

**AUDIT COMMITTEE  
24 SEPTEMBER 2012**

**PRESENT: COUNCILLOR B YOUNG (CHAIRMAN)**

Councillors W J Aron, C Farrar (joined the meeting at 10.25 a.m.), N I Jackson (joined the meeting at 11.00 a.m.), Mrs P A Mathers, Mrs S Rawlins (joined the meeting at 10.15 a.m.) and A N Stokes.

Also in attendance: Mr P D Finch (Independent Added Person).

Officers in attendance: Tony Crawley (Audit Commission), Sharon Cuff (Head of Procurement Lincolnshire), Mark Harvey (Senior Procurement Manager), Stephanie Kent (Audit Manager), Tony McGinty (Assistant Director of Public Health), Claire Pemberton (Assistant Head of Finance – Corporate), Lucy Pledge (Head of Audit and Risk Management) Jo Ray (Group Manager, Pensions and Treasury), Dave Simpson (Head of Finance Communities and Corporate), Phil Vickers (Assistant Director for Safer Communities), Mike Wood (Audit Commission) and Katrina Cope (Democratic and Civic Services Team Leader).

22. APOLOGIES FOR ABSENCE/REPLACEMENT MEMBERS

No apologies for absence were received.

23. DECLARATIONS OF MEMBERS' INTERESTS

No declarations of interests were received at this point in the meeting.

24. MINUTES OF THE MEETING OF THE AUDIT COMMITTEE MEETING HELD ON 9 JULY 2012

RESOLVED

That the minutes of the meeting of the Audit Committee held on 9 July 2012 be confirmed and signed by the Chairman as a correct record.

25. WHISTLEBLOWING ANNUAL REPORT 2011/12

Consideration was given to a report from the Executive Director Resources and Community Safety, which provided the Committee with an overview of the effectiveness of the Council's whistleblowing arrangements throughout the year 2011/12.

The Audit Manager advised that the report provided a summary of:-

- Analysis of contracts (disclosures) April 2011 to March 2012;
- Comparison of whistleblowing activity/emerging trends; and
- Planned work to improve the arrangements.

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It was reported that whistleblowing activity had been relatively quiet throughout 2011/2012. There had been a 42% decrease in usage from the previous year. A total of 11 whistleblowing disclosures had been received in 2011/12 compared to 19 in the previous year. Out of the eleven disclosures, only one had resulted in independent investigation by the Council's Investigation Team. Preliminary enquiries had been carried out on all the six financial related disclosures, but these had not lead to any formal investigations. The dignity at work concerns had been resolved without the need to follow formal employment processes. It was highlighted that the reduction did not mean that the whistleblowing procedures were less effective. Disclosures had been expected during the re-structure, but this had not happened, as the council had successfully managed the situation.

Reference was also made to the need to provide more assistance and training for managers concerning the Council's investigations toolkit relating to management led investigations.

In conclusion, in order to ensure that arrangements remained effective for the future a campaign was proposed for the coming year to increase awareness and provide the necessary assurances. The campaign would include:-

- Leaflets and posters;
- Training sessions, where appropriate; and
- Signposting internal and external stakeholders to the "Audit Lincolnshire" website for more information.

The campaign would be combined with the re-launch of the Council's counter fraud Policy to maximise its impact.

### RESOLVED

That the whistleblowing activity for 2011/12 and the plans to promote awareness and increase understanding throughout the Council, key partners and Lincolnshire resident be noted.

### 26. ANALYSIS OF HIGH PRIORITY RECOMMENDATIONS OUTSTANDING AT 31 AUGUST 2012

The Committee gave consideration to a report from the Executive Director Resources and Community Safety, which provided an analysis of the high priority audit recommendations outstanding at 31 August 2012 and requested suggestions on how these should be managed.

The Head of Audit advised that overall good progress had been made with management actions however; the Corporate Audit recommendation tracking process had identified two high priority recommendations outstanding from audits which had been brought to the attention of the Committee. The report presented provided detail on the status of the recommendations and suggested how these should be managed. The two areas identified were carbon reduction commitment and creditors.

The Committee agreed that the Head of Audit should identify why the training relating Carbon Reduction Commitment for the second member of staff was taking so long and that action relating to the creditor system should be completed by October 2012.

#### RESOLVED

That the contents of the report be noted and that the suggested solutions be actioned.

#### 27. CORPORATE AUDIT PROGRESS REPORT TO 31 AUGUST 2012

Consideration was given to a report from the Executive Director Resources and Community Safety, which provided the Committee with an update on progress made against the Audit Plan 2012/13.

The Internal Audit Progress report detailed at Appendix A provided the Committee with information relating to:-

- The key messages on Internal Audit work completed or in progress;
- Other significant pieces of work undertaken;
- Summaries of audits with Substantial or Full assurance;
- Copies of the Executive Summaries of audits with Limited or No Assurance;
- Details of recommendations outstanding; and
- Detail of progress made against the audit plan.

In guiding the Committee through Appendix A, particular reference was made to:-

- Key Messages – It was reported that good progress had been made on the delivery of the Internal Audit Plan for 2012/13;
- Audit and Due Diligence Update - Twenty five school audits had been completed; ten County Council audits had been finalised since the last progress report of which five had resulted in limited assurance and that a further eleven County Council audits were in progress;
- Scheduling arrangements for the year and progress against the Internal Audit Plan, these were detailed at Appendix 4 to the report;
- Counter Fraud and investigations;
- Internal investigations;
- Audits which had been given Full and Substantial Assurance, confirmation was given that sound audits were in place with particular reference being made to Legal Lincolnshire;
- Other significant work undertaken included Superfast Broadband Project; Combined Assurance Model; School Audits; and the ICT Audit Strategy;
- Audits in progress, particular reference was made to SAP Licensing and Security and Tax Compliance;
- Other Matters of Interest – The committee were advised that an Audit Committee Forum had been set up, where Audit Committee members could share experiences and work together to promote good working arrangements. A meeting had been arranged for 3 October at 1.00 p.m. at the Think Tank Lincoln. The topics for discussion included: New Public Audit arrangements, getting the most out of assurance arrangements, and changing face of good governance – trusting people to deliver and holding them to account;
- The developing Internal Audit agenda; and

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- Local Government Governance Review 2012.

During discussion, the following comments were raised:-

- The need for a more meaningful target at paragraph 12 in relation to performance;
- The need to promote Broadband, members were advised that this was outside the scope of the audit remit of connectivity, but the Head of Audit agreed to raise the concerns;
- Paragraph 16 on page seven, the Appendix 5 should have been complete so that the Council's position could have been identified;
- Schools Audits – Reassurance was given the 49% of schools who had not responded would be contacted;
- SAP Licencing – The Committee were advised that there were still some outstanding issues and the audit team were working with Mouchel and the Council. A separate paper relating to ICT would be presented to the January 2013 meeting; and
- Tax Compliance – The Committee were advised that this was a specific issue concerning self-assessment, there had been some delay, but it would be picked up.

The Assistant Director of Public Health attended the meeting and provided the Committee with an update relating to the Councillor Big Society Fund – Limited Assurance (Due Diligence), page 20 of Appendix A to the report.

The Assistant Director advised that the scheme had been designed to be a low intervention type scheme from a governance point of view, with onus being put on the member making the grant to ensure that the proposals were good value for money and making good use of public funds for community. The Committee were advised that for smaller amounts spot checks had been put in place, for schemes that had spent three quarters or more of their annual budget would receive spot checks and further checks would be made to see how the grant had been spent.

For those grant awards where the Councillor had expressed an interest, to avoid any reputation risk, these councillors were being asked to provide a report advising what had been achieved with the grant. It was noted that these would be done retrospectively.

With regard to the single award to the Carers Association, an action plan had been put in place to cover the issues raised from the audit.

The following issues were raised:-

- That there needed to be a follow up once grants had been allocated to ensure that members of the public could clearly identify with what had been done;
- That the scheme needed to be more robust particularly with regard to overspending; and
- Clarification was given that the scheme had been set up to provide £2,000 per annum to each Councillor for a two year period.

The Head of Procurement Lincolnshire and the Senior Procurement Manager provided the Committee with an update relating to Contract Tendering – Limited Assurance Page 17 of the Appendix A to the report.

The Committee were advised that the Procurement Team were making good progress and that they were focussing on making things easier for people to do the right thing. Actions were being taken to address the recommendations; there would be regular updates to Management Board, improvements to the infrastructure, this had involved switching to electronic systems. Firefly had been introduced in January 2012, as the contract management system for the Council, inaccuracies had been detected, and these had since been resolved. The Head of Procurement Lincolnshire advised that Procurement Lincolnshire provided detailed procedures for contract tendering, the responsibility for compliance rested within the Directorates. It was reported that a commissioning review was currently underway, which would result in teams doing their job better, as there would be more of an authority based approach.

The Assistant Director of Safer Communities attended the meeting to provide the Committee with an update relating to Safer Communities – Limited Assurance detailed on page 15 of the Appendix A to the report.

The Assistant Director gave a timeline of events prior to the audit taking place, since coming into post in October 2011. The Assistant Director welcomed the audit, as it had provided a baseline from which to work from.

Steps taken to improve the outcomes of the audit which included the following:-

- New membership had been agreed for the County Community Safety Board and attendance had improved as attendance records were now being maintained;
- The structure for the Board would be reviewed after the PCC had been appointed and had been in post for a 12 month period;
- A restructure of county groups and the compilation of terms of reference would be reviewed once the PCC was in post;
- The introduction of a Communication Policy by December 2012;
- Community Safety Agreement in place from September 2012;
- Domestic Abuse SMB to be in place by December 2012;
- Streamlining of data to form one single strategic assessment, sharing of data; and
- A risk log was being developed.

RESOLVED

That the outcomes of the Corporate Audit work be noted.

28. EXTERNAL AUDIT ANNUAL GOVERNANCE REPORT ON LINCOLNSHIRE COUNTY COINCIL'S STATEMENT OF ACCOUNTS AND LINCOLNSHIRE COUNTY COUNCIL PENSION FUND ACCOUNTS FOR 2011/12

Consideration was given to a report from the Executive Director Resources and Community Safety, which requested the Committee to consider the External Auditors findings relating to the Statement of Accounts for Lincolnshire County Council and for Lincolnshire County Council Pension Fund for the financial year 2011/12 and to

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approve the Letters of Representation for the afore mentioned to enable to the Audit Opinions to be issued.

The Head of Finance Communities and Corporate introduced the report and invited the external auditors to present their findings.

In a joint presentation the District Auditor and the Audit Manager guided the Committee through Appendices A and B the Audit Commission's Annual Governance Report, relating to the County Council's Statement of Account and the Pensions Fund Statement of Accounts, the respective Appendices provided details of matters arising and errors identified in the unaudited accounts and also draft Letters of Representation for the Committee to consider and approve.

The District Auditors extended their thanks to both Lincolnshire County Council and Mouchel staff involved in the audit for all their help and support.

**RESOLVED**

1. That the External Auditors Annual Governance Report for Lincolnshire County Council as detailed at Appendix A be received.
2. That the Letter of Representation be approved on behalf of the Council to enable the Audit Opinion to Be issued (Appendix 3).
3. That the External Auditors Annual Governance Report for Lincolnshire County Council Pension Fund at Appendix B be received.
4. That The Letter of Representation for the Pension Fund be approved on behalf of the Council to enable the Audit Opinion to be issued (Appendix 3).

29. STATEMENT OF ACCOUNTS FOR LINCOLNSHIRE COUNTY COUNCIL FOR THE YEAR ENDED 31 MARCH 2012

The Committee gave consideration to a report which presented the Statement of Account for Lincolnshire County Council for the financial year 2011/12.

**RESOLVED**

That the Statement of Accounts for Lincolnshire County Council for the financial year 2011/12 as presented be approved.

30. WORK PLAN

Consideration was given to a report from the Executive Director Resources and Community Safety, which provided the Committee with information on progress on agreed actions and its work plan up to April 2013.

In guiding the Committee through the report and associated Appendices A and B, the Head of Audit highlighted to the Committee the list of items for inclusion on the

agenda for the next meeting of the Audit Committee scheduled to be held on 12 November 2012.

The Head of Audit advised that the Assistant Director of Adult Social Care would be attending the next meeting to present the Adult Social Care update.

It was also noted that a report concerning ICT Assurance would be included as an item on the agenda for 28 January 2013 meeting.

**RESOLVED**

1. That the progress of agreed Actions in Appendix A be agreed.
2. That the work plan set out in Appendix B be noted.
3. That the agenda items for 12 November Committee meeting be agreed.

The meeting closed at 11.55 a.m.