

PRESENT: COUNCILLOR B YOUNG (CHAIRMAN)

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

Mr D Finch (Added Independent Person).

Officers in attendance: Marcus Coleman, David Forbes, Ralph Frost, Claire Pembleton, Sarah Tennant and Lucy Pledge

1. APOLOGIES FOR ABSENCE / REPLACEMENT MEMBERS

There were no apologies received for the meeting.

2. DECLARATIONS OF MEMBERS' INTERESTS

Councillor B Young declared a personal interest in item 4 'Scrutiny of Statement of Accounts – 2009/10' as a member of the Lincolnshire Police Authority Board.

Councillor N I Jackson declared a personal interest in item 4 'Scrutiny of Statement of Accounts – 2009/10' as a governor of a PFI school.

Mr D Finch declared a personal interest in item 4 'Scrutiny of Statement of Accounts 2009/10 as a non Executive Member of the Lincolnshire Partnership Foundation Trust.

3. MINUTES OF THE MEETING OF THE AUDIT COMMITTEE HELD ON 26 APRIL 2010

RESOLVED

That the Minutes of the previous meeting of the Audit Committee held on 26 April 2010 be confirmed and signed by the Chairman as a correct record.

4. SCRUTINY OF STATEMENT OF ACCOUNTS – 2009/10

Consideration was given to a report, which was prepared in accordance with the Statement of Recommended Practice and Best Value Accounting Code of Practice. It was noted that whilst the format and content of the Statement of Accounts was largely the same as previous years, the Statement of Recommended Practice had introduced a small number of changes that included:

- Private Finance Initiative (PFI) and similar contracts, of which the Council had one PFI scheme for the provision and operation of seven schools in the county.
- Council Tax Agency Arrangements
- Officer Remuneration Disclosure
- Long term financial liabilities
- Deleted Disclosure Notes

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Members were requested to scrutinise the Statement of Accounts for 2009/10 and provide comments that could be presented at the County Council meeting on 18 June 2010.

With the Council's budget under spending this financial year, a Member queried whether Officer's were aware of the financial predicament of the Council throughout the year.

It was reported that Officer's had been projecting an under spend for the majority of the financial year and all areas within the Council had anticipated an element of under spending for the last six months. In addition, it was noted that quarterly budget reports were presented to the Value for Money Scrutiny Committee and Executive to keep them apprised of the situation.

On page 51 of the attached report, under Creditors, the position of the Council in respect of Long term loans being repaid in one year was questioned.

Members were referred to the Manhattan diagram, which stipulated that the peak for the repayment of long term loans varied year on year and was not a need for concern. It was anticipated that the figure would reduce further in the next financial year as the Council looked to even up their long term loan repayment profile.

On page 58 of the attached report, under Interest Risk Rate, a Member queried whether the risk applied to the County Council loans was determined by the interest rate for each loan.

It was advised that all of the County Council's long term borrowing was on a fixed interest rate, which meant that the borrowing would not be at the risk of any volatility from within the market. It was noted that there was an opportunity for the Council to reschedule their payments after a year of the loan to ensure that they received the best possible interest rate year on year.

Discussions amongst Members and Officers ensued and included technical questions on the explanatory foreword, budget versus actual expenditure, financial instruments and the Council's policies on treasury management (including debt management and investment decisions), pension fund accounting and enhanced disclosure on officer remunerations.

In closing, the Audit Committee were happy with the scrutiny of the Statements and recommended that the County Council approved the Statement of Accounts for 2009/10 at its meeting on 18 June 2010.

RESOLVED

- (1) That the report and comments received on the Statement of Accounts 2009/10 be noted.

5. ANNUAL REPORT ON THE OUTCOME OF COUNTER FRAUD WORK

Consideration was given to a report presented by the Counter Fraud Team Manager, which informed the Committee of the Counter Fraud Work Plan for 2009/10 and provided members with information on the overall effectiveness of the Authority's arrangements to counter fraud and corruption. In addition, the report outlined the investigative and proactive work completed by the team over the year and included:

- The production of a 'Fraud Responses Plan' and flowchart that could be utilised to inform managers and staff of what they need to do should they suspect fraud.
- An overhauled whistle blowing process and policy, which would be launched with a leaflet campaign.
- The establishment of a Lincolnshire Fraud Forum with District Council representatives. A product of this joint working was the development of a 'Fighting Fraud' leaflet, which would be distributed to every councillor, employee, contractor, supplier and partner of Lincolnshire's Local Authorities during May and June 2010.
- The completion of a comprehensive review of Procurement Card usage across the whole Council and the introduction of robust recommendations for the control of the procurement card processes.
- Locally £115k of overpayments and errors in pension payments made after death, overpayments to residential homes for residents who had died and duplicated payments to creditors had been identified.

In light of the £115k being identified as overpayments and errors within the Authority this last year, it was queried how the zero tolerance to fraud was being delivered effectively.

The Counter Fraud Manager advised that more training for Managers had been identified as a requirement to ensure that future concerns were flagged up and dealt with whilst following the correct guidelines set out in the Fraud Response plan.

A Member queried how the Counter Fraud Team intended on ensuring that a zero tolerance message on fraud was disseminated to all Council employees.

The Counter Fraud Team Manager advised that guidance for all potential fraudulent cases would be disseminated through DMT meetings, as well as through communication streams such as George Intranet. In addition, it was noted that in the instance that a member of staff was concerned about a potential fraud case, advisors would be available through the Human Resources team and the Counter Fraud Team to support, provide relevant information and in some cases investigate a particular query.

RESOLVED

- (1) That the Committee considered the overall effectiveness of the Council's arrangements to counter fraud and corruption and the progress made during 2009/10 to implement the policy.

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6. INTERNAL AUDIT ANNUAL REPORT 2010

Consideration was given to a report by the Head of Corporate Audit and Risk Management that provided the Committee with an opinion into the adequacy of the Councils work for the last year and the Councils governance and control environment.

It was reported that the Councils governance, risk and control systems were working effectively. In addition, it was noted that the Management had implemented 72% of the high priority and 83% of the medium priority recommendations. In terms of the delivery of the Internal Audit Plan 2009/10, it was acknowledged that 88% of the revised plan had been delivered by the end of the year, which was a considerable achievement on the set target of 85% respectively.

A Member acknowledged the considerable work the management had undertaken to ensure that 72% of the high priority and 83% of the medium priority recommendations had been delivered this year and noted the considerable additional work completed and ongoing by the management to reduce risk within the Council.

RESOLVED

- (1) That the content of the report be noted.

7. RISK MANAGEMENT – QUARTER UPDATE AND ANNUAL REPORT 2009/10

The Strategic Risk Manager guided members through a report, which informed the Committee of the progress made during 2009/10 against the key aim of the strategy 'to drive forward the embedding of risk management through the organisation and its key partnerships'. The report also advised the Committee on the progress during the last quarter of the year on managing the sources of risk contained within the Corporate Risk Register.

Within the presented report the Committee were advised of the key areas of progress and achievement during 2009/10 and included the following headlines:

- Achievement of Level 3 in the Use of Resources Assessment 2009 for Risk Management.
- Following the completion of an internal audit an indicative outcome of 'substantial assurance' had been given.
- The effective working and response of the Council's corporate business continuity management response during the Swine Flu outbreak between April 2009 and February 2010.
- The continuation to be actively involved with the Councils risk management peer groups at both county and regional level. In addition, joint risk management training for elected members was held in February 2010.
- The recent tendering of the Council's insurance portfolio had produced a significant annual premium saving with insurers citing that the ongoing risk

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management work undertaken by the Council as the primary reason for the reduction.

- The strengthening of arrangements for the management of the programme and the project risks that related. The team were working closely with the Programme Centre and had developed a guide to managing risks in projects, which had been incorporated into the project 'Life Cycle' framework.

Following the quarter four report on the Corporate Risk Register, the Director of Customer Services informed the Committee on the developments made in relation to the establishment of partnerships to help reduce risk and improve the monitoring of performance management.

It was reported that the emergence of delivery plans for the Community Strategy and Council Business Plans would see an influx in partnerships as a comprehensive tool to help the delivery of the individual themes within each plan. The focus on delivery was essentially put forward for consideration by the Audit Commission as a viable option to progress.

The Committee were informed that a number of partnerships had already been established within the Community Strategy and included, Lincolnshire Affordable Housing, Cultural Strategy and Sports Partnerships. It was emphasised that the next phase was to ensure that the bridge toolkit was applied to each partnership within the Sustainable Community Strategy to ensure that key strategic risks were dealt with accordingly. In addition, it was noted that further work on the arrangements for planning groups within the Sustainable Communities Strategy Forum would need to be debated upon.

In terms of the quarter four performance report on the Corporate Risk Register, the Strategic Audit Manager advised the Committee that 'Failure to ensure continuity of critical services' was a concern. It was reported that although progress with the development of service business continuity plans was being made it was slower than originally anticipated due to the deflection of resources to respond to the Swine Flu outbreak. Plans were in place to commission an independent audit of the Council's business continuity arrangements, with a specific focus on service Business Continuity Plans, and a further report on the findings from this piece of work would be presented to the Committee in October.

The Committee were advised on the emerging risk associated with the Adult Services Group budget pressure. Members were informed that a dedicated task group and governance board had been set up to manage the situation and reduce the potential financial impact.

Overall, it was indicated that the Council continued to make positive strides in the way it responded and managed its biggest organisational risks. Throughout 2010/11 a refresh of the Corporate Risk Register, which would take into account the impact of the change in government would be undertaken.

A Member queried whether the Business Continuity Plans were being completed on a department by department basis.

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The Strategic Audit Manager informed the Committee that the Business Continuity Plans were undertaken on a priority basis and were dependent on where the Corporate Centre had identified as critical services.

In light of the concern about the lack of completed Business Continuity Plans, the Chairman requested that the Committee received an interim progress report on the position of the plans and the anticipated completion date for them.

The Strategic Audit Manager advised that the Committee would receive a structured debrief on individual services in relation to the status of their Business Continuity Plans with a particular emphasis on the Swine Flu outbreak.

In relation to the corporate risk regarding Adult Services, a Member stated that there was insufficient real information on the number of people coming into the county from other areas that could potentially require a service from the Local Authority and therefore a resource, which might have an immediate effect on the budget.

The Director of Customer Strategies advised the Committee that the Council were currently commissioning a new tool to map the service provision customers within the county were utilising against where they lived. The tool would enable the Council to see whether there were any trends that related to the services people in the county were taking. With a projected increase of up to 20,000 people moving to Lincolnshire each year, it was acknowledged that tracking these people and the services they utilised was an essential piece of work.

RESOLVED

1. That the Committee considered the Risk Management Annual Report and noted the progress made against the Risk Management Strategy undertaken during 2009-10.
2. That the overall positive movement of the Council's risk exposure score be noted.
3. That the Committee requested a management report, which provided a detailed update on the current status of the New/Developing Control.

8. INTERNATIONAL AUDIT STANDARDS – RESPONSE TO MANAGEMENT PROCESSES QUESTIONS

Consideration was given to a report, which provided the Committee with an assessment around whether the Councils financial statements might be mis-stated due to fraud or error.

Given the information in the report, it was noted that the Council was assessed as low risk that the financial statements might be materially mis-stated due to fraud or error.

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RESOLVED

- (1) That the assessment accurately reflected the Council's management processes to minimise the risk of fraud and error in the financial statements.

9. EXTERNAL AUDIT PROGRESS REPORT

Consideration was given to a report, which provided the Committee with an update of progress against the External Audit plan and information on their audit fees for 2010/11. The report concluded that there appeared to be no significant issues arising from the work completed to date. It was noted that the Committee could, however, explore what the implications, if any, were for the Council with regard to the Connexions grant.

Under 'Other Matters of Interest' in the report, it was stated that the Comprehensive Area Assessment would cease with immediate effect. Audit would continue to deliver in line with the statutory Code of Practice under which the Council was required to give a value for money conclusion alongside the Council's opinion on financial statements.

In addition, it was announced that the Council had now formally closed the 2007/08 and 2008/09 audit of accounts which had been held open pending the resolution of two outstanding objections. Certificates of closure were issued on 27 May 2010.

RESOLVED

1. That the Committee considered and commented on the report and no further actions were requested.

10. ANNUAL GOVERNANCE STATEMENT

Consideration was given to a report, which highlighted the main principles and activities of the Council's annual review of its governance framework, which had helped to produce the annual governance statement. The Committee were requested to scrutinise the statement to ensure that it provided an accurate reflection of the governance and assurance arrangements.

A Member commented that the inclusion of Independent members on the Audit and Standards Committees had ensured that the Annual Governance statement was representative.

RESOLVED

- (1) That the Annual Governance Statement accurately reflected the Council's governance framework and that the governance issues in section 6 of the statement were reasonable and appropriate.
- (2) That the Annual Governance Statement be recommended for signature by the Leader of the Council, Chief Executive and the Executive

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Director – Resources and Community Safety for inclusion in the financial statements.

11. WORK PLAN

A report by the Council's Head of Corporate Audit and Risk Management was considered, which set out the Committee's proposed work programme up to December 2010.

It was proposed that a training session be held on the morning of 6 September 2010 and would cover the role of the Head of Internal Audit and the role of internal audit and its relationship with the Audit Committee.

To share best practise it was suggested that Members from the District Council's Audit Committees be invited to attend.

An updated work plan would be circulated to Members at the next meeting of the Audit Committee, reflecting necessary amendments as a result of this meeting's deliberations.

RESOLVED

1. That the progress of agreed actions in Appendix A and the work plan in Appendix B be noted.

Meeting closed at 1.05pm