

**AUDIT COMMITTEE
 22 APRIL 2013**

PRESENT: COUNCILLOR BARRY YOUNG (CHAIRMAN)

Councillors A N Stokes (Vice-Chairman), W J Aron, C Farrar, N I Jackson and Mrs P A Mathers

Officers in attendance:-

Tony Crawley (KPMG), David Forbes (Assistant Director Finance and Resources), Lucy Pledge (Head of Audit and Risk Management), Stephanie Kent (Audit Manager), Claire Pemberton (Assistant Head of Finance), Dave Simpson (Head of Finance - Communities and Corporate), John Sketchley (Audit Manager), Sarah Tennant (Strategic Risk Manager) and Mike Wood (KPMG)

51 APOLOGIES FOR ABSENCE/REPLACEMENT MEMBERS

Apologies for absence were received from Councillor Mrs S Rawlins.

52 DECLARATION OF MEMBERS INTERESTS

There were no declarations of interest at this point in the meeting.

53 MINUTES OF THE MEETING OF THE AUDIT COMMITTEE HELD ON 28 JANUARY 2013

RESOLVED

That the minutes of the Audit Committee held on 28 January 2013 be confirmed and signed by the chairman as a correct record.

54 CORPORATE AUDIT PROGRESS REPORT TO 31 MARCH 2013

Consideration was given to a report presented by the Audit Manager, which provided an update on progress made against the Audit Plan 2012/13. It was noted that good progress had been made on the delivery of the Internal Audit plan for 2012/13, and 93% of the planned County Council audits had been carried out.

It was highlighted that all the internal audit work which had been completed between 31 December 2012 and 31 March 2013 was reported as having 'Substantial Assurance'. The Committee was also advised that there were a number of audits with the field work in progress, and also approximately 15 audits where the fieldwork was complete and the final report was being concluded.

2

AUDIT COMMITTEE

22 APRIL 2013

In terms of other significant work which had taken place, it was reported that by the end of the financial year, 49 audits in schools had been completed, as well as 19 shorter assurance visits. Five school audits had been re-scheduled for 2013/14 at the request of the client. It was also noted that an assurance service to academies was now being offered.

The Council's External Auditor (KPMG) reported that they had carried out a very high level review of the Council's management arrangements and no significant issues had been identified.

In relation to the fieldwork which was in progress for the ICT Disaster Recovery audit, it was queried where the difficulties in obtaining the necessary information were being encountered. Members were advised that this audit was being undertaken by Deloitte on behalf of the County Council, and there had been some problems with obtaining the information from Mouchel, although it was now understood that sufficient progress was now being made in this area. The Head of Internal Audit and Risk Management offered to contact Deloitte and obtain an update which would be circulated to Members. It was noted that as the reliance on ICT grew, delays of this sort were unacceptable, and Members were advised that assurance around ICT arrangements was one of the areas which would be highlighted in the Annual Governance Statement.

Concerns were also raised regarding the audits which had been delayed due to manager unavailability and the relevant officer being off sick. It was noted that internal audit would work with senior managers to schedule this work in, however, it was noted that there was a need for a contingency plan to ensure that there were no unnecessary delays. It was the role of the Audit Committee to ensure that the delays weren't being used as an opportunity for information to be hidden.

RESOLVED

That the outcomes of the Corporate Audit work and identified actions be noted.

55 **RISK MANAGEMENT PROGRESS REPORT TO 31 MARCH 2013**

The Committee received a report which assisted in the fulfilling of the role of ensuring the Council had effective risk management arrangements in place, by providing an update on how well the Council's biggest risks were managed as well as reporting on the progress made in assisting the Council to adapt and change the way risk was considered.

It was reported that this was one of twice yearly updates on the Strategic Risk Register which the Committee had previously agreed to. The Council's strategic risks continued to be managed pro-actively overall and there was a good level of awareness of current and emerging issues, with positive action being taken where appropriate.

It was found that the approach of reporting on relevant strategic risks as part of the Combined Assurance Model had been a useful opportunity to take stock of the risks and validate management assurances which had been received.

The Committee was advised that the total number of strategic risks remained static at 15, which included one 'green' risk (low), 12 'blue' risks (moderate) and 2 'red' risks (high). It was expected that although the risk of 'Adult Social Care not able to live within budget' had move from red to green which reflected that the budget had balanced for 2012-13, the 'current' score would need to be re-assessed due to the start of the new financial year.

The risks around Adult Social care would continue to be monitored as the risk owner felt that management assurance was still limited, but good progress was being made.

There was still a good level of interest in risk appetite work, and workshops with Public Health were scheduled.

Queries were raised regarding the assurance methods which were relied upon for safeguarding adults, and the Committee was advised that new actions had been added into the Strategic Risk Register for that risk, and it was also assured that the risk was being managed pro-actively and dynamically and it would continue to be monitored.

There was no need for concerns regarding the two 'red' risks which had been static for a while, as these were for projects still in development, and when they began to be implemented the risk level should come down.

RESOLVED

That the current status of the strategic risks facing the council be noted.

56 COUNTER FRAUD PROGRESS REPORT TO 31 MARCH 2013

Consideration was given to a report which provided an update on the Council's fraud investigation activities and information on progress made against the Counter Fraud Work Plan 2012/13.

It was reported that the overall delivery of the work plan for 2012/13 had been good, although demand for investigations had limited the completion of some proactive work such as the launch of the new counter fraud and whistleblowing posters and leaflets which would be carried forward to the 2013/14 Work Plan. The successful recovery of £159.5k from the Proceeds of Crime process during 2012/13 was highlighted to the Committee as well as the insurers and pension confiscation of £21.4k.

The Committee was advised that there were 5 live internal investigations, and that two investigations had concluded since January 2013. One of these investigations resulted in management action and £675 was recovered in a case involving an invoice scam – the company was referred to the Police and NFA's Action Fraud

4

AUDIT COMMITTEE

22 APRIL 2013

organisation. A fraud warning was also issued by the team to reduce the risk of recurrence. It was noted that it was believed that this was an isolated case, and there was no continuing risk. There were still three on-going Police investigations which were in the areas of contractor fraud and mandate fraud/payments.

It was noted that investigations continued to be the most resource intensive work.

In terms of the Lincolnshire Fraud Forum, it was reported that there was an agreement to have a single point of contact within Lincolnshire Police, and so far that was working quite well. However, there was a need to be aware of staffing changes within the Police it was hoped that something more formal could be put in place.

RESOLVED

That the outcomes of the Counter Fraud Work be noted.

57 DRAFT INTERNAL AUDIT PLAN 2013/14

The Committee received a report which presented the draft internal audit plan for 2013/14. The Internal Audit Team worked to an annual plan of work which was agreed by this Committee and Senior Management. The plan was developed using the Council's Combined Assurance Model, a record of all assurances against critical activities and key risks.

It was hoped that assurances could be gained increasingly from other sources such as management, corporate functions or third parties from using the Combined Assurance Model, which would help to avoid duplication of work.

The Committee was advised that the CIPFA guidance on the production of an Internal Audit Plan was still up to date.

RESOLVED

That the Internal Audit Plan for 2013/14 be agreed.

58 COUNTER FRAUD AND INVESTIGATIONS WORK PLAN 2013/14

The Committee received a report which provided an opportunity to consider the Counter Fraud and Investigations Work Plan 2013/14. It was reported that the Council's counter fraud arrangements demonstrated its continued commitment to strong governance and best use of resources. The Council's response to the National Fraud Authority's expectations towards tackling fraud and corruption was reflected in the 2013/14 Counter Fraud Work Plan. It was important that a counter fraud response and resilience was maintained as the changes to the Council service delivery evolved.

The Committee was advised that the Work Plan was developed around the six strands of the National Fraud Authority's (NFA's) model which were Culture, Prevention, Detection, investigation, Sanctions, Redress.

It was noted that almost half the counter fraud activity planned for 2013/14 was investigation work, but the Committee was advised that action plans were produced as a result of the investigation work, which would be used in the future to prevent further fraud activity.

There was satisfaction that value for money was being achieved from the cases which had not been progressed through the courts due to not enough evidence being available for a prosecution, as recoveries were still being made. It was noted that part of the Audit Manager's budget was conditional on monies being recovered.

RESOLVED

That the Counter Fraud Work Plan for 2013/14 be approved.

59 INTERNATIONAL AUDIT STANDARD - RESPONSE TO MANAGEMENT PROCESSES QUESTIONS

The Committee received a report which provided an assessment around whether the Council's financial statements could be mis-stated due to fraud or error.

It was reported that the Council was assessed as low risk that the financial statements would be materially mis-stated due to fraud or error, and it was thought that the assessment accurately reflected the management processes which were in place.

RESOLVED

That the assessment accurately reflects the Council's management processes to minimise the risk of fraud or error in the financial statements.

60 EXTERNAL AUDIT PLAN

Consideration was given to a report by the Council's External Auditors which set out the external audit work and fees which were proposed to undertake the audit of the financial statements and value for money conclusion for 2012/13. It was reported that no significant risks in terms of the Pension Fund had been identified, and a separate report on the outcome of this audit would be brought to the Committee in September 2013.

The Committee was advised that the work on controls had just been completed, and there was nothing that had come out of that work that needed to be drawn to officers' attention. The External Auditors were not anticipating any problems in obtaining necessary information. It was also noted that there was no change to the approach to value for money and it would continue to follow guidance provided by the Audit Commission.

It was reported that there had been a significant reduction of 40% in the fee for the audit work compared to 2011/12 fee. The Committee was assured that this reduction

6

AUDIT COMMITTEE

22 APRIL 2013

was due to the changes which had taken place regarding the role of the Audit Commission, rather than a fundamental change in the work which was carried out.

The Committee was assured that controls in relation to IT systems and data, system changes, system development and computer operations were tested. Whilst some general IT controls work was undertaken, there was also focus on testing the specific applications and reports which were pivotal to the production of the financial statements. It was not anticipated that there would be any problems in obtaining the necessary information or that there would be an additional delay.

RESOLVED

That the External Audit Plan be noted.

61 STATEMENT OF ACCOUNTS 2012/13

The Committee received a report which summarised the changes to the Code of Practice on Local Authority Accounting which would be incorporated into the 2012/13 Statement of Accounts as well as the review of Accounting Policies.

It was reported that the Council was required to prepare its Statement of Accounts in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 and the Service Reporting Code of Practice (SeRCOP), which both ensure that the accounts were prepared using "proper accounting practice". It was noted that the format of the accounts and accounting requirements were largely the same as in 2011/12, however, a number of minor changes had been introduced in the Code of Practice for 2012/13. These changes included the inclusion of an Explanatory Foreword to bring the reporting in line with that undertaken by other government bodies including the NHS, as well as amendments in relation to IFRS 7 financial Instruments: Disclosures (transfers of financial assets).

RESOLVED

1. That the changes required to the Statement of Accounts from the Code of Practice be noted;
2. That the Statement of Accounting Policies for use in drawing up the Council's accounts for the financial year ending 31 March 2013 be approved.

62 WORK PLAN

Consideration was given to a report which provided information on progress against agreed actions as well as the Committee's work plan up until November 2013.

The Committee was reminded that there would be training taking place in relation to the Statement of Accounts on the morning prior to the meeting on 22 July 2013. It was proposed that the meeting would commence at 1.15pm to allow the training to take place in the morning.

RESOLVED

1. That the progress of agreed actions be noted;
2. That the work plan be approved;
3. That the agenda items for the meeting on 24 June 2013 be agreed;
4. That the Training and Development Plan for the Committee for 2013/14 be agreed.

The meeting closed at 11.35 am