrangements are confirmed and formalised. None of the recommendations were due for implementation at 31st May 2013.

General Ledger

- To ensure that all journal transactions are appropriately authorised and supported by explanatory documentation. Only one recommendation was due at 31st May 2013 and this has been implemented.

Financial Management

- To use the ‘finance matters programme’ as a vehicle to create and embed the cultural change needed to manage and monitor budgets at a budget holder level. Seven of the due recommendation had been implemented and one was overdue at 31st May 2013.

Income Generation

- Income generation, budgeting, monitoring and reporting processes need to keep pace with the priority the Council now places on income generation. Three of the due recommendation had been implemented and one was overdue at 31st May 2013.

Information Governance

- The introduction of an Information Governance group to manage a coordinated corporate approach will help improve governance, training and policy. None of the recommendations were due for implementation at 31st May 2013.

The executive summaries are in Appendix 2.

5. Progress with the implementation of agreed management action on recommendations for audits resulting in ‘No’ or ‘Limited’ assurance is followed up and reported in Appendix 3.
6. In the audits giving Substantial or Full Assurance we confirmed that the Council has sound processes in place:

Income Collection

Sampling of a variety of cash, cheques, and credit cards transactions from the point they were received to appearing on the bank statement confirmed that all were timely and correct.

Bank Reconciliation

We established that all bank accounts are promptly reconciled after the month end. We also confirmed that accounts are reconciled and signed off appropriately, un-reconciled items are investigated and monitored and cheques are cancelled if they have not been presented within six months of the issue date.

Gainsborough Regained – Development

An experienced project team has developed the draft plan in accordance with an agreed business case and fledgling arrangements have been made for governance, consultation and the identification of funding.

Non-current Assets

A defined process is in place to reconcile non-current assets annually and existence and valuations of non-property and land assets is confirmed.

Our work also verified that the capital programme is regularly monitored and reported to senior management and members.

Other Significant Work

7. Other audit work undertaken during the period has been

Elswitha Quarter

The fieldwork on the review of the Elswitha Quarter re-development has concluded. Work is underway to produce the draft report for discussion and agreement of any improvement action. The outcome of this review will also enable us to conclude the report on Investment Decisions. Both will be reported at the next meeting of the Governance and Audit committee.

Combined Assurance Status Report

We have now met with the Assistant Chief Executive Officer to help complete the Council's Combined Assurance Status report. We plan to present this report to senior managers in July and report to the next Committee.

Audits in Progress

8. The following 2013/14 audits are currently in progress:

Partnership Management

We are reviewing the structures and governance arrangements in place to manage key partnerships.

Progress and Delivery of the Corporate Plan

Our work aims to provide assurance on the progress made against the delivery of key priorities in the corporate plan and how effective reporting through progress and delivery reports is. We are also considering the role and effectiveness of the programme boards – incorporating how well risk, performance, partnership working and projects associated with the priority are being managed.

Project Management

We are following up on the agreed actions taken after the last audit of project management. We will also provide an updated assurance opinion on the project management process, its fit in the organisation and its application to the management of projects.

Asset Management, Utilisation and Disposal

Our review of the asset management project seeks to provide assurance that:

- There is a comprehensive understanding of assets held;
- Process for acquisition, utilisation and disposal;
- Assets are used for maximum benefit of communities and the authority.

Investment Decisions

The brief of this audit has been expanded to include procurement and governance in addition to the original focus on how lessons learnt from historic projects have influenced the commercial strategy and the investment decision making process. Field work is well progressed.

ICT Infrastructure

The audit of the ICT infrastructure is in the final stages of being concluded and will be reported at the next committee meeting.

Performance Information

9. Our current performance against targets for 2013/14 is shown below. The final performance indicators for 2012/13 are included in the annual report.

Performance Indicator	Target	Actual @ 31/05/2013
Percentage of plan completed.	100% (revised plan)	19%
Percentage of key financial systems completed.	100%	0%
Percentage of recommendations agreed.	100%	N/A – non discussed yet

Performance Indicator	Target	Actual @ 31/05/2013
Percentage of recommendations implemented.	100% or escalated	100%*
Timescales	Draft report issued within 10 working days of completing audit. Final report issued within 5 working days of closure meeting / receipt of management responses. Period taken to complete audit – by exception	N/A – non issued yet N/A – non issued yet
Client Feedback on Audit (average)	Good to excellent	No feedback

*80% implemented and 20% escalated.

Other matters of Interest

Local Government Annual Review – “Improving Council Governance – A Slow Burner

10. Grant Thornton have recently published their 2013 Local Government Annual Review – “Improving Council Governance – A Slow Burner”. The report recognises that Local Government is enduring a period of sustained pressure from:

- the largest reduction in public spending since the 1920s
- demographic changes and recessionary pressures, increasing the demand for the more costly services
- a reduction in demand for paid-for services
- the government’s policy agenda, e.g. localism and open public services

It focuses on the need for effective, embedded governance frameworks if councils are to meet these challenges and continue to support all their stakeholders.

Their survey found contradictions between the public view on council communications and that held by the council leader respondents, in particular the length and complexity of council accounts and transparency of annual governance statements.

The survey concludes “Good council governance is much more than publishing statement of compliance: it is about ensuring an entire organisation is aligned to achieving its strategic goals, effectively and ethically.” They urge councils to reflect on their public face of governance, seek the views of their officers and

stakeholders and consider best practice from both local government and other sectors with a view to boosting transparency and accountability.

The report acknowledges that embedding good governance is never easy, nor quickly achieved: risks change, people move on and 'unknown unknowns' will always arise. A key focus for councils is the need to ensure governance frameworks are fit for purpose and limited resources are focused on areas of greatest risk.

The survey found:

- inefficiencies in gathering assurances resulting in diminished engagement
- despite members' pivotal role in setting the tone, council leaders did not identify them in their 'top four' posts for driving governance
- a third of respondents admit they did not have robust arrangements for developing members
- 21% were not clear about council roles and responsibilities when working in partnerships

The report offers suggestions to help councils truly embed effective governance processes – it says at a time of intense budgetary pressures and increasingly complex governance challenges, the best councils will prioritise, directing finite governance resource to the areas of most significant risk.

In the report Lincolnshire County Council were recognised as a council that had begun to do things differently. We are seen as a council providing SMART (specific, measurable, achievable, realistic and timed) action planning for identified governance issues.

The report offers interesting and useful information on what makes effective governance frameworks and processes – the full report can be found at www.grant-thornton.co.uk

Public Sector Internal Audit Standards - Update

- 11.** As reported previously new internal audit standards apply from the 1st April 2013. CIPFA are due to issue some application guidance in April and work is underway to assess if there are any actions we need to take to ensure compliance. .

Appendix 1 - Assurance Definitions

<p>Full Assurance</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.</p> <p>As a guide there are a few low risk / priority actions arising from the review.</p>
<p>Substantial Assurance</p>	<p>Our critical review or assessment on the activity gives us a reasonable level of confidence 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 are in place and operating sufficiently so that the risk to the activity not achieving its objectives is medium to low.</p> <p>As a guide there are low to medium risk / priority actions arising from the review.</p>
<p>Limited Assurance</p>	<p>Our critical review or assessment on the activity identified some concerns on service delivery arrangements, management of risks, and operation of controls and / or performance.</p> <p>The controls to manage the risks are not always being operated or are inadequate. Therefore, the risk of the activity not achieving its objectives is medium to high.</p> <p>As a guide there are medium and a few high risk / priority actions arising from the review.</p> <p>Our work did not identify system failures that could result in any of the following:</p> <ul style="list-style-type: none"> - damage to the Council's reputation - material financial loss - adverse impact on members of the public - failure to comply with legal requirements
<p>No Assurance</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>Our work identified system failures that could result in any of the following:</p> <ul style="list-style-type: none"> - damage to the Council's reputation - material financial loss - adverse impact on members of the public - failure to comply with legal requirements <p>The controls to manage the risks are not being operated or are not present. Therefore the risk of the activity not achieving its objectives is high.</p> <p>As a guide there are a large number of medium and high risks / priority actions arising from the review.</p>

Appendix 2 – Audits where assurance is assessed as ‘No’ or ‘Limited’ (Executive Summaries only)

Gainsborough Regained - Implementation

Introduction and Scope

We have completed a review of the Gainsborough Masterplan 2012, which is an update to the Gainsborough Regained plan published in 2007. The Masterplan is a long-term plan for the future growth and regeneration of Gainsborough, and is a key element of the Council’s growth and sustainable development programme supporting the Corporate Plan.

At the time of our review the Masterplan 2012 was in draft form and ready to move onto the consultation stage, with a planned launch date of summer 2013.

Our review assessed whether there is an effective and controlled process in place to draw-up practical and deliverable plans to deliver the Masterplan 2012 including an assessment of:

- Resource availability
- Lessons learnt from Gainsborough Regained in terms of partnership governance and project management and their incorporation into the process
- Stakeholder engagement
- Risk management
- Costing of options

Our review did not include an assessment of the success of Gainsborough Regained in achieving its objectives.

Executive Summary

Assurance Opinion

Development of draft plan - Substantial

An experienced project team has developed the draft plan in accordance with an agreed business case and fledgling arrangements have been made for governance, consultation and the identification of funding.

We found that a lessons learnt exercise has not been undertaken and the options identified in the plan have not been costed. These are two elements that Senior Management had expected to be undertaken however they were not in the business case and not formally conveyed to the project team.

Implementation of the plan - Limited

Although the Masterplan has been developed in accordance with an agreed business case, we identified differences between Senior Management expectations and what the Project Team has delivered, in particular:

- the cost of developing the proposed development sites has not been calculated or estimated
- there has been no formal or structured attempt to learn lessons from Gainsborough Regained

In addition the process for delivery of the Masterplan 2012 is not clear or documented.

Senior management need to satisfy themselves that the Masterplan 2012 as developed meets their requirements before it is taken any further, and that the fledgling governance and funding arrangements are confirmed and formalised.

Sharepoint is to be used to manage the Masterplan 2012, but at the time of the audit had not been properly set up.

The objectives of the Masterplan 2012 are to:

- **ensure the delivery of Gainsborough's first Sustainable Urban Extension**
- strengthen the role of the town centre
- strengthen and diversify the local economy
- address climate change
- improve the local transport network

We found that an experienced project team has developed the draft plan in accordance with a business case agreed with Sheffield Hallam University as part of the Project Manager's MSc studies. The team has worked together before, has representatives from multiple disciplines, and has ensured that the Council did not need to employ costly consultants, as was the case with Gainsborough Regained.

Fledgling governance, consultation and funding arrangements are in place, for example:

- Growth Board
- Gainsborough Summit
- Inward investment strategy

Senior management need to confirm and formalise these arrangements.

The Masterplan does not include costed proposals and there has been no formal or structured attempt to learn lessons from Gainsborough regained. We identified that this differs from the expectations of Senior Management, who consequently need to satisfy themselves that the Masterplan as developed meets their requirements before it progresses further. In particular Senior Management need to review and agree:

- The scope
- Vision and objectives

- Methodology
- Criteria used to evaluate the options
- Whether or not the options are to be costed
- Whether or not the plan should actions, timescales and responsibilities

We found that the process for delivery of the Masterplan is not clear or documented, and consider that Senior Management should confirm and formalise the governance, communication and funding arrangements.

We were informed that funding was unknown, and uncertain, but might be available from a variety of sources. If specific funding cannot be identified it would be useful to establish the principals for utilising any available funding for the Masterplan.

Sharepoint is to be used to manage the Masterplan, at the time of the audit we found that it had yet to be properly set up, including the following elements:

- Risk management
- Communications strategy

Management Response

The audit is an accurate reflection of the position at the time of the audit and so did not identify any matters we were not aware of. We have moved the Masterplan forward since then, in particular we have worked to raise the profile of Gainsborough with national agents, and have been talking to consultants and developers about the best ways of developing the town. We have learnt lessons about the promotion of Gainsborough and we are taking them on board, and plan to run an event where we will focus on the towns unique selling points.

Mark Sturgess
Director of Regeneration & Planning

General Ledger

Introduction and Scope

We carried out an audit of the general ledger in order to provide assurance that accounts are reviewed and reconciled in line with accounting practice. Our work was undertaken to support External Audit's work on the annual accounts opinion.

The scope of our review included:

- Journal entries
- System access controls
- Control account reconciliations

Executive Summary

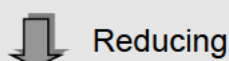
Assurance Opinion: Limited assurance

Our sample of journal entries identified:

- 40% of cases had no evidence of authorisation or separation of duties.
- 60% of cases had inadequate evidence to support the journal

We also identified that whilst the HR leaver process effectively ensures that users are deleted from the finance system this process does not extend to agency staff as they are paid via the creditors system. As such their user access is not consistently removed. Management should amend the current process to ensure that agency staff leavers are routinely identified and deleted from the user list.

Direction of Travel



The findings in relation to authorisation and supporting evidence of journals was reported during the last general ledger audit in 2008/09; However the occurrences have increased therefore the level of assurance we are able to give has reduced.

We were able to draw some satisfactory conclusions in certain areas, including:

- System controls prevent posting of one-sided journal entries and postings by unauthorised users.
- Control accounts are reconciled on a monthly basis.
- System access for directly employed starters and leavers is well managed.

Management Response

We value the findings of the audit and will incorporate these in future. The permanent increase in staff in the finance section will allow us to focus on ensuring the appropriate checks are in place and controls are maintained as appropriate.

Financial Management

Introduction and Scope

West Lindsey's ambition to become an entrepreneurial council includes a cultural shift from financial administration to more strategic financial management. As such changes were made to the budget monitoring process in March 2012. The change aims for finance to take a more supporting role, whilst management take responsibility for real time reporting and full cost centre management. This was to be implemented through a financial management project encompassing new ways of reporting to fulfil requirements and financial training. The project was scheduled for completion during the summer of 2012.

We have undertaken an Internal Audit review of the revised budget management process, which aims to give you independent assurance that there is a system in place and budget holders have the training and skills to monitor and manage budgets.

To provide assurance we looked at the following,

- There is a system in place which is fit for purpose and allows budget holders to review and manage their budgets.
- Budget holders have received training and support
- Financial performance is regularly reported to senior management and members
- There is a process to adjust and correct in year budgets.

The Council has reinvigorated the review of financial management, through a project called finance matters. The project has a wide ranging scope, including looking at known issues from previous years and staff skills and knowledge.

The project objectives had been approved at board and corporate management team level.

It was agreed with management that, as the finance matters project team is reviewing format and content of reports to budget holders and management teams the audit would not cover this, to avoid duplication of work.

We did review and discuss a sample of financial reports to members.

Executive Summary

Assurance Opinion Limited

In our opinion the system in place which allows budget holders to monitor and manage their budgets is not working as effectively as it should. Our review found that there had been large variances between budget figures reported throughout the year and actual year-end figures for 2011/12.

There had been a £500,000 variance between February's 2012 figures and year end figures for March 2012.

Budget monitoring and projection reports had not highlighted this.

Changes had been applied to reporting but these have not fully addressed the issues and we cannot provide assurance that this situation will not be repeated for 2012/13.

There was a time delay for reporting these figures to members, so that the year-end figures for March 2012 were not reported until June 2013. These year-end figures varied substantially from what had been reported to members previously. This reporting structure is still in place.

We found that a staff survey for officers with budget responsibilities, gave some low levels of officer skills and understanding in financial management.

Budget holders have received support but there were no development plans or detailed training records to support the aim of a cultural shift in financial responsibility, away from finance and towards services.

The Council is aware of other issues with financial management including,

- Substantial variance from half year projections to year-end figures
- Capital funds being carried forward due to projects not being completed.

Finance reports to the Policy and Resources committee could be improved by listing original budgets and previous projections to compare against the latest details recorded on the report. Currently the reports only list the latest budget projections so there is no narrative for members to follow.

We reviewed corporate plan progress reports to members and found that some financial figures were misleading or could not be traced back to the financial system. There is a risk that members are not being presented with correct financial details.

Direction of Travel



Improving

The finance section is reviewing finance management arrangements, across the organisation as part of the finance matters project. This has been approved by senior management and is capturing staff feedback to shape the objectives of the project. This was reviewed as part of the audit. We have attached a high priority finding that this project is managed and achieves its objectives.

In 2011/12 there were large variances between predicted year end figures and actual year end figures, which does not give assurance that budget monitoring and reporting systems were working. The year end position for budgets for 2012/13 is not yet known but the latest predicted underspend reported to members in February 2013 but using data up to November 2012 shows a predicted surplus of £240,295.

The latest Corporate Management Team (CMT) report from January 2013 shows actual budgets to date and a variance surplus of £316,295.

We cannot give assurance that there will not be another significant unreported variance between reported and actual year end figures.

In April 2012 a change was introduced for the monthly budget monitoring process. There were no detailed training targets for staff on what senior management required. It is therefore unclear if the new process adequately addressed training needs and senior management's expectations.

Reports to members of the Policy and Resources committee were tested for accuracy, format and relevance of information, we found that,

- There can be a three month delay in getting information to members, so that year end predicted income and expenditure figures based on November data are not reported until February.
- The format of the reports does not include previous report figures, so members are only seeing the latest data and not a narrative over the year,
- The reports do not record actual figures, as reported to CMT, for comparison to predicted figures,
- For a sample of figures used to report progress on the corporate plan at the Progress and Delivery committee, we could not confirm that the reported figures matched figures recorded on the finance system. There is a risk that members are not seeing accurate figures.

The Council carried out an internal survey of staff skills and knowledge on financial systems. The results, along with other known issues around unreported underspend and substantial deviation in the year end position compared to the 6 month predictions resulted in the launch of a finance project.

The project has a wide ranging and challenging scope, which seeks to address known issues and issues raised during the audit.

The project initiation document, including scope and quality measures has been approved by the Commercial board and the Corporate Management Team.

We also reviewed the project documentation and objectives as part of the audit, this does give us some assurance that issues will be addressed, as the project progresses. At the time of the audit the project was new and had only just started.

We have included an action plan which seeks to address and support issues and the Council's own project in ensuring that excellent financial management is embedded across the organisation.

Management Response

The assessment of current operating systems is welcomed as this confirms the importance of the Finance Matters project and the findings will be used to further inform project delivery and future system development.

It should be recognised that significant work has already been undertaken from the 11/12 position which will be built on as further work is undertaken to enhance the information provided and capability of budget managers. This work is already reflected in the enhanced budget management arrangements through which the early identification a likely outturn surplus has allowed investment in priority areas.

One area of focus within the audit report is that of 'year end surplus', whilst this is an important element of the control framework any year end surplus needs to be considered alongside a number of issues,

- firstly; the Council has revenue budgets in excess of £40m for both income and expenditure and as such a 1% shift on either could result in a £400,000 variance,
- secondly; there is an increasing reliance on income streams across the Council, as can be seen from current monitoring reports these are more volatile to control than expenditure budgets, and
- thirdly; the Council is required to make savings against its net budget. It is unlikely that these savings will be realised on set dates according to the financial year (e.g. the 1st April), as such this could lead to variances in the projected outturn as savings are delivered.

This third point is of significant importance as to a large extent the 11/12 position arose from the positive action taken to achieve budgetary savings and generate additional income.

As identified within the report the existing project has not been delivered against the original timescale due to; the loss of the project lead along with a lack of suitable alternative staffing resource, the impact of financial reforms coming in to effect and the actions required to mitigate the severe funding reductions all of which have meant that resources have not been available to drive this project forward.

Additional resources are now in place to deliver against this important element of the Councils control framework which will allow efforts to be focussed on developing this area of the Councils capability. However, delivery in this area will require resources to remain in place for this project and not be diverted on to other areas of work.

A series of potential improvements are already being considered and implemented, including the combination of existing committee reports on 'Performance' and 'Finance' together with training needs identification and delivery.

The project will also focus on meeting specific stakeholder needs at the various levels within the organisation. It is recognised that not all groups will need the same level or type of information and training; as such the programme of activity will be tailored to the relevant groups.

Income Generation

Introduction and Scope

In the current climate of reduced central government funding income generation is more important than ever. To help support the Councils corporate plans and priorities it is important that the Council can maximise its income and fully understand its costs.

Our Internal Audit review aims to give you independent assurance that,

- Budget Income projections are based on effective data
- Income collection is regularly monitored and reported
- There is a process to review and amend Income targets and projections.

Executive Summary

Assurance Opinion Limited

We found that annual budget income projections are not based on effective data. Our opinion is based on the following,

- The annual process for setting income targets is not supported by a service policy or framework.
- Working papers are not centrally retained to support how finance have calculated and agreed income targets.
- The annual presentation of Income targets and pressures to management, for scrutiny, has not developed in line with Council aims and the increasing importance of income generation.
- The absence of working papers meant that we could not tell if projections are realistic.

While there is a detailed process to approve annual income targets, through management and member boards, we could not evidence the level of scrutiny and challenge applied to the targets as there was a lack of documentary evidence.

Income monitoring and reporting has not changed to keep pace with the priority the Council now places on increasing income collection. Income reports and projections to senior management should receive a higher priority in reports.

An internal review of staff with financial responsibilities reported generally low levels of officer skills and knowledge in financial procedures. A project was launched to improve officer skills and understanding, which was due for completion in the summer of 2012. This was not completed.

Using a report produced by Deloitte, the Council sought to better understand its income, fees and charges. The objective of the project was to identify the potential for the councils to generate additional income through amending their respective approaches to fees and charges. This was scheduled to be completed in 2012. Through a stated lack of resource this was not completed.

Direction of Travel



Improving

The finance section has started a major project review of finance management across the Council. This is being supported by extra resource in the finance section. Direction of travel is subject to resources being available for completing the finance matters project and the Deloitte fees and charges project.

The review identified the following high priority areas;

There is a process for agreeing annual income targets, this process has not been reviewed and developed to keep up with the changes and reductions in Council funding.

The process for finance and services agreeing income targets and the importance of using effective data is not supported by a detailed step by step guide on income generation.

The process of accountants meeting with services to agree targets could be improved by having;

- An annual finance policy on minimum standards and priorities for income generation.
- A standard template working paper to record how figures are calculated, including previous trends, projections, known issues and service comments.
- A template working paper to present summarised income generation targets to the corporate management team and members. This should contain sufficient detail for management and members to scrutinise and challenge. Space to record challenge and responses.
- Management should develop a priority system to support decisions on agreeing or disagreeing income pressures and targets.

Other areas raised specifically by management and covered in the review include;

Income presented to the corporate management team could be improved by focussing on income and presenting the income in a different format. This would include trend analysis, accurate projections, use of graphics, highlighting key messages and higher priority in overall finance reporting.

There were two projects, launched in 2012, one aimed to improve staff skills and knowledge on finance procedures and another to use an external report from Deloitte to improve the Councils understanding of fees and charges and income generation. Lack of resources meant these have not been completed.

A new project called Finance matters, has been launched which has a wide ranging scope, including looking at the issues with staff financial skills.

The Deloitte report project should be re launched and completed in 2013, to tie in with budget setting for 2013/14.

Management Response

The assessment of current operating systems is welcomed as this confirms the importance of the Finance Matters project and the findings will be used to further inform project delivery and future system development.

It should be recognised that significant work has already been undertaken from the 11/12 position which will be built on as further work is undertaken to enhance the information provided and capability of budget managers. This work is already reflected in the enhanced budget management arrangements through which the early identification a likely outturn surplus has allowed investment in priority areas.

One area of focus within the audit report is that of 'year end surplus', whilst this is an important element of the control framework any year end surplus needs to be considered alongside a number of issues,

- firstly; the Council has revenue budgets in excess of £40m for both income and expenditure and as such a 1% shift on either could result in a £400,000 variance,
- secondly; there is an increasing reliance on income streams across the Council, as can be seen from current monitoring reports these are more volatile to control than expenditure budgets, and
- thirdly; the Council is required to make savings against its net budget. It is unlikely that these savings will be realised on set dates according to the financial year (e.g. the 1st April), as such this could lead to variances in the projected outturn as savings are delivered.

This third point is of significant importance as to a large extent the 11/12 position arose from the positive action taken to achieve budgetary savings and generate additional income.

As identified within the report the existing project has not been delivered against the original timescale due to; the loss of the project lead along with a lack of suitable alternative staffing resource, the impact of financial reforms coming in to effect and

the actions required to mitigate the severe funding reductions all of which have meant that resources have not been available to drive this project forward.

Additional resources are now in place to deliver against this important element of the Councils control framework which will allow efforts to be focussed on developing this area of the Councils capability. However, delivery in this area will require resources to remain in place for this project and not be diverted on to other areas of work.

A series of potential improvements are already being considered and implemented, including the combination of existing committee reports on 'Performance' and 'Finance' together with training needs identification and delivery.

The project will also focus on meeting specific stakeholder needs at the various levels within the organisation. It is recognised that not all groups will need the same level or type of information and training; as such the programme of activity will be tailored to the relevant groups.

Information Governance

Introduction and Scope

We completed an audit of information governance to provide assurance on compliance with the Data Protection Act and Freedom of Information Act as non-compliance creates a risk of stiff financial penalties, reputational damage and in limited cases even criminal charges.

Within our programme of work we reviewed:

- Governance arrangements
- Policies, procedures and guidance
- Training and understanding
- Applications which hold personal data
- Processing of personal data
- Compliance with:
 - The Data Protection Act
 - The Freedom of Information Act
- Records management

Executive Summary

Assurance Opinion - Limited

We established that the organisation does not have a coordinated corporate approach to managing information governance. Introduction of this through an information governance group could aid several areas where improvement is needed, including:

- Creating a clear structure for information governance
- Facilitating a joined up approach to policy creation and practice
- A formal training and refresher programme for staff
- Standardising file naming
- Embedding protective marking
- Clarification on system owners

We also found that there are no mechanisms for:

- monitoring compliance with,
- or dealing with non-compliance by officers of, the IT security policies.

Direction of Travel



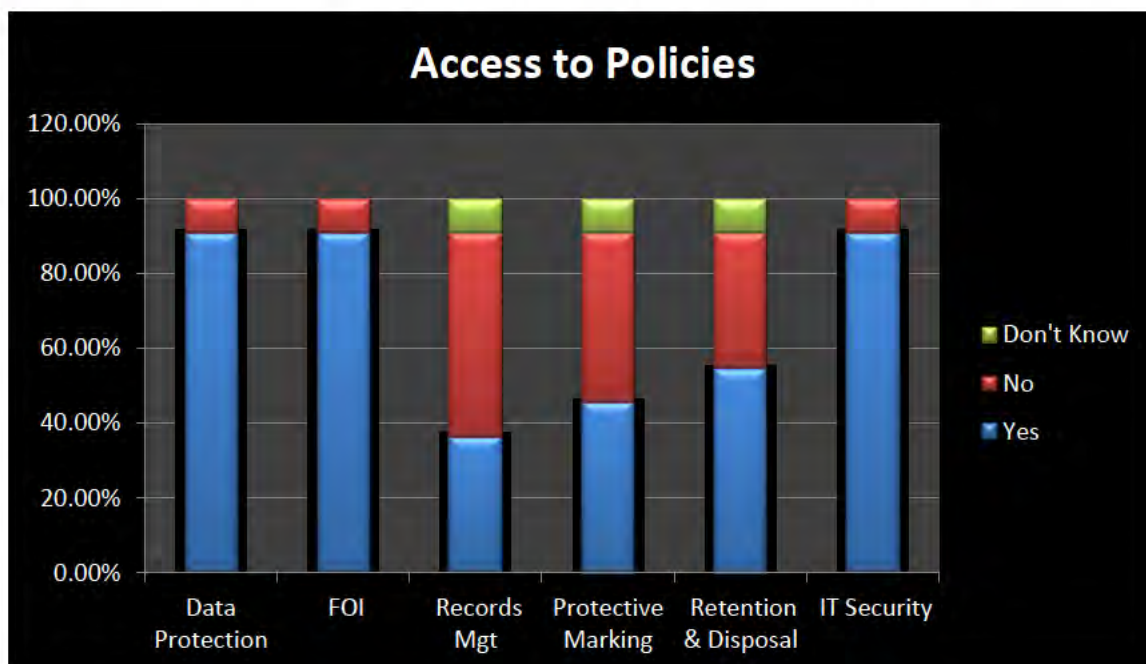
Improving

We recommend the introduction of an Information Governance group to drive and support the organisation to embed a coordinated corporate approach. Discussions during the audit identified that this is something Management have considered and are in the process of getting started.

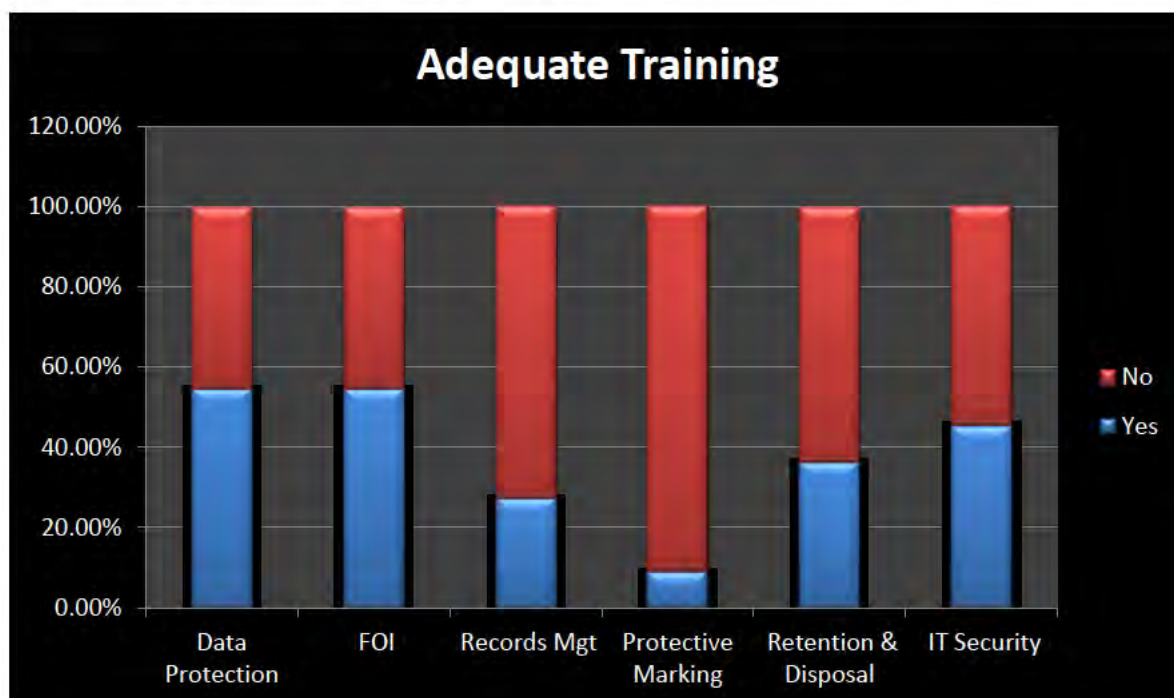
If this group is created, has appropriate members, clear terms of reference and an achievable work plan then it should be effective in taking action on the recommendations of the audit and any further updates received from the information commissioner’s office.

We would expect an information governance group to co-ordinate policy creation and review in matters such as data protection act, freedom of information, records management, protective marking, retention of records and IT security. They should also organise a schedule of training and reminders for staff, act as a point of advice for staff and generally manage a corporate approach to information governance. Such a group is not currently in place. Its absence may have had an impact on some of our key findings, which are:

Employees do not generally have adequate awareness and training in certain areas. We asked a range of employees if they had easy access to policies. The results were:



When asked if they have received adequate training in various information governance subjects responses told us:



A records management policy is not currently in place, as such there is an absence of a co-ordinated approach to filing or a standard naming convention. This is also impacting on the protective marking which Management feel is not fully compliant with policy.

Information security policies are held and available to staff; however there are no mechanisms to monitor compliance and deal with instances of non-compliance.

Our work also identified areas where the organisation's information governance processes are stronger, examples include:

- Most information governance policies are in place.
- Employees know how to access the Data Protection Policy and freedom of Information policy.
- Registration with the Information Commissioner's Office is monitored, updated when necessary and renewed when due.
- Review of personal data on a variety of systems did not identify any that contravened the data protection act.
- Sampling Freedom of Information requests found that all complied with policy and legislation.

We would like to thank Steve Anderson – Information Governance Officer for his help in co-ordinating this review which covered many areas of the organisation.

We held a closure meeting with Alex Reeks – Assistant Chief Executive and Steve Anderson – Information Governance Officer to discuss findings and agree actions. We agreed upon a nine stage action plan which should systematically address the findings of the review:

- Set up Information Governance Group
- Agree terms of reference for the group
- Identify and consolidate all policies
- Refresh policies and agree the format
- Identify policy owners and agree any actions necessary
- Agree training programme for all staff
- Amend processes as necessary
- Implement changes
- Implement compliance arrangements

Management Response

The outcome of the audit is a fair reflection of where we are in relation to information governance. The review has not identified anything unexpected. A new Information Governance Group is in the process of being formed and this will pick up the action plan and take things forward.

The creation of an effective records management system is seen as a challenge. This is something that we need to investigate and fully understand so that we can ensure that we identify and implement the best approach for West Lindsey.

Management Actions	No	All to be completed by:
High Priority	Four	30 th September 2013
Medium Priority	Six	30 th September 2013

Appendix 3 - Outstanding recommendations as at 31st May 2013

Audit Area	Date	Assurance	Number of Recs	Implem'd	Outstanding			Not Due Date
					H	M	L	
Business Improvement								
Project Management 11/12	Sept 2011	Limited	16	15	0	1	0	
Risk Management	May 2012	Limited	6	2	3	1	0	
Resources								
NNDR	Nov 2012	Limited	4	1	1	1	0	1
Financial Management	Mar 13	Limited	8	7	0	1	0	
Income Generation	Mar 13	Limited	7	3	1	0	0	3

Appendix 4 – Internal Audit Plan & Schedule 2013/14

Area	Days	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Status / Assurance Level Given
Critical Service Activities						
Communities and Localism						
Partnership Management		To provide assurance on the structures and governance arrangements in place to manage key partnerships.	May 2013	July 2013		In progress
Resources						
Progress and delivery of the corporate plan		To provide assurance on the progress made against the delivery of key priorities in the corporate plan and reporting through progress and delivery reports. To also include the role and effectiveness of the programme boards – incorporating how well risk, performance, partnership working and projects associated with the priority are being managed.	May 2013	July 2013		In progress
Welfare Reform		To provide assurance that welfare reform has been	October 2013	December 2013		

Area	Days	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Status / Assurance Level Given
		implemented effectively, including <ul style="list-style-type: none"> • Delivery plan • Sustainability • Assessment of the impact on communities / vulnerable people • Impact on collection rates 				
NNDR and new homes bonus		To provide assurance on how the council is proactively managing NNDR income, including: <ul style="list-style-type: none"> • Supporting business growth • Maintaining collection rates • Sustainability 	July 2013	September 2013		
Subtotal	50					
Due Diligence						
Resources						
Finance Systems – to be agreed with external audit input		To review systems and test transactions for finance systems feeding into the Council's accounts in liaison with external audit.	December 2013	March 2014		

Area	Days	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Status / Assurance Level Given
Housing Benefits and Subsidy claim Review		Review of the housing benefit systems in conjunction with testing to support the external audit of the subsidy claim.	July 2013	September 2013		
Risk Management		To provide assurance on the risk management strategy, structure and operations within the organisation.	October 2013	December 2013		
Project Management		Review of the project management process, its fit in the organisation and its application to the management of projects. Audit to include gateway reviews of key projects to be agreed with the Assistant chief executive.	May 2013 To be requested	July 2013		In progress
Elswitha Quarter		To review processes and decisions made in the Elswitha Development, to include governance arrangements.	April 2013	June 2013		In progress
Sub Total	110					

Area	Days	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Status / Assurance Level Given
Key Projects						
Asset Mgt, utilisation and disposal		Review of the asset management project to provide assurance that: <ul style="list-style-type: none"> • There is a comprehensive understanding of assets held; • Process for acquisition, utilisation and disposal; • Assets are used for maximum benefit of communities and the authority. 	May 2013	July 2013		In progress
Sub Total	10					
Emerging Risks						
Emerging risk contingency		To audit any significant emerging risks arising in the year.				
Sub Total	10					
Other relevant Areas						
Assurance mapping		Update assurance map with service managers and gain management assurances and	September 2013	November 2013		

Area	Days	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Status / Assurance Level Given
		third party assurances.				
Counter Fraud		To assess the effectiveness of the Council's arrangements for 'Fighting Fraud Locally' as outlined in the National Fraud Authority good practice guide.	July 2013	July 2013		
Sub Total	20					
ICT Audit.						
		Identifying the assurances available on the Councils ICT Management arrangements – Infrastructure – applications. Based on this information undertaken an ICT audit eg critical application or IT security	January 2014	March 2014		
Sub Total	10					
Non-Audit						
Advice / liaison	5					
Annual Report	1					
Audit Committee	5					
Sub Total	11					
Total Audit Plan for 2013/14	221					