



County Offices
Newland
Lincoln
LN1 1YL

14 November 2014

Audit Committee

A meeting of the Audit Committee will be held on **Monday, 24 November 2014 at 10.00 am in Committee Room One, County Offices, Newland, Lincoln LN1 1YL** for the transaction of the business set out on the attached Agenda.

Yours sincerely

A handwritten signature in black ink, appearing to be 'Tony McArdle', written over a horizontal line.

Tony McArdle
Chief Executive

Membership of the Audit Committee
(7 Members of the Council + 1 Voting Added Member)

Councillors Mrs S Rawlins (Chairman), Mrs E J Sneath (Vice-Chairman), N I Jackson, Miss F E E Ransome, S M Tweedale, W S Webb and P Wood

Voting Added Member

Mr P D Finch, Independent Added Person

**AUDIT COMMITTEE AGENDA
MONDAY, 24 NOVEMBER 2014**

Item	Title	Pages
1	Apologies for Absence	
2	Declarations of Members' Interest	
3	Minutes of the meeting held on 22 September 2014	5 - 12
4	Counter Fraud Progress Report to 31 October 2014 <i>(To receive a report which provides an update on the Council's fraud investigation activities and information on progress made against the Counter Fraud Work Plan 2014/15)</i>	13 - 42
5	Whistleblowing Annual Report <i>(To receive a report which provides the Committee with an overview of the Council's whistleblowing arrangements throughout the year 2013/14)</i>	43 - 48
6	Review of the Council's Standards Regime <i>(To receive a report which provides the Committee with an update on the work undertaken in relation to the standards regime of the Council)</i>	To Follow
7	Chief Executive and Executive Directors Update - Panel Discussion <i>(Discussion around how well the Council's governance and assurance arrangements are working in these times of uncertainty and change. The impact on the assurance arrangements following organisational change, fundamental budget reviews and the potential impact on management and corporate assurance functions)</i>	Verbal Report
8	Review of Draft Financial Procedure 6 - Risk Management <i>(To receive a report which presents the Committee with the revised Financial Procedure 6 for review and comment)</i>	49 - 64
9	Work Plan <i>(To receive a report which provides the Committee with information in relation to the core assurance activities currently scheduled for the 2014/15 work plan)</i>	65 - 82

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Please note: for more information about any of the following please contact the Democratic Services Officer responsible for servicing this meeting

- Business of the meeting
- Any special arrangements
- Copies of reports

Contact details set out above.

All papers for council meetings are available on:
www.lincolnshire.gov.uk/committeerecords



**AUDIT COMMITTEE
22 SEPTEMBER 2014**

PRESENT: COUNCILLOR MRS S RAWLINS (CHAIRMAN)

Councillors Mrs E J Sneath (Vice-Chairman), N I Jackson, Miss F E E Ransome, S M Tweedale, W S Webb and P Wood

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

Officers in attendance:-

Tony Crawley (KPMG), David Forbes (County Finance Officer), Mark Housley (Assistant Director for Safer Communities), Claire Pemberton (Assistant Head of Finance), Lucy Pledge (Audit and Risk Manager), Donna Sharp (County Service Manager (Registration, Celebratory & Coroners Services)), Richard Wills (Executive Director for Environment and Economy) and Rachel Wilson (Democratic Services officer)

17 APOLOGIES FOR ABSENCE

No apologies for absence were received.

18 DECLARATIONS OF MEMBERS' INTERESTS

Councillor Mrs E J Sneath wished that it be noted that in relation to agenda item 4, page 22, her grandson was in receipt of home to school transport.

19 MINUTES OF THE MEETING HELD ON 21 JULY 2014

RESOLVED

That the minutes of the meeting held on 21 July 2014 be agreed as a correct record and signed by the Chairman.

20 INTERNAL AUDIT PROGRESS REPORT TO 31 AUGUST 2014

Consideration was given to a report which provided an update on progress made against the Audit Plan 2014/15 and provided summaries of all audits completed within the period April to August 2014.

It was reported that during this period, 11 County audits had been completed, 8 to final report and 3 to draft report stage, as well as 9 schools audits. Overall, 25% of the plan had been completed.

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Members were advised that there were two auditors working almost full-time advising/support the Agresso implementation project. The input of Internal Audit was a significant part of the work over the year, and represented 10% of the audit plan. Regular highlight reported would be provided to the Section 151 Officer and Project Board, and updates would also be brought to the Committee over the coming year.

It was also noted that there were eight audits in progress, as well as additional work being undertaken on the Birth to Five Service, the Libraries Judicial review and Information Governance. Visits to each of the Academies for which the County Council carries out internal audit work had also been undertaken.

Members were informed that the assurance levels provided for 2014/15 had been amended in response to the introduction of other UK Public Sector Internal Audit Standards and were based on the Institute of Internal Auditors professional practice. The new levels of assurance would be as follows:

- Effective
- Some improvement needed
- Major improvement needed
- Inadequate

Members were provided with the opportunity to ask questions to the officers present in relation information contained within the report as well as audits where assurance had been assessed as 'no' or 'limited', and some of the points raised during discussion included the following:

- The Agresso implementation would be complicated as it was a self-build, which would give the authority the resource to maintain and monitor the system itself. It was noted that the project had now reached the build phase. The financial systems were broadly on target, however, payroll was behind target due to a lack of resources from Serco and Mouchel. It was expected that this would be back on target by the end of October. It was also expected that the build phase would be complete by the end of October 2014, the system would then enter the testing phase, and three parallel runs with the payroll system would be carried out. Members were advised that there were contingency plans in place in the event of problems, but the liability would be with Serco to resolve them;
- A package of financial services had been put together which schools would be able to buy back, and meetings with schools had taken place to explain what would happen;
- The new Agresso system would be more user friendly than the SAP system;

Coroners – Limited Assurance/Major Improvement Needed

- Major improvement had been asked for, and so some challenge was expected;
- There were two part-time senior Coroners covering two areas/jurisdictions, and were line managed by the Chief Coroner or Lord Chief Justice. They were not employees of the authority, and no Council Officer had line management responsibility for them;
- Officers had started to tackle some of the major issues;

- The audit had been commissioned by the Service, as officers were keen to get an external view on the historic working practices;
- There had been a lot of changes which had allowed greater opportunities to provide greater accountability;
- There had been some issues around budget accountability, and more robustness in challenging spending was required, as it had been increasing;
- One of the challenges was around process and policy, as the two coroners could not be forced to work together as they were independent, however, discussions had been taking place around bringing them together and working together in one location, and involving business support with the processes. The intention was to bring them together in one location, with one IT solution, to provide a hub service which could serve the whole county;
- There had been a delay in completing some of the management actions as it had not been possible to meet with both coroners until 5 September 2014;
- Officers had been working very hard with the Coroners to change the policies and processes which were in place, to ensure that their views were taken into account;
- Members were assured that there was confidence that all recommendations would be completed, although some may take a little longer to implement;
- Concerns were raised regarding budget control and monitoring as there had been considerable overspending. Members were advised that this was one area where it was difficult to set a budget as it depended on the nature of an inquiry and how many expert witnesses were required. However, officers would continue to challenge;
- Members acknowledged the reasoning behind the idea of a hub, but there were concerns about job losses, and how the service would continue to serve the whole county. Members were advised that having a single hub would not affect the service, as the Coroners were keen to hold local inquests and travelled to where the inquest was, and it was not expected that there would be job losses, in fact there was a possibility that more staff could be required;
- Central Government additional funding would generally not be made available for exceptional cases, unless it was a major incident, when the Ministry of Justice would support the costs of an inquiry;
- It was noted that there had been an increase in the number of referrals for post mortems, and it was reported that this had come in with the new Coroner, who was very keen to improve the health services in the south of the County. It was noted that it was a judicial decision to order a post mortem;
- It was requested that the Committee receive a progress report, and it was suggested that a follow up audit could be carried out in 6 – 12 months. The issues faced by the service were appreciated;

Risk Management – Limited Assurance/Major Improvement Needed

- Some areas of good practice were found, for example in how strategic risks were managed;
- Some improvement was required in relation to key decisions, as reports to the Executive did not always clearly articulate the risks associated with the recommendations/proposal, and actions and controls to manage to manage risks were rarely included. Therefore decisions may be made without full

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knowledge and understanding of the risks involved and how they would be managed;

- Key projects had their own risk register;
- Strategic risks were all included on the Corporate Risk Register, and if a project had a project risk register, this would form part of the normal handover arrangements in the event of absence of key members of staff;

MIMS Insurance Management System – No Assurance/Inadequate

- This was a small, but important system, however, the level of error found was higher than expected;
- Following this audit, a manual intervention was implemented to ensure that reports were accurate and complete;
- Clear individual targets had been set, and one of the key issues within the team had been a lack of guidance notes;
- A clear action plan had been put in place and was being monitored and taken forward;
- It was found that 52% of claims had errors. It was found that many of the errors were in relation to category of claim, specifically potholes. The claim itself was correct, but the way it had been categorised was not;
- This may not have been picked up previously as there had been a recent change in staffing;
- The Insurance Manager met with the supplier in order to get a better understanding of the capabilities of the system;

Other issues

- All school audits were on track;
- In relation to the Debtors audit, David Laws had provided a response after the report had been published, good progress was reported, and key recommendations were being acted upon. The briefing paper would be circulated to members of the Committee;
- In relation to the Domestic Abuse audit, a briefing paper would again be circulated setting out the current actions, it was noted that many were around participation at MARAC meetings.

RESOLVED

That the outcomes of the Internal Audit Work be noted.

21 APPROVAL OF THE COUNCIL'S ANNUAL GOVERNANCE STATEMENT 2014

Consideration was given to a report which provided the Committee with the opportunity to consider the content of the Council's Annual Governance Statement 2014.

It was reported that each year the Council was required to reflect on how well the Council's governance framework has operated during the year and identify any governance issues that needed to be drawn to the attention of Lincolnshire residents. Good governance underpinned everything the Council did and how services were delivered often came under close scrutiny.

Members were advised that a 'good' Annual Governance Statement was an open and honest self-assessment of how well the Council had run its business – with a clear statement of the actions being taken or required to address any areas of concern. One of the roles of the Audit Committee was to oversee the development of the Annual Governance Statement and to recommend its adoption by the Council.

It was noted that all the issues highlighted by Members in the draft Annual Governance Statement had been addressed, including more explanation in relation to the outcomes of the judicial review. It was hoped that the document did now accurately reflect how the Council ran and that the actions identified had been amended.

It was commented that in relation to the Counter Fraud work the Statement did not seem to show any of the successes that the team had had. However, members were reassured that this information had been brought together in the Audit Committee's Annual Report.

Members were advised that the outcome of the Judicial Review into the libraries consultation did not mean that the proposals were unlawful, just that there were flaws in the consultation.

RESOLVED

1. That the Annual Governance Statement accurately reflects how the Council was run;
2. That the Statement includes the significant governance issues/key risks it would have expected to be published;
3. That the Audit Committee approve the Statement and recommend it for adoption by the Council.

22 EXTERNAL AUDITS ISA 260 REPORT TO THOSE CHARGED WITH GOVERNANCE ON LINCOLNSHIRE COUNTY COUNCIL'S STATEMENT OF ACCOUNTS AND LINCOLNSHIRE COUNTY COUNCIL PENSION FUND ACCOUNTS FOR 2013/14

The Statement for Accounts for Lincolnshire County Council and for Lincolnshire County Council Pension Fund for the financial year 2013/14 had been completed and independently audited.

Consideration was given to a report which set out the External Auditors findings in their ISA 260 Report to Those Charged with governance for the County Council's Statement of Accounts and for the Pension Fund Accounts.

It was the role of the Audit Committee to seek assurance over the adequacy of the External Audit Opinion on the Financial Statements and the Council's Value for Money arrangements and to ensure any issues/risks identified by the External Auditor were being effectively managed.

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Members were advised that the External Auditors proposed to issue an unqualified audit opinion on the financial statements. The audits had been completed and there were no outstanding issues.

The Committee was guided through the reports, with attention drawn to the Headlines and Specific VfM (Value for Money) risks. It was noted that there was one error found in the Pension Fund Statement of Accounts, as the value of an investment was actually in euro's but had been listed in sterling. This had led to an overstatement of the value of the investment. However, this had now been corrected and additional procedures had been put in place to ensure foreign exchange rates were accurate and consistent.

It was noted that the Letter of Representation was very similar to the letter that was approved the previous year.

RESOLVED

1. That the External Auditors Report to Those Charged with Governance (ISA 260) for Lincolnshire County Council and the appropriateness of management responses be noted;
2. That the External Auditors Report to Those Charged with Governance (ISA 260) for Lincolnshire County Council Pension Fund and the appropriateness of management responses be noted; and
3. That the Letter of Representation on behalf of the Council be approved to enable the Audit opinion to be issued.

23 STATEMENT OF ACCOUNTS FOR LINCOLNSHIRE COUNTY COUNCIL FOR THE YEAR ENDED 31 MARCH 2014

Consideration was given to a report which presented the final Statement of Accounts for Lincolnshire County Council for the financial year 2013/14 for approval.

It was noted that Members of the Committee had listened to comments from the External Auditors in relation to the Statement of Accounts and it now for the Audit Committee to approve them.

The Audit Committee was presented with the draft Statement of Accounts for 2013/14 at its meeting on 21 July 2014, where members scrutinised and made comment on the accounts. Members reported that they had found the new format of the session where they considered the accounts to be more helpful than previous years.

The Chairman congratulated officers on the production of the Statement of Accounts and noted that good feedback had been received. On behalf of the Committee the Chairman passed on their congratulations and thanks to the team for all the work that had taken place, in particular the quality of work which had gone into the Energy from Waste facility accounting work.

The External Auditor requested that if any issues emerged between the date of the meeting and when the accounts were submitted, that they be dealt with by the Chairman of the Committee and the Section 151 Officer.

In relation to usable reserves, it was noted that the Council intended to add a substantial amount to the financial volatility fund, in order to help with the funding reductions that the council would be receiving in 2015, as there would be a requirement to save £90m over the next four years. Earmarked reserves would also be subject to a review when setting the Council's budget for 2015/16.

RESOLVED

1. That the explanatory foreword to the accounts help the public understand the authority's financial management of public fund; and
2. That the Statement of Accounts for 2013/14 be approved.

24 DRAFT AUDIT COMMITTEE ANNUAL REPORT

Consideration was given to a report which sought to show how the Audit Committee had discharged its terms of reference and had positively contributed to how well the Council had been run.

It was noted that reference to IT business continuity and disaster recovery had been included due to historic concerns of this Committee.

Members were informed that it was planned to set up a dedicated Governance page on the Council's website, and once the Annual Report was approved it would be available to view through this page.

It was noted that the final version of the Annual Report would be approved at full Council at its meeting on 19 December 2014.

It was requested that a picture and some narrative be included for the Independent Added Person, Mr D Finch.

RESOLVED

1. That the draft Annual Report adequately reflects the work done;
2. That any changes identified be made;
3. That the Chairman present the final version of the Audit Committee Annual Report to the meeting of full Council on 19 December 2014.

25 WORK PLAN

The Committee considered a report which provided information on the core assurance activities currently scheduled for the 2014/15 work plan.

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**AUDIT COMMITTEE
22 SEPTEMBER 2014**

It was reported that there were no additional items which needed to be added to the November meeting. However, it was commented that it was likely that there would be a progress report following the Judicial Review into the Libraries Consultation.

It was noted that some time would be set aside following the November 2014 meeting to provide the Committee with the opportunity to meet with the external auditors.

RESOLVED

1. That the Audit Committee's work plan be reviewed and amended as necessary to ensure it contained the assurances necessary to approve the Annual Governance Statement 2015;
2. That the action plan be noted and the way forward/delivery of the actions be approved.

The meeting closed at 12.05 pm

Regulatory and Other Committee

Open Report on behalf of Pete Moore, Executive Director for Finance and Public Protection
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Report to:	Audit Committee
Date:	24 November 2014
Subject:	Counter Fraud Progress Report to 31 October 2014

Summary:

This report provides an update on our fraud investigation activities and information on progress made against our counter Fraud Work Plan 2014/15.

Recommendation(s):

To note the outcomes of our counter fraud work and identify any actions it requires.

Background

This report provides an update on the progress made against the Counter Fraud Work Plan 2014/15, including our investigation activities. Details can be found in Appendix A, including:

- Key messages
- Proactive work
- Investigations
- Progress against plan
- Other matters of interest
- Counter Fraud Work Plan 2014/15

Conclusion

We have made good progress against the work plan for 2014/15 having completed work in a number of key fraud pro-active areas, particularly around fraud awareness.

We have received seven fraud referrals since April 2014 – we currently have three live cases and four which are now concluded. More information can be found on pages 5 to 7. We have had one successful prosecution since our last progress report – a direct payments case totalling just under £8k. The Audit Commission, in a recent publication "*Protecting the Public Purse*", report that social care fraud has

more than trebled since 2009/10. It is important therefore that we continue our proactive activities in this fraud risk area, raise awareness and publicise the results of all outcomes and successful prosecutions.

This progress report is designed to provide the Committee with information which enables it to:

- confirm the Council's Counter Fraud arrangements are targeted and effective
- assess whether appropriate progress has been made against the approved work plan, and
- ensure lessons have been learnt, that there is an understanding of the fraud risks facing the Council and that actions are being taken to reduce the risk

Consultation

a) Policy Proofing Actions Required

N/A

Appendices

These are listed below and attached at the back of the report	
Appendix A	Counter Fraud Progress Report
Appendix B	National Fraud Initiative - Slides

Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

This report was written by Lucy Pledge, who can be contacted on 01522-553692 or lucy.pledge@lincolnshire.gov.uk.



Counter Fraud Progress Report



Date: November 2014

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Introduction

1. The purpose of this report is to:
 - Provide an update on our fraud investigation activities
 - Report on progress against our Counter Fraud Work Plan 2014/15

Key Messages

Pro-active Work

2. We are making good progress against our 2014/15 pro-active work plan, in particular:
 - 6 fraud awareness workshops with Adult Care practitioners
 - Meetings with the Office of Public Guardian and Court of Protection Team
 - Fraud awareness sessions with contract management leads (2 x directorate areas)

We aim to deliver targeted training sessions with contracting officers in each directorate area by the end of the year.

3. Our counter fraud and whistleblowing promotional material has been completed and distributed throughout the Authority, including schools. This has been supported by publications from the Council's Communication Team which is to be repeated throughout the year to ensure maximum coverage.
4. We have successfully validated and uploaded data from 8 of the Council's systems for the 2014/15 National Fraud Initiative – this is a significant mandatory data matching exercise designed to provide participating bodies with the information to identify and investigate potential fraudulent transactions. The data matches for Lincolnshire County Council will be received early next year. We have attached an Audit Commission slide pack (Appendix B) on the outcomes of the last NFI Exercise for 2012/13 – this provides some independent insight on the Council's activity and engagement with NFI.
5. A £16m funding pot (available over a two year period) has been made available to Local Authorities to develop their counter fraud arrangements. We have submitted two strong and viable bids and are hopeful of some success – further detail of these bids can be found at points 20 to 21 below.

Investigations

6. We have received 7 suspected fraud referrals since April 2014:
 - 3 cases involved preliminary enquiries only (insufficient evidence to proceed)

- 1 case has been referred to the Police and the individual is due to attend a disciplinary hearing this month
 - 3 live cases – investigations so far suggested that referral to the Police is unlikely
7. One historic case (2012) – the perpetrators involved in a mandate fraud against the Council are expected to appear at Court in Liverpool. The case is being handled by Merseyside Police – the offences include money laundering and fraud by misrepresentation.
8. A female was prosecuted for fraud by failing to disclose information regarding the death of her father and using his direct payment funding for her own benefit. The individual pleaded guilty and was sentenced to a Community Services Order of 200 hours and ordered to pay court fees of £85. The perpetrator repaid the stolen monies in full.

Counter Fraud Pro-active Work

Fraud Awareness

9. We have completed fraud awareness sessions with all three Adult Care teams across the county. The sessions were initially aimed at General Managers and Principal Practitioners – these were well received and have now been extended to cover social workers within the three area teams. We have received referrals of suspected direct payment frauds and abuse of Power of Attorney responsibilities as a result of this awareness work.
10. We have delivered fraud awareness presentations to the Central Finance Team handling the Adult Care direct payments and are scheduled to hold similar sessions with the county's Adult Safeguarding teams.
11. We have, through these awareness sessions, identified scope to improve / assist in the investigation of adult financial abuse cases. Our counter fraud specialists are currently working with Adult Care Practitioners, Safeguarding Officers, Police, the Office of Public Guardianship (OPG) and Court of Protection Team to address some of the barriers to successful investigation and agree a protocol for joint working.
12. The latest 'Protecting the Public Purse' publication was issued by the Audit Commission in October 2014 – the report states that the number of detected cases of social care fraud has more than trebled since 2009/10 and in 2013/14 they totalled £6.2m. We believe this reinforces the importance of joint working with care professionals, safeguarding officers, finance teams and the Police to better tackle this fraud risk locally.
13. Our counter fraud specialists are in the process of meeting with contract management leads across the Council with a view to:
- delivering awareness sessions to contract officers

- distributing promotional material to Council providers
 - ensuring contracts are prescriptive about rights of access, reporting and investigation expectations in the event of a suspected fraud
 - highlighting contracts for our proactive work
14. We have, so far, received a positive response from all contract leads and hope to build on this over the remainder of the year, culminating in a proactive fraud exercise on selected contracts.
15. Our counter fraud promotional material was finalised and distributed across all Council and school establishments – we engaged the Council's Communication Team to assist with delivering the key messages through GEORGE, the daily news bulletins and the County News publication. We also have plans to repeat the counter fraud communications throughout the year to keep up the momentum and ensure maximum awareness coverage.

National Fraud Initiative (NFI)

16. The next National Fraud Initiative exercise has begun – we have submitted large volumes of Council data in the following areas:
- Payroll
 - Pensions
 - Creditors
 - Insurance Claimants
 - Private Residential Care Homes
 - Blue Badges
 - Concessionary Travel Passes
 - Personal Budgets

We were required to carry out pre-submission data quality checks which involved reasonableness, validity and completeness tests, the removal of duplicate records and control total tests. We have recently received confirmation that all data submissions have been successfully uploaded to the secure site. We also ensured compliance with the NFI Fair Processing and Security Policy requirements. We expect to receive the Council's data matches in January 2015 and work is scheduled to begin in February 2015 and will continue into the next financial year.

17. In the last three NFI exercises, the Council's overpayments/recoveries have reduced:
- 2008/09 £115k
 - 2010/11 £60k
 - 2012/13 £16k

We believe this is a positive outcome – system controls have improved in those areas where we have in the past found the largest recovery potential:

Pensions – the Pensions Team have been using a tracing agency since 2009/10 which increases the likelihood of identifying and reducing the overpayment of pensions.

Private Residential Care Homes – an improved interface between the Adults Care Management System and the Council's payments system results in a speedier identification of death or service user transfer. Any overpayment to a provider is then promptly recovered.

Duplicate Payments – Mouchel's payments team routinely run reports of potential duplicate supplier payments. The combination of checking exception reports (which flags possible duplicates prior to payment) and the work on the duplicate payment reports has successfully reduced the number of genuine data matches identified through NFI.

18. The Audit Commission has recently released a slide pack (Appendix B) for elected members and decision makers on the outcomes from the 2012/13 National Fraud Initiative. This provides some independent insight into the initiative and the outcomes for the Council – it also suggests ways of obtaining assurances that the Council is engaging with NFI and getting the best possible outcomes.

Targeted Pro-active Fraud Work

19. The team are nearing the end of a proactive fraud exercise on the Council's payroll transactions, focusing on honoraria, overtime and other ad-hoc payments. Our specialists used their data analytics expertise to identify outliers, unusual patterns or individual transactions for validation and/or investigation – the results of this work will be reported to the next Committee.

Funding Bids for Counter Fraud Development

20. The Department for Communities and Local Government (DCLG) have made £16m available to Local Authorities to tackle fraud for a two year period. Councils were invited to submit bids in order to receive a share of this fund – we submitted two bids:

- Bid Number 1 – Prosecution Handling – total grant request £70k

The Council would like to improve the potential for successful prosecutions by developing the capacity, expertise and governance framework to handle some or all of its fraud prosecution cases. This would not only strengthen the anti-fraud culture (by creating a powerful deterrent), but also speed up outcomes and improve the opportunities for loss recovery which can be affected by a failure to prosecute.

- Bid Number 2 – Lincolnshire Fraud Partnership – total grant request £200k

This bid recognises DCLG's desire for Local Authorities to working jointly in the fight against fraud. We aim to create a Lincolnshire Fraud Partnership comprising counter fraud specialists and subject area experts from Lincolnshire County Council and seven district councils with the aim of:

- delivering joint fraud proactive exercises across Lincolnshire
- developing and delivering an effective co-ordinated fraud awareness programme
- sharing intelligence, investigative resource, expertise and best practice

Accountable to the Chief Finance Officers, the group would ensure a strong, effective and sustained response to the threat of fraud within Lincolnshire local authorities.

21. Councils whose bids are successful are expected to be notified in November – the funding expectations are such that a proportion of the funding must be spent in 2014/15 with the remainder in 2015/16 (one third / two thirds respectively). It is unlikely that similar funding will be available to councils in the future. We believe we have submitted two strong, viable proposals and are hopeful of some success with one or both bids.

Investigations

22. The Council has 2 fraud cases with the Police:

- 1 x mandate fraud (£291k)

This is a case from 2012 – mandate fraud is when a fraudster gets an individual or organisation to change a direct debit, standing order or bank transfer mandate, by purporting to be a supplier you make regular payments to. Public sector bodies have been targeted by fraudsters usually posing as a construction company as payments tend to be higher in value. Our payments team alerted us to the above fraud and our swift action with the receiving bank enabled a block on the account, recovery of funds and made it easier for the Police to trace the perpetrator(s).

Merseyside Police are handling this case – it involves the main subject and two accomplices who reside in different parts of the country. The individuals have been summonsed for offences of money laundering relating to the LCC fraud plus historic fraud by misrepresentation which is unrelated to our case. All three perpetrators will appear at Court in Liverpool and we will be notified when their appearance dates are listed.

- 1 x unauthorised use of council assets

The employee is currently suspended – we have referred the matter to the Police, completed an employment investigation and the individual is due to attend a disciplinary hearing this month.

23. We have received 7 suspected fraud referrals since April this year – 3 of which required preliminary enquiries only:

- Suspected misuse of hire car –insufficient evidence to prove fraud. Outcome – management action.
- Whistleblowing disclosure – alleged irregularities involving paternity leave. Our enquiries found the leave was valid although we did identify some process issues and recommendations were made to address these.
- Colleagues within the Midland Counties Fraud Group flagged up a potential scam involving a supplier of sporting facilities. We made enquiries within Lincolnshire and found a number of our schools were considering using this provider.

Outcome – we established that the supplier was in fact trading lawfully but using a dubious sales tactic. This could have placed the schools in a vulnerable position due to funding uncertainties and would also have resulted in a breach of their contract regulations (procurement rules).

We issued a bulletin to schools with recommendations to protect their interests, achieve best value and ensure compliance with the procurement rules. The supplier in this particular case agreed to revisit their sales approach.

24. We currently have 3 live cases – from investigations to date, it is unlikely that these will result in a Police referral:

- Employee misuse of time and Council assets to run own business

This matter is being investigated under the Council's disciplinary process and is nearing completion – the outcome will be reported to the next Audit Committee

- Employee suspected mileage irregularities and working when on sick leave

These concerns are also being investigated under the Council's disciplinary process – we have completed our investigation and the outcome report is being finalised.

- Adult Care provider – suspected contract irregularities (non-delivery of hours)

A manager within Adult Care referred suspicions that a provider was not delivering the required number of hours to service users but were invoicing the Council for the full contracted hours. Our preliminary enquiries so far have confirmed significant discrepancies – the investigation is ongoing.

25. Since our last progress report one case has been closed with a successful outcome:

In July 2014 a female was charged with fraud by failing to disclose information regarding the death of her father and retaining/using direct payments to the value of £7,786. The perpetrator pleaded guilty and repaid the full amount to the Council – she was given a Community Service Order of 200 hours, ordered to pay court fees of £85 and a victim surcharge of £60.

Progress Against Plan

26. The Counter Fraud Work Plan at Appendix A provides summary information on progress against plan – much of our work is on-going. We are, however, making good progress and our achievements to date are detailed in points 4 to 16 above.

Other Matters of Interest

Audit Commission – Protecting the Public Purse – October 2014

27. This is the last report in the Protecting the Public Purse series from the Audit Commission before it closes in March 2015. The key messages include:

- Scale of fraud against local government is large but difficult to quantify with precision – they do believe the last national estimate (2013) of £2.1 billion is probably an underestimate.
- Fewer cases of detected fraud were reported in 2013/14 compared with the previous year but the value has increased by 6%
- Councils will need to focus on non-benefit frauds that present the highest risk of loss, some example given were:
 - Council tax fraud
 - Right to buy
 - Social care fraud
 - Insurance fraud
- Detection rates for some frauds have fallen, specifically business rates and procurement fraud. They suggest the fall in detected fraud may be due to the fall in dedicated fraud officers.
- Detection rates in other areas has risen, such as schools (increase of 6% - £2.3m) and housing tenancy.

28. The Commission's counter-fraud activities will transfer to new organisations from April 2015 – the National Fraud Initiative will transfer to the Cabinet Office and the *Protecting the Public Purse* series and fraud briefings will transfer to the Counter Fraud Centre run by CIPFA.

29. The report recommends that councils should:

- use the Commission's checklist to review their counter fraud arrangements
- adopt a corporate approach to fighting fraud
- actively pursue potential frauds identified in the National Fraud Initiative
- assess themselves against CIPFA's new Code of Practice on Managing the Risk of Fraud and Corruption
- engage fully with the new CIPFA Counter Fraud Centre

The full publication can be found on the Audit Commission website at: www.audit-commission.gov.uk

CIPFA Counter Fraud Centre

30. The new CIPFA Counter Fraud Centre will lead and co-ordinate the fight against fraud & corruption across public services. They will be working closely with the DCLG, the National Crime Agency and the Cabinet Office and all Local Authorities are encouraged to engage with the Centre.

31. They have recently published a new Code of Practice which includes key principles and lists key actions which includes a policy framework – the Council already has all recommended fraud related policies with the exception of the Cyber Security Policy – we feel this is covered adequately in our existing IT Security Policies.

32. The CIPFA Counter Fraud Centre are offering some usual services which the counter Fraud Team will utilise, for example:

- training, including a new set of qualifications
- a subscription service (providing access to Counter Fraud tools, guidance and fraud alerts)
- good practice bank (including case studies)
- working groups to consider and develop guidance to tackle key fraud risk areas

Local Government Transparency Code 2014

33. This Code has recently been amended and there are now additional mandatory reporting requirements for Local Authorities. The first set of annual data must be published no later than 2 February 2015 and thereafter not less than annually. The new mandatory elements relating to counter fraud work are:

- number of occasions powers used under the Prevention of Social Housing Fraud (Power to Require Information) (England) Regulations 201432, or similar powers (*not applicable to County Council*)
- total number (absolute and full time equivalent) of employees undertaking investigations and prosecutions of fraud
- total number (absolute and full time equivalent) of professionally accredited counter fraud specialists
- total amount spent by the authority on the investigation and prosecution of fraud, and
- total number of fraud cases investigated

34. These reporting requirements are not too onerous as we periodically report on most of this information.

END OF REPORT

Counter Fraud Work Plan 2014/15

Appendix A

Area	Indicative Scope	Planned Days	Start Date	End Date	Status
Culture					
Engagement and training	Briefings sessions / training for members, management, staff, key partners		April 2014	March 2015	On track
Website maintenance	Updates / warnings of emerging fraud risks, case summaries, results and prevention information		September 2014	December 2014	Content update in progress
Awareness Campaign	Posters, leaflets, e-learning tool to rejuvenate staff awareness		April 2014	June 2014	Awareness material complete E-learning tool still at development stage
Sub Total		40			
Deterrence					
Promotion of counter Fraud Activity	Communications covering: <ul style="list-style-type: none"> ▪ Counter fraud team ▪ Investigation outcomes / prosecutions ▪ Advice on fraud prevention measures 		April 2014	March 2015	Ongoing
Sub Total		10			

Area	Indicative Scope	Planned Days	Start Date	End Date	Status
Prevention					
Organisational learning	Supplementary reports and actions plans arising out of investigation work		April 2014	March 2015	Ongoing
Data analytics	Further development / use of data analytics: <ul style="list-style-type: none"> ▪ Quarterly testing – specific fraud tests 		April 2014	March 2015	Ongoing
Advice	Enhancing fraud controls and process – new and existing systems		April 2014	March 2015	Ongoing – new finance system & contract management
Sub Total		40			
Detection					
Update Fraud Risk Profile	Incorporating emerging risk issues and results from local risk assessment		December 2014	January 2015	
Proactive fraud exercises	<ul style="list-style-type: none"> • Payroll (overtime / honoraria / allowances) • Contracts 		September 2014 December 2014	October 2015 January 2015	Fieldwork complete
National Fraud Initiative 2014/15	<ul style="list-style-type: none"> • Data preparation for 2014/15 upload and matching exercise 		September 2014	October 2014	Complete – uploads successful

Area	Indicative Scope	Planned Days	Start Date	End Date	Status
	<ul style="list-style-type: none"> Initial analysis, sampling and testing of LCC data matches 		February 2015	March 2015	
Sub Total		140			
Investigation					
Whistleblowing and Fraud Investigation	In line with investigation manual and recommended best practice		April 2014	March 2015	On-going
Sub Total		350			
Sanctions and Redress					
Pursue civil, disciplinary and/or criminal sanctions	Action taken during investigation process		April 2014	March 2015	On-going
Identify and recover losses	Identified during investigation – recovery action through Proceeds of Crime Act, Insurance and legal means		April 2014	March 2015	On-going
Sub Total		5			
Contingency					
Advice & Liaison			April 2013	March 2014	On-going
Sub Total		65			
Grand Total		650			

National Fraud Initiative

Outcomes and Information for Elected Members and Decision Makers - 2012/13

Lincolnshire County Council

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Introduction to the slide pack



This slide pack is intended for use by elected members and senior decision makers to inform you about the National Fraud Initiative (NFI) and data matching at your organisation

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We have included a summary of the key findings of the latest NFI national report and a summary of key points from the NFI checklist for decision makers and elected members which can be found in full on the [NFI website](#)



We have also included key NFI activity data for 2012/13 alongside tailored charts so you can compare your organisation with your neighbouring councils with similar profiles to yours



In case you have any questions we have included a glossary and link to further information at the end of the slide pack. If you require further information please contact nfiqueries@audit-commission.gsi.gov.uk

Background to the NFI

The NFI is a sophisticated data matching exercise designed to prevent and detect fraud

It was established in 1996 and is undertaken every 2 years

It incorporates England, Wales, Scotland and Northern Ireland

There are over **1,300** mandatory and voluntary participants which provide **8,000** datasets

In 2012-13 NFI released **4.7 million** data matches and this led to **£229 million** of outcomes

We also undertake pilot work on new and emerging fraud risks and offer a [Flexible Data Matching Service](#)

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The NFI National Report

Key outcomes and recommendations for bodies participating in the NFI are reported every two years in the NFI National Report

The report is intended for council members, non-executives and senior officers at audited bodies and was most recently published in June 2014

The report helps to demonstrate the effectiveness of the NFI in preventing and detecting fraud

Key Outcomes of the 2012/13 exercise - across England



£203 million in fraud and error was detected



571 prosecutions



120 people employed without the right to work in the UK were identified and as a result were dismissed or asked to resign



86 properties recovered by social landlords



21,396 blue badges and 78,443 concessionary travel passes cancelled

The figures in the national report for detection of fraud, overpayment and error include outcomes already delivered and estimates. Estimates are included where it is reasonable to assume that the fraud, overpayment and error would have continued undetected without the NFI data matching. A more detailed explanation is included in [Appendix 1 of the NFI national report](#). If you have any further queries about the data in the slides please contact the NFI team using the contact details at the end of this slide pack.

Data matching at your organisation



The table and bar charts have been provided to give you an overview of the data matching activities at your council in relation to the most relevant comparator councils.

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The table highlights the proportion of data matches followed up by your council. Participants of NFI receive a report of data matches that they should follow-up, and investigate where appropriate, to detect instances of fraud, over- or under-payments and other errors, to take remedial action and update their records accordingly.



Even where data matching shows little or no fraud and error, this still assures bodies about their control arrangements. It also strengthens the evidence for a council's annual governance statement.

Activity and Engagement with NFI – Lincolnshire County Council

	Total NFI matches in progress or processed	NFI recommended matches in progress or processed
Lincolnshire County Council	17% (3,472)	13% (1,335)
CIPFA nearest neighbours (Mean)	15% (3,383)	29% (2,240)
County Councils (Mean)	14% (3,747)	28% (2,515)

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The CIPFA nearest neighbours are the 15 councils which have been modelled as those with the most similar profile by CIPFA. More detail of the 2009 modelling methodology can be found at http://www.cipfastats.net/default_view.asp?content_ref=2748

Understanding the bar charts

Outcomes relating to your council are highlighted in yellow in the bar charts. The performance of your 15 CIPFA nearest neighbours are shown in the green bars.

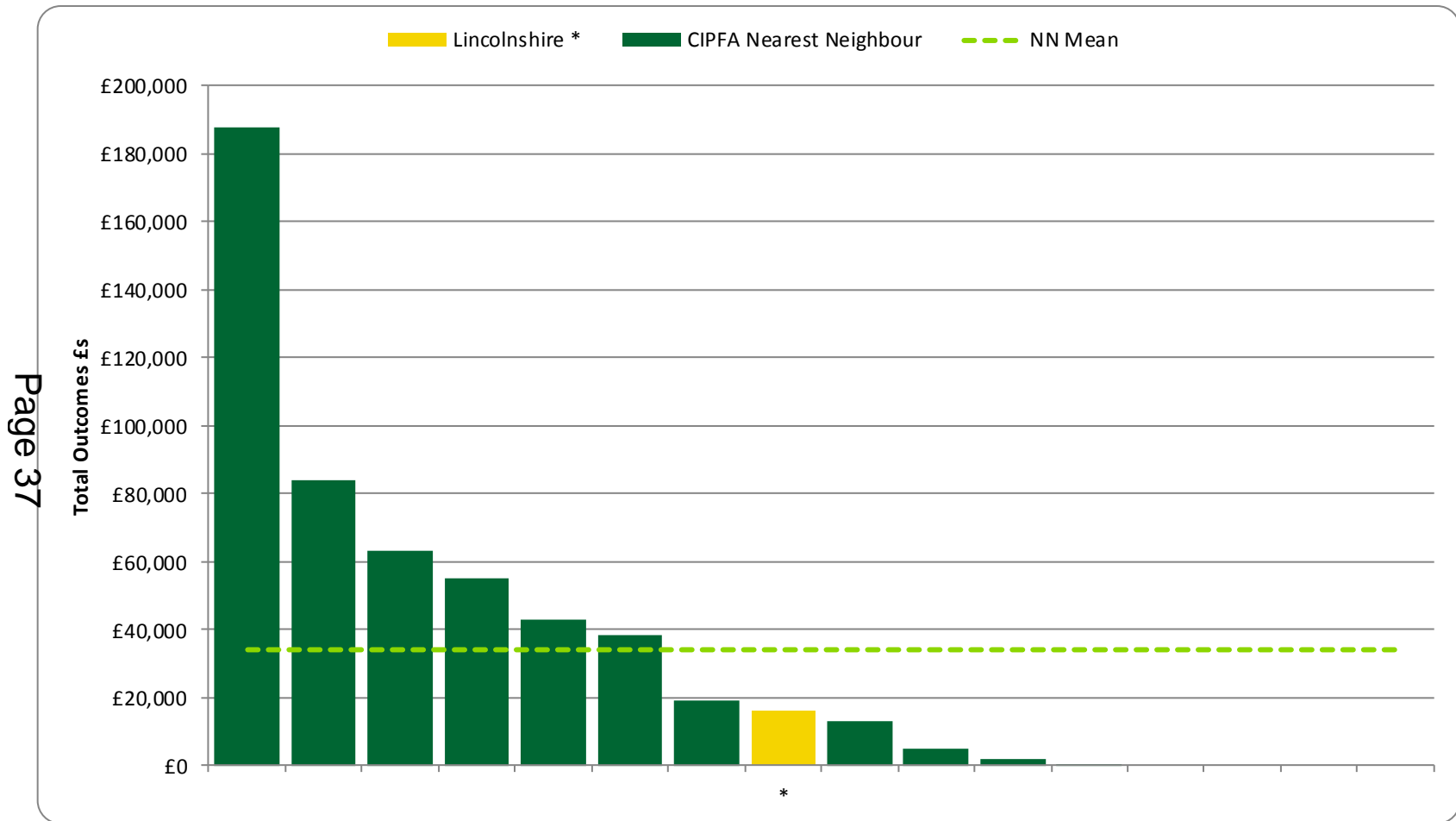


The mean value for your CIPFA nearest neighbours is highlighted by a green dashed line.



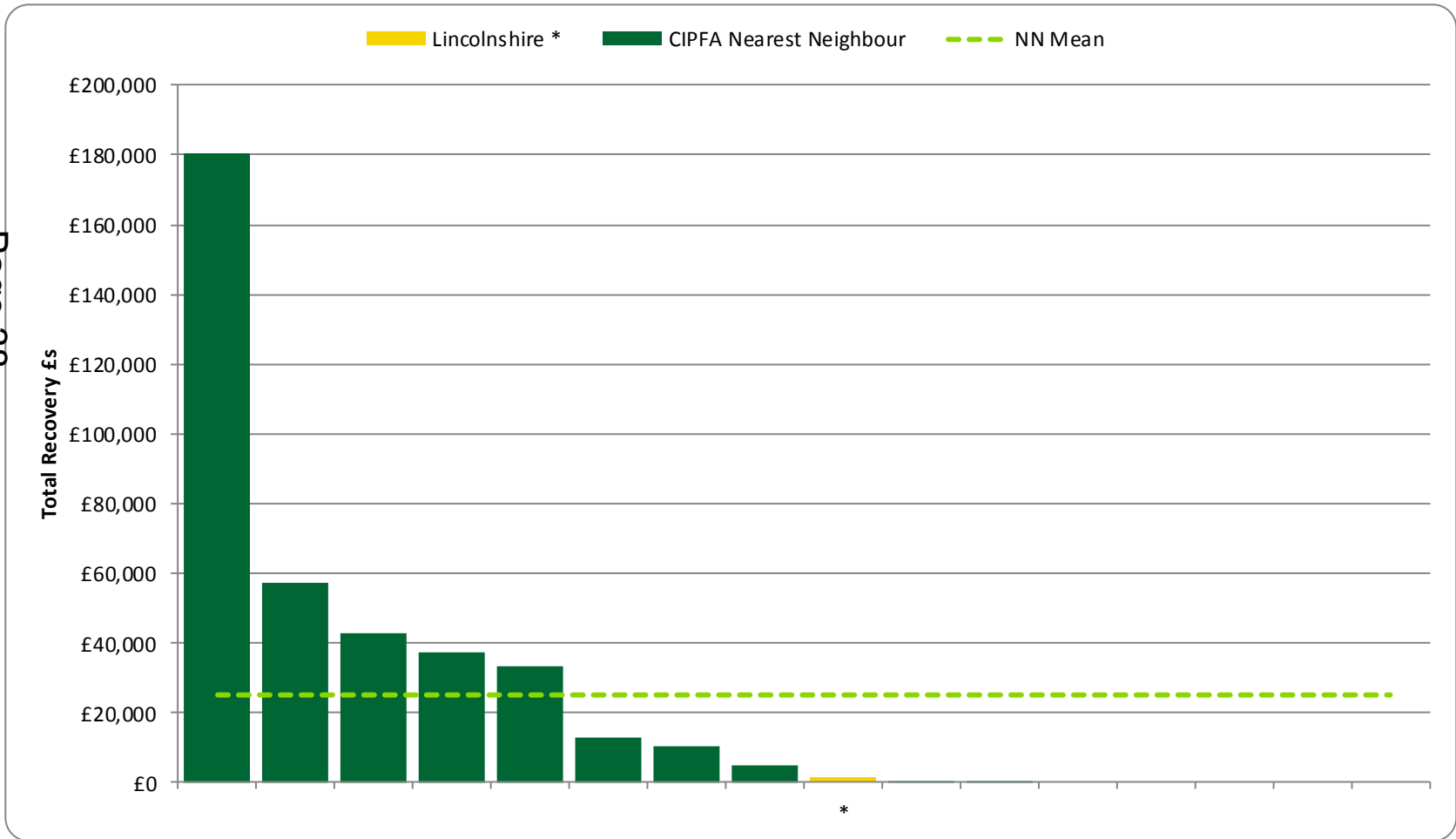
A '*' symbol has been used to denote where your council has no outcomes recorded.

Total NFI Outcomes – Lincolnshire County Council



Total NFI Recovery – Lincolnshire County Council

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Questions for Elected Members and Decision Makers

The NFI in our council

- What governance arrangements do we have in place to ensure the organisation achieves the best possible outcomes from the NFI?

Maximising results

- Are we ensuring we maximise the benefits of the NFI for example, following up data matches promptly, recovering funds and prosecuting where possible?
- What assurances have we drawn about the effectiveness of internal controls and the risks faced by our council?

Broadening our council's engagement with the NFI

- Are we taking advantage of the opportunity to suggest and participate in the NFI pilot exercises and using the NFI Flexible Data Matching Service?

The NFI fit with wider counter-fraud policies

- How does the NFI influence the focus of our counter-fraud work for example, internal audit risk assessments, data quality improvement work or anti-fraud and corruption policy?

Glossary

Council tax outcomes	Council tax data is matched to electoral register data in order to identify instances where single persons discount may have been incorrectly awarded.
Flexible matching service	The flexible matching service allows you to re-perform any of the existing NFI data matching on demand outside of the usual two yearly programme but still using the proven NFI technology.
Mandatory participants	Bodies to which the Audit Commission appoints auditors other than registered social landlords as specified in Schedule 2 of the Audit Commission Act 1998.
NFI web application	The Commission has set up a secure, password-protected and encrypted website for its data matching exercises, known as the NFI web application.
Outcomes	Investigation of an NFI match may lead to a benefit being cancelled, overpayment generated or blue badges or concessionary travel passes being identified as invalid. These examples would be reported as NFI outcomes.
Pilots	The Commission will undertake new areas of data matching on a pilot basis to test their effectiveness in preventing or detecting fraud. Only where pilots achieve matches that demonstrate a significant level of potential fraud should they be extended nationally.
Recommended data matches	Matches considered to be of higher risk of potential fraud are signposted as a recommended data match.
Recovery	Where bodies seek to recover money lost as a result of fraud, error or overpayment.
Voluntary participants	Bodies that are outside Schedule 2 of the Audit Commission Act 1998 but elect to participate in NFI voluntarily.

If you have any further questions about the content of these slides please contact us using the details on the next slide.

Further Information

For further information about the NFI please look at our website

[NFI Website](#)



For further information about our Flexible Data Matching Service please follow the link below

[FMS Information](#)



For checklist questions for elected members and decision makers please follow link below

[NFI Checklist](#)



For any other queries please telephone 0303 444 8322 or email

nfiqueries@audit-commission.gsi.gov.uk



Regulatory and Other Committee

Open Report on behalf of Pete Moore, Executive Director Finance and Public Protection

Report to:	Audit Committee
Date:	24 November 2014
Subject:	Whistleblowing Annual Report 2013/14

Summary:

This report provides an overview of the Council's whistleblowing arrangements throughout the year 2013/14.

Recommendation(s):

Items to note:

- a) whistleblowing activity for 2013/14
- b) ongoing work to raise awareness and provide assurance on the effectiveness of the Council's arrangements

Background

-

- 1 This annual report provides a summary of:
 - analysis of contacts (disclosures) April 2013 to March 2014
 - comparison of whistleblowing activity / emerging trends
 - measures taken to ensure the Council's arrangements provide a safe and effective way of reporting concerns
 - any organisational learning arising from disclosures
- 2 In September 2013 the Council's Whistleblowing Policy was reviewed and amended to account for changes to employment law affecting the qualifying "protected status" for whistleblowers. We found that the Council's policy was generally compliant with the new legislation and so very few changes were made. The revised policy was promoted and circulated via the Council's intranet and website – this has been supported by a more recent poster and leaflet campaign.
- 3 Whistleblowing activity for 2013/14 was consistent with the previous year and is similar to numbers received in earlier years. In line with previous

years, the largest number of whistleblowing disclosures originated from the school environment – 41% of all contacts related to concerns in schools.

Whistleblowing disclosures 2013/14

4 We received 17 whistleblowing disclosures throughout the year which is consistent with the previous year. One of the disclosures involved three different concerns – the table below therefore shows a total of 19 disclosures. All of these disclosures came via the Council’s dedicated whistleblowing hotline – only four were reported anonymously which is encouraging and represents a significant drop. The analysis below shows the type of disclosures received this year compared with the last two years:

Type of concern	Number of concerns raised 10/11	Number of concerns raised 11/12	Number of concerns raised 12/13	Number of concerns raised 13/14
Dignity at Work – bullying & harassment	4	3	4	2
Grievance	0	2	0	0
Financial (including fraud)	8	6	8	7
Alleged breach of policy/procedure and/or poor practice	5	0	3	6
Alleged misconduct	1	0	2	2
Safeguarding	1	0	0	1
Political	0	0	0	1
TOTAL	19	11	17	19*

* 1 disclosure involved 3 different issues

5 Out of the 17 disclosures, 7 resulted in either preliminary enquiries or full independent investigation by the Council’s Investigation Team. The formal investigations involved conduct or policy and procedural concerns.

6 Investigation outcomes:

Of the three investigations, management action was taken in two cases and the other investigation resulted in a resignation.

7 Analysis of contacts by directorate:

Directorate	Number of concerns raised
Children's Services (mostly schools)	9
Adult Care	1
Economy & Culture	0
Finance and Public Protection	4
External	3
TOTAL	17

8 The highest number of whistleblowing disclosures relate to Children's Services – the majority involved schools. This is consistent with previous years.

9 The table below shows how we dealt with the concerns raised throughout 2013/14:

Action taken	Concerns dealt with
Counter Fraud & Investigations Team – Advice	5
Counter Fraud & Investigations Team – Independent investigation	3
Preliminary enquiries by Investigations Team – no further action	4
Preliminary enquiries and resolution by directorate or school management	3
No further action (unable to pursue due to lack of detail and anonymity of whistleblower)	0
Internal Audit / System Improvements	2
Investigation by external body	0
TOTAL	17

Note: We do not officially close the case until we receive satisfactory feedback regarding resolution.

Organisational Learning

10 We have continued to produce action plans (7 in total) to assist managers within schools and directorates address issues which fall out of our enquiries – implementation of agreed actions is monitored in the same way as audit recommendations, unless the action is person specific.

- 11 There were no particular common themes arising out of the disclosures received last year – the largest set of recommendations related to an audit of the Coroner Service that was already underway at the time we received the whistleblowing contact. We expanded the scope of our ongoing audit work to incorporate the administrative concerns raised in that disclosure – the outcome of this audit was reported to the September Audit Committee.

On-going work to continuously improve the whistleblowing arrangements

- 12 Whistleblowing posters and leaflets have been distributed throughout the county, including schools. The Council's Communications Team have assisted in the promotion of the revised whistleblowing policy and have helped reinforce the Council's confidential arrangements for raising concerns.
- 13 Work is continuing with our human resources staff, procurement and contract management teams to ensure the Council's whistleblowing policy and arrangements are understood and that the promotional material reaches Council providers, contractors, key partners and where appropriate, service users.

Conclusion

- 14 We believe the number of contacts received during 2013/14 provides continued assurance that the Council's whistleblowing arrangements remain effective.
- 15 A very small number of those disclosures resulted in formal investigation – these cases were complex and resource intensive but illustrate the Council's commitment to putting things right.
- 16 The Council is able to demonstrate a robust response to concerns which are raised via the whistleblowing mechanism. Over this last year we have also noted an increase in the number of whistleblowers who have been willing to share their identity with us – this greatly improves our ability to review the concerns and increases the chances of a satisfactory resolution. It also shows that the majority of whistleblowers have confidence in our process.
- 17 The team's work plan for 2014/15 ensures continued focus on promoting the Council's whistleblowing arrangements and should help provide the Committee with the assurances on continued compliance with the Council's Whistleblowing Policy and the Public Interest Disclosure Act.

Consultation

a) Policy Proofing Actions Required

n/a

Background Papers

The following background papers as defined in the Local Government Act 1972 were relied upon in the writing of this report.

Document title	Where the document can be viewed
Whistleblowing Policy	LCC Connect

This report was written by Stephanie O'Donnell, who can be contacted on 01522 553682 or stephanie.o'donnell@lincolnshire.gov.uk.

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Regulatory and Other Committee

Open Report on behalf of Pete Moore, Executive Director for Finance and Public Protection
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Report to:	Audit Committee
Date:	24 November 2014
Subject:	Review of Draft Financial Procedure 6 - Risk Management

Summary:

One of the key roles of the Audit Committee is to ensure that the Council has effective risk management and counter fraud arrangements in place.

There are three key policy documents to support this activity:

- 1 Financial Procedure 6 - Risk Management
- 2 Risk Management Strategy
- 3 Counter Fraud Policy

This report presents the Committee with the revised Financial Procedure 6 for review and comment.

Recommendation(s):

That the Committee:

1. Considers and comments upon the revised Financial Procedure 6 - Risk Management.

Background

1. This procedure forms part of the Financial Regulations and procedures in the Constitution of the Council. It aims to inform staff and members of the mandatory requirements and provide guidance on good practice in risk management, counter fraud and insurance.
2. A copy of revised Financial Procedure 6 – Risk Management is attached in Appendix A.
3. In discharging its role of having oversight of the effectiveness of the Council's risk management and counter fraud arrangements the Committee are asked to consider content of the procedure - ensuring that:

- It includes the areas it wishes to be identified as **mandatory elements** and key areas of best practice
 - it robust enough to provide the Audit Committee with assurance (confidence) that if followed the Council's risk management and counter fraud arrangements will work well.
4. Following the Audit Committees review it is proposed to issue the draft procedure for wider consultation through the Council's Risk and Safety group.

Conclusion

Effective risk management and counter fraud arrangements are a key component of the Council's governance framework. The Risk Management Financial Procedure will strengthen our policy and procedures in this area.

Consultation

a) Policy Proofing Actions Required

N/A

Appendices

These are listed below and attached at the back of the report	
Appendix A	Financial Procedure 6 - Risk Management

Background Papers

The following background papers as defined in the Local Government Act 1972 were relied upon in the writing of this report.

Document title	Where the document can be viewed
Risk Management Strategy	LCC Connect
Counter Fraud Policy	LCC Connect
Whistleblowing Policy	LCC Connect
Money Laundering Policy	LCC Connect

This report was written by Lucy Pledge, who can be contacted on 01522 553692 or lucy.pledge@lincolnshire.gov.uk

FINANCIAL PROCEDURE 6

RISK MANAGEMENT

This procedure forms part of the Financial Regulations and Procedures in the Constitution of Lincolnshire County Council.

The aim of this financial procedure is to provide a framework for the Council to manage the key risks facing the delivery of our services and support the successful delivery of our priorities.

1. Principles Covered

The Risk Management areas covered in this procedure include:

- Definition of risk & key controls
- Roles and responsibilities
- Internal Controls
- Counter Fraud Arrangements
- Insurance

2. Reference Documents

Reference to the following documents may be required:

External publications

- “Delivering Good Governance in Local Government – Framework (2007) and Guidance Note for English Authorities (updated 2012) -CIPFA/SOLACE
- Risk Culture – Under the microscope guidance for boards – Institute of Risk Management – 2012
- CIPFA¹ Code of practice on managing the risk of fraud and corruption (2014)

Internal documents **(insert links)**

- Risk Management Strategy
- Risk Management Toolkit
- County Council Constitution
- Council’s Counter Fraud Policy
- Whistleblowing Policy
- Money Laundering Policy
- Insurance Policies
- Impact Analysis

3. CONTACTS FOR ADVICE

¹ Chartered Institute of Public Finance & Accountancy

Risk Management	Lucy Pledge Audit and Risk Manager
Counter Fraud	Lucy Pledge Audit and Risk Manager
Insurance & Operational Risks	Lucy Pledge Audit and Risk Manager
	Vacancy Insurance Manager
Health & Safety Risks	Fraser Shooter Corporate Health and Safety Advisor

4. Purpose of the Procedure

4.1 To inform officers of mandatory requirements, including those embodied in the County Council's Constitution and to provide guidance on principles of best practice.

4.2 To highlight the roles of internal and external audit and the responsibility of officers to these and other inspection regimes.

4.3 **Mandatory elements of the Financial Procedure are printed in bold type. Departures from the mandatory elements cannot be granted.** The Director of Resources and Community Safety has statutory duties for the financial administration and stewardship of the Council which cannot be overridden.

These statutory duties include:

- setting and monitoring compliance with corporate standards:
- advising on the key financial controls necessary to secure sound financial management.

Other parts of this Procedure represent best practice and provide guidance.

4.4 It is recognised that in a continually changing environment there may be a need for flexibility. In certain instances a departure from the guidance may be appropriate.

4.5 There should be a convincing need for any such departures and **any departures from the guidance must be agreed with the Director of Finance & Public Protection in writing.**

Risk Management

- 5.1 Every aspect of the Council's work involves some level of risk. Policy and decision making, financial management and day to day delivery of services - all involve risk. The Council does not advocate that all risk is removed from its work because this would not be possible and continue to operate effectively. Instead it requires **us to be 'risk aware' – balancing quality, cost and risk associated with our work on behalf of the Council. It requires that steps are taken to manage identified risks to an acceptable level (our Risk Appetite²) with 'no surprises'.**
- 5.2 To ensure this happens **it is essential that robust, integrated systems are developed and maintained for identifying and evaluating all significant risks to the Council, whether strategic or operational. This should include the pro-active participation of all those associated with planning and delivering services.**
- 5.3 Risk is defined as the 'effect of uncertainty on objectives'³.
- It usually carries negative connotations for most people, but it can be about seizing opportunities as well as defending against threats.
 - It is measured in terms of likelihood of the event happening and its impact if it did happen.
- 5.4 Risk management is the co-ordinated activities undertaken to direct and control resources to respond to the risks. The Council's risk management framework includes a risk management strategy, processes and guidance designed to identify, analyse, evaluate, respond to and monitor risks.
- 5.5 Good risk management identifies, assesses and acts to reduce risks – enabling the Council to work more efficiently, make better informed decisions and be prepared for uncertainty. This is vital to the successful delivery of Council objectives and priorities – supporting a culture of well measured risk taking through the Councils business activities.
- 5.6 Management are responsible for managing the risks facing their service and to maintain an adequate and effective system of internal control to increase the likelihood that established objectives and goals will be achieved. They also plan, organise and direct the performance of sufficient actions to provide a reasonable level of assurance that objectives and goals will be achieved. They are the key assurance provider in the Council's assurance framework.
- 5.7 Further detail on the roles and responsibilities of all staff at each stage of the risk cycle are included in the Risk Management Strategy and the Risk Management Guide and Toolkit.

² How much risk the Council is prepared to take in order to deliver its services and / or get some form of benefit from its investment (£ or effort).

³ ISO31000 2011

Key Controls:

- The risk appetite of the Council and / or activity should be clearly articulated and understood ie how much risk is the Council prepared to take.
- **Procedures are in place to identify, analyse and evaluate risks - taking appropriate action to respond and manage those risks by either:**
 - **Avoiding the risk – not to proceed with the activity or circumstances that gives rise to the risk. *Risk Avoidance* may also be justified if it costs too much to manage the risk.**
 - **Seek risk – where there are more potential opportunities (benefits) by undertaking an activity or the consequences of not taking a course of action is too high.**
 - **Modify risk – take action to manage the risk (most risks are managed in this way).**
 - **Transfer risk – pass it onto or share the risk with another third party eg insurer or contractor (this will have a financial impact).**
 - **Retain risk – take no action – accept the level of risk or accept that it's not worthwhile to implement additional control actions.**
- **Ensure that risk registers are developed, maintained and monitored for the strategic risks facing the Council, key projects and the development of new service strategies / policies.**
- **A monitoring process is in place to regularly review the effectiveness of actions against the highest strategic and operational risks – considering the operation of existing controls and implementation of future actions. This should be through the use of risk registers or other appropriate methods determined by the Executive Director.**
- **Managers know that they are responsible for managing relevant risks to their service and are provided with relevant information, advice, training, tools and support on risk management initiatives.**
- **Senior managers have a clear understanding of their health and safety accountabilities, associated risks and have been provided with relevant information, training and support.**
- **Risk recovery plans are put in place where high risk areas are tolerated (as they cannot be avoided, transferred or controlled, or should not be because the costs and consequences of so doing are prohibitive), including provision being made for foreseeable financial losses (which may include insurance)**
- **Acceptable levels of risk are determined and unacceptable levels are insured against where appropriate.**

- The authority has identified and tested plans for providing resilience and continuity of service in core areas of business. These include measures aimed at prevention of interruption, dealing with emergencies and rapid recovery.
- **Key decisions must clearly show that the key risks associated with the decision or recommended options have been fully considered.**

5.8 Roles & Responsibilities

5.8.1 The Council's Audit Committee is responsible for overseeing the effectiveness of the Council's risk management arrangements, challenging risk information and escalating issues to the Management Board / Executive.

5.8.2 The Management Board and Executive are ultimately accountable for the risk and related control environment. They are responsible for ensuring that proper risk controls are in place and operating effectively - including insurance where that is appropriate. They are also responsible for approving corporate risk policies and setting the level of risk the Council is prepared to accept – its *Risk Appetite*.

5.8.3 The Executive Director of Finance & Public Protection is responsible for preparing the risk management strategy, for promoting them throughout the County Council and for advising the Executive on proper risk controls, including insurance cover where that is appropriate.

5.8.4 Responsibilities of the Executive Director of Finance & Public Protection

- To prepare and promote the Council's risk management strategy.
- To develop risk management controls in conjunction with other Executive Directors. These may be drawn from the full spectrum of possible controls - avoiding, transferring, controlling or tolerating and planning to recover from the risk should it materialise
- To include all appropriate employees of the Council in a suitable fidelity guarantee insurance.
- To effect corporate insurance cover, through external insurance and internal insurance funding, and to negotiate all claims in consultation with other officers, where necessary.

5.8.5 Responsibilities of Executive Directors

- To take responsibility for effective risk management, having regard to advice from the Executive Director of Finance & Public Protection and other specialist officers (eg monitoring officer, legal, HR, audit and risk management, emergency planning, crime prevention, fire prevention, health and safety)

- **To notify the Executive Director of Finance & Public Protection immediately of any loss, liability or damage that may lead to a claim against the authority, together with any information or explanation required by the Executive Director of Finance & Public Protection or the Council's insurers.**
- **To ensure there are regular reviews of risk within their services which are evidenced, and that these reviews address each of the stages in the risk management strategy and follow an approach and process set out by the Executive Director of Finance & Public Protection.**
- **To ensure that Managers know that they are responsible for managing relevant risks to their service and are provided with relevant information, advice, training, tools and support on risk management.**
- To provide assurance to the Audit Committee that risks are being identified, managed effectively and escalated to the Corporate Management Board / Executive as necessary.
- To provide assurance that appropriate risk management arrangements are effectively operated in key partners⁴ of the Council.

5.9 Corporate Groups

The County Council in its recognition of the importance of Risk Management created the following Groups:

The Corporate Risk and Safety Group – responsible for:

- The facilitation and co-ordination of risk management and health and safety activities across the Council. Providing a corporate forum for developing a practical approach to all aspects of Risk Management
- Monitoring and oversight of the Strategic Risk Register and key operational risks.
- Monitoring and oversight of Health and Safety performance measures
- Development of Annual Reports on risk management and health & safety
- An annual budget is made available for risk management initiatives and application from this source of funding is approved by this group.

The Director Risk & Safety Groups – responsible for:

- Identifying, assessing, measuring, monitoring and reporting significant risks associated with their functions and activities
- Development of Director Annual reports on Health and Safety

⁴ Organisations and / or suppliers that support the delivery of our services. Where we work collaboratively with others deliver our business plan outcomes / objectives.

- Providing assurance on the management of strategic and the top operational risks.

Risk Management Framework

The Risk Management Strategy and accompanying Guidance and Toolkit describes the risk management framework and provides a step-by-step guidance on how to apply it. This is a generic framework that can be applied at all levels – strategic, operational, partnership and project.

6. Internal Controls

6.1 Internal control refers to the systems of control devised by management to help ensure the Council's objectives are achieved in a manner that promotes economic, efficient and effective use of resources and that the Council's assets and interests are safeguarded.

6.2 The Council is complex and requires internal controls to manage and monitor progress towards strategic objectives. It has statutory obligations and requires internal controls to identify, meet and monitor compliance with these objectives.

6.3 The Council faces a wide range of risks, both from internal and external factors. It is necessary to have internal controls to ensure the achievement of its objectives.

6.4 Key Controls

- Key controls should be reviewed on a regular basis and the Council should make a formal statement annually to the effect that it is satisfied that the systems of internal control are operating effectively – the Annual Governance Statement.
- Managerial control systems - includes defining policies, setting objectives and plans, monitoring financial and other performance and taking appropriate anticipatory and remedial action. The key objective of these systems is to promote ownership and accountability of the control environment by defining roles and responsibilities.
- Strategic, operational and financial control systems and procedures, which include corporate governance, assurance, physical safeguards for assets, segregation of duties, authorisation and approval procedures and information systems.
- An effective internal audit function that is properly resourced and operates in conformance with the Public Sector Internal Audit Standard and with any other statutory obligations and regulations, such as the Account and Audit Regulations 2011.

Executive Director of Finance & Public Protection

6.5 The Executive Director of Finance & Public Protection is responsible for advising on effective systems of internal control. These arrangements need to ensure compliance with all applicable statutes and regulations, and other relevant statements of best practice. They should ensure that public funds, assets and other resources are properly safeguarded and used economically, efficiently, and in accordance with the statutory and other authorities that govern their use.

Responsibilities of the Executive Directors

6.6 It is the responsibility of Executive Directors to establish sound arrangements for planning, appraising and controlling their operations in order to achieve continuous improvement, economy, efficiency and effectiveness and for achieving their performance targets and service priorities / objectives.

- To manage processes to check that established controls are being adhered to and to evaluate their effectiveness, in order to be confident in the proper use of resources, achievement of objectives and management of risks.
- To review existing controls in the light of changes affecting the council and to establish and implement new ones in line with guidance from the Executive Director of Finance & Public Protection. Executive Directors should also be responsible for removing controls that are unnecessary or not cost or risk effective eg. duplication.
- To ensure staff have a clear understanding of the consequences of lack of control.

7. Counter Fraud Arrangements

7.1 The Council will not tolerate fraud and corruption in the administration of its responsibilities, whether from inside or outside the Council.

7.2 The Council is committed to the highest standards of openness, probity, honesty, integrity and accountability. Councillors, staff and partners are expected to apply these standards in ensuring adherence to legal requirements, rules, procedures and practices.

7.3 The Council's Counter Fraud and money laundering policies assists the Council in demonstrating its commitment to deter and prevent fraud, corruption and theft. The policy sets out unambiguously the action to be taken where standards are not met. Where it is necessary to refer cases to the police this will be in accordance with the Fraud Response Plan appended to the Counter Fraud Policy. The Council will ensure that any internal proceedings do not prejudice any criminal case.

7.4 Key Controls

- The Council has an effective Counter Fraud policy and maintains a culture that will not tolerate fraud, corruption or theft.
- All members and staff act with integrity and lead by example.
- **All cases of suspected misuse of resources should be reported when first identified to the Executive Director of Finance & Public Protection, through the Audit and Risk Manager (who performs the role of Head of Internal Audit for the Council)**
- The maintenance of a register of interests in which hospitality or gifts accepted must be recorded.
- Adequate procedures are in place to prevent bribery – including the Counter Fraud policy, codes of conduct and Whistleblowing policy.
- Legislation, such as the Transparency Code, Bribery Act and Public Disclosure Act are adhered to.
- The Audit Committee promotes high standards of conduct amongst staff and Councillors. It monitors the Council's policies and consider the effectiveness of the Whistleblowing and Counter Fraud & Corruption arrangements.

7.5 Executive Director of Finance & Public Protection is responsible for:

- The development and maintenance of effective Counter Fraud arrangements.
- Ensuring that there adequate and effective internal control arrangements.
- Ensuring that all suspected fraud and irregularities are reported to the Audit & Risk Manager (performing the role of Head of Internal Audit), the Monitoring Officer or the Chief Executive.

Responsibilities of Executive Directors

- **To report all cases of suspected misuse of resources when first identified to the Executive Director of Finance & Public Protection, through the Audit & Risk Manager (performing the role of Head of Internal Audit).**
- To ensure that staff adhere to the Council's Code of Conduct and Disciplinary Policy and Procedures.

8. Insurance

8.1 Key Controls

- acceptable levels of risk are determined and unacceptable levels are insured where appropriate – Appendix 1 shows the current insurance policies in place. Key facts associated with each policy is held by the Executive Director Finance and Public Protection.
- Insurance fund balances are maintained to cover potential claims and losses
- Tri-annual actuarial reviews are undertaken to evaluate the risk profile and affordability of the Council's insurance arrangements / fund.
- procedures are in place to investigate claims within required timescales.

8.2 Responsibilities of the Executive Director of Finance & Public Protection

- **The Executive Director of Finance & Public Protection shall effect all insurance cover and make arrangements for the negotiation of all claims.** Legal Services Lincolnshire will be involved as appropriate in all aspects of claims handling.

8.3 Responsibilities of Executive Directors

- Executive Directors shall give prompt notification to the Executive Director of Finance & Public Protection of the extent and nature of all new risks and of any alteration affecting insurable risks in their functions. In the case of new risks, consideration will be given by the Executive Director of Finance & Public Protection to the feasibility and desirability of obtaining insurance cover.
- Each Executive Director shall immediately notify the Executive Director of Finance & Public Protection in writing of any loss, liability or damage or any event likely to lead to a claim.
- To notify the Executive Director of Finance & Public Protection promptly of all new risks, properties or vehicles that require insurance and of any alterations affecting existing insurances.
- To consult the Executive Director of Finance & Public Protection and Legal Services Lincolnshire on the terms of any indemnity that the authority is requested to give.
- To ensure that staff, or anyone covered by the Council's insurances, do not admit liability or make any offer to pay compensation that may prejudice the assessment of liability in respect of any insurance claim.

- Claims by members of the public holding the Council liable for loss, damage or injury will be subject to the Civil Procedure Rules, which impose time limits on the handling of such claims. **ANY CLAIM NOTIFICATION RECEIVED SHOULD BE PASSED IMMEDIATELY TO THE LEGAL SERVICES LINCOLNSHIRE UNACKNOWLEDGED.**

DRAFT

Appendix 1 - Current Insurance Policies

Policy	Summary of Cover
PROPERTY INSURANCE (BUILDINGS AND FARMS)	<p>General (non-education) property – limited cover to the perils of fire, lightning, explosion, aircraft impact, storm (as defined by the Beaufort Scale) and flood (a natural body of water escaping from its natural confines by a natural cause). This excludes any terrorism events that may cause these perils.</p> <p>Education Properties – as above but with added perils of malicious damage, accidental damage, and theft. This excludes any terrorism events that may cause these perils.</p>
BUSINESS INTERRUPTION	If the property is damaged as a result of an insured peril (as above) additional costs of working may be recoverable.
WORKS IN PROGRESS (WiP)	A policy extension to allow for insurance cover if there is an addition to, amendment of, or refurbishment of an existing property. NEW BUILDS must be insured by the contractor commissioned to build.
LIABILITY INSURANCE	Public Liability – general cover to the public for claims where LCC are proven to be Negligent or breached a statutory duty
	Employers Liability – general cover to LCC employees submitting a claim
	Professional Indemnity – general cover where LCC have provided advice that has resulted in a non- injury claim
	Officials Indemnity – where LCC have failed in their statutory duties or given incorrect advice
	Libel and Slander
	Land Charges – where errors in planning have been made
	Public Health Act – claims against LCC for our statutory duties
	Hirers Liability – a contingency cover where properties are hired to community users where they cannot obtain their own insurances
	Specific Legal Policy for Legal Services Lincolnshire – designed for the specialty of this shared service.
	Specific Legal Policy for Incendi – designed for the specialty Lincolnshire Fire & Rescue Service trading company.
COMPUTER INSURANCE	Data storage, computers, laptops, mobile devices, PDA's, etc
MOTOR VEHICLES	Lease Car Fleet
	Lincolnshire Fire & Rescue Service Fleet –

Policy	Summary of Cover
	including officers cars, appliances, USAR vehicles, etc
	School Mini Buses – this is an option that the schools can choose to insure with us or go elsewhere for all known vehicles
	General Fleet – Winter Maintenance, Mobile Library, Social Service mini buses, etc
	ERAC Hire Cars – for the corporate policy on longer car journeys.
ALL RISK INSURANCES	County Council Owned items that need to specified due to their importance, statutory duty to insure, or value such as Civic Regalia, Steinway Piano, Optical Disc Equipment etc.
	Museum and Fine Art Exhibits , including (but not limited to) the Magna Carta and Charter of the Forest, items on long or short terms loan to LCC, and outdoor sculptures such as 'Blow for Freedom'
	Archives – items in long term store or needing condition review or renovation etc.
	Archive Conservators – for their work in cataloguing and assessing historical items from across the country.
	Items on Loan from other Groups, organisations, Museums, Galleries, etc
	Foster Carers Material Damage – as a contingency cover for damage caused by looked after children to the building or contents
ENGINEERING INSURANCE	Includes Engineering Inspection Services to all LEA schools, and equipment within the control and responsibility of the authority.
FINANCIAL LOSS	<p>Money – in schools only which belongs to the school, and in certain other circumstances for Social Services</p> <p>Fidelity Guarantee – this is the only insurance that local authorities are obliged to hold and provides cover against the loss of money – usually through theft</p>
TRAVEL INSURANCE	<p>Schools – LEA schools that have purchased this 'add on' can travel anywhere in the world and undertake any activity (both subject to appropriate risk management and travel advice)</p> <p>LCC Employees - If travelling on behalf of and with full knowledge of LCC</p> <p>LCC Members -If travelling on behalf of and with full knowledge of LCC</p>
PERSONAL ACCIDENT INSURANCE	School Governors of LEA Schools – whilst

Policy	Summary of Cover
	<p>undertaking activities for or on behalf of the school</p> <p>All Foster Carers and Adult Carers for LCC</p> <p>All Volunteers for LCC Whilst Volunteering Activities being Undertaken</p> <p>All Members and Councillors of LCC</p> <p>All Employees of LCC</p> <p>All Teachers and Lecturers of LCC - whilst undertaking activities for or on behalf of the school</p> <p>All Members of LFRS USAR Team - whilst undertaking activities for or on behalf of the authority</p> <p>All Members of LCC Off-Shore Fire Fighting Team - whilst undertaking activities for or on behalf of the authority</p> <p>Hazardous Chemical Consultants Working for or on Behalf of LCC</p>
LOSS OF NO CLAIMS DISCOUNT AND EXCESS	<p>This is a scheme for the benefit of employees of LCC (that requires the employee to purchase the policy) which provides cover for loss of No Claims Discount or excess (up to a specified limit) when the vehicle has been damaged whilst being used on LCC business.</p>
MISCELLANEOUS INSURANCES	<p>Crisis Containment Management</p> <p>Healthline Plus – for medical second opinion and general health information</p>

Regulatory and Other Committee

Open Report on behalf of Pete Moore, Executive Director for Finance and Public Protection
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Report to:	Audit Committee
Date:	24 November 2014
Subject:	Work Plan

Summary:

This report provides the Committee with information the core assurance activities currently scheduled for the 2014/15 work plan.

Recommendation(s):

1. Review and amend the Audit Committee's work plan ensuring it contains the assurances necessary to approve the Annual Governance Statement 2015.
2. Consider the action plan designed to improve the effectiveness of the Committee and approve the way forward / delivery of the actions.

Background

1. The work plan has been pulled together based on the core assurance activities of the Committee as set out in its terms of reference; best practice and the outcome of the recent workshops (see Appendix A).
2. There was also number of actions identified at the workshops where the Committee felt there were opportunities to improve. We have started to record these in the attached action plan – Appendix B.
3. Appendix C provides a check list to help the Committee to monitor its work plan against its terms of reference.

Matters arising from the last meeting

4. At the last meeting there was a number of areas where the Committee asked for further assurance information around internal audit reports, namely:-

Debtors

Debtors was reviewed as part of the 2013/14 Audit Plan. Our report gave limited assurance and we identified 6 high level findings and recommendations and 5 medium priority items to be addressed.

We have followed up the report with the appropriate manager and assurances have been that the high and medium level recommendations are being implemented.

In particular, there is progress against the issues identified relating to Adult Care debt. It is clear that engagement and communication between Adult Care finance officers and Mouchel Debtors team has improved since the review, with regular meetings taking place to discuss specific issues and promote understanding of each other's priorities.

A Task and Finish Group is also now meeting on a regular basis to guide improvement work in this area.

We will continue to closely monitor progress against the recommendations to ensure improvements continue to be made.

Domestic Violence

You asked for a briefing paper on progress with the actions taken to address findings of the Domestic Violence Audit so that you are able to give a verbal update to audit committee. We followed these up with Children Services - safeguarding lead who confirmed that 6 of the 7 agreed actions have been implemented.

The outstanding action has an agreed completion date of 31st August 2014 – We recommended that Domestic Abuse training should be included in the Domestic Abuse policy – this has now been done, but the policy has needs to be approved by Director Management Team.

In brief other actions taken to address findings are:

- Overdue actions relating to MARAC on the MODUS system have been cleared and this is now closely monitored to ensure that actions take place within the 5 day agreed timescale for these high risk cases.
- All team managers have identified children's services representatives and reinforced the need for MARAC meetings to be prioritised and contingency representatives have been identified if needed.
- Domestic abuse now forms part of the induction process for social workers. The Domestic Abuse County Lead has delivered specific training sessions on domestic abuse this year as well.

- Training sessions on domestic abuse and briefing sessions on the role of MARAC and completion of DASH risk assessments have been conducted. Going forward training in these areas are now maintained via the staff induction process and 1:1 sessions.
- All Customer Service Centre advisors were registered for E-Academy learning for Domestic Violence in August and completed training that month. The only exception are the new starters who are doing this (and DPA , safeguarding etc.) as soon as possible during their training.
- Completion of Domestic Abuse and other courses are now all recorded on individual staff training records. Advisors returning from sickness /maternity leave are scheduled for the training as soon as possible.
- Issues with the recording of supervision records on ICS have been addressed via action plans across all teams. The Performance Management Team also provides reports to senior managers on the supervision records within ICS.

Conclusion

4. The work plan helps the Committee ensure that the Committee effectively delivers its terms of reference and keep track of areas where it requires further work and/or assurance.

Consultation

a) Policy Proofing Actions Required

n/a

Appendices

These are listed below and attached at the back of the report	
Appendix A	Work Plan to March 2015
Appendix B	Action plan
Appendix C	Terms of Reference

Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

This report was written by Lucy Pledge, who can be contacted on 01522 553692 or lucy.pledge@lincolnshire.gov.uk

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Audit Committee Work Plan – 2014/15		
24 th November 2014	Assurances Required / Being Sought	Relevancy – Terms of Reference
Core Business		
Counter Fraud Progress Report	<p>Confirm that the Council's counter fraud activity is targeted and effective.</p> <p>Ensure that appropriate progress is being made on the delivery of the Counter Fraud plan.</p> <p>Ensure that lessons have been learnt – understand fraud risks facing the Council and actions being taken to reduce the risk</p>	To monitor Council policies on confidential reporting code, anti-fraud and anti-corruption policy and the Council's complaints process. ¹
Risk Management – Update of Financial Procedure	Gain assurance that the Council is effectively managing its key.	To monitor the effective development and operation of risk management and corporate governance in the Council
Other Assurance		
<p>Invite Executive Directors to a meeting to look in more depth at their assurance arrangements – seeking assurance that:</p> <ul style="list-style-type: none"> We are maintaining good governance during times of change. Understand the assurance framework through times of change and associated with the Commissioning Strategies. Particularly the impact on the assurance framework resulting from these changes, for example, senior management review, fundamental budget review and the impact on the 1st and 2nd lines of assurance (management / corporate functions). 	<p>Gain understanding of the impact of change on the Council's governance, risk and control arrangements.</p> <p>Seeking assurance that they continue to work well.</p>	<p>To review any issues referred to it by the Chief Executive, Director or any council body</p> <p>To consider the Council's compliance with its own and other published standards and controls.</p>

Audit Committee Work Plan – 2014/15		
<p>Review of the effectiveness of the Council's standards regime, including how well the Council:</p> <ul style="list-style-type: none"> • Has dealt with complaints • Promoted and maintained standards • Obtained assurance over the completeness and accuracy of the register of interests 	<p>Gain assurance that officers and members promote and maintain high standards expected in public life.</p>	<p>Promoting and maintaining high ethical standards by Councillors and non-elected members</p> <p>Assisting the Councillors and non-elected members to observe the Members' Code of Conduct</p> <p>Advising the Council on the adoption or revision of the Members' Code of Conduct</p> <p>Monitoring the operation of the Members' Code of Conduct; Advising, training or arranging to train Councillors and non-elected members on matters relating to the Members' Code of Conduct; Determining complaints of breaches of the Code of Conduct for Members referred for hearing by the Monitoring Officer</p>
26th January 2015	Assurances Required / Being Sought	Relevancy – Terms of Reference
Core Business		
<ul style="list-style-type: none"> • Internal Audit Progress Report 	<p>Understand the level of assurances being given as a result of audit work and their impact on the Council's governance, risk and control environment.</p> <p>Ensure management action is taken to improve controls / manage risks identified</p> <p>encouraging ownership of the internal control framework by appropriate managers</p> <p>Encouraging ownership of the internal control framework by appropriate managers</p> <p>Confirm appropriate progress being made on the delivery of the audit plan and performance targets</p>	<p>To consider reports dealing with the management and performance of internal audit</p> <p>To consider a report from internal audit on agreed recommendations not implemented within a reasonable timescale</p>

Audit Committee Work Plan – 2014/15		
<ul style="list-style-type: none"> External Audit Progress Report and Plan 	<p>Seek assurance over progress and delivery of the external audit plan and that any risks to successful production of the financial statements and audit are being managed.</p> <p>Note: Further assurance needed around impact / risks associated with early close down.</p>	<p>To comment on the scope and depth of external audit work and to ensure it gives value for money</p>
<ul style="list-style-type: none"> Update on action re Annual Governance Statement 2014 	<p>Gain assurance that management have progressed the agreed actions associated with the significant issues / key risks identified in the Annual Governance Statement.</p>	<p>To oversee the production of the Council's Annual Governance Statement and to recommend its adoption</p> <p>To consider the Council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice</p>
<p>Review of Accounting Policies</p>	<p>Seek assurance that the Council has appropriate accounting policies in place to ensure that items are treated correctly in the accounts.</p>	<p>To review the annual statement of accounts. Specifically to consider whether appropriate accounting policies have been followed and whether there are any concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council</p>
Other Assurance		
<ul style="list-style-type: none"> Combined Assurance Status Reports 	<p>Understand the level of assurances being provided on the Council's critical systems, key risks and projects and how they link to the Committees role and remit and the Annual Governance Statement.</p>	<p>To consider the Council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice</p>
March 2015	Assurances Required / Being Sought	Relevancy – Terms of Reference
Core Business		
<ul style="list-style-type: none"> Draft Internal Audit Plan 2015/16 	<p>That the Internal Audit Plan focuses on the key risks facing the Council and is adequate to support the Head of Audit opinion.</p> <p>Confirm that the plan achieves a balance between</p>	<p>To consider reports dealing with the management and performance of internal audit</p>

Audit Committee Work Plan – 2014/15		
	<p>setting out the planned work for the year and retaining flexibility to changing risks and priorities during the year.</p> <p>Ensure that the Internal Audit Resource has sufficiently capacity and capability to deliver the plan.</p> <p>Seek an understanding of what assurances Internal Audit will be providing the Committee to help it discharge its terms of reference.</p>	
<ul style="list-style-type: none"> Draft Counter Fraud Plan 2015/16 	<p>Gain assurance that the Council has effective arrangements in place to fight fraud locally.</p> <p>Ensure that counter fraud resources are targeted to the Council's key fraud risks.</p>	To monitor Council policies on confidential reporting code, anti-fraud and anti-corruption policy and the Council's complaints process.
<ul style="list-style-type: none"> International Audit Standards on the risks associated with the impact of potential fraud and error on the Financial Statements 	<p>Seek assurance that the statements made against the standard accurately reflect the Council's counter fraud arrangements.</p>	To monitor Council policies on confidential reporting code, anti-fraud and anti-corruption policy and the Council's complaints process.
<ul style="list-style-type: none"> Risk Management Progress Report 	<p>Gain assurance that the Council is effectively managing its key risks – has good risk management systems / processes in place that enable decision makers to understand the level of risk being taken and the Council is prepared to accept.</p> <p>That there has been on big surprises for the Council where it suffered significant financial loss or reputational damage.</p>	To monitor the effective development and operation of risk management and corporate governance in the Council
<ul style="list-style-type: none"> External Audit Grant Certification Report 	<p>Seek assurances that claims and returns have been managed appropriately and that there are no significant errors that would result in loss of funding.</p>	
<ul style="list-style-type: none"> External Audit Progress Report 	<p>Seek assurance over progress and delivery of the external audit plan and that any risks to successful production of the financial statements and audit are being managed.</p> <p>Note: Further assurance needed around impact /</p>	To comment on the scope and depth of external audit work and to ensure it gives value for money

Audit Committee Work Plan – 2014/15			
	risks associated with early close down.		
Other Assurance			

Audit Committee Action Plan – 2014/15			
Action	Terms of Reference Outcome	Key Delivery Activities	Who by and When
Understanding the role and remit of the VfM Scrutiny Committee and being clear about what and how the Audit Committee will seek assurance from it.	<p>Provides insight and assurance which will support the development of the Annual Governance statement and review of the Council’s governance arrangements.</p> <p>Confirm that Audit Committee has all the assurance it needs from the Scrutiny function – from whom and in what form the assurance will be. That it’s working well.</p>	Establish joint working protocol between scrutiny and audit committees.	Audit & Risk Manager December 2014
Clarify who should attend the Audit Committee and expectations on the information being presented.	<p>Ensure that relevant and focussed reports are presented. Provides more certainty that assurance is relevant & reliable</p> <p>Promote constructive challenge during meetings</p> <p>Strengthen accountability arrangements and the effectiveness of the Audit Committee</p>	Reporting protocol developed	Audit and Risk Manager January 2014
Undertake a skills and knowledge survey to review and establish any training and development needs as a whole Committee.	Enhance the effectiveness of the Audit Committee	Development of skills and knowledge survey	Audit and Risk Manager / KPMG February 2014

Action	Terms of Reference Outcome	Key Delivery Activities	Who by and When
Reviewing and encouraging transparency in partnership decision making. Understand and seek assurance over the governance and risks associated with our key partners.	Promoting Good Governance	Agree with Chairman when and how to include this on the agenda	Audit & Risk Manager November 2014
Facilitate risk management training and awareness for members and staff. To clarify the understanding of the level of risk the Council is prepared to accept across its key activities / business units.	Confidence that the risks management arrangements for the Council are operating effectively	Deliver risk management awareness session to the Audit Committee Deliver risk management training and awareness: <ul style="list-style-type: none"> • Thinking about Risk – risk culture and strategy • A practical guide to risk management 	Audit & Risk Manager January 2014 Audit & Risk Manager January 2014
Ensure that the 'independent' member is provided with same information as elected members	n/a	Confirm that independent member has: ~ access to GEORGE (intranet) ~ is included on Councillor circulation lists ~ is included on an Councillor briefing events	Audit & Risk Management November 2014
How the Committee meets its terms of reference re: <ul style="list-style-type: none"> • Overview of the constitution • Monitoring the Council's complaint process 	Enhance governance arrangements	Agree with Chairman when and how to include these agenda items	Audit & Risk Manager November 2014
Review of the Committee's Terms of Reference in light of revised CIPFA guidance	n/a	Agree with Chairman when and how to include this agenda item.	Audit & Risk Manager November 2014

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Other areas that the Committee may wish to consider including within its work plan are:

Audit Committee – Work Plan

- Compliance with the transparency code
- Outcome of whistleblowing commission

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Terms of Reference of the Audit Committee	23 June 2014	21 July 2014	22 Sept 2014	24 Nov 2014	26 Jan 2015	30 Mar 2015	22 June 2015	20 July 2015	21 Sept 2015	23 Nov 2015
Audit Activity:										
To consider the head of internal audit's annual report and opinion, and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the Council's Corporate Governance arrangements.		✓						✓		
To consider reports dealing with the management and performance of internal audit	✓		✓		✓		✓		✓	
To consider a report from internal audit on agreed recommendations not implemented within a reasonable timescale	✓		✓		✓		✓		✓	
To consider the external auditor's annual letter, relevant reports and the report to those charged with governance.			✓						✓	
To consider specific reports as agreed with the external auditor.										
To comment on the scope and depth of external audit work and to ensure it gives value for money N/A										

Audit Committee Work Plan for 2014/15 – Continued

Terms of Reference of the Audit Committee	23 June 2014	21 July 2014	22 Sept 2014	24 Nov 2014	26 Jan 2015	30 Mar 2015	22 June 2015	20 July 2015	21 Sept 2015	23 Nov 2015
To liaise with the Audit Commission over the appointment of the Council's external auditor. <p align="center">N/A</p>										
Regulatory Framework										
To maintain an overview of the Council's constitution.										
To review any issues referred to it by the Chief Executive, Director or any council body										
To monitor the effective development and operation of risk management and corporate governance in the Council	✓					✓			✓	
To monitor Council policies on confidential reporting code, anti-fraud and anti-corruption policy and the Council's complaints process. ¹			✓				✓			
To oversee the production of the Council's Annual Governance Statement and to recommend its adoption		✓	✓		✓			✓	✓	
To consider the Council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice		✓						✓		
To consider the Council's compliance with its own and other published standards and controls.							✓			
Accounts										

¹ Whistleblowing and Counter Fraud only

Terms of Reference of the Audit Committee	23 June 2014	21 July 2014	22 Sept 2014	24 Nov 2014	26 Jan 2015	30 Mar 2015	22 June 2015	20 July 2015	21 Sept 2015	23 Nov 2015
To review the annual statement of accounts. Specifically to consider whether appropriate accounting policies have been followed and whether there are any concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council		✓	✓		✓				✓	
To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts			✓						✓	
Duty to approve the authority's statement of accounts, income and expenditure and balance sheet.			✓						✓	
Standards										
Promoting and maintaining high ethical standards by Councillors and non-elected members;				✓						
Assisting the Councillors and non-elected members to observe the Members' Code of Conduct;				✓						
Advising the Council on the adoption or revision of the Members' Code of Conduct:				✓						
Monitoring the operation of the Members' Code of Conduct;				✓						
Advising, training or arranging to train Councillors and non-elected members on matters relating to the Members' Code of Conduct;				✓						
Determining complaints of breaches of the Code of Conduct for Members referred for hearing by the Monitoring Officer				✓						

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