



GA.39 14/15

**Governance & Audit
Committee**

08 Jan 2015

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**Subject: Internal Audit Plan 2014/15 September to November 2014
Progress Report**

Report by:

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Purpose / Summary:

The report gives members an update of
progress, by the Audit partner, against the
2014/15 annual programmes agreed by the Audit
Committee in March 2014.

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

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No

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Internal Audit - Progress Report 2014 / 15



Date: 09 December 2014

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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. The 2014/15 plan has progressed well this quarter, with the Economic Development Strategy audit, Housing Benefits and Housing Benefits Subsidy audits concluded and a further audit reaching draft report stage. With the addition of one audit, there are now a total of 13 audits within the 2014/15 plan and progress so far is as follows:

- 3 audits are complete: 23% of Jobs
- 1 audit at draft report stage: 8% of Jobs
- 4 audit are at fieldwork stage: 31% of Jobs
- 2 audits at scoping stage: 15% of Jobs
- 1 audit scheduled: 8% of Jobs
- 2 audits Postponed to 2015/16 15% of Jobs

Full details of scheduled work can be found at appendix 2.

3. We have completed two audits since our last progress report, one of which has been reported in two parts, assurances were given as follows:

Internal Audit work completed from 01st September – 30th November 2014

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

Effective	Some Improvement Needed	Major Improvement Needed	Inadequate
<ul style="list-style-type: none">• Council Tax Discounts	<ul style="list-style-type: none">• Housing Benefits• Economic Development Strategy	<ul style="list-style-type: none">• No Reports	<ul style="list-style-type: none">• No Reports

Note: The Governance & 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.

Economic Development Strategy

5. We found that there is a strategy in place which has been through an in depth development and approval process. There are links to service and officer work plans and these have been strengthened by the recent inclusion of an action plan.

The strategy is supported by a detailed district and county economic appraisal document and is aligned to the district's Corporate Plan and the Greater Lincolnshire Local Enterprise Partnership Strategy. This supports the aim of the strategy, to be a partnership approach to delivering economic development for West Lindsey.

Council Tax Discounts

6. The revenues and benefits service have a history of good audit assurance and this has not changed. From the work we carried out, we noted a number of areas of good practice including:

- On the whole, supporting evidence is held to support the Council Tax discounts awarded.
- Key discount categories are subject to periodic review by external parties.

Housing Benefits

7. Through our transaction testing, observations and discussions with officers, we have confirmed that benefits processes are well controlled. The transactions we tested were largely complete, accurate and bona fide with appropriate supporting records.

We have made minor recommendations where improvements can be made which relate to correctly recording backdating within the Northgate system and appropriately documenting requests for backdating. We examined the Discretionary Housing Payments (DHP) scheme and similarly found that documentation could be improved and that checks could be introduced to ensure that the reasons for DHP payments, and the intended outcomes, were being recorded. We have also suggested implementing performance monitoring to provide management with information on DHP activity.

Audits in Progress

8. There are two planned 2014/15 audits currently in progress and another at draft report stage, nearing completion:
- Information Governance (Draft Report)
 - Vulnerable People
 - ICT – Mobile Devices

Other Significant Work

9. Other audit work undertaken during the period:

10. **Housing Benefits Subsidy**

We have carried out annual testing on Housing Benefit subsidy on behalf of and in conjunction with the external auditor KPMG.

A sample of Benefit cases are tested to provide overall assurance on the accuracy of the Housing Benefits caseload and to confirm that the correct level of subsidy has been claimed by the Authority.

The majority of cases tested were satisfactory, although there were five errors found from testing twenty eight cases, four of which related to one particular type of claim, Homeless cases.

We also acknowledge the risk that the organisation may in the future lose the current subsidy officer and all the knowledge that the officer has accrued. This risk has also been acknowledged corporately in that the risk has been recorded within the strategic risk register for the section.

11. **Central Lincolnshire Local Plan Partnership (CLLPP)**

The audit of the Central Lincolnshire Local Plan is progressing well, with an assessment of the Governance Arrangements and Project management now complete. Full details are shown within the attached highlight report at Agenda Item C (ii) (Paper Di) Work in respect of Stakeholder Consultation is now in progress.

12. **Combined Assurance**

The annual update of the combined assurance document is nearing completion and will be presented to the Governance and Audit Committee during Quarter 4.

Performance Information

13. Our current performance against targets for 2014/15 is shown below.

Performance Indicator	Target	Actual @ 30/11/2014
Percentage of plan completed.	100%	42%*
Percentage of key financial systems completed.	100%	40%
Percentage of recommendations agreed.	100%	100%
Percentage of recommendations due implemented.	100% or escalated	Too early to report
Timescales: Draft report issued within 10 working days of completing audit.	100%	67% (2 out of 3)
Final report issued within 5 working days of CMT sign off	100%	100%
Draft report issued within 2 months of fieldwork commencing	80%	67% (2 out of 3)
Client Feedback on Audit (average)	Good to excellent	Good

* Indicator based on the number of days spent against the total number of days within the revised plan.

Outstanding Recommendations

14. Each quarter we follow up our audit report recommendations and track the implementations of agreed management action. There are a number of reports, some with Limited assurance where actions have been outstanding for some time. However, in conjunction with Managers we have revisited these and where appropriate agreed revised realistic timescales.

Full details of outstanding recommendations are shown at Appendix 3.

Other Matters of Interest

15. Funding Bids for Counter Fraud Development

The Department for Communities and Local Government (DCLG) have made £16m available to Local Authorities to tackle fraud for a two year period. Councils were invited to submit bids in order to receive a share of this fund and Lincolnshire Fraud Partnership have been successful in being granted their full request of £200k.

The Lincolnshire Fraud Partnership comprising counter fraud specialists and subject area experts from Lincolnshire County Council and seven district councils aims to:

- Deliver a joint fraud proactive exercises across Lincolnshire
- Develop and deliver an effective co-ordinated fraud awareness programme
- Share intelligence, investigative resource, expertise and best practice

16. Audit Commission – Protecting the Public Purse – October 2014

This is the last report in the Protecting the Public Purse series from the Audit Commission before it closes in March 2015. The key messages include:

- Scale of fraud against local government is large but difficult to quantify with precision – they do believe the last national estimate (2013) of £2.1 billion is probably an underestimate.
- Fewer cases of detected fraud were reported in 2013/14 compared with the previous year but the value has increased by 6%
- Councils will need to focus on non-benefit frauds that present the highest risk of loss, some example given were:
 - Council tax fraud
 - Right to buy
 - Social care fraud
 - Insurance fraud
- Detection rates for some frauds have fallen, specifically business rates and procurement fraud. They suggest the fall in detected fraud may be due to the fall in dedicated fraud officers.
- Detection rates in other areas has risen, such as schools (increase of 6% - £2.3m) and housing tenancy.

The Commission's counter-fraud activities will transfer to new organisations from April 2015 – the National Fraud Initiative will transfer to the Cabinet Office and the Protecting the Public Purse series and fraud briefings will transfer to the Counter Fraud Centre run by CIPFA.

The report recommends that councils should:

- use the Commission's checklist to review their counter fraud arrangements
- adopt a corporate approach to fighting fraud
- actively pursue potential frauds identified in the National Fraud Initiative
- assess themselves against CIPFA's new Code of Practice on Managing the Risk of Fraud and Corruption
- engage fully with the new CIPFA Counter Fraud Centre

The full publication can be found on the Audit Commission website at: www.audit-commission.gov.uk

17. CIPFA Counter Fraud Centre

The new CIPFA Counter Fraud Centre will lead and co-ordinate the fight against fraud & corruption across public services. They will be working closely with the DCLG, the National Crime Agency and the Cabinet Office and all Local Authorities are encouraged to engage with the Centre.

They have recently published a new Code of Practice which includes key principles and lists key actions which includes a policy framework – the Council already has all recommended fraud related policies with the exception of the Cyber Security Policy – we feel this is covered adequately in our existing IT Security Policies.

The CIPFA Counter Fraud Centre are offering some usual services which the counter Fraud Team will utilise, for example:

- training, including a new set of qualifications
- a subscription service (providing access to Counter Fraud tools, guidance and fraud alerts)
- good practice bank (including case studies)
- working groups to consider and develop guidance to tackle key fraud risk areas

18. Local Government Transparency Code 2014

This Code has recently been amended and there are now additional mandatory reporting requirements for Local Authorities. The first set of annual data must be published no later than 2 February 2015 and thereafter not less than annually. The new mandatory elements relating to counter fraud work are:

- number of occasions powers used under the Prevention of Social Housing Fraud (Power to Require Information) (England) Regulations 2014/32, or similar powers (not applicable to County Council)
- total number (absolute and full time equivalent) of employees undertaking investigations and prosecutions of fraud
- total number (absolute and full time equivalent) of professionally accredited counter fraud specialists

- total amount spent by the authority on the investigation and prosecution of fraud, and
- total number of fraud cases investigated

Appendix 1 – Assurance Definitions¹

Effective	<p>Our critical review or assessment on the activity gives us a high level of confidence on service delivery arrangements, management of risks, and the operation of controls and / or performance.</p> <p>The risk of the activity not achieving its objectives or outcomes is low. Controls have been evaluated as adequate, appropriate and are operating effectively.</p> <p>As a guide there are a few low risk / priority actions arising from the review.</p>
Some improvement needed	<p>Our critical review or assessment on the activity gives us a reasonable level of confidence (assurance) on service delivery arrangements, management of risks, and operation of controls and / or performance.</p> <p>There are some improvements needed in the application of controls to manage risks. However, the controls have been evaluated as adequate, appropriate and operating sufficiently so that the risk of the activity not achieving its objectives is medium to low. A few specific control or risk issues identified.</p> <p>As a guide there are low to medium risk / priority actions arising from the review.</p>
Major improvement needed	<p>Our critical review or assessment on the activity identified numerous concerns on service delivery arrangements, management of risks, and operation of controls and / or performance.</p> <p>The controls to manage the key risks were found not always to be operating or are inadequate. Therefore, the controls evaluated are unlikely to give a reasonable level of confidence (assurance) that the risks are being managed effectively. It is unlikely that the activity will achieve its objectives.</p> <p>As a guide there are numerous 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
Inadequate	<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>There are either gaps in the control framework managing the key risks or the controls have been evaluated as not adequate, appropriate or are not being effectively operated. Therefore the risk of the activity not achieving its objectives is high.</p> <p>As a guide there are a large number of high risks / priority actions arising from the review.</p>

¹ These definitions are used as a means of measuring or judging the results and impact of matters identified in the audit. The assurance opinion is based on information and evidence which came to our attention during the audit. Our work cannot provide absolute assurance that material errors, loss or fraud do not exist.

Appendix 2 – Internal Audit Plan & Schedule 2014/15

Area	Days	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Status / Assurance Level Given
Critical Service Activities						
Corporate Fraud	10	<p>Preparing for major national change has been identified as a Strategic Risk and is being managed through the Strategic Risk Register. This audit will carry out proactive testing in the following areas:</p> <ul style="list-style-type: none"> <i>Fleet fuel management</i> Proactive work – based on fraud risk; to provide assurance on the arrangements in place to manage and report on fuel usage across the vehicle fleet. <i>Purchase Cards</i> Proactive work – based on fraud risk; to ensure only bona fide payments are made and to provide assurance that payments are not bypassing or breaching procurement procedures. are being managed. 	May 2014	30 th April 2014	26 th June 2014	<p>Complete</p> <p>Some Improvement Needed</p>

Area	Days	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Status / Assurance Level Given
Information Governance	10	To review organisation wide information governance arrangements to provide assurance that data related risks are sufficiently managed whilst ensuring the right data is available at the right time.	October 2014	02 nd October 2014		Draft Report
Land, Property & Estate Management	10	To ensure that processes and controls around procurement, project management and investment decisions are embedded / complied with. Ensure the best use of resources / value for money in line with the Commercial Strategy.	Postponed until 2015/16			Postponed at request of Director
Strategic Economic Development	10	To assess the Council's role in supporting Economic Development, including partnership governance and project management.	Q3	09 th September 2014	11 th December 2014	Complete Some Improvement Needed
Central Lincolnshire Local Plan Partnership.	10	Provide assurance on the revised delivery arrangements for the central Lincolnshire joint local plan and provide support and advice at key stages through gateway review. (combined audit resource with North Kesteven & City of Lincoln).	Q2	Initial discussion 13 th June 2014	07 th November 2014	1 st Highlight Report Complete

Area	Days	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Status / Assurance Level Given
Vulnerable People	15	To review the controls in place for safeguarding people and multi-agency working including Domestic Abuse.	Q2	14 th November 2014		Fieldwork
Subtotal	65					
Due Diligence						
Resources						
Finance Systems – to be agreed with external audit input	20	To review systems and test transactions for finance systems feeding into the Council's accounts in liaison with external audit: <ul style="list-style-type: none"> • Debtors • Payroll • Pensions • Property, plant & equipment 	December 2014	November 2014		Fieldwork
Key Control Testing	25	To undertake testing on key controls within finance systems for Head of Audit assurance.	December 2014			Scoping
Benefits	10	To provide assurance that all benefits paid are bone fide, complete, accurate, timely and in accordance with policy / regulations	August 2014	30 th June 2014	01 st December 2014	Complete Housing Benefits – Some Improvement Needed Council Tax Discounts - Effective

Area	Days	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Status / Assurance Level Given
Insurance	0	To ensure that the Council has effective arrangements in place to manage its insurable risks	Postponed to April 2015/16			10 Days to Planning
Contract Management	10	To provide assurance that key contracts are managed effectively and monitored to confirm they are delivering as agreed	Q4			
Sub Total	65					
Emerging Risks						
Emerging risk & contingency	0	To audit any significant emerging risks arising in the year.			5 Days to planning	
Planning	15	To provide assurance that there is an effective, resourced and performing Planning service.	Q4			To be completed in Q4 at request of Director
Other relevant Areas						
Assurance mapping	10	Update assurance map with service managers and gain management assurances and third party assurances.	September 2014			Work in Progress

ICT Audit.						
Mobile Devices	10	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 (TM)	Q1 & 4	17 th July 2014		Work in Progress
Non-Audit						
Advice / liaison	5					
Annual Report	1					
Audit Committee	5					
Sub Total	11					
Total Audit Plan for 2014/15	176					

[illegible]

Audit Lincolnshire – Internal Audit Report

2014/15									
Corporate Fraud	June 2014	Some Improvement Needed	9	4	0	0	0	5 (M)	
Economic Development	Dec 2014	Some Improvement Needed	5					5 (M)	
			14	4	0	0	0	10	