



GA.04 16/17

Governance & Audit
Committee

21 June 2016

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Subject: Internal Audit Annual Report – 2015/16

Report by:

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Purpose / Summary:

The Internal Audit Plan was approved at the beginning of the 2015/16 financial year. This report gives the Head of Internal Audit's opinion on the adequacy of the Council's, governance, risk and control environment and the delivery of the Internal Audit Plan for 2015/16.

RECOMMENDATION(S):

- 1. That the Committee consider the Head of Audit's Annual Report and Opinion for 2015/16 and identifies any actions it requires.**
- 2. That the Committee consider this Annual Report when scrutinising the Annual Governance Statement 2016.**

IMPLICATIONS

Legal: None directly arising from the report

Financial: FIN REF 41/17 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

Introduction

The Head of Internal Audit provides an annual opinion on the adequacy of the Council's governance, risk and control environment based on the work undertaken as part of the Internal Audit Plan.

It is pleasing to see three of the assessments to be rated green and the fourth as amber. This reflects a significant journey for the Authority since its red rating on governance in 2013.



West Lindsey District Council

Internal Audit Annual Report – 2015/16



What we do best...

Innovative assurance services

Specialists at internal audit

Comprehensive risk management

Experts in countering fraud

...and what sets us apart

Unrivalled best value to our customers

Existing strong regional public sector partnership

Auditors with the knowledge and expertise to get the job done

Already working extensively with the not-for-profit and third sector

Contents

Page

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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.

Purpose of Annual Report	1
Our opinion on governance, risk and the control environment	1
How we came to our opinion	2
Scope of work	5
Restrictions on scope	5
Other significant work	7
Delivery of internal audit plan 2015/16	7
Effectiveness of internal audit	8
Quality Assurance	9

Appendix 1 - Internal Audit Assurances Given 2015/16
Appendix 2 - Outstanding recommendations
Appendix 3 - Quality Assurance Framework
Appendix 4 - Continuous Improvement Plan
Appendix 5 - Glossary of Terms

Distribution List

Chief Executive
Directors
External Audit



Management Summary

Purpose of Annual Report

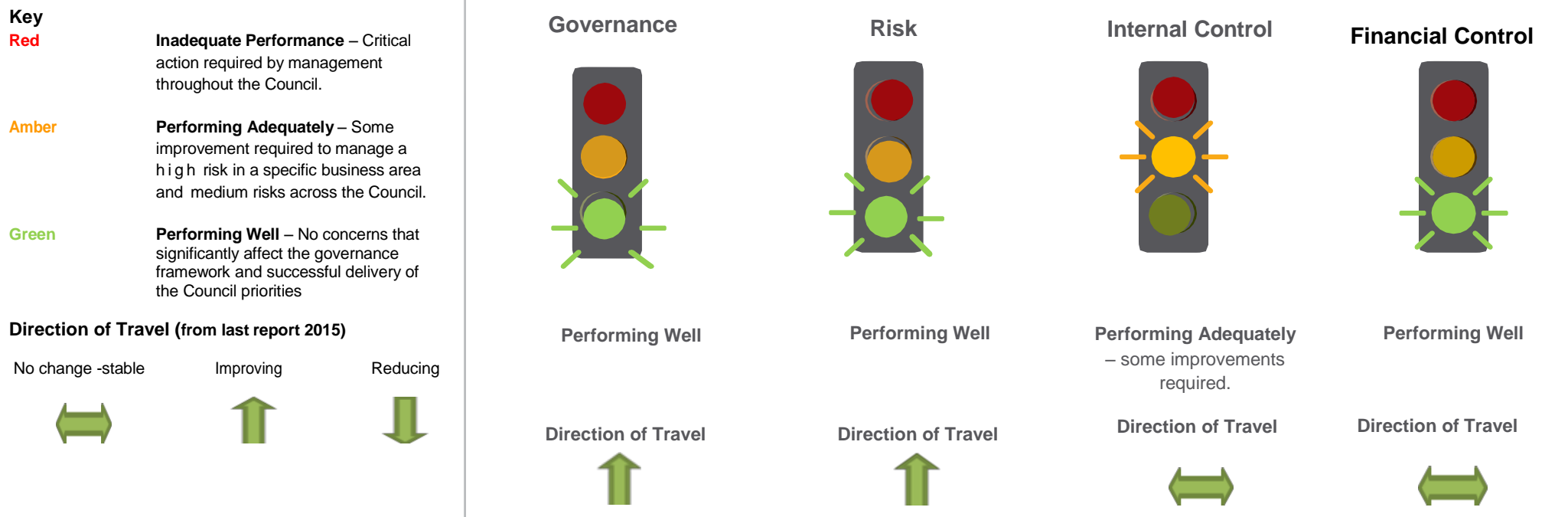
- The purpose of the Annual Internal Audit Report is to meet the Head of Internal Audit annual reporting requirements set out in the Public Sector Internal Audit Standards (PSIAS) and the Accounts and Audit Regulations 2015. In particular:-
 - Include an independent opinion on the overall adequacy and effectiveness of the Council's governance, risk and control framework and therefore the extent to which the Council can rely on it;
 - Inform how the plan was discharged and the overall outcomes of the work undertaken that supports the opinion;

- A statement on conformance with the PSIAS and the results of the internal audit quality assurance and improvement programme (QAIP);
- Draw attention to any issues particularly relevant to the Annual Governance Statement.

Annual Opinion

- For the twelve months ended 31 March 2016, based on the work we have undertaken and information from other sources of assurance, my opinion on the adequacy and effectiveness of West Lindsey's arrangements for governance, risk management and control is shown in **Figure 1** below:-

Figure 1



How we came to our opinion

Governance

3. Good governance underpins everything the Council does and how it delivers services often comes under close scrutiny. It is therefore vital that resources focus on agreed policy and priorities; that there is sound and inclusive decision making with clear accountability for the use of those resources. This ensures that the Council achieves the desired outcomes for the people of West Lindsey.
4. The Governance and Audit Committee helps to ensure that these arrangements are working effectively. They regularly review the governance framework and consider the draft and final versions of the Annual Governance Statement..
5. The Council's undertakes an annual review of the Council's governance framework. Significant governance issues identified by the Council in the 2016 draft statement are:
 - Central Lincolnshire Local Plans Team
 - Capital Programme
 - Information Governance
 - Choice Based lettings
 - Selective Licensing
 - Development Management
6. Good progress has been made over the year in improving the governance arrangements of the Council. Including:
 - Corporate Plan approved which sets out the Council's priorities and objectives.
 - Producing the Accepted Code of Practice, which provide clarity on key systems and processes of the Council.
7. Changes in the Leadership Team has helped strengthen accountability around performance and delivery.
8. The development of the Commercial Strategy, Growth plan and transformation programme – both playing a key role to the successful delivery of the Council's priorities and targets. Delivery of these are still being worked through – not unexpected in the challenging and complex public sector environment.
7. Taking the above information into account we have assessed the governance framework as **green** - performing well.

Risk and Internal Control

8. We took account of the outcome of our internal audit work during the year. Two areas received a 'low' assurance opinion during the year:-

Land Charges - our audit highlighted improvements over performance and capacity / resilience.

Incident Management - we identified areas of improvement including having up to date policies, recording incidents (learning), training and communication.

9. We also gave some areas a 'limited' assurance opinion on the activity was given. These are:

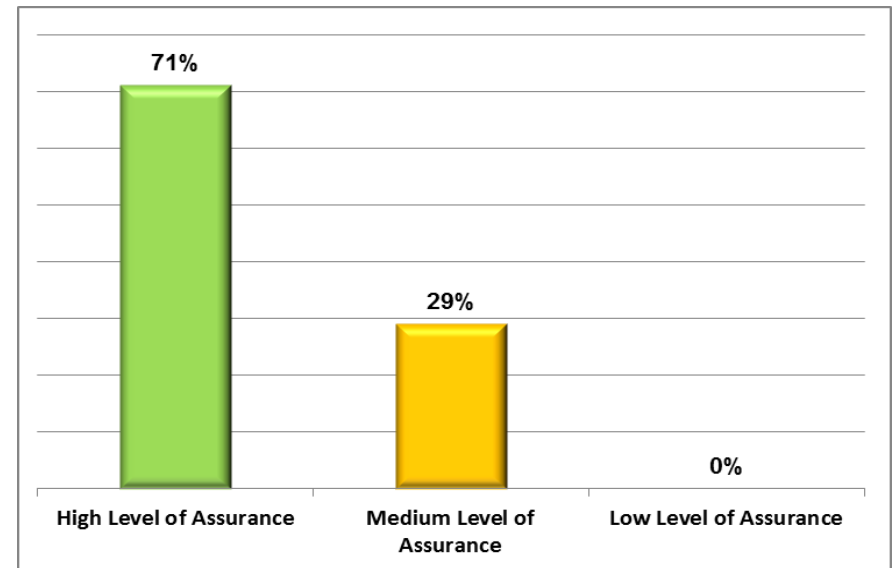
Choice Based Lettings – we recommended improvements around partnership working and ICT system reliability.

Combined Status Report

10. The Council produced its Combined Assurance report in February 2016. **Figure 2** provides the summary of the overall assurance status on the Council's critical activities¹ - it shows a good level of assurance which is really positive given the changes the Council has faced.
11. Looking ahead - the report identified the following key areas of focus for the Council:
- **People** – strengthening resilience and implementing a comprehensive learning and development programme for Team Managers to complement the Senior Leadership Team.
 - **Constitution** - ensure that roles and responsibilities are clearly defined and the Scheme of Delegation is appropriate and complies with legal requirements. This will ensure The Council continues to make 'safe' decisions.
 - **Finances** - The on-going financial austerity continues to present difficult challenges, with a further £2.5m in savings required for the Council over the next three years.
 - **Business Planning** - ensure that service areas identify and prioritise potential efficiency and/or income generating projects which can be costed and inform the medium term finance plan.

¹ Those identified by senior management as having significant impact on the successful delivery of Council priorities or whose failure could result in significant damage to reputation, financial loss or

Figure 2 – Overall Assurance Status on Critical Activities



12. During the year we undertook a number of consultancy engagements: These were:
- **Commercial Strategy & Plan** - To provide advice on governance and delivery of strategic commercial plans. Currently at report stage.
 - **Development Management** – Awaiting sign off of terms of reference. To provide advice and independent insight on improvement plan progress – 'making a difference'.
 - **Transformation Programme** – initial scoping work completed – work to be carried out in 2016/17
13. Taking all of the above information into account we have assessed the internal control environment as **amber** – performing adequately.

Risk Management

14. There is an established framework in place for the Council to manage the key risks facing services and successful delivery priorities with regular reporting to management and members.
15. The Governance and Audit Committee continues to receive regular updates on how the Council manages its risks.
16. Although we have not audited the risk management arrangements this year we can see that there is regular reporting and monitoring over the Council's strategic risks. On this basis we have assessed risk management as **green** – performing well.

Financial Control

17. Our work provides an important assurance element to support the External Auditor's opinion on the Council's Statement of Accounts. During the year we reviewed:
 - Income
 - Creditors
 - Payroll
 - Treasury Management
 - Bank Reconciliation
 - Debtors
 - Budget Preparation
 - Budget Management
18. The Council has good financial management processes in place – that generally work well. We are pleased to report that we were able to provide 'high' or 'substantial' assurances opinions on the areas we reviewed. On this basis we have assessed financial control as **green** – performing well.

Roles and Responsibilities

19. The Council is responsible for establishing and maintaining risk management processes, control systems and governance arrangements. Internal Audit plays a vital role in providing *independent risk based and objective assurance* and *insight* on how these arrangements are working. Internal Audit forms part of the Council's assurance framework.
20. Where Internal Audit work has identified improvements, we have worked with management to agree appropriate corrective actions and a timescale for improvement. It is the responsibility of management to implement the agreed actions.
21. The Council is responsible for developing and publishing an Annual Governance Statement – reporting how they have monitored the effectiveness of their governance arrangements during the year – providing information on any significant governance issues.
22. The Annual Internal Audit Report should inform the Annual Governance Statement - we recommend that the 'low and limited' assurance areas identified in paragraphs **8** and **9** are considered in the development of the Council's Annual Governance Statement. Statement – together with the information contained in the Council's Combined Assurance Status Report (summarised in paragraphs **10** and **11**).

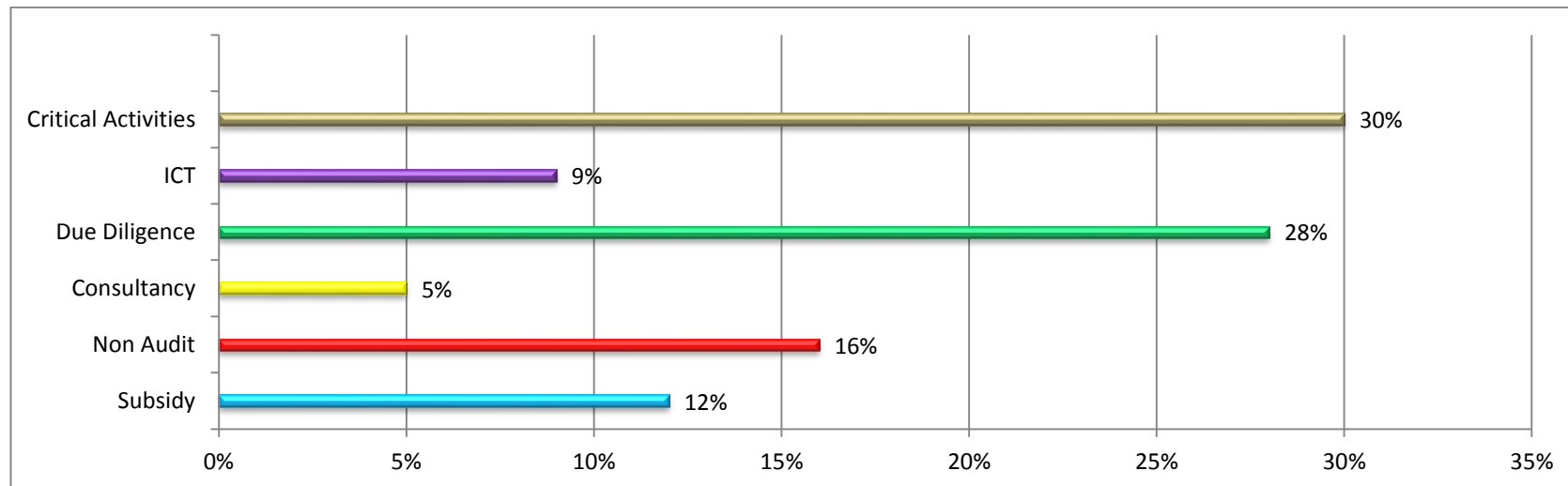
Scope of Work

23. Our risk based internal audit plan was prepared taking into account the critical activities and key risks to support the basis of my annual opinion. It has remained flexible to enable us to respond to emerging risks and maintain effective focus.
24. The Governance and Audit Committee approved the 2015/16 original audit plan of 211 days on the 9th April 2015. We have delivered 194 days (including housing benefit subsidy) compared to the revised plan of 204 days agreed by the Governance and Audit Committee on the 19th January 2016 and 24 review areas – **95%** of the revised plan by the end of the year. **Figure 3** shows the audit areas we covered during the year.

Restrictions on Scope / Changes to plan

25. In carrying out our work we identified no unexpected restrictions to the scope of our work. We have had some difficulties in gaining access to staff which resulted in some delay or inability to deliver planned work within the expected timescales.
26. A number of audits were removed from the audit plan at the request of management – these were generally due to planned changes to be implemented for the activity or management were undertaking their own review of the service. The areas included:
- Finance Strategy
 - Grants Received
 - Community Safety
 - Development Management
 - Anti-Social Behavior
27. I do not consider these changes to have had an adverse effect on the delivery of my overall opinion.

Figure 3 – Audit Areas covered in 2015/16 Plan



28. The charts in **Figure 4** shows the assurance opinions given in 2015/16 compared to those in 2014/15. Our audit plan includes different activities each year – it is therefore not unexpected that these vary; however, the assurance levels do give an insight on the application of the Council's control environment. We can see that overall assurance levels have remained broadly the same during 2015/16. The detail of audit engagements completed during 2015/16 is shown in Appendix 1.
29. The charts in **Figure 5** show the comparison of internal audit recommendations made 2014/15 and 2015/16. Details of systems reviewed can be found in Appendix 1.
30. We track the implementation of agreed management actions. Over the past year management have implemented **82%** of recommendations due by the 30th April 2016. Details of outstanding recommendations are shown in Appendix 2.

Figure 4 – Comparison of Assurances

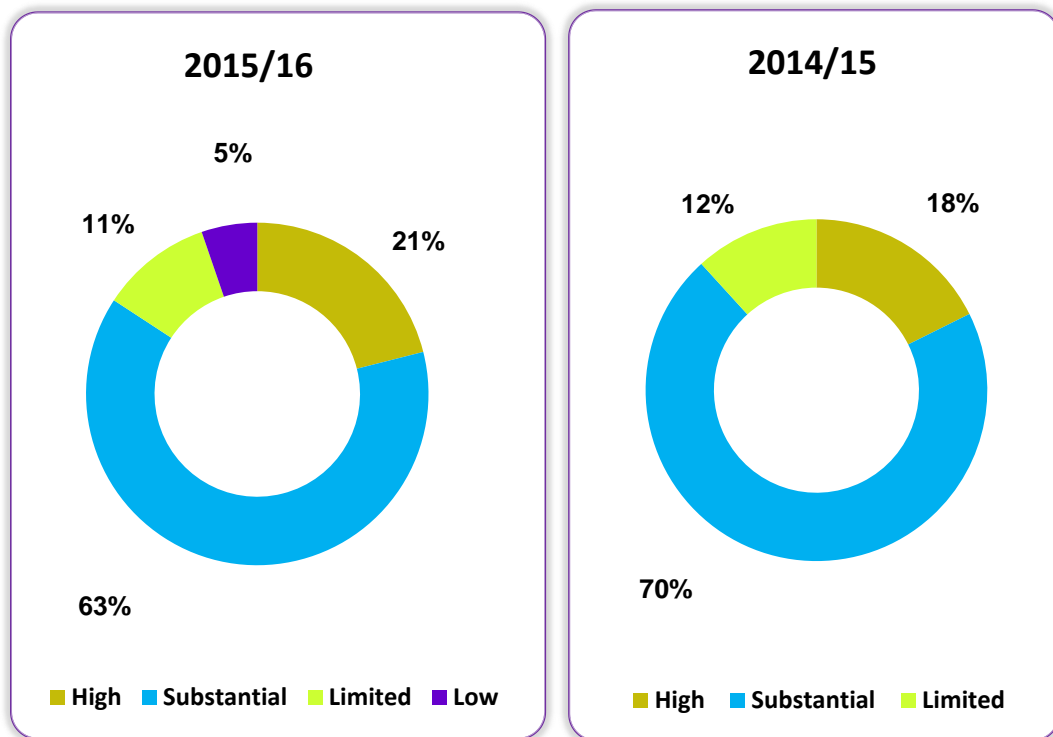
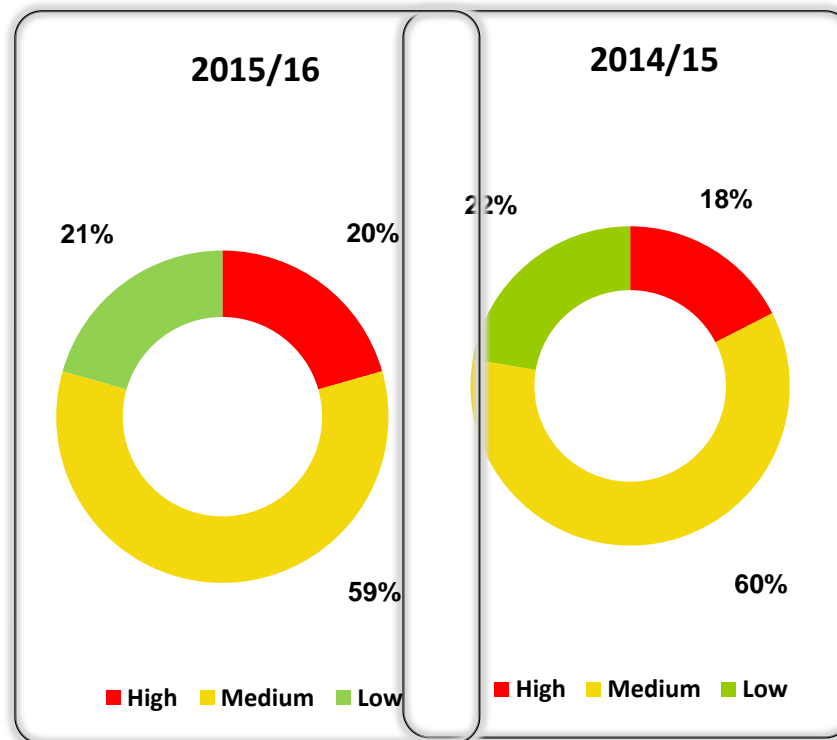


Figure 5 – Recommendations Made by Priority



Other Significant Work

31. We held a Senior leadership workshop in January 2016 covering the Audit Process and the Council's Counter Fraud arrangements.
31. Assurance Lincolnshire co-ordinates the Lincolnshire Counter Fraud Partnership whose key aim is to 'Fight Fraud Locally' and co-ordinate counter fraud resources effectively. Results of this work have helped generate net savings of over £680k (of which West Lindsey share is £169k).
32. In March 2016 we organised the Lincolnshire Audit Committee Forum. This proved to be a very successful networking event where public sector audit committees shared good practice and discussed emerging governance and risk issues. The topics included – Effective Audit Committees – Devolution – Cyber Security.

Delivery of internal audit plan 2015/16

33. Internal Audit's performance is measured against a range of indicators. The table in Figure 6 shows our performance on key indicators at the end of the year. We are pleased to report a good level of achievement against delivery and the added value of our work. Key improvement areas are needed contemporary reporting (timescales) and management implementation of recommendations.
34. We will continue to work Senior Management to help improve the audit process – including:
- engagement and agreement of the audit schedule
 - clearance of audit reports through the Corporate Leadership Team
 - swift escalation of issues affecting progress and delivery eg resources and access to information
 - completion of post audit feedback questionnaire

Figure 6 Performance on key indicators

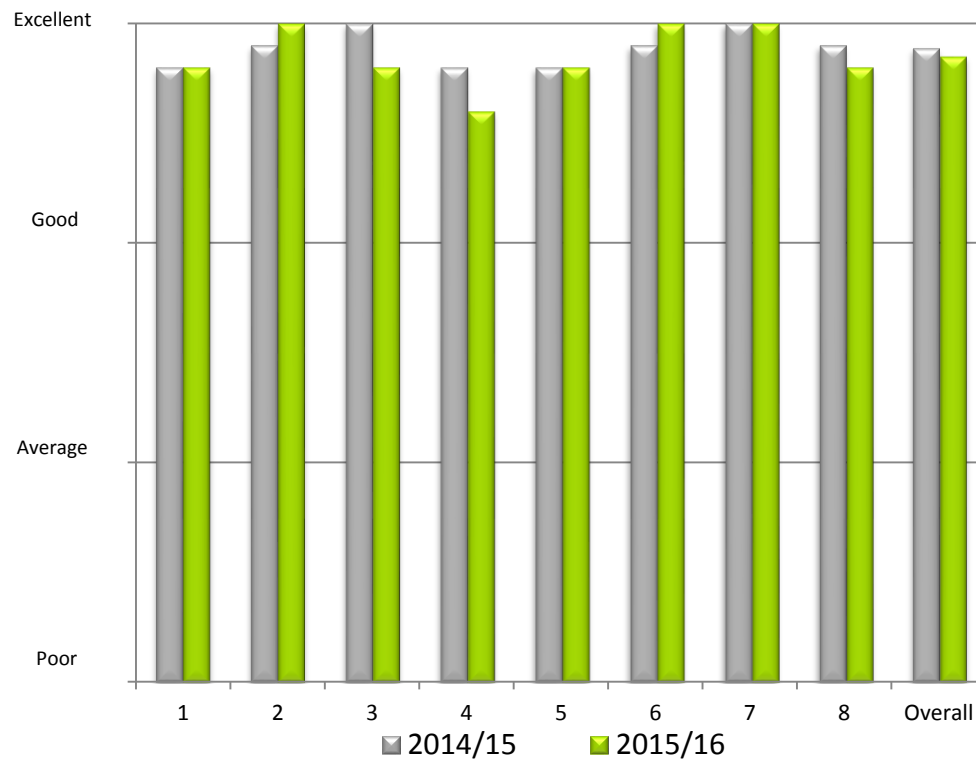
Performance Indicator	Target	Actual @ 30 th April 2016
Percentage of plan completed.	100%	95%
Percentage of key financial	100%	100%
Percentage of recommendations agreed.	100%	100%
Percentage of recommendations due implemented.	100% or escalated	82%
Timescales: Draft report issued within 10 working days of completing audit	100%	74% - 14 out of 19
Final report issued within 5 working days of closure meeting / receipt of management responses.	100%	66% - 6 out of 9
Period taken to complete audit within 2 months from fieldwork	80%	53% - 10 out of 19
Client Feedback on Audit	Good to Excellent	Excellent

Effectiveness of Internal Audit

35. We regularly canvass opinions on audit planning, report and communication from management responsible for activities under review. They score the effectiveness of our service as excellent, good, adequate or poor.

36. The table in Figure 5 outlines the responses by management on our service. For 2015/16 there was a 56% return rate of the questionnaire – with an overall average rating for the service of excellent.

Figure 7 – Client feedback



Questions:

Audit Planning

1. Consultation on audit coverage
2. Fulfilment of scope and objectives

Audit Report

3. Quality of report
4. Accuracy of findings
5. Value of report

Communication

6. Feedback during the audit
7. Helpfulness of auditor (s)
8. Prompt delivery of report

Quality Assurance

37. We recognise the importance of meeting customer expectations as well as conforming to the UK Public Sector Internal Audit Standards. We continually focus on delivering high quality audit to our clients – seeking opportunities to improve where we can.
38. Our commitment to quality begins with ensuring that we recruit, develop and assign appropriately skilled and experienced people to undertake your audits.
39. Our audit practice includes ongoing quality reviews for all our assignments. These reviews examine all areas of the work undertaken, from initial planning through to completion and reporting. Key targets have been specified - that the assignment has been completed on time, within budget and to the required quality standard.
40. Our Quality Assurance Framework (**Appendix 3**) includes all aspects of the Internal Audit Activity – including governance, professional practice and communication. We are able to evidence the quality of our audits through performance and delivery of audits, feedback from our clients and an annual self-assessment.
41. There is a financial commitment for training and developing staff. Training provision is continually reviewed through the appraisal process and regular one to one meetings. A training programme has been developed to ensure that staff are kept up to date with the latest technical / professional information and to ensure that they are equipped with the appropriate skills to perform their role.
42. Assurance Lincolnshire conforms to the UK Public Sector Internal Audit Standards. Our quality assurance framework helps us maintain a continuous improvement plan, which includes the following:
- Update Internal Audit Charter and practice manual following revision of PSIAS
 - Implement upgrade to audit software
 - Update reporting template to help focus on risk and added value
 - Improve clarity over consultancy engagement terms of reference
 - Update the terms of reference template with key dates to help timely delivery of audit work and contemporary reporting
 - Further develop Assurance Lincolnshire collaboration.
 - Continuing professional development around new and emerging practice guidance eg PSIAS, Fighting Fraud Locally, CIPFA / SOLACE delivering good governance.
- A copy of the detailed action plan can be found in **Appendix 4**.
43. An external quality assessment has been commissioned to take place this Autumn.
44. Although internal and external auditors carry out their work with different objectives in mind, many of the processes are similar and it is good professional practice that they should work together closely. Wherever possible, External Audit will place reliance and assurance upon internal audit work where it is appropriate.

Audit Area	Assurance	Total Recs	High	Medium	Low
Housing Benefit Subsidy	Not Applicable	Completed			
Combined Assurance	Not applicable	Status report issued February 2016			
Commercial Strategy and Plan	Consultancy	Report to be issued 2016/17			
Development Management	Consultancy	Report to be issued 2016/17			
Transformation Programme	Consultancy	Report to be issued 2016/17			
Key Control Payroll	High	1	0	0	1
Key Control Debtors	Substantial	2	0	2	0
Budget Preparation	High	1	0	1	0
Budget Management	High	3	0	1	2
Traded Services	Substantial	10	2	8	0
Contract Management Follow Up	Substantial	2	2	0	0
Key Control Creditors	Substantial	2	1	1	0
Key Control Bank Reconciliation	Substantial	1	1	0	0
Key Control Treasury Management	High	0	0	0	0
Income	Substantial	7	0	4	3
Grant Management - Given	Substantial	9	2	7	0
Effective Decision Making	Substantial	8	0	7	1
Housing Planning & Enforcement	Substantial	8	2	3	3
Choice Based Lettings	Limited	11	4	4	3
Tablet Security	Substantial	10	0	7	3
Incident Management	Low	0	0	0	0
Insurance	Substantial	10	0	6	4
Local Land Charges	Low	11	4	6	1
Land & Property Estate management	Substantial	6	3	3	0
Overall Total		102	21	60	21
Due by 31 March 2016		59	7	34	18
Due after 31 March 2015		43	14	26	3

Appendix 2 – Outstanding Recommendations

Data is for audits completed 2015/16 where recommendations were due to be implemented by 30st April 2016

Activity	Issue date	Assurance	Total Recommendations	Recommendations Implemented	Priority of Recommendations			Recommendations not Due
					High	Medium	Low	
Housing & Planning Enforcement	16/12/2015	Substantial	8	3	2	1	0	2
Income	10/03/2016	Substantial	7	6	0	1	0	0
Tablet Security	16/02/2016	Substantial	10	5	0	2	0	3
Effective Decision Making	04/09/2015	Substantial	8	5	0	3	0	0
Grant Management	04/09/2015	Substantial	9	4	2	2	0	1
Local Land Charges	06/11/2015	Low	11	5	2	3	0	1
Overall Total			53	28	6	12	0	7

Data is for previous years completed audits where recommendations were due to be implemented by 30st April 2016

Activity	Issue date	Assurance	Total Recommendations	Recommendations Implemented	Priority of Recommendations			Recommendations not Due
					High	Medium	Low	
ICT Infrastructure	2012/13	Limited	15	14	1*	0	0	0
Change Programme	2012/13	Substantial	11	10	0	1**	0	0
Mobile Devices	2014/15	Substantial	7	5	0	2	0	0
Overall Total			33	29	1	3	0	0

*Original date 31.12.2013 - Revised date 31.07.2016

** Original date 01.04.2013 - Revised date 31.05.2016

Appendix 3 - Quality Assurance Framework



Quality outcomes / process designed to deliver a consistently high quality audit service to our clients - fit for purpose / meet client expectations / conform to PSIAS



Quality improvement plan - HIA reporting to Audit Committee on the outcome of Quality Assurance – with improvement action plan and any significant non-conformance included in the Annual Report / Annual Governance Statement



Ongoing monitoring – quality built into the audit process
Quality checks and oversight are undertaken throughout the audit engagement ensuring that processes and practice are consistently applied and working well



Annual self-assessment

- Head of Internal Audit - develop & maintain Quality Assurance Improvement Programme (QAIP) & improvement action plan
- Focus on evaluating conformance with Internal Audit Charter, definition of Internal Audit, Code of Ethics & the Standards
- Arrange an External Assessment – co-ordinated with Audit Committee (planned for 2015)



Periodic quality assurance assessments

- Obtain periodic assurance that engagement planning, fieldwork conduct and reporting /communicating results adheres to audit practice standards
- Provide HIA with quarterly highlight reports on outcome of reviews



- Conduct all audit engagements in accordance with audit practice standards / PSIAS
- Behave at all times in accordance with the Code of Ethics / Code of Conduct
- Promote the standards and their use throughout the Internal Audit activity
- Commitment to delivering quality services



- Obtain on-going assurance that that engagement planning, fieldwork conduct and reporting /communicating results adheres to audit practice standards
- Undertake engagement supervision and review. The extent of supervision needed will depend on the proficiency and experience of the internal auditors and the complexity of the engagement.

Appendix 4 – Continuous Improvement Plan

Opportunities for improvement		Actions	Timescale for tasks to be achieved	Person responsible	Status
Governance					
1	Audit Committee Effectiveness	Review Terms of Reference of the Audit Committee	September 2015	Lucy Pledge & Chairman of AC	Complete
		Audit committee effectiveness workshop	May 2016	Lucy Pledge	Complete
2	Gathering of business intelligence – keeping informed	Establish formal client liaison contacts for all areas.	June 2015	Rachel Abbott	Complete
		Create Liaison template to ensure consistency and adequate coverage	June 2015	Rachel Abbott	Complete
		Schedule regular formal liaison	June 2016	Principal Auditors	
3	External Assessment	Paper to Audit Committee presenting options	September 2015	Lucy Pledge	Complete
		Walk through of assessment	October 2015	John Sketchley	Complete
4	Benchmarking	Analyse and feedback on CIPFA Benchmarking data and report to management team on key messages	September 2015 -	John Sketchley	Not complete
		Feedback to Team meeting	September 2015	Management Team	Not complete
		Review applicability and relevancy of benchmarking data sources – some information received through network and CIPFA	September 2016	John Sketchley	Not due
5	Business Continuity and contingency arrangements	Document, communicate and test Business Continuity arrangements for Team (Refer to Police Tender ITT and feedback)	September 2015	John Sketchley	Complete

Appendix 4 – Continuous Improvement Plan

Opportunities for improvement		Actions	Timescale for tasks to be achieved	Person responsible	Status
6	Risk Register	Develop and maintain a service wide risk register Discuss and evaluate at Team Meetings	June 2015	Management Team	Complete
		Feedback to Head of Audit	June 2015	Management Team	Complete
7	Purpose, Authority & Responsibility	Update Audit Charter to Reflect the updated PSIAS (Addition of Core Principles & Mission Statement)	August 2016 (November 2016 Audit Committee)	Lucy Pledge	Not due
8	Audit Committee Effectiveness	Support publication of Audit Committee Annual Report: <ul style="list-style-type: none"> Self-assessment of effectiveness Draft annual report 	May 2016 June 2016	Lucy Pledge & Cllr S Rawlins	In progress
Practice					
9	Document Retention	Align Section document retention schedule to LCC	July 2015	Rachel Abbott	Complete
		Basement Clearance to align to document retention.	August 2015	Rachel Abbott	Complete
		Clear desk policy – remind ALL staff and confirm	May 2015	Rachel Abbott	Complete
10	Quality Assurance and performance - Practice Manual	Full Manual review – conducted with the team	October 2015 May 2016	Steph O'Donnell	Draft Complete
11	Quality Assurance - External Assessment	Co-ordinate external assessment and implement any suggested improvements: <ul style="list-style-type: none"> Develop project plan Conduct self-assessment and pull together evidence pack for external assessor Engagement planning Assessment <ul style="list-style-type: none"> Outcome report 	June 2016 June - July 2016 August 2016 September 2016 November 2016	Lucy Pledge & John Sketchley	Not due

Appendix 4 – Continuous Improvement Plan

Opportunities for improvement		Actions	Timescale for tasks to be achieved	Person responsible	Status
12	Quality Assurance – feedback from key stakeholders	Bi- annual survey on effectiveness of Internal Audit Service	Postponed – will be picked up as part of External Assessment	-	-
13	Quality Assurance – post audit feedback	Improve post audit questionnaire return rate	September 2016	Amanda Hunt	Not due
14	Implementation of recommendations	Working with management to ensure that agreed actions are implemented – setting realistic timescales and taking ownership for implementation	September 2016	Al Simson	Not due
15	Performance – External Audit Protocol	Update External Audit protocols to ensure best use of combined audit resources for client	July 2016	Lucy Pledge	Not due
16	Performance – Combined Assurance	Review and update process (improve integration of risk management and other sources of assurances)	September 2016	Lucy Pledge & John Sketchley	In progress
17	Performance – ICT Strategy	Update ICT strategy and approach following developments within the collaboration partnership and LCC delivery through SERCO	June 2016	John Sketchley	In progress
Communication					
18	Performance reporting	Communicate to Principals need to set up staff performance meetings (1:1) and to follow framework Utilise framework	May 2016 May 2016	Rachel Abbott Principals	Complete
19	Report writing	Work to ensure significance and impact is conveyed in reports: <ul style="list-style-type: none"> Evaluating what it means in terms of the assurance What outcomes are they not achieving, always linking back to the outcome. 	October 2015	Steph O'Donnell Rachel Abbott	Complete
20	Quality Assurance outcomes	Improve outcome reporting - Key theme report Developing training and support to improve as required	July 2016	Rachel Abbott and Team Leaders Management Team	Not due
21	Contemporary reporting	Improve timescales for delivery of audit and investigations from time fieldwork commences to issue of draft and final reports	September 2016	Dianne Downs Audit and Counter Fraud Teams	

Appendix 4 – Continuous Improvement Plan

Continuing Professional Development (Service / Team)				
	Area / Activity	Outcome	Date Planned	Status
I.	IT Audit Awareness / Training General	<p>Provide general awareness training for the team of key IT risks that they should be aware of in performing audits</p> <p>Provide information on Audit Lincolnshire approach to IT Audits</p>	<p>IT Audit provider to pull together a ½ day session.</p> <p>JSk to co-ordinate with help of Leicester – Nov 2015</p> <p>Attended training session – to pull together a session for the team July 2016</p>	Done through Midlands Group 20/5/16 – feedback July 2016
II.	Update on UK Public Sector Internal Audit Standards <ul style="list-style-type: none"> • April 2016 additions • Key areas 	Provide a refresher on the PSIAS and make clear links between these and our procedures and practice	July 2016	Not Due
III.	Workshop on Planning and Engagement and developing the engagement terms of reference	Improve understanding and techniques to get the most out of the planning and engagement process – ensuring that the audit / or consultancy engagement focusses on what matters	July 2016	Not Due
IV.	Building on the E-learning on risk management process New module being launched at LCC	Ensure that all team is aware of the risk management processes of their clients and how this can help inform the audit process.	By September 2016	Not due

Appendix 4 – Continuous Improvement Plan

Continuing Professional Development (Service / Team)				
	Area / Activity	Outcome	Date Planned	Status
V.	Pentana	Equip staff to use the new audit software to its full potential and maximise compliance with the PSIAS	Dependent on Pentana installation – date still pending Explore external hosting options	Still waiting on Serco
VI.	Risk Appetite	Understanding of risk appetite of organisation	To incorporate into RBIA training – March 2016	Complete
VII.	RBIA refresher session	Refresher for staff on AL approach to RBIA and reflecting this in reports.	Initial planning meeting 3 rd August. 7 th September Further session March 2016	Complete
VIII.	Principals Day	Introduce Principals to their role and provide support, guidance and signposting so that they can complete this more effectively	May 2016	Complete
IX.	Appraisal training	Attend corporate training for the new Principals and new team leader so that they are better equipped to complete appraisals	Working with Dave Simpson to get a face to face event scheduled as there are not currently any planned June or July 2016	Not Due

Appendix 4 – Continuous Improvement Plan

Continuing Professional Development (Service / Team)				
	Area / Activity	Outcome	Date Planned	Status
X	Introduction to Audit (CIPFA)	Give the new Senior Auditor and Audit Officer an introduction to auditing	17 th May 2016	Complete
XI	LCC Managers Essentials	Enrol new Principals on this training course to support skills development for new role	Enrol by June 2016 Completion date tbc	Not Due
XII	Fraud Awareness Session	Refresher information on Fraud Risks and Indicators including Fighting Fraud Locally	June / July 2016 – CoL leading	Not Due
XIII	CIPFA / SOLACE Good Governance Session	Refresher information on Good Governance and key changes / messages in the new guidance	September 2016	Not due

Appendix 5 - Glossary of Terms

<p>High</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>Substantial</p>	<p>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.</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.</p>
<p>Limited</p>	<p>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.</p>
<p>Low</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>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>

Assurance Definitions

Significance

The relative importance of a matter within the context in which it is being considered, including quantitative and qualitative factors, such as magnitude, nature, effect, relevance and impact. Professional judgment assists internal auditors when evaluating the significance of matters within the context of the relevant objectives.

Head of Internal Audit Annual Opinion

The rating, conclusion and/or other description of results provided by the Head of Internal Audit addressing, at a broad level, governance, risk management and/or control processes of the organisation. An overall opinion is the professional judgement of the Head of Internal Audit based on the results of a number of individual engagements and other activities for a specific time interval.

Governance

Comprises the arrangements (including political, economic, social, environmental, administrative, legal and other arrangements) put in place to ensure that the outcomes for intended stakeholders are defined and achieved.

Risk

The possibility of an event occurring that will have an impact on the achievement of objectives. Risk is measured in terms of impact and likelihood.

Control

Any action taken by management, the board and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved. Management - plans, organises and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved.