

PRESENT: COUNCILLOR B YOUNG (CHAIRMAN)

Councillors W J Aron, Mrs C M H Farquharson, C Farrar, N I Jackson, Mrs P A Mathers and Mrs S Rawlins.

Officers in attendance: Gillian Catterick (Senior Auditor), Tony Crawley - Audit Commission (District Auditor), David Forbes (Assistant Director of Finance and Resources), Terry Hawkins (Interim Director, Adults Social Care Commissioning), Stephanie Kent (Audit Manager), David Laws (Head of Finance, Adults Social Care), Lucy Pledge (Head of Corporate Audit and Risk Management), Mary Powell (Tourism Development Manager), John Sketchley (Audit Manager), Helen Storr (Audit Manager), Salina West (Democratic Services Officer), Mike Wood – Audit Commission (Audit Manager).

66. APOLOGIES FOR ABSENCE

Apologies for absence were received from Mr D Finch.

67. DECLARATIONS OF MEMBERS' INTERESTS

Councillor C Farrar declared a personal interest at Minute No. 71 - External Audit Plan – Lincolnshire County Council Pension Fund 2010/2011, as Chairman of the County Council's Pensions Committee.

68. MINUTES OF THE MEETING OF THE AUDIT COMMITTEE HELD ON 31 JANUARY 2011

RESOLVED

That the minutes of the previous meeting held on 31 January 2011 be confirmed and signed by the Chairman as a correct record.

69. CORPORATE AUDIT PROGRESS REPORT TO 31 JANUARY 2011

Consideration was given to a report which provided the Committee with an update on progress made against the Audit Plan 2010/11 as agreed at the meeting of the Audit Committee on 22 March 2010.

Details relating to progress with planned audits to 31 January 2011 were presented, in particular to the audits carried out detailed below, which were assessed as having limited assurance.

Terry Hawkins, Interim Director, Adults Social Care Commissioning, together with David Laws, Head of Finance, Adults Social Care, reported on the following audit:-

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Adult Services - Financial Management - Actions and Priorities included:-

- Road shows to explain budget setting and efficiency process to managers
- Training for staff with financial responsibilities
- Clear accountability for finances through a new financial management framework
- Project to implement an integrated financial management system with independent assurance mechanisms in place

During discussion the following comments were noted:-

- The reduction of service provision within Adult Services and the impact this would have on the NHS
- The importance of providing training for staff with responsibilities of preparing budgets
- The need for accurate demographic information

Mary Powell, Tourism Development Manager, updated the Committee on the following audit:-

Tourism Development – Historic Lincoln Programme – Actions and Priorities included:-

- Securing a positive outcome for the relocation of the Crown Court building, with contingency options being developed in the event agreement was not reached. Aim to submit Heritage Lottery Fund round 2 submission in April 2011
- Budgets being reviewed and consolidated, together with resource requirements. Budget and resource implications for Historic Lincoln Programme to be considered and reported to the Project Steering Group, and would be made fully aware of the key funding assumptions, in particular how the £1.5m shortfall in funding would be financed should the European Regional Development Fund bid be unsuccessful
- Enhanced arrangements for budget monitoring would be developed anticipating a positive bid submission in April 2011
- Continue to identify the benefits expected from the project and develop relevant performance indicators and targets to monitor achievement

Comments on the following issues were raised:-

- Assurance was sought with regard to budget controls and adequate mechanisms for reporting an overspend should this occur
- The availability of further ERDF funding
- Potential risks with project management

The report also made reference of amendments to the Audit Plan 2010/2011 in respect of quarter 4 and the postponement of three audits in relation to Information Management; Performance Framework and Transformation Programme.

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It was acknowledged that performance against the Audit Plan for the period to 31 January 2011, had reached 89%, the target being 85%.

RESOLVED

1. That the outcomes of the Corporate Audit work be noted.
2. That updates in respect of the following audits be provided:-
 - Adult Social Care Financial Management – 26 April 2011 Audit Committee
 - Tourism Development – Historic Lincoln Programme – 13 June 2011 Audit Committee
3. That the following audits scheduled for quarter 4, as detailed in the Audit Plan 2010/2011 be postponed:-
 - Information Management
 - Performance Framework
 - Transformation Programme

70. ANALYSIS OF HIGH PRIORITY RECOMMENDATIONS OUTSTANDING AT 31 JANUARY 2011

The Committee considered a report by the Head of Corporate Audit and Risk Management which provided the Committee with an analysis of the high priority audit recommendations outstanding as at 31 January 2011, together with suggestions on how they should be managed.

It was reported that the Corporate Audit Progress Report had identified 22 outstanding recommendations, with 6 of those being high priority. The Committee was updated on the status of these recommendations including actions which had taken place and also suggested actions.

Particular mention was made of the following audits:-

- Court of Protection – It was requested that a briefing paper be circulated regarding the completion of tax returns
- Commissioning – A progress report to be submitted to the Audit Committee on 26 April 2011
- Carbon Management Plan – Audit Committee to consider a report on 11 July 2011

RESOLVED

That the report be noted and the suggested actions, together with the actions detailed above be agreed.

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71. EXTERNAL AUDIT PLAN – LINCOLNSHIRE COUNTY PENSION FUND
2010/2011

Note – Councillor C Farrar declared a personal interest in this item as Chairman of the County Council's Pensions Committee.

The Committee received a report presented by Mike Wood of the Audit Commission which detailed the external audit work and fees for the audit of the financial statements 2010/2011 in respect of the Lincolnshire County Council Pension Fund.

It was noted that the plan reflected the Audit Commission's risk based approach to audit planning in respect of the following:-

- Audit work specified by the Audit Commission for 2010/2011
- Current national risk relevant to local circumstances
- Local risks

In response to questions raised regarding the triennial evaluation report and member contribution, it was reported that the future was very difficult to predict and that officers had worked on information available using estimation techniques.

Mention was also made of future pension increases, and the resultant total liability for pensions going forward. It was noted that the basis of future increases would now be calculated by the Consumer Price Index (CPI) as opposed to RPI (Retail Price Increase) and that the accounting treatment for 2010/11 was still subject to CIPFA guidance.

RESOLVED

That the External Audit Plan for the audit of financial statements for the Lincolnshire County Council Pension Fund 2010/2011 be noted.

71. EXTERNAL AUDIT PLAN – LINCOLNSHIRE COUNTY COUNCIL 2010/2011

Consideration was given to a report presented by Mike Wood, of the Audit Commission, regarding the external audit work and fees in respect of the audit of the financial statements and value for money conclusion for 2010/2011.

RESOLVED

That the External Audit Plan for the audit of Lincolnshire County Council's financial statements and the value for money conclusion 2010/2011 be noted.

72. EXTERNAL AUDIT PROGRESS REPORT

Mike Wood of the Audit Commission presented a report regarding progress of the 2010/2011 external audit, details of which were presented at Appendix A attached to the paper.

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In particular, reference was made of the implementation of International Financial Reporting Standards (IFRS) and work on the re-statement of the audited 2009/2010 accounts. It was also highlighted that changes in auditing standards (ISA's) had impacted upon the audit process. Members also noted a reduction in the audit fee letter for 2011/2012.

During discussion reference was made of financial statement training proposed to be arranged shortly for all members of the Audit Committee. It was reported that Ian Fifield, an external trainer, would be conducting the training.

RESOLVED

That the report be noted.

73. EXTERNAL AUDIT CERTIFICATION OF CLAIMS AND RETURNS – ANNUAL REPORT FOR 2009/2010

The Committee received a report from Mike Wood of the Audit Commission which summarised the findings from the certification of the 2009/2010 claims.

Members were informed that funding from Government grant-paying departments was an important income stream for the County Council. It was noted that although the number of claims subject to audit had reduced in recent years, the Council needed to manage claiming this income carefully and meet the conditions which were attached to these grants.

It was emphasised by a member of the Committee that with regard to the Connexions grant claim for 2007/2008 as referred to in the report, lessons needed to be learnt and stressed the importance in future audit trails to be maintained.

RESOLVED

That the report be noted.

74. COUNTER FRAUD WORK PLAN – 2010/2011 – PROGRESS REPORT

A report by Stephanie Kent, Audit Manager was presented which provided the Committee with an update on progress regarding the County Council's counter fraud work plan 2010/2011 in respect of arrangements; pro-active work; and investigations.

Members were informed that more detailed information on achievements during 2010/2011 would be highlighted in the annual report due to be presented to the next meeting of the Audit Committee on 26 April 2011.

During consideration of the report it was felt that sensitive information should not be provided in written reports due to a potential danger of the details accidentally being shared with third parties and disrupting the investigation process. It was therefore suggested that such exempt details be reported verbally at future meetings.

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Mention was made of the Council's whistleblowing mechanism whereby it was suggested that this process should be communicated wider to school governors and further enhanced at teacher training.

A member of the Committee also commented on the new system for payroll matches and emphasised the need for care home contracts to be carefully considered. In response to this issue it was reported that risk awareness would be discussed at provider forums.

RESOLVED

That the report be noted.

75. DRAFT INTERNAL AUDIT PLAN 2011/2012

The Committee was presented with a report by Lucy Pledge, Head of Corporate Audit and Risk Management, which detailed planned audit work from April to September 2011.

It was reported that the County Council were currently undertaking some major change programmes which would have a significant impact in its control environment and the way it worked. Members also noted that an assurance mapping exercise was required to be carried out in order to obtain an insight into how the Council would gain assurance that strategic and critical risks and systems were being well managed.

The Council's strategic risk register also needed updating which was one of the key inputs as to how work was determined. It was reported that upon completion of this work in September 2011, a revised plan would be developed and duly presented to the Audit Committee.

During discussion the issue of personal budgets was raised and associated risks, from which it was felt that protection mechanisms were needed for clients and providers. The Committee was informed that work with Adult Social Care colleagues surrounding risks was to be considered; and that clear guidance would be provided on risk assessments.

It was reported that a brief update would be presented to the Audit Committee following the Council's re-organisational structure in July/September 2011; together with background information regarding lessons that had been learnt.

RESOLVED

That the draft internal audit plan be approved.

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76. COUNTER FRAUD AND INVESTIGATIONS WORK PLAN 2011/2012

Consideration was given to a report by Stephanie Kent, Audit Manager, regarding the counter fraud and investigations work plan 2011/2012.

It was highlighted that to build on work completed to date, resources had been re-aligned to strengthen the team and expand the pro-active counter fraud activities. Attention would also be given to deterrence, prevention and detection.

The Committee were informed that the work plan included additional development work than in previous years in order to ensure efficient and effective use of the counter fraud pro-active resource. An increased focus would be given to raising awareness, fraud proofing new and existing contracts, policies and systems and due diligence/fraud detection work at a time of increased risk caused by the significant changes currently taking place within the Council.

Mention was made of the need to ensure correct hand-over procedures were in place when staff left the authority as a result of workforce changes.

RESOLVED

That the counter fraud work plan 2011/2012 be approved.

77. WORK PLAN

A report was presented by Lucy Pledge, Head of Corporate Audit and Risk Management, which detailed information on progress of agreed actions, together with its work plan for the period up to September 2011.

RESOLVED

1. That progress of agreed actions as detailed in Appendix A attached to the report be agreed.
2. That the work plan as detailed in Appendix B attached to the report be agreed, including the following:-

Adult Social Care Financial Management – 26 April 2011
Audit Fee Letters 2011/2012 – 26 April 2011
Annual Governance Statement – 13 June 2011
3. That an informal workshop for the Audit Committee be held in the afternoon of 13 June 2011.

The meeting closed at 12.25pm