



GA.56 14/15

Governance & Audit
Committee

9 April 2015

**Subject: Internal Audit Plan 2014/15 December to February 2015
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: FIN-9-16 None directly arises from the report.

Staffing: None.

Equality and Diversity including Human Rights:
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 2014 / 15



Date: 30 March 2015

Contents

Introduction	Para 1
Key Messages	2-3
Internal Audit work completed from December to February 2015	4
Audits in Progress	5
Performance Information	6
Outstanding Recommendations	7

Appendices

Appendix 1 – Assurance Definitions

Appendix 2 - Internal Audit Plan & Schedule 2014/15

Appendix 3 - Outstanding Recommendations

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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 Information Governance and Financial System Audits reaching conclusion and a further audit reaching draft report stage. All remaining audits are also now in progress and planned for completion by 31st March 2015; progress is as follows:
 - 5 audits are complete: 38% of Jobs
 - 1 audit at draft report stage: 9% of Jobs
 - 5 audits are at fieldwork stage: 38% 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 as four separate systems, assurances were given as follows:

Internal Audit work completed from 01st December – 28th February 2015

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"> • No Reports 	<ul style="list-style-type: none"> • Information Governance • Financial Systems: <ul style="list-style-type: none"> Payroll Pensions Debtors Property, Plant & Equipment 	<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.

Information Governance

Our work identified a number of areas of good practice, in particular the presence of robust policies and procedures, compliance with processing requests for information, and progress on compliance with the new Transparency Code. We also noted that the Council now has an Information Governance E Learning package which is currently in test and will soon be rolled out to all staff.

To further enhance control, there were some areas where improvements are required in terms of oversight, co-ordination and monitoring so that Management are provided with assurance that the Council is compliant with Information Governance legislation.

The key areas where we recommend improvements are:

- Information Sharing Agreements
- Reviewing the role of the Corporate Information Governance Group
- Privacy Notices

Financial Systems

We have completed four financial system audits, these are:

Debtors

We found there are effective processes and controls to manage the debtor function and minimise the risk of fraud including controlled access to systems and segregation of duties.

We did find some areas where the process could be strengthened to improve the overall management and monitoring of the debtors service including:

- Introducing performance indicators and reporting on debt management,
- Ensuring debtor administration functions are all up to date and complete,
- Working more closely with services to follow up outstanding debt,
- Agreeing roles and responsibilities between debtor's service and departments for following up debtors.

Payroll

There are robust systems and processes in place to manage the Payroll system. From our sampled tested we found that starters, leavers and changes had been actioned accurately and promptly. Feedback from the Human Resource section shows that the new system is working well and a decrease in staff queries and issues shows that training and awareness of the self service part of the system is embedded.

However, North Kesteven is responsible for ensuring the payroll system is updated and correct for the payroll to be run. It was noted that there have been some instances where this information had not been received in a timely manner and the Council had nearly missed the payroll deadline. Through updates and contract management meetings, the Council should ensure this issue is addressed.

Pensions

We found there were effective systems in place to monitor and manage the pension's process for WLDC. This is an important service for the Council and as such is subject to controls to provide assurance on the financial management and affordability of the scheme.

Pensions are subject to external audit testing as part of the closedown procedure for the accounts and regular reports from the Actuary on the health and projected health of the scheme.

We did find some areas where management could strengthen the controls in place and these were-

- Monthly reconciliations should be signed off to show that a senior finance officer has verified and approved the process.
- Anomalies on monthly records of employer contributions are investigated and notes added to confirm they have been resolved
- There are guidance notes in place and these should be signed off by management as correct and authorised.

Property, Plant & Equipment

We found that there are effective systems and controls in place to monitor and manage the capital monitoring process and asset register. Changes had been recorded on the finance asset register and annual valuations have been completed and systems updated.

There were some minor errors on the annual valuation updates to the asset register these were corrected during the audit. Management could provide more assurance on the accuracy of the register by introducing a review and approval process.

A new capital procedure note had just been completed which documents the processes to manage capital monitoring and the asset register. This now needs checking and authorising to confirm management awareness and agreement on the guidance.

Audits in Progress

5. There are currently seven outstanding 2014/15 audits which are due for completion by 31st March 2015:
 - Central Lincolnshire Local Plan Partnership:
The 2nd Highlight Report in respect of Stakeholder Consultation is currently draft and will be presented to and agreed by the Central Lincolnshire Steering Group prior to being presented to G&A Committee.
 - Vulnerable People:
The fieldwork is now complete and the draft report is in the process of being agreed.

- **Planning**
 The Planning audit will be completed in two parts. The first will seek to provide assurance on the action plans being developed by the interim team manager to address current issues and create a long term sustainable performing planning service.
 The second will be a full review during 2015/16 and will seek to provide assurance that sufficient progress has been made and the action plans have delivered expected outcomes.
- **Key Control Testing:**
 Fieldwork is being completed in respect of NNDR, Creditors, General Ledger and Treasury Management key controls.
- **Contract Management**
 Fieldwork is currently in progress.
- **ICT – Mobile Devices:**
 This is a joint audit with NKDC and the fieldwork is in progress, nearing completion.

Performance Information

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

Performance Indicator	Target	Actual @ 13/02/2015
Percentage of plan completed.	100%	75%*
Percentage of key financial systems completed.	100%	100%
Percentage of recommendations agreed.	100%	100%
Percentage of recommendations due implemented.	100% or escalated	94%
Timescales: Draft report issued within 10 working days of completing audit.	100%	67% (4 out of 6)
Final report issued within 5 working days of CMT sign off	100%	100%
Draft report issued within 2 months of fieldwork commencing	80%	83% (5 out of 6)
Client Feedback on Audit (average)	Good to excellent	Excellent

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

Outstanding Recommendations

7. Each quarter we follow up our audit report recommendations and track the implementation of agreed management action. Full details of outstanding recommendations are shown at Appendix 3.

Appendix 1 – Assurance Definitions¹

<p>Effective</p>	<p>Our critical review or assessment on the activity gives us a high level of confidence on service delivery arrangements, management of risks, and the operation of controls and / or performance.</p> <p>The risk of the activity not achieving its objectives or outcomes is low. Controls have been evaluated as adequate, appropriate and are operating effectively.</p> <p>As a guide there are a few low risk / priority actions arising from the review.</p>
<p>Some improvement needed</p>	<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>
<p>Major improvement needed</p>	<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
<p>Inadequate</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>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	October 2014	January 2015	Complete Some Improvement Needed
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 the request of Director. This audit will now be undertaken during 2015/16 Audit plan (The 10 days allocation will also be carried forward).
Strategic Economic Development	10	To assess the Council's role in supporting Economic Development, including partnership governance and project management.	Q3	September 2014	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 June 2014	1 st Highlight Report - November 2014	1 st Highlight Report Complete 2 nd Highlight Report in draft - to be presented to and agreed by the Central Lincolnshire Steering Group

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	November 2014		Draft Report
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	February 2015	Complete Some Improvement Needed
Key Control Testing	25	To undertake testing on key controls within finance systems for Head of Audit assurance.	December 2014			Fieldwork
Benefits	10	To provide assurance that all benefits paid are bone fide, complete, accurate, timely and in accordance with policy / regulations	August 2014	June 2014	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 reallocated to Planning Audit. Insurance will be carried out as part of 2015/16 Audit plan.
Contract Management	10	To provide assurance that key contracts are managed effectively and monitored to confirm they are delivering as agreed	Q4	February 2015		Fieldwork
Sub Total	65					
Emerging Risks						
Emerging risk & contingency	0	To audit any significant emerging risks arising in the year.				5 Days transferred to Planning Audit.
Planning	15	To provide assurance that there is an effective, resourced and performing Planning service.	Q4	February 2015		Fieldwork
Other relevant Areas						
Assurance Mapping	10	Update assurance map with service managers and gain management assurances and third party assurances.	September 2014	October 2014	January 2015	Complete Governance and Audit Committee – 26 th February 2015

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	Q1	July 2014		Fieldwork
Non-Audit						
Advice / liaison	5					
Annual Report	1					
Audit Committee	5					
Sub Total	11					
Total Audit Plan for 2014/15	176					
- Adjustment for Postponed Audit	(10)					
Revised Plan	166					

Audit Lincolnshire – Internal Audit Report

			35	26	7	2	9			
Audit Area	Date	Assurance	Total High / Med Recs	Implem'd	H	M	Total	Not Yet Due	Notes	Direction of travel
2014/15										
Corporate Fraud	June 2014	Some Improvement Needed	9	9	0	0	0		Complete	
Economic Development	Dec 2014	Some Improvement Needed	5	2	0	1	1	2 (M)		
Information Governance	Jan 2015	Some Improvement Needed	11					1 (H) 10 (M)		
Debtors	Feb 2015	Some Improvement Needed	5					5 (M)		
Payroll	Feb 2015	Some Improvement Needed	3					1 (H) 2 (M)		
Pensions	Feb 2015	Some Improvement Needed	3					3 (M)		
Property, Plant & Equipment	Feb 2015	Some Improvement Needed	2					2 (M)		
			38	11	0	1	1	26		
Grand Total Outstanding					12	4	16			