

**AUDIT COMMITTEE
24 JUNE 2013**

PRESENT: COUNCILLOR MRS SUSAN RAWLINS (CHAIRMAN)

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

Also In attendance – Mr P D Finch (Independent Added Person)

Councillor M Jones attended the meeting as an observer

Officers in attendance:-

David Forbes (Assistant Director Finance and Resources), Stephanie Kent (Audit Manager), Lucy Pledge (Head of Audit and Risk Management), David Powell (Head of Emergency Planning), Tony Crawley (KPMG), Mike Wood (KPMG), Julie Castledine (Principal Auditor) and Derek McKim (Business Continuity Manager)

1 APOLOGIES FOR ABSENCE

There were no apologies for absence.

2 DECLARATIONS OF MEMBERS' INTEREST

It was requested that the following interests were noted:

Councillor W S Webb – Governor of Holbeach University Academy

Mrs P D Finch – Co-opted member of the Priory Academy Audit Committee

3 MINUTES OF THE MEETING HELD ON 22 APRIL 2013

RESOLVED

That the minutes of the Audit Committee held on 22 April 2013 be confirmed and signed by the Chairman as a correct record.

4 COMBINED BUSINESS CONTINUITY MANAGEMENT AND EMERGENCY RESPONSE AND RECOVERY ASSURANCE REPORT

Consideration was given to a report which provided the Audit Committee with an insight on the assurances received from the Council's critical services and support services with regards to Business Continuity Management and Emergency Response and Recovery.

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The Committee was informed that the overall business continuity assurances had come from heads of service and were challenged through the Business Continuity Team. During the last year the Business Continuity Team had tested all of the Council's critical services, and the general opinion was that there was a medium to high level of assurance with them. The resilience of the Communication and Property Services had also been assessed as they provided essential support to critical services.

Members of the Committee were provided with the opportunity to ask questions to the officers present in relation to the information contained within the report and some of the points raised during discussion included the following:

- The business continuity management response assessment of External Command and Control was listed as unknown as an internal response by the Corporate Incident Management Team had not yet been obtained;
- The Authority's ability to work with partner organisations had been tested through various situations and exercises such as exercise Georgiana, but there was still a degree of internal training required as people changed posts;
- The Environmental Scrutiny Committee would receive a full report into the summer floods of 2012;
- Solutions to ICT concerns were in development and a report was scheduled to be brought to the next meeting of the Audit Committee;
- Work was ongoing on the FDSS project, and it was very clear that there would be a requirement for the successful contract to provide ICT resilience;
- The Council remained highly dependent on ICT. Since the ICT outage in late 2010, significant improvements had been made with ICT Disaster Recovery and the resilience of the ICT service. The key risk was still the lack of a secondary data centre, but options were being investigated;
- A lot of technical work had been carried out on the Cross Keys Bridge at Sutton Bridge in the past year. Contingency plans were also in place in relation to staff. Desk top exercises had been undertaken with the service area. It was acknowledged that this could be a suitable area for a future 'live' exercise;

RESOLVED

That the current status with combined assurance report be noted.

5 SUMMARY OF SCHOOL AUDIT WORK 2012/13

The Committee received a report which provided information in relation to the work which had been completed in schools by Internal Audit during 2012/13.

It was reported that audit visits were undertaken on a five year cycle and during 2012/13 a number of interim 'healthchecks' had also been completed. These visits focused on key areas such as budget setting, budget monitoring and medium term financial planning. Schools were also asked to make a self-assessment of the controls within their financial processes and to follow up the implementation of previous audit recommendations.

The issues which were identified during the course of the audits and 'healthcheck' visits were the same as the findings from the work carried out in 2011/12. It was planned to highlight these key themes and the controls expected through a 'top tips' article in the Schools' Bulletin in the autumn.

The Committee was informed that following changes to school funding arrangements in April 2013 the authority was no longer able to undertake a programme of 'healthcheck' visits to maintained schools. However, this service was being offered to schools for a fee and there was some interest. The internal audit service was being marketed to Academies, whilst they were not legally obliged to have an internal audit service, they needed to have arrangements in place for independent checking of financial controls, systems, transactions and risks.

Members of the Committee were provided with the opportunity to ask questions to the officers present in relation to the information presented in the report, and some of the points raised during discussion included the following:

- Approximately 70 maintained schools were visited per year;
- There was only one school which was given 'no' assurance, but officers have been back and the school had started to implement changes;
- The government had introduced additional mechanisms designed to strengthen and improve the accountability of academies for financial controls. This included the introduction of Audit Committees for large and multi-academy trusts;
- The authority was aware of the schools which needed more robust processes;
- The authority would continue to provide healthchecks to those schools that requested them, and Internal Audit had a working relationship with Children's Services;
- Schools' Forum was very important in terms of providing advice on school funding and finances. Money had previously been made available to improve audit services in schools, but due to changes in funding this was no longer available;
- Schools were showing an interest in buying in these services;
- Head teachers could be appointed with no financial training, and were very reliant on school administrators;
- School governors were offered a significant amount of training, but it was important to ensure that this training was taken up by those who needed it;
- The results of school audit visits were available to Ofsted

RESOLVED

That the information presented within the report be noted.

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6 COUNTER FRAUD ANNUAL REPORT 2012/13

Consideration was given to a report which provides information on the overall effectiveness of the Authority's arrangements to counter fraud and corruption and reviewed the delivery of the 2012/13 counter fraud work plan.

The Committee was informed that that the Counter Fraud Annual Report provided an overview of the proactive and investigation work completed over the year.

It was reported that during the 2012/13 year, 14 potential fraud referrals were received, which was a slight drop on previous years. The total estimated value of fraud associated with live cases was £689,675. The misuse of service user finances was the most common area of fraud for this year, although it was the lowest in value, but it had been a common theme over the past four years. The other most common types of fraud experienced included abuse of position, misuse of assets, procurement fraud and timesheet abuse.

Members of the Committee were provided with the opportunity to ask questions to the officers present in relation to the information contained within the report, and some of the points raised during discussion included the following:

- A fraud awareness campaign would be run in the coming year;
- The whistle blowing mechanism was being well used;
- The whistleblowing arrangements were not actively promoted to service users, but key practitioners were made aware of the Council's whistleblowing process. Some referrals and requests for advice had been received from social workers. Contact points were highlighted to people in case they had concerns;
- Officers clarified how fraud occurred through blue badge misuse, and it was also noted that this was more of a problem in bigger cities;
- The financial regulations and scheme of delegation which were set out in the Constitution were reviewed regularly;
- From an external audit point of view, an assessment of progress against the National Fraud Indicators needed to be carried out, and Lincolnshire was currently assessed as 'green';
- A number of scripts had been developed which could analyse large quantities of data and identify unusual spending trends in creditor payments – this approach would be used in other areas over the next few years;
- Procurement was still one of the highest fraud risk area in local government;
- A new system in Adult Social Care would be able to interrogate financial and service user information;
- Over the last few years, the Counter Fraud team had been strengthened;

RESOLVED

That the overall effectiveness of the Council's arrangements to counter fraud and corruption, and the progress made to implement policy be noted.

7 INTERNAL AUDIT ANNUAL REPORT - 2013

The Committee received a report which provided the opinion of the Head of Internal Audit on the adequacy of the Council's governance and control environment and delivery of the Internal Audit Plan for 2012/13.

Whilst there was satisfaction that the overall standard of internal control for the financial year ending 31 March 20132 was 'performing adequately', the work did identify some areas of improvement. These areas of improvement were in Adult Care around referrals, assessment process, case management and recording and risk assessment; Performance and Governance – maintaining ICT resilience; and in Resources and Community Safety around the management of fuel stock to Fire and Rescue. It was recommended that these areas were included in the Annual Governance Statement.

The Committee was provided with the opportunity to ask questions to the officers present in relation to the information contained within the report and some of the points raised during discussion included the following:

- There was disappointment that some of the actions regarding the Fire and Rescue fuel use did not seem to have been implemented. It would be reported back to the Committee at a later date how the actions were being implemented;
- It was queried whether the outstanding recommendations in relation to the Coroner's Office would affect the service being provided;
- Internal Audits were carried out by an in-house team from the Corporate Audit and Risk Management section. External Audit was provided from outside the Council by KPMG who were appointed by the Audit Commission. Internal Audit also provided a service to a number of Lincolnshire District Councils and to Newark and Sherwood District Council;
- An action plan would be put together following the publication of the Annual Governance Statement which would set out the key milestones and deadlines for the areas for improvement which had been identified;

RESOLVED

1. That the content of the Internal Audit Annual Report be noted;
2. That further information be provided to the Committee in relation to the issues highlighted with the Fire and Rescue fuel use and the Coroner's office;

8 WORK PLAN

Consideration was given to a report which provided the Committee with information on agreed actions and its work plan up to November 2013.

The Committee was reminded that there would be training taking place in the morning of 22 July 2013 prior to the meeting, in relation to consideration of the Council's financial statements.

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It was also clarified that the meeting in September would be held on the 23rd of the month.

The following changes to the work plan were put forward;

- Internal/External Audit Protocol – move to 23 September 2013 meeting
- Annual Audit Letter – 11 November 2013

RESOLVED

1. That the progress of agreed actions as set out in appendix A to the report be noted;
2. That the work plan set out in Appendix B of the report be noted subject to the above changes.

The meeting closed at 11.37 am