

**NORTH LINCOLNSHIRE COUNCIL**

**AUDIT COMMITTEE**

**EXTERNAL AUDIT RECOMMENDATIONS – PROGRESS REPORT**

**1. OBJECT AND KEY POINTS IN THIS REPORT**

- 1.1 To report progress on the implementation of external audit recommendations

**2. BACKGROUND INFORMATION**

- 2.1 This report provides an update on the implementation of external audit recommendations as last reported to Members in September 2008. It was agreed with external audit that the implementation of recommendations would be confirmed and reported to the Audit Committee in respect of the following annual key reports:
- Annual Audit and Inspection Letter
  - Use of Resources Report
  - Report to those charged with governance (matters arising from the audit of the council's accounts – ISA 260)
  - Data Quality Report.

In addition other recommendations resulting from specific one-off reports will be followed up and reported as appropriate. Three reports are included in this report under this category:

- Tackling Drugs Misuse through Joint Working
- Consequences of flooding in summer 2007
- Grants Report.

The Annual Audit and Inspection Letter and Grants Report were both issued recently and are therefore reported in more detail elsewhere on this agenda.

**2.2 Use of Resources Report**

The 2007 Use of Resources evaluation report did not contain recommendations but did highlight opportunities for improvement and progress was reported to the Committee last September. Three recommendations relating to the 2008 Use of Resources evaluation

were reported in the Annual Audit and Inspection Letter (detailed elsewhere on this agenda).

### **2.3 Accounts Report**

All recommendations in the Accounts Report action plan for 2007/08 (appendix A) have been considered. Most involve actions that will be applied to the 2008/09 accounts closedown process. Of the eight recommendations made; 1 has been completed; 4 will be implemented as part of this years closedown process; 1 (a draft procedure on journal authorisation) is being consulted on; 1 is in progress (payroll service level agreement); and 1 (development of authorisation lists for income returns –checked by corporate finance) is being considered.

### **2.4 Tackling Drugs Misuse through Joint Working**

This report was issued in May 2007. The action plan attached at Appendix B shows all of the 9 recommendations have been completed.

### **2.5 Consequences of flooding in summer 2007**

This report was issued in August 2008 and the progress made against the recommendations made was reported to the Committee in September. Further progress is shown in appendix C. The council's insurers have been contacted again for a response.

### **2.6 Data Quality**

The outcome of this work was reported to the audit committee in December 2008. Ten recommendations were made and good progress has been made in advance of many of the due dates (appendix D refers). Three recommendations have been fully implemented; 2 are ongoing throughout the year; 3 are partially completed; 1 will be completed in June (training on 6 dimensions of good data); and 1 is dependent on the competency framework being fully in place.

## **3 OPTIONS FOR CONSIDERATION**

3.1 The Committee is asked to consider whether this update provides sufficient assurance on the progress made on external audit recommendations. The Committee are invited to consider the report and seek clarification on its contents as necessary.

3.2 The Committee may consider that the report does not provide sufficient assurance as a response to external audit recommendations.

## **4. ANALYSIS OF OPTIONS**

4.1 The approach adopted was approved by the Audit Committee and complies with one of the recommendations made in the CPA Use of Resources report that *'the council should develop a process for following up all external audit recommendations and include as a*

*regular item on the Audit Committee agenda*'. This represents good practice. The report sets out progress made on key recommendations, complies with professional guidance available and is designed to provide this Committee with the assurance required. Members should ask sufficient questions to ensure adequate assurance is provided.

- 4.2 The option set out in paragraph 3.2 represents an opportunity missed to receive an important source of assurance to assist the Committee to fulfil its role effectively.

**5. RESOURCE IMPLICATIONS (FINANCIAL, STAFFING, PROPERTY.IT)**

- 5.1 There are no staffing, property or IT implications.

**6. OTHER IMPLICATIONS (STATUTORY, ENVIRONMENTAL, DIVERSITY, SECTION 17 – CRIME AND DISORDER, RISK AND OTHER)**

- 6.1 External Audit and inspection duties are statutory requirements under the provisions of the Audit Commission Act 1998, the Code of Audit Practice and the Local Government Act 1999.

The Chief Financial Officer has a statutory duty under the provisions of the Local Government Act 1972 to ensure the proper administration of the council's financial affairs and under the Accounts and Audit Regulations 2003. The council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

- 6.2 Proper consideration and implementation of recommendations made by external audit promotes good internal control corporate governance arrangements.

**7. OUTCOMES OF CONSULTATION**

- 7.1 This report is the result of updates from all named officers and the approach adopted has been discussed and agreed with the council's external auditors.

**8. RECOMMENDATIONS**

- 8.1 The Audit Committee should consider whether the response to external audit recommendations as detailed in this report provides a sufficient level of assurance on action taken.

SERVICE DIRECTOR FINANCE

Pittwood House  
Ashby Road  
SCUNTHORPE  
North Lincolnshire  
DN16 1AB  
Author: Carol Andrews  
Date: 23 March 2009

**Background Papers used in the preparation of this report**

External Audit 2007/2008: Report to those charged with governance  
Tackling Drugs Misuse through Joint Working – May 2007  
Consequences of flooding in summer 2007 – August 2008  
Data Quality Report

## Appendix A

### Annual Accounts Action Plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Date	Progress
8	R1 The Council should develop formal checking procedures as part of the closedown process, targeted to risk areas such as SORP compliance and balance sheet control accounts.	3	Corporate Accountant	Yes	March 2009	Procedures developed will be applied during this years closedown process (April- June)
8	R2 Formal reconciliation need to be introduced for all significant year end balance sheet codes including capital grant and revenue accrual codes. Responsible staff should certify that they are satisfied that the codes are correct.	3	Finance Managers/ Corporate accountant	Yes	December 2008	This will be incorporated as part of the process detailed above and will include a certification process.
10	R3 The Council should provide the fundamental working papers to support future accounts: <ul style="list-style-type: none"> <li>• signed valuation certificate supporting the latest valuation of fixed assets;</li> <li>• separate lists of revenue and capital accruals creditor and debtors certified correct by the service group accountant.</li> </ul> All accruals need supporting narrative and copy invoice or supporting working papers for any single item above £0.6 million;	2	Corporate Accountant	Yes	March 2009	Agreed – this will be put in place during this years closedown process
Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Date	Progress

	<ul style="list-style-type: none"> <li>capital grant accrual reconciliation; and</li> <li>a clear link between the asset register, revaluation reserve and government grant deferred so assets can be traced using a common reference number in all accounts.</li> </ul>					
10	<p>R4 The Council should also provide the information specified in Table 4 as part of its supporting working papers.</p>	2	Corporate Accountant	Yes	March 2009	Agreed – this will be put in place during this years closedown process
12	<p>R5 Journal authorisation policies should be set which better balance the risk of incorrect transfers, the need for authorisation for inexperienced or junior staff and a lower level of supervision needed for experienced or senior staff.</p>	3	Corporate Accountant/ Finance Managers	Yes	March 2009	Draft procedure subject to consultation
12	<p>R6 The council should write back old un-presented cheques on a regular basis.</p>	1	Corporate Accountant	Yes	September 2008	Completed and updated regularly
12	<p>R7 The council should develop authorisation list for officers responsible for certifying income returns correct and these are checked in corporate finance.</p>	2	Corporate Accountant	Yes	March 2009	Appropriate authorisation arrangements being considered
12	<p>R8 The Council should update the payroll SLA with avarto including:</p> <ul style="list-style-type: none"> <li>identifying key performance indicators;</li> <li>recognise avarto's key responsibilities; and</li> <li>clarifying data security and back up responsibilities of avarto.</li> </ul>	2	Corporate Accountant	Yes	March 2009	Draft SLA being considered by Avarto



**Tackling Drugs Action Plan**

**Report name: Tackling drug misuse**

**(recommendations relating to North Lincolnshire Primary Care Trust)**

No.	Recommendation	Link to relevant standards	Officer Responsible	Implement by when	Status
1	R1 Develop stronger engagement with a broader range of partners, including public, private and voluntary sector housing providers, the Prison Service and social care.	D2 (c) - co-ordinated to provide a seamless service	Ian Cameron, Deputy Head Safer Neighbourhoods (Substance Misuse)	September 2007	North Lincs Homes rep on Joint Commissioning Group, Housing support link-worker in post, Social care liaison through Hidden Harm agenda. Regular Prison/DIP clinic attended.
2	R2 Implement a workforce development strategy to ensure a systematic and targeted approach to staff learning and development.	C11 - staff development	Mandy Bartlett, Commissioning Manager	September 2007	Completed. Strategy in place, on course to meet 2008 targets.
3	R3 Develop a clear framework for ensuring that operational staff are clear about the partnership's priorities and their contribution to those priorities.	C7 (f) - performance management	Ian Cameron	September 2007	Completed. Part of workforce strategy see above.
4	R4 Manage service user expectations and perceptions of services through improved communication, particularly when users are transferring between services with different treatment regimes.	C16 - provision of information	User and Carer Post	September 2007	"Fresh Steps" user group meets regularly, "Empathy" carer group meets regularly. Service users represented on "Expert Group" – feeds in to strategic planning

No.	Recommendation	Link to relevant standards	Officer Responsible	Implement by when	Status
5	R5 Explore in more depth with service users how they feel their confidence can be built and how peer support can be developed, and where appropriate build this into programmes. A peer mentoring scheme is planned as a future target. User and carer training Program will support peer mentoring and run in line with NOCN accreditation level3. This includes confidence building, communication skills survey and etiquette skills This will then contribute towards quarterly monitoring for service users.	D8 - continuously improve the service user experience based on feedback	User and Carer Post	June 2007	Service user training completed. Service users now carrying out independent service of treatment system, sitting on interview and tender evaluation a panels. Revised validated training together with Priviledged Access mapping has replaced Peer Mentoring as the way to support individuals not yet in treatment.
6	R6 Routinely gather service user views and use this information to improve services. Continue consultation on issues that affect service users through participatory models, examples evident in alterations to the reception area at DIP. Develop and implement service user involvement accreditation in line with NOCN to build skills, confidence and obtain survey and evaluations of services by service users. This will form the basis of service user quarterly monitoring and provide further pathways into ETE. A quarterly newsletter is planned to run concurrent to this system and be the medium for service user views.	D8 - continuously improve the service user experience based on feedback	User and Carer Post (to be appointed)	June 2007	Fresh Steps user group discussions "Praise and Grumble Scheme introduced. Suggestion box in reception.
7	R7 Complete contract negotiations in a timely manner.	C7 - governance and financial management	Mandy Bartlett	June 2007	Completed – no outstanding negotiations.

No.	Recommendation	Link to relevant standards	Officer Responsible	Implement by when	Status
8	R8 Implement a clear structure for clinical leadership relating to the treatment of drugs misuse, including forums for bringing together clinicians from different agencies.	C7 (a) - clinical governance	Kay Aisthorpe, Models of Care Manager	September 2007	Completed – Clinical Network meetings launched, led by Substance Misuse Lead Consultant
9	R9 Strengthen planning processes so as to incorporate a more robust commissioner and provider dialogue and increased staff consultation.	C7 - clinical governance	Ian Cameron	September 2007	Completed. Integrated service Manager's meeting in place. Revised format for quarterly monitoring meetings to include consultation and feed back.

## Consequences of Flooding in Summer 2007

Recommendation	Action Taken	Responsibility
The council carried out a cost/benefit analysis to find out whether there is additional risk management work that would be cost effective in terms of reducing the insurance premium	A meeting was held with the insurers, the insurance and risk manager and the Head of Highways and Planning in February 2008 at which details of the extensive work carried out and planned to reduce the risk of flooding was provided. No response has been received from the insurer yet.	Audit & Risk Manager
The council includes some form of estimation of the number of staff days diverted from normal work to emergency-related work in its disaster recovery arrangements.	This will be included in the next update of the 'Accounting for Emergencies' guidance	Corporate Accountant

# Data Quality Report

## Appendix D – Action Plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date	Progress
5	R1 Enhance member involvement by providing regular reports that evaluate the controls in place to give overall assurance for the all aspects of information governance.	3	Nigel Manders	Yes	Via reports to Corporate Quarterly Performance Review.  Include in Audit Governance Reports	Q'ly 2009/10  14/04/2009	Completed  Completed  Assurances need to be reviewed in light of annual audit letter
6	R2 Consider adopting a formal data quality policy to ensure that staff at all levels who have a responsibility for data are clear of their responsibilities. The policy should make reference to the six key characteristics of good data quality (as per paragraph 26).	3	Andy Hopkins	Yes	Consider extending DQ Protocol into a Data Quality Policy, that sits under the Performance Management Framework.	March 2009	Data Policy has been drafted and is being consulted upon before approval. It will sit as part of the performance management framework.
6	R3 Performance Information systems should be subject to control mapping and annual testing to prevent manipulation and error.	3	Andy Hopkins	Yes	Discuss controls with Internal Audit and speak to services to develop process maps. Further develop PMS controls.	March 2009	Discussions held and direction to take forward determined.
6	R4 Controls should be subject to annual review and reports of reviews reported to top	3	Nigel Manders	Yes	Review would be part of DQ audits and reported to Corporate Quarterly Performance Review/Audit Committee.	2009/10	Controls formed part of audits.  Overview report to

	management.						be provided following outturn audit
6	R5 Systematic arrangements should be put in place for validating information from third parties to ensure data is fit for purpose.	3	Andy Hopkins	Yes	Following training service champions need to agree processes.	2009	Data Quality protocol agreed with Partnership Performance Group  LSP agreed that key partners should also formally endorse this through their own organization by 31/03/09 to ensure it gets senior management support .  DQ audits of new NIs commenced including partner organizations.
6	R6 Review the work of Internal Audit to ensure that they encompass the new partnership agenda into their work.	3	Andy Hopkins	Yes	Work has begun on this and will develop.	Completed	Audit undertaking work in partner organisations
7	R7 As part of spot checking operational staff should be tested on their knowledge of the guidance and data quality objectives as part of the programme of review.	3	Andy Hopkins	Yes	As part of data quality audits.	Ongoing	Now forms part of the DQ audits.
7	R8 Once the competency framework is fully in place, data quality targets should be set for all	3	Andy Hopkins	Yes	To be developed.	During 2009/10	

	relevant staff and training needs reviewed.						
7	R9 Carry out specific training on the six dimensions of good data to all relevant staff.	3	Andy Hopkins	Yes	Training with DQ Champions. Audit Commission session at Managers. Briefing.	2009	Planning to include in June Briefing
8	R10 Ensure that data verification and sign off procedures are effective and robustly applied to all PIs.	3	Andy Hopkins	Yes	Review verification process	March 2009	Completed - Verification process has been reviewed and compared with other council's