



County Offices
Newland
Lincoln
LN1 1YL

12 June 2015

Audit Committee

A meeting of the Audit Committee will be held on **Monday, 22 June 2015 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, 22 JUNE 2015**

Item	Title	Pages
1	Apologies for Absence	
2	Declaration of Members' Interests	
3	Minutes of the meeting held on 30 March 2015	5 - 18
4	Internal Audit Progress Report <i>(To receive a report which provides an update on progress made against the Audit Plan 2014/15 and provides summaries of all audits completed within the period March to May 2015)</i>	19 - 36
5	External Audit Progress Report <i>(To receive a report from KPMG, the County Council's External Auditors which provides an update on the 2014/15 Audit deliverables)</i>	37 - 56
6	Counter Fraud Annual Report 2014/15 <i>(To receive a report which provides information on the overall effectiveness of the Authority's arrangements to counter fraud and corruption and reviews the delivery of the 2014/15 counter fraud work plan)</i>	57 - 74
7	Information Governance Breaches - Internal Audit <i>(To receive a report which provides an update to the position reported at the Audit Committee on 30 March 2015 in relation to the internal audit carried out following a number of information breaches. The audit resulted in a number of recommendations aimed at improving current information governance practices across the Council. This report describes activity undertaken so far to meet these recommendations)</i>	75 - 80
8	Agresso Update <i>(To receive a verbal update in relation to progress made following the implementation of Agresso)</i>	Verbal Report
9	Work Plan <i>(To receive a report which provides the Committee with information on the core assurance activities currently scheduled for the 2015/16 work plan)</i>	81 - 92

Democratic Services Officer Contact Details

Name: **Rachel Wilson**

Direct Dial **01522 552107**

E Mail Address rachel.wilson@lincolnshire.gov.uk

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.

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**AUDIT COMMITTEE
30 MARCH 2015**

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)

Councillors: P M Dilks, J D Hough and S L W Palmer attended the meeting as observers

Officers in attendance:-

David Forbes (County Finance Officer), Judith Hetherington Smith (Chief Information and Commissioning Officer), Pete Moore (Executive Director of Finance and Public Protection), Claire Pemberton (Assistant Head of Finance), Lucy Pledge (Audit and Risk Manager), Richard Wills (Executive Director for Environment and Economy) and Rachel Wilson (Democratic Services Officer)

44 APOLOGIES FOR ABSENCE

There were no apologies for absence.

45 DECLARATION OF MEMBERS' INTERESTS

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

46 MINUTES OF THE MEETING HELD ON 26 JANUARY 2015

RESOLVED

That the minutes of the meeting held on 26 January 2015 be signed by the Chairman as a correct record.

47 INTERNAL AUDIT REPORT - ORGANISATIONAL LEARNING - LIBRARIES PROJECT - ACTION PLAN

The Committee received a report which outlined the action to be taken to strengthen the Council's governance and assurance arrangements following the request that the Corporate Management Team consider and develop a management response to the findings and suggested improvements arising from the Internal Audit of the Libraries Project.

It was noted that the Internal Audit review of the Libraries was considered by the Committee at its last meeting on 26 January 2015. The audit was commissioned following the outcome of the Judicial Review around the lawfulness of the Council's decision making process to reduce the Library services within Lincolnshire.

The action plan which had been produced and presented to the Committee for consideration addressed the key areas of suggested improvement which included the assessment of options appraisals; an enhanced project monitoring process by Corporate Management Board on key or high risk projects/programmes; and review of scrutiny in light of the Council Motion in February 2015.

Richard Wills, Executive Director Environment and Economy was in attendance at the meeting to answer any questions from the Committee in relation to the information contained within the report and some of the points raised during discussion included the following:

- During pre-discussions of reports at scrutiny committees, there was a need to think about the particular issues contained in complex report;
- The review of scrutiny was a result of a motion to Council;
- Where there were complex issues to be discussed by Scrutiny Committees, it was suggested that it would be beneficial to have a time table in place from the beginning in order to schedule in the opportunity for good scrutiny;
- Some of the information included in large reports, could instead be presented as background information;
- Members were reminded that the Council's Rules of Debate were contained within the Constitution;
- Members were informed that as a result of the Scrutiny Committee held on 27 January 2015, the Monitoring Officer did receive four complaints. The complaints were not upheld, but three issues which were considered to have validity were highlighted as follows:
 1. The timing of scrutiny needed some broad consideration. In the case of the Libraries project, it may have been beneficial to have had a bigger discussion one or two years earlier. There would be two questions for the Scrutiny Review to address. Firstly, how could open developmental scrutiny be timetabled? Secondly, did the Council have the correct balance between proactive developmental scrutiny and pre-decision scrutiny;
 2. Conduct of the Committee – it was reported that it was not illegal for 'whipping' to take place in scrutiny committees, and it was up to members to decide how they wanted to conduct the meeting, but should there be a presumption against whipping? It was thought that generally, scrutiny did not appear to be whipped, as members tended to say what they wanted to depending on what they believed;
 3. The role of officers in supporting scrutiny – the role of local government officers was to serve the council as a whole in all its activities. Recently, more officer time was being spent dealing with the outcomes of decisions made by the Executive and it needed to be queried whether the same quality of advice was being given to scrutiny. How should scrutiny processes be supported by officers to ensure that the

council had good scrutiny, as good scrutiny would lead to better decisions;

- It was commented that in general terms members were not made aware in good time of decisions which were likely to come up. The old-style Policy Development Groups (PDG's) were referenced, as it was thought that they provided an opportunity to field any concerns that arose. It was commented that PDG's were an extra tier in the decision making process, and it was thought that they had worked well;
- It was queried what assurance could be given that the same situation would not occur again? Members were advised that assurance could not be given that another Judicial Review would not take place, however, the suggested improvements from the Internal Audit report were being implemented, lessons were being learned and a lot of work was in progress on the scrutiny side. Positive assurances were being received from the Director and there was an acknowledgement that lessons did need to be learned, and it would be role of the Audit Committee to track the actions;
- It was noted that the management response from Dr Tony Hill, Executive Director of Community Wellbeing and Public Health had been included, which explained some of the actions which had been taken which were specific to the library service;
- Issues around scrutiny had been raised by the internal audit report. To some extent this came down to how members carried out scrutiny;
- A lot of councillor development had been carried out since the election, when almost half of the councillors elected were new to the Council;
- The Review of Scrutiny which had commenced recently would allow councillors to set out how they wanted to do scrutiny in the future;
- The vast majority of decisions would not require the council to go out to public consultation;
- It was felt that some of the management responses in the action plan needed to be firmed up;
- If alternative proposals were submitted during a public consultation, it was right that they should have some evaluation. However, there were risks in deciding whether to consider alternatives from a public consultation. It was important that nothing should be put to the public, that could not be delivered;
- In terms of assessments for projects, was the authority open to acknowledging when it did not have the necessary specialised skills and would seek those skills externally early enough;
- It was set out in the internal audit report, that if legal advice had been sought earlier in the process then different decisions may have been taken;
- One of the concerns of the Corporate Management Board was that the authority would not be able to afford to employ as many specialists in the future. However, the Committee was advised that in the future the more cost effective option could be to buy in that expertise when needed;
- It was very difficult to take account of local issues when consulting on a global decision. However, it was important to gather local views to get an idea of what mattered locally. Local knowledge needed to be valued and this was where scrutiny could be really useful;
- If all scrutiny was done in a formal way, some of the benefits could be lost;

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- In terms of the reporting back of the Scrutiny Review group, it was thought that as it was created through a council motion, it would report back to the Full Council. However, it was commented that it may be helpful for the Audit Committee and Overview and Scrutiny Management Committee to receive some early feedback;
- It was suggested that it may also be useful for the Review Group to examine consultations that had worked well and what could be learned from them.

RESOLVED

1. That the Audit Committee accept the response from Dr Tony Hill on the Library Service actions; and
2. That the Action Plan from the Corporate Management Board be received.

48 EXTERNAL AUDIT PLAN - 2014/15

Consideration was given to a report which described how External Audit would deliver their Financial Statement 2014/15 work for the Council.

Members of the Committee were guided through the report by the External Auditors, and some of the points highlighted included the following:

- The Audit Commission would close on 31 March 2015. However, external audit responsibilities under the Audit Commission Act 1998 and the Code of Audit Practice in respect of the 2014/15 financial year remain unchanged;
- The overall audit approach remained similar to the previous year with no fundamental changes. The work would be carried out in four stages, and the timings for these, and specifically the on-site work, had been agreed with management;
- The Authority was changing its pensions administration arrangements from April 2015, with West Yorkshire Pension Fund taking over from Mouchel;
- Following the initial risk assessment for the VfM conclusion, a significant risk was identified in relation to the major procurement exercises for the Future Delivery of Support Services project, to re-award the authority's contracts for Corporate Support Services and property services, which would be supplied by new providers and five year contracts would become live from 1 April 2015. The External Auditors were satisfied that arrangements were in place to manage this risk;

Members 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 regulations for the new Pensions Boards had not yet been released. It was noted that if issues were raised with these Boards, they would be able to raise objections either to Full Council or the Pensions Regulator;
- Since 2010, the role of External Audit has been to check that adequate arrangements were in place to manage risk. It was noted that nothing had

been seen which caused a concern in relation to the adequacy of arrangements in place;

- In relation to managing risk, there were three lines of defence – the frontline staff, management, and finally internal and external audit;
- There was a need to acknowledge that there would be risks if the authority started doing things differently. There was a need to be aware of what these risks were, but the Council should not be risk averse;

RESOLVED

That the External Audit plan be noted.

49 DRAFT INTERNAL AUDIT PLAN 2015/16

Consideration was given to a report which presented the draft Internal Audit Plan for 2015/16 to the Committee. Members were advised that a slightly different approach had been taken this year, to enable the internal audit team to be more responsive.

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:

- It was queried whether the Internal Audit Team faced any particular risks such as gaps in resources or capacity issues? Members were advised that this would be a transitional year for Internal Audit, and the Combined Assurance Model helped to ensure that the Head of Internal Audit could provide an annual opinion. There was a risk register in place, however, it was not yet fully populated;
- With the move to Agresso, it would generally not be possible for invoices to be paid unless an order had been placed;
- The authority had been assessed as 'low risk' by HMRC in terms of tax and NI compliance matters;
- In terms of ICT disaster recovery, it was promised that systems would be put in place by the new provider, however, this was a gradual process which could take between 12- 18 months to transfer the data across. It was noted that Agresso would be transferred immediately to the remote data centre;
- It was clarified that the total budget for Audit and Risk Management was approximately £1million, and that £551,000 was net budget for LCC;
- It was noted that the National Audit Office would be carrying out work to look at financial resilience in the public sector. It had been suggested that Lincolnshire Fire and Rescue could be used as one of the case studies;
- The outcomes of any inspections would be included as part of the combined assurance reporting;

RESOLVED

That the Audit Plan for 2015/16 be agreed.

50 COUNTER FRAUD AND INVESTIGATIONS WORK PLAN 2015/16

The Committee received a report which set out the Council's draft Counter Fraud Plan for 2015/16. Members were advised that in response to central's government's expectations for tackling fraud and corruption, the authority aimed to continue to focus on prevention, detection, and investigation work.

It was noted that during 2014, CIPFA issued a Counter Fraud Code of Practice which set out the good practice on managing the risk of fraud and corruption. The key principles of the code covered acknowledging responsibility; identify risks; develop a strategy; provide resources; take action. It was felt that the authority was generally compliant with the Code but officers would review their activities against the new Code.

Members were advised that the authority would continue to use its data analytics expertise to enhance analysis of fraud and error testing across key financial systems, as well as carrying out discrete pieces of work in areas carrying a higher fraud risk.

The authority was the Accountable Body for Lincolnshire Counter Fraud Partnership and was allocated £200,000 from central government to assist and improve how Lincolnshire local authorities worked together to tackle high risk areas of corporate fraud. It was reported that the last few months had focussed on setting up the project management arrangements and recruiting resources to support delivery of the work plan. Most of the planned work was scheduled for 2015/6 with progress and delivery being monitored by the Chief Finance Officer Group.

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:

- With the reduction in police numbers, it was queried whether they would be able to maintain the same level of assistance in terms of investigating suspected fraud?
- Officers were developing a protocol with Safeguarding and Adult Care teams to tackle fraud such as financial abuse of vulnerable adults;
- There had been a reduction days to 585 days. It was noted that whilst there had been a reduction in the Plan the authority had received a £200,000 grant to help to continue the work;
- It was noted that if district councils wanted specific advice from Internal Audit, they would need to pay for it, but if the advice came through the Partnership, it would be covered by the £200,000;
- Some of the key risks which faced the Council included procurement and contracts, as they were two areas where it was difficult to carry out proactive work. However, officers were working closely with the contract leads to build up intelligence. A particular barrier was that providers may be reluctant to provide the necessary information;
- The Executive and Corporate Management Board were very supportive of the work of the team. Referrals were made from managers where there were suspected irregularities.

RESOLVED

That the Counter Fraud Work Plan for 2015/16 be approved.

51 INTERNAL AUDIT PROGRESS REPORT TO 18 MARCH 2015

Consideration was given to a report which provided the Committee with an update on progress made against the Audit Plan 2014/15 and provided summaries of all audits completed within the period 1 January to 18 March 2015.

It was reported that good progress had been made in this quarter, and during this period Internal Audit had completed 16 County audits, 6 to final report and 10 to draft report stage, almost all of the key financial control testing and a further 4 school audits. Additional work in the following areas had also been completed – Fire and Rescue Control Centre Projects (draft report stage); Families Working Together Grant – 2014/15 Quarter 4 claim sign off; and three independent investigations. Overall, 93% of the plan had been completed.

It was reported that there still two auditors advising and supporting the Agresso implementation project. Highlight reports had been presented periodically to the S151 officer and Project Board.

The Committee was advised that there were 11 audits in progress in addition to the final key financial control testing. 35 Academy visits had also been carried out to date, in accordance with their agreements.

It was noted that two audits had been reported with an opinion of 'Major improvement required' which were the Corporate Landlord Project and Information Governance. Officers were in attendance in order to answer questions from the Committee in relation to these two audits.

Corporate Landlord Project

Jane Mason (Property Manager, Strategy) was in attendance for this item to provide an update on work which had taken place since the audit and to answer any questions from the Committee.

It was reported that this project had a built in review point at the end of year one and Corporate Property managers requested that internal audit carry out a review at this point, before phase 2 commenced. It was also noted that this audit was timed to coincide with the start of the Vinci Mouchel contract on 1 April 2015.

Members were informed that there was now transparency in the project and it was successful. There were good systems in place where officers could have an overview of all the property commissioning activity. There would be a property service centre, which would be a single point of contact for all property services and commissioning.

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It was found that there was a lack of project governance, but the principles of corporate property were built into the new contract and all workstream plans.

Members 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:

- More details in relation to how the property service centre would work were requested. It was reported that there would be a help desk to report repairs etc., work could be commissioned directly to Mouchel. There would be strong links with the commissioning team for any procurement which needed to take place;
- It was noted that there was a lot of competing activity during the first year of this project, including a restructure of the Corporate Property Team, but it was believed that was now a more comprehensive team for each aspect of the project;
- The new Vinci Mouchel contract would enhance the service;
- There were a large number of property projects which were taking place in parallel which needed to be prioritised, and this number had been underestimated;
- It was queried whether officers were confident that as the project moved onto the second year that the governance arrangements had been adequately reviewed and focused on;
- Internal audit had been asked to go back and look at the governance as a whole;
- It was commented that this had been a gateway review of the project, and the project had only been in place for one year and therefore it would not have been appropriate to carry out this audit any sooner;
- Major projects were reported quarterly to the Value for Money Scrutiny Committee. All projects would be on its radar and would be RAG rated;
- The Corporate Landlord project was agreed in 2014 and was an important piece of work which needed to be done, but it would not necessarily have been put high up on the risk register;

Information Governance Breaches

It was reported that the management response had been produced recently, and a more detailed report would be brought to the next meeting of the Audit Committee in June.

The Chief Information and Commissioning Officer was in attendance to present the report and answer any questions from the Committee. Members were advised that there were a lot of issues around the accidental sharing of e-mail, however, a lot of training was taking place to tackle this. The training method was also being reviewed in order to make it easier for staff to engage with it. It had been difficult to know how many staff had done the training, but there would be better monitoring once Agresso was operational.

It was noted that there had been a lot of breaches identified. However, the ICO had worked well with the authority and LCC had not received any fines.

It was queried whether there was a need for refresh training in relation to information governance for councillors and if this issue should be highlighted to the Councillor Development Group.

Members queried what a principle 7 incident was, and officers agreed to clarify this after the meeting.

RESOLVED

That the outcomes of the Internal Audit work be noted.

52 COUNTER FRAUD PROGRESS REPORT TO 28 FEBRUARY 2015

The Committee received a report which provided an update on the authority's fraud investigation activities and information on progress made against the Counter Fraud Work Plan 2014/15.

Members were advised that 15 fraud referrals had been received since April 2014 and seven cases had been concluded. There had been one successful prosecution since the last progress report, which related to an employee's misuse of a lease vehicle.

The Committee was guided through the report, and some of the points highlighted during discussion of the report included the following:

- Presentations had been made to the Council's Adult Safeguarding Team, which had been well received and officers continued to receive regular referrals as well as requests for advice around potential fraud and financial abuse;
- Large volumes of Council data in 8 key areas of business had been submitted for the purposes of the National Fraud Initiative. The Audit Commission had now returned over 16000 data matches and work had commenced on the reports containing the highest fraud risks which included personal budgets, private residential care homes and pensions;
- The Team was nearing the end of a pro-active fraud exercise on the Council's payroll transactions, which focussed on honoraria, overtime and other ad-hoc payments. The Counter Fraud and Investigation Team used data analysis to identify outliers, unusual patterns or individual transactions for validation and/or investigation. This was now at draft report stage;
- A planned pro-active exercise on Contracts would now take place in 2015/16. Investigation demand and increased due diligence commitments, especially around the Agresso project, had caused the slippage;
- There were currently 9 live cases – 2 of which were currently with the police. It was unlikely that the remaining 7 cases would result in a Police referral;
- Training sessions had been delivered with the view to improving responses to procurement and contract fraud. Officers were working closely with the Council's Communications Team. This work would continue into 2015;

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- No fraud had been identified during the payroll proactive exercise;
- Following an investigation, if a need for organisational learning was identified, an action plan would be produced – action taken would be tracked in the same way as audit recommendations.

RESOLVED

That the outcomes of the counter fraud work be noted.

53 INTERNATIONAL AUDIT STANDARD - RESPONSE TO MANAGEMENT PROCESSES QUESTIONS

Consideration was given to a report which provided the Committee with an assessment around whether the County Council and Pension Fund Financial Statements may be mis-stated due to fraud or error. Members were advised that the Council was assessed as low risk that the financial statements may be materially mis-stated due to fraud or error.

It was reported that a material mis-statement for the Authority's accounts in 2014/15 was around £20m and £17m for Pension Fund accounts.

RESOLVED

That the Committee consider that the assessment accurately reflected the Council's management processes to minimise the risk of fraud or error in the County Council and Pension Fund financial statements.

54 RISK MANAGEMENT PROGRESS REPORT - MARCH 2015

Consideration was given to a report which would assist the Committee in fulfilling their role to gain assurance that the Council was effectively managing its key risks and had good risk management systems and processes in place that enable decision makers to understand the level of risk being taken and the level that the Council was prepared to accept. The report provided an update on how well the Council's biggest risks were being managed as well as reporting on the progress made in assisting the Council to adapt and change the way it 'thinks' about risk.

It was reported that there was a medium to high level of confidence that the risks were being managed well.

Members were provided with an 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:

- It was considered important that the risk register was in line with the business plan;
- The monitoring of the risk register was a continuous process;

- It was queried what assurance could be given in light of the serious case reviews which had taken place? Members were advised that the Executive Director for Children's Services had given assurance to the Corporate Management Board and the Scrutiny Committee that processes were in place. It was also noted that the recent Ofsted inspection of safeguarding had returned a rating of good;
- The Public Protection Board cut across various organisations and had been also been reviewing the area of safeguarding;
- It would be possible to track money spent on training through Agresso;
- It was queried whether risks around consultation be included in the risk register, but Members were advised that this would be included as part of the project risk register.

RESOLVED

That the Audit Committee note the current status of the strategic risks facing the Council.

55 STATEMENT OF ACCOUNTS 2014/15

Consideration was given to a report which summarised the changes to the Code of Practice on Local Authority Accounting which would be incorporated into the 2014/5 Statement of Accounts, the review of the Council's Statement of Accounts for de-cluttering as well as a review of the Council's Accounting Policies.

The Committee was guided through the report, and it was noted that KPMG, the Council's external auditors, were broadly supportive of the proposals.

RESOLVED

1. That the changes required to the Council's Statement of Accounts from the Code of Practice 2014/15 be noted;
2. That the notes to be removed from the 2014/15 Statement of Accounts be approved;
3. That the Statement of Accounting Polices (set out in Appendix A to the report) for use in the preparing the Council's accounts for the financial year ending 31 March 2015 be approved.

56 AGRESSO IMPLEMENTATION UPDATE

The Committee received a verbal update from the Chief Information and Commissioning Officer in relation to the implementation of Agresso. Members were informed that there was still a lot of work going on but a lot of progress had been made. However, everything had not yet been fully tested and signed off. In relation to payroll, it was noted that it had not been possible to do a clear parallel run test. Each time this had been attempted there had been a need to manipulate the data from SAP. Work was ongoing to correct this data, and the system would be run again later in the day.

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It was reported that this ability for Agresso to go live on 1 April 2015 was looking strong, but there would be some small areas of additional work required, but nothing that should affect the go live date. There would be some work to do on some of the interfaces.

In terms of the situation with the payroll, there would be an option to re-run the BACS tapes from March to ensure that everyone would be paid in April. However, it was commented that this would not be the preferred option as everyone's pay would be wrong due to the change in tax codes.

When Agresso went live it would be able to be used for HR, and staff would be able to update their details, and enter invoices and orders. Currently, it was mainly payroll which was causing an issue.

It was noted that the cost of putting the issues right was Serco's liability. Overall, it was thought that there would be some areas which would need to be corrected, but this would be manageable. The final decision on whether the system was ready to go live on 1 April 2015 would be made in the afternoon of 31 March. The decision in relation to payroll would be made in the middle of April.

RESOLVED

That the update be noted.

57 CASE MANAGEMENT SYSTEM (MOAIC) IMPLEMENTATION

The Committee received a verbal update from the Chief Information and Commissioning Officer in relation to the Case Management System (Mosaic) implementation. Members were advised that the go live date for Mosaic had been postponed as testing data migrations had not been successful to date. There was data from 17 different systems which needed to be migrated. It was thought that the go live date was now likely to be in July 2015.

Members were advised that payments which were linked with SAP such as the Abacus system for payments for adult care and payments of invoices, would be linked to Agresso so that the payments would continue to be made.

It was noted that an update on the implementation of the Mosaic system would be brought to the next meeting of the Audit Committee.

RESOLVED

1. That the update be noted;
2. That an update on the implementation of the Mosaic system be brought to the next meeting of the Audit Committee.

58 WORK PLAN

Consideration was given to a report which provided the Committee with information relevant to the core assurance activities currently scheduled for the 2014/15 work plan.

Members were advised that this was the last meeting where work had been programmed into the work plan, and any areas of assurance that the Committee felt should be considered would be picked up in the informal afternoon session that would follow this meeting.

It was noted that an update on the Library Service Action Plan was requested for the June meeting.

RESOLVED

That the Audit Committee's work plan be amended and updated following the informal afternoon session of the Committee.

The meeting closed at 1.05 pm

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Regulatory and Other Committee

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

Report to:	Audit Committee
Date:	22 June 2015
Subject:	Internal Audit Progress Report

Summary:

This report provides an update on progress made against the Audit Plan 2014/15 and provides summaries of all audits completed within the period March to May 2015.

Recommendation(s):

That the Committee notes the outcomes of Internal Audit work and identifies any actions it requires.

Background

This report provides summaries of all audit reports completed within the period 19th March to 31st May 2015. Further detail can be found in Appendix A, including:

- Key messages on Internal Audit work completed or in progress
- Other significant pieces of work undertaken
- Summaries of audits with Effective or Some Improvement Required
- Performance Information
- Full report on audits rated as Inadequate or Major Improvement Required
- Other matters of interest

Conclusion

This progress report outlines the key findings from each audit and offers more information on those areas which received an audit rating of inadequate or major improvement required.

During the period 19 March 2015 to 31 May 2015 we have completed 14 County audits, 7 to final report and 7 to draft report stage. In addition, a further 5 assignments were commissioned in the period. Overall we have completed 99% of the 2014/15 plan.

We have now assigned three auditors to advise / support the Agresso project post implementation, which is a significant audit resource – we are advising on operational issues from a risk and control perspective and carrying out extensive analysis and testing to provide assurance and/or identify the extent of the anomalies.

There are currently 12 audits in progress including the 2 Agresso post implementation assignments. All contracted 2014/15 Academy visits are complete and the 2015/16 visits are progressing in accordance with their agreements.

The Committee should note the outcomes of the audit work undertaken and identify any action required, seeking assurance that they:

- understand the level of assurances being given as a result of audit work and the impact on the Council's governance, risk and control environment
- ensure management action has or is being taken to improve controls / manage risks identified
- confirm appropriate progress being made on the delivery of the audit plan and performance targets

Consultation

a) Policy Proofing Actions Required

N/A

Appendices

These are listed below and attached at the back of the report	
Appendix A	Internal Audit Progress Report

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.



Public Sector Auditing.... Private Sector Thinking

Internal Audit Progress Report



Date: June 2015

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Contact Details:
Lucy Pledge CMIIA
Audit & Risk Manager



County Offices, Newland, Lincoln, LN1 1YG
☎:01522 553692 ✉ lucy.pledge@lincolnshire.gov.uk

Introduction

1. The purpose of this report is to:
 - Provide details of the audit work during the period 19 March 2015 to 31 May 2015
 - Advise on completion of the Audit Plan 2014/15 and audits underway in the 2015/16 programme
 - Raise any other matters that may be relevant to the Audit Committee role

Key Messages

2. During the period 19 March 2015 to 31 May 2015 we have completed 14 County audits, 7 to final report and 7 to draft report stage. In addition, a further 5 assignments were commissioned in the period and these are summarised at points 9 to 13 of this report. Overall we have completed 99% of the 2014/15 plan.
3. We have now assigned three auditors to advise / support the Agresso project post implementation, which is a significant audit resource – we are advising on operational issues from a risk and control perspective and carrying out extensive analysis and testing to provide assurance and/or identify the extent of the anomalies.
4. There are currently 12 audits in progress including the 2 Agresso post implementation assignments. All contracted 2014/15 Academy visits are complete and the 2015/16 visits are progressing in accordance with their agreements.
5. Outstanding recommendations will be followed up and reported to the July 2015 Audit Committee.

Internal Audit work completed in the period 19 March to 31 May 2015

6. The following audit work has been completed and a final report issued:

Effective	Some Improvement Required	Major Improvement Required	Inadequate
<ul style="list-style-type: none"> ■ Child Adolescent Mental Health Services ■ Key Financial Controls Testing 	<ul style="list-style-type: none"> ■ Capital Contracts ■ Sexual Health Services ■ Budget Management ■ Member Support ■ Ethnic Minority & Traveller Education 	<ul style="list-style-type: none"> ■ 	<ul style="list-style-type: none"> ■

Note: The assurance expressed is at the time of issue of the report but before the full implementation of the agreed management action plan. The definitions for each level are shown in Appendix 1.

7. Below is a summary of the areas where we gave the audit opinion of 'Some Improvement Required' or 'Effective':

Child Adolescent Mental Health Services – Effective

We found that through the commissioning arrangements for Children's Adolescent Mental Health Service, children and young people with mental health needs should receive a service which is designed to improve their outcomes. We confirmed a robust commissioning process has been followed and as lead commissioner for the service, Lincolnshire County Council is fulfilling its obligations. Effective governance arrangements are in place for monitoring the contract and performance under it.

Capital Contracts – Some Improvement Needed

We found the processes for managing each capital contract are adhered to with evidence of regular reviews and project positions routinely reported to senior management. Most project documentation is held electronically, with the exception of plans and drawings – although there is a standard file structure we found little consistency in the storage of documents and no checklist to record the status of each project through the gateway process.

We can confirm the gateway process and dashboard reporting provides clear information on the status of projects. We found this to be generally working well, but the accuracy of the project status could be affected by the storage inconsistencies.

Sexual Health Services – Some Improvement Needed

The Sexual Health Service is well managed with a clear governance structure in place, defined roles and responsibilities and regular contract meetings.

Performance information is regularly submitted, analysed, reported and discussed both at contract meetings and at the Programme Board and sub-group meetings. Issues re under-performance are addressed directly with the service provider.

Clear Terms of Reference exist for all sub-groups, however with the exception of two groups, there has been no formal approval or annual review. Revised Terms of Reference have yet to be formulated and agreed for the recently merged Sexual Health Implementation and Promotion groups.

There is no LCC Sexual Health Strategy yet in place; however the aims, objectives and outcomes of the Service are detailed within individual sub-group Action Plans. A needs assessment of the service is currently underway and once finalised will be used to formulate a Strategy. This will set out how the

Council plans to improve the sexual health of the local population, improve sexual health outcomes through integrated working and deliver the priorities of the Lincolnshire Joint Strategic Needs Assessment.

Budget Management – Some Improvement Needed

We found that the systems and process in place for budget monitoring are working well with budgets subject to regular reviews and routine budget reporting to senior management. Financial skills training has been provided to budget holders and this has been received positively, with budget holders confident that it equips them to perform their budget management duties. We also note that the support provided by budget operators and finance teams to budget holders continues to be an integral part of the budget management process and ensures timely and accurate preparation of budget reports.

The implementation of the new Agresso system will require a more 'self service' approach for managing budgets. It is important therefore, that sufficient training is provided to all budget holders to ensure they have the capacity and understanding of their responsibilities within the new Agresso system. There will be a need for greater emphasis on routine oversight to obtain ongoing assurances that budget holders are effectively discharging their responsibilities without the current levels of 'hands on' support.

Member Support – Some Improvement Needed

Our initial audit work identified a third party review recently completed by East Midlands Council (EMC) in preparation for reaccreditation. As such we re-scoped this work to assess the EMC review and identify any potential gaps in assurance. We were able to confirm that EMC have reported a largely positive position regarding member support and have agreed a formal action plan for improvements where necessary. We did not identify any gaps in their coverage and can place assurance on the work they have provided.

Ethnic Minority & Traveller Education – Some Improvement Needed

Our review found that the service has adapted its service delivery in response to challenging financial conditions. Points of good practice identified during the review included effective governance structures, good communication channels, a consistent application of the referral process and clear objectives for the service.

There was some scope to strengthen processes, specifically around strategic planning, risk management and performance management.

Audits in Progress

8. The following audits are currently in progress:

Audits at draft report stage:

- Incendi – Fire and Rescue Trading Company

- Strategic Property Management
- Joint Policy Working / Joint Local Plan
- Joint Commissioning Board
- Safeguarding Children – Organisational Learning
- Safeguarding Adults
- Transfer of the Pension Fund Administration

Fieldwork in progress

From the 2014/15 only the Wellbeing Service audit remains in progress – this has been deferred to July 2015 to allow this new service to become more established.

The following 2015/16 audits are in progress:

- Retention of Business Rates Pooling Arrangements
- Property – VINCI–Mouchel Contract
- 1 x school audit

Other Work

9. Agresso Project – Finance

We continue to work closely with the Agresso project team – post implementation – to provide guidance, support and assurance as needed. We have also provided additional resources to analyse data and help identify the extent of duplicate payments and payroll errors, to aid swift resolution.

10. Agresso Project – Payroll

Our review has focused on identifying and evaluating the controls in place within the 'end to end' payroll process. We will also review the arrangements for reporting and year end procedures. This audit aims to provide assurance that the Council has a payroll system that is robust, well controlled and fit for purpose.

11. CfBT School Improvement Service

Children's Services commissioned an audit investigation into the delivery of the School Improvement Service, specifically associated with special schools. Our work is complete and we are awaiting the management response in order to finalise the report.

12. Standards Complaint Investigation

The Council's Monitoring Officer commissioned us to carry out an independent investigation in the complaint. This was the first investigation of this kind under the new local arrangements – the work is complete and the process has now concluded.

13. Mouchel – SAP Licences

We carried out some work on the allocation of costs associated with Mouchel's management of the SAP licences – this information was forwarded to senior managers to assist with end of contract negotiations.

Performance Information

14. Our performance against targets for 2014/15 is shown in the analysis below:

Performance Indicator	Target	Actual
Percentage of plan completed (based on revised plan)	100%	99%
Percentage of recommendations agreed	100%	100%
Percentage of recommendations implemented	100% or escalated	Measured at year end
Timescales:		
Draft Report issued within 10 days of completion	100%	100%
Final Report issued within 5 days of management response	100%	92%
Draft Report issued within 2 months of fieldwork commencing	80%	69% ¹
Client Feedback on Audit (average)	Good to excellent	Good to excellent

We have reviewed the audit plan to re-assess our priorities and the key risks facing the Council. Our current audit plan and schedule can be found in Appendix 3.

¹ Including Schools

Appendix 1 - Assurance Definitions²

<p>Effective</p>	<p>Our critical review or assessment on the activity gives us a high level of confidence on service delivery arrangements, management of risks, and the operation of controls and / or performance.</p> <p>The risk of the activity not achieving its objectives or outcomes is low. Controls have been evaluated as adequate, appropriate and are operating effectively.</p> <p>As a guide there are a few low risk / priority actions arising from the review.</p>
<p>Some improvement needed</p>	<p>Our critical review or assessment on the activity gives us a reasonable level of confidence (assurance) on service delivery arrangements, management of risks, and operation of controls and / or performance.</p> <p>There are some improvements needed in the application of controls to manage risks. However, the controls have been evaluated as adequate, appropriate and operating sufficiently so that the risk of the activity not achieving its objectives is medium to low. A few specific control or risk issues identified.</p> <p>As a guide there are low to medium risk / priority actions arising from the review.</p>
<p>Major improvement needed</p>	<p>Our critical review or assessment on the activity identified numerous concerns on service delivery arrangements, management of risks, and operation of controls and / or performance.</p> <p>The controls to manage the key risks were found not always to be operating or are inadequate. Therefore, the controls evaluated are unlikely to give a reasonable level of confidence (assurance) that the risks are being managed effectively. It is unlikely that the activity will achieve its objectives.</p> <p>As a guide there are numerous medium and a few high risk / priority actions arising from the review.</p> <p>Our work did not identify system failures that could result in any of the following:</p> <ul style="list-style-type: none"> - damage to the Council's reputation - material financial loss - adverse impact on members of the public - failure to comply with legal requirements
<p>Inadequate</p>	<p>Our critical review or assessment on the activity identified significant concerns on service delivery arrangements, management of risks, and operation of controls and / or performance.</p> <p>Our work identified system failures that could result in any of the following:</p> <ul style="list-style-type: none"> - damage to the Council's reputation - material financial loss - adverse impact on members of the public - failure to comply with legal requirements <p>There are either gaps in the control framework managing the key risks or the controls have been evaluated as not adequate, appropriate or are not being effectively operated. Therefore the risk of the activity not achieving its objectives is high.</p> <p>As a guide there are a large number of high risks / priority actions arising from the review.</p>

² These definitions are used as a means of measuring or judging the results and impact of matters identified in the audit. The assurance opinion is based on information and evidence which came to our attention during the audit. Our work cannot provide absolute assurance that material errors, loss or fraud do not exist.

Appendix 2 – Internal Audit Plan 2015/16

Area	Indicative Scope	Planned start date	Actual start date	Final Report date	Status / Assurance opinion
Executive Director – Pete Moore					
Emergency Planning and Business Continuity	Review the Council's arrangements and resilience to respond and recover to a major event / incident.	Jun 2015			
Property – VINCI-Mouchel Contract	Consultancy assignment to support the business in developing the governance, management and monitoring arrangements for the new VINCI-Mouchel property contract	Apr 2015	Apr 2015		Assignment in progress
Business Rates Pool	Review of methodology used to calculate the additional income generated from pooling to confirm this aligns to national guidance and the MOU and verify calculations are based on correct data.	May 2015	May 2015		Audit in progress
Agresso Finance system	Consultancy assignment to support the business in ensuring efficacy of the new finance system.	Apr 2015	Apr 2015		Assignment in progress
Agresso Payroll system	Consultancy assignment to support the business in ensuring efficacy of the new payroll system.	Apr 2015	Apr 2015		Assignment in progress
Executive Director – Richard Wills					
Joint waste management strategy	Review to provide assurance on arrangements and progress for the district waste strategy. To include assessment of financial benefits and district engagement.	Nov 2015			

Adult Learning	Review of the financial arrangement in to confirm adequate financial control and sustainability				
Director of Children Services – Debbie Barnes					
Families Working Together	To provide audit support as per the requirements of the grant on a quarterly basis	Jun 2015	Jun 2015		
Raising the Participation Age (project) / Tracking the Status of 16 – 18 year olds in education, employment or training (critical activity)	<p>From September 2013, all 17 year olds had a duty to participate in education, employment or training. This extends to 18 year olds from September 2014.</p> <p>To review the arrangements in place that ensure young people are aware of their duty to participate and that there will be sufficient provision available. This could include how the LA are identifying young people that are not in education or training, including data sharing arrangements with Educational Institutions.</p>	Jun 2015			
People Management	Application of the council's Sickness Absence Policy	Oct 2015			
Schools	Periodic audits of maintained schools.	Jun 2015			
CfBT – school improvement service	Follow up audit to provide assurance around the application of CfBT's revised monitoring protocol across all education settings.	July 2015			
Director of Adult Services – Glen Garrod					
Transformation Programme	Review, advice and guidance around the transformation programmes within Social Care, including the Case Management System and Lincolnshire Health and Adult Care - considering the design and application of the				

	governance structure. To provide proactive advice and support on governance, managing key risks and effective internal control.				
Lincolnshire Quality Assurance Framework (safeguarding)	Co-ordinate a self-assessment using the framework to provide positive assurance to the Lincolnshire Adult Safeguarding Board				
Workforce Development	A review of training planning and delivery arrangements.				
Director of Public Health – Tony Hill					
Review of Coroner's Officers	To provide assurance in the following areas: <ul style="list-style-type: none"> ■ the structure is fit for purpose ■ demand and case management ■ IT use ■ agile working ■ leadership, governance and cultural ■ local working practice 				Outcome of peer review now received – scope of work currently being assessed.
ICES	Scope to be confirmed.				
Chief Information and Commissioning Officer – Judith Hetherington-Smith					
EU procurement changes	Review of the procurement regulations to ensure that the necessary changes have been implemented.				
ICT Infrastructure and service delivery	Work is underway to finalise ICT assurance map and status report – this will inform the choice of audits in this section of the plan.				

	Scheduling of individual ICT audits will be agreed when the assurance map is finalised.				
Due Diligence					
- Those systems that support the running of the Council and ensure compliance with key policies					
Human Resources – SERCO	To provide assurance that the approach to managing the contract and transfer of staff is adequate to ensure continued support for the business				
Key Control Testing	Delivery of key control testing to enable the Head of Internal Audit to form an opinion on the Council’s financial control environment.				
<ul style="list-style-type: none"> • Bank Reconciliation • General Ledger • Payroll • Income • Creditors • Budget Management – Agresso reporting • Treasury Management • Debtors 	<p>Key systems that support the running of the Council's business and ensure compliance with corporate policies and legal requirements.</p> <p>How often Internal Audit review these activities depends on previous assurance opinions, when we last examined the activity and if there has been any significant changes to the system or senior management. We also consider the requirements of External Audit.</p>				
ICT audit					
ICT	<p>ICT plays a vital role in supporting the Council's business and customer interface. Possible areas identified on the assurance map include:</p> <ul style="list-style-type: none"> ■ ICT strategy 				

	<ul style="list-style-type: none"> ■ Disaster recovery & resilience ■ Key Application Audit – Agresso and Case Management System (MOSIAC) 				
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Emerging Issues and Key Risks				
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To enable Internal Audit to respond to changes during the year we will meet regularly with Senior Management to agree which areas to focus our audit assurance work.

The following areas have been identified through our risk assessment and on the assurance map as possible areas to focus audit activity:

Executive Director – Pete Moore

- Youth Offending
- Trading Standards

Executive Director – Richard Wills

- Flood Management
- Lincolnshire Supported Bus Service
- Capital Projects
- Highways Maintenance – Revenue Contract

Director of Children Services – Debbie Barnes

- Exclusions
- Special Educational Needs and Disabilities Reform
- Closing the Gap
- Social care and SEND transport

Director of Adult Services – Glen Garrod

- Mental Health Services
- Carers

Director of Public Health – Tony Hill

- Customer Service Centre
- Health Improvement, prevention and self-management
- Integrated & Equipment Service

Chief Information and Commissioning Officer – Judith Hetherington-Smith

- Procurement Cards
- Procurement Lincolnshire – Governance

Due Diligence Areas

- Big Society Member Grants
- Partnership Management
- Corporate Complaints
- Records Management
- FOI and Transparency Agenda
- Impact Assessments

Other relevant Areas					
Combined Assurance	Updating assurances on the Council's assurance map with senior managers and helping to co-ordinating the annual status report.				
Follow up of Recommendations	Audit Reports issued during 2014/15 where an audit opinion of 'major improvement' or 'inadequate' will be followed to establish progress in implementing agreed management actions.				
Advice & Liaison					
Annual Report					
Annual Governance Statement					
Audit Committee					
Total Planned Days 1230					

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Regulatory and Other Committee

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

Report to:	Audit Committee
Date:	22 June 2015
Subject:	External Audit Progress Report

Summary:

Report from KPMG, the County Council's External Auditors, giving an update on the 2014/15 Audit deliverables.

Recommendation(s):

The Committee considers the progress report and identify any further information/actions that might be required.

Background

Appendix A is KPMG's report providing an update. This includes

- Audit Plan 2014/15
- Audit Fee update
- Other work
- Technical update

Conclusion

The report provides assurance over the progress and delivery of the external audit plan and that any risks to successful production of the financial statements and audit are being managed.

Consultation

a) Policy Proofing Actions Required

n/a

Appendices

These are listed below and attached at the back of the report	
Appendix A	External Audit Progress Report

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 Tony Crawley, who can be contacted on 0116 256 6070 or tony.crawley@kpmg.co.uk.



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External audit progress report and technical update

Lincolnshire County Council

June 2015

This report provides the audit committee with an overview on progress in delivering our responsibilities as your external auditors.

The report also highlights the main technical issues which are currently having an impact in local government.

If you require any additional information regarding the issues included within this report, please contact a member of the audit team.

We have flagged the articles that we believe will have an impact at the Authority and given our perspective on the issue:

- High impact
- Medium impact
- Low impact
- For info

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PROGRESS REPORT					
External audit progress report					3
KPMG RESOURCES					
KPMG/Shelter report: Fix the housing shortage or see house prices quadruple in 20 years					5
Governance Arrangement work over the Better Care Fund					6
Better Care Fund Support Programme					7
Audit Committee Institute: Local Government Seminar Series – Winter 2015					8
TECHNICAL UPDATE					
Transfer of Audit Commission responsibilities from 1 April 2015	●	10	CIPFA Treasury and Capital Management Panel bulletin – April 2015 update	●	13
The Accounts and Audit Regulations 2015	●	11	NAO Code of Audit Practice 2015/16	●	14
LAAP Bulletin 103: closure of the 2014/15 accounts and related matters	●	12			
APPENDIX					
Appendix 1 – 2014/15 audit deliverables					



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Progress report

This document provides the Audit Committee with a high level overview on our external audit planning.

At the end of each stage of the audit we issue certain deliverables, including

Reports and opinions. A summary of progress against these deliverables is provided in Appendix 1 of this report.

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<p>Audit Plan 2014/15</p>	<p>We presented our detailed annual plan to the Audit Committee in March 2015. This highlighted the key risks to our audits of the County Council and Pension Fund accounts at the planning stages, the first two of which are standard risks for all organisations;</p> <ul style="list-style-type: none"> • Management override of controls; • Fraudulent revenue recognition; • Accounting for local authority maintained schools; and • Local government Pension Scheme reform. <p>We also highlighted the risks around the ongoing changes to the Council's financial systems and support services provider, and the changes in the provider of the pension fund administration services, from 1 April 2015.</p> <p>In April we completed our interim audit visit where we carried out audit testing on a number of controls, including those around journals, bank reconciliations, payroll, pensions and fixed assets. There are no 2014/15 internal control issues arising from this work that we need to bring to the Audit Committee's attention.</p> <p>We have reviewed the Council's in-year financial position and the 2015-16 budget and medium term financial outlook. We have discussed with managers the arrangements for managing the changes to the Council and Pension Fund financial systems and the support services providers, and monitored progress. We will continue to review progress and take our findings and conclusions into account in the Value for Money Conclusion assessment which we will report to the Audit Committee in September 2015. .</p> <p>We have continued to discuss with managers the 2014/15 financial reporting arrangements and specific accounting issues, including the key risks identified above. We have agreed a timetable and approach which takes into account the 1 April 2015 financial systems change from SAP to Agresso. The detailed on-site work is due to start 15 June 2015. There is nothing that we need to raise with the Audit Committee in relation to the audit of the accounts from the work we have carried out to date.</p>
<p>Audit fee update</p>	<p>At this stage the proposed audit fee remains the same as that notified to the Authority in March 2015, that is £143,100 for the Council's audit and £24,350 for the Pension Fund. We will discuss with managers the fee implications of the additional work required to address the key risks identified for this year and will report any agreed additional fees in our Annual Governance Report to the September Audit Committee.</p>
<p>Other work</p>	<p>We were engaged to work with the staff of the Learners with Learning Difficulties and/or Disabilities Team' to support them in their review and analysis of their High Needs Students services. We have fed back our findings and conclusions to the relevant service managers and there are no issues we need to raise with the Audit Committee.</p> <p>We have discussed with managers the arrangements for submitting the 2014/15 Teachers' Pension Return and we expect to again issue an Independent Accountant's 'Reasonableness Assurance Report' later in the year. The deadline for this work is 30 November 2015.</p>



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KPMG resources

Area	Comments
<p>Governance Arrangements work over the Better Care Fund.</p> <p>Page 44</p>	<p>The £3.8 billion Better Care Fund (BCF) (formerly the Integration Transformation Fund) was announced by the Government in the June 2013 Spending Round, to ensure a transformation in integrated health and social care. The BCF is a single pooled budget to support health and social care services to work more closely together in local areas. The BCF not only brings together NHS and Local Government resources, but also provides a real opportunity to improve services and value for money, protecting and improving social care services by shifting resources from acute services into community and preventative settings.</p> <p>The governance arrangements for the BCF will therefore have to meet the requirements of all partners to achieve economy, efficiency and effectiveness in their use of resources. Each partner will also need to satisfy itself that the pooled budget complies with the requirements of its appropriate code of governance and annual governance reporting guidance.</p> <p>Each partner must also satisfy itself that all other regulatory requirements are met – for example, that discrete funding streams are only spent appropriately at a local level. Partners therefore need to make arrangements to ensure that that is happening. Additionally, there will be a requirement for an audit certificate on this expenditure and arrangements need to be in place to ensure appropriate records are kept to provide sufficient audit assurance.</p> <p>With this in mind, CCG governing bodies and Local Authority Executives are now considering whether governance arrangements and structures are fit for purpose and will ensure the effective management of the BCF and the pace of development and implementation.</p> <p>KPMG is currently nationally carrying out reviews of these governance arrangements and structures using the following Key Lines of Enquiry:</p> <ul style="list-style-type: none"> ■ Governance arrangements. ■ Engagement and communication. ■ Hosting arrangements. ■ Signed agreement. ■ Performance management. ■ Financial management. <p>For more information, please contact your Engagement Lead, Tony Crawley.</p>

Area	Comments
<p data-bbox="64 322 269 539">KPMG/Shelter report: Fix the housing shortage or see house prices quadruple in 20 years</p> <p data-bbox="45 725 91 882" style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 45</p>	<p data-bbox="292 322 1991 411">Without a radical programme of house building, average house prices in England could double in just ten years to £446,000 at current prices, according to research. In twenty years they could quadruple, with the average house price estimated to rise to over £900,000 at current prices by 2034 if current trends continue.</p> <p data-bbox="292 434 1991 494">The research from KPMG and Shelter also reveals that more than half of all 20-34 year olds could be living with their parents by 2040, as soaring housing costs caused by the shortage of affordable homes leave more and more people priced out of a home of their own.</p> <p data-bbox="292 516 1991 605">The warning comes in a landmark report from KPMG and Shelter outlining how the 2015 government can turn the tide on the nation's housing shortage within a single parliament. With recent government figures showing that homeownership in England has been falling for over a decade, the consequences of our housing shortage are already being felt.</p> <p data-bbox="292 628 1991 688">The report sets out a blueprint for the essential reforms that will increase the supply of affordable homes and stabilise England's rollercoaster housing market. It calls on politicians to commit to an integrated range of key measures, including:</p> <ul data-bbox="292 711 1991 1082" style="list-style-type: none"> ■ giving planning authorities the power to create 'New Homes Zones' that would drive forward the development of new homes. Combined with infrastructure, this would be led by local authorities, the private sector and local communities, and self-financed by sharing in the rising value of the land; ■ unlocking stalled sites to speed up development and stop land being left dormant, by charging council tax on the homes that should have been built after a reasonable period for construction has passed; ■ introducing a new National Housing Investment Bank to provide low cost, long term loans for housing providers, as part of a programme of innovative ways to finance affordable house building; ■ helping small builders to get back into the house building market by using government guarantees to improve access to finance; and ■ fully integrating new homes with local infrastructure and putting housing at the very centre of City Deals, to make sure towns and cities have the power to build the homes their communities need. <p data-bbox="292 1105 1991 1165">To read the report, visit www.kpmg.com/UK/en/IssuesAndInsights/ArticlesPublications/Pages/building-the-homes-we-need-programme-2015.aspx</p> <p data-bbox="292 1188 1991 1210">For more information, please contact your Engagement Lead, Tony Crawley.</p>

Area	Comments
<p data-bbox="47 544 89 704" style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 46</p> <p data-bbox="64 325 244 415">Better Care Fund Support Programme</p>	<p data-bbox="292 325 1989 415">The Better Care Fund Support Programme aims to help areas to overcome the barriers to the successful implementation of the Better Care Fund plans across England in 2015/16. KPMG is one of the partners that successfully bid to deliver the programme, on behalf of NHS England, alongside the Social Care Institute for Excellence ('SCIE'), PPL Consulting and the Berkeley Partnership.</p> <p data-bbox="292 436 1736 462">The focus has been on practical implementation support to deliver better care for the local population. Support has included:</p> <ul data-bbox="292 484 1906 682" style="list-style-type: none"> ■ Conferences, webinars and regional clinics – to explore the barriers to change and develop local plans to overcome them; ■ The Better Care Exchange – an online interactive space for knowledge sharing and collaboration (currently in development); ■ Virtual clinics – telephone support for BCF leads to discuss individual site issues with integration experts; and ■ Coaching and support – to enable good practice and insight gathering from within the BCF programme to support Better Care Learning Partners. <p data-bbox="292 704 1011 729">A number of 'How to guides' have been developed on how to:</p> <ul data-bbox="292 751 1939 906" style="list-style-type: none"> ■ lead and manage Better Care implementation: www.scie.org.uk/about/files/nhs-england-bcf-leadership-how-to-guide.pdf ■ bring budgets together and use them to develop coordinated care provision: www.scie.org.uk/about/files/nhs-england-bcf-budgets-how-to-guide.pdf ■ work together across health, care and beyond: www.scie.org.uk/about/files/how-to-work-together-across-health-care-and-beyond.pdf <p data-bbox="292 928 1777 953">The support programme also includes webinars. Further webinars are scheduled, but at present they cover the following topics:</p> <ul data-bbox="292 975 1065 1096" style="list-style-type: none"> ■ Joint working; ■ Section 75 Arrangements – Pooled and unpooled budgets; and ■ Data sharing: <p data-bbox="292 1118 1970 1176">More details on the programme, and a link to the webinar recordings, can be found on the SCIE website at www.scie.org.uk/about/partnerships-better-care.asp</p> <p data-bbox="292 1198 1183 1223">For more information, please contact your Engagement Lead, Tony Crawley.</p>

Area	Comments
Audit Committee Institute: Local Government Seminar Series – Winter 2015	<p>Our Audit Committee Institute ('ACI') events have been designed to provide you with sessions that help you consider the challenges faced by Local Government bodies today, and to help you think about the questions you want to be asking in relation to the assurance you need.</p> <p>Our bespoke seminars are tailored to your needs, offering you the opportunity to discuss and share best practice with your peers. They will encourage and spark debate and give you the opportunity to reflect on your role and how your organisation can meet the challenges ahead.</p> <p>Our Winter Local Government sessions will be led by specialists from our dedicated Local Government practice and will focus on hot topics in the sector.</p> <p>Invites will be sent to Audit Committee members in Summer 2015.</p> <p>For more information, please contact your Engagement Lead, Tony Crawley.</p>



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Technical update

Area	Level of impact	Comments	KPMG perspective
<p>Transfer of Audit Commission responsibilities from 1 April 2015</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 49</p>	<p style="text-align: center;">● Low</p>	<p>The work that auditors will carry out on 2015/16 accounts will be completed under the new Code of Audit Practice ('the Code') that the NAO is developing. Under the <i>Local Audit and Accountability Act 2014</i> the Audit Commission's responsibility to prepare and publish a Code transferred to the NAO.</p> <p>From 1 April 2015, Public Sector Audit Appointments ('PSAA'), set up by the Local Government Association as an independent company, oversees the Commission's audit contracts until they end in 2017, or 2020 if extended by DCLG. PSAA's responsibilities will include setting fees, appointing auditors and monitoring the quality of auditors' work. The responsibility for making arrangements for housing benefit subsidy certification and for publishing the Commission's value for money profiles tool will also transfer to PSAA.</p> <p>The Commission's other functions will also transfer to new organisations, with local value for money studies as well as responsibility for the Code of Audit Practice transferring to the NAO. Following its public consultation, the NAO's final draft Code of Audit Practice was laid in Parliament on Monday 12 January 2015. The Code will apply for audits relating to financial year 2015/16 and beyond; 2014/15 audits will continue under the existing Audit Commission's 2010 Code.</p> <p>The National Fraud Initiative continues and has now been transferred to the Cabinet Office.</p> <p>The Commission recently wrote to audited bodies and other stakeholders with more information about the transfer of the Commission's functions and where to find details on specific questions.</p> <p>The PSAA website: www.psa.co.uk/</p> <p>The NAO website: www.nao.org.uk/code-audit-practice/#</p> <p>The Cabinet Office website: www.gov.uk/government/collections/national-fraud-initiative</p>	<p><i>The Committee may wish to enquire of officers whether they have received any such communications from the Audit Commission and the details of any response.</i></p>

Area	Level of impact	Comments	KPMG perspective
<p>The Accounts and Audit Regulations 2015</p> <p>Page 50</p>	<p>● Low</p>	<p>The <i>Accounts and Audit Regulations 2015</i> ('the Regulations') have been laid before Parliament. Authorities should note, however, that the 2011 regulations, which were issued under the Audit Commission Act 1998, continue to apply for the completion of 2014/15 audits.</p> <p>The County Council is a Category 1 authority under the Regulations. As such, the major changes arising from the regulations will be:</p> <ul style="list-style-type: none"> ■ the removal of the 30 June deadline for the section 151 officer to certify the financial statements; and ■ moving the deadline for issuing the audit certificate and publishing the financial statements from 30 September to 31 July, from 2016/17 onwards. <p>The rest of the 2015 regulations come into effect for financial years beginning on or after 1 April 2015 and therefore will first apply for 2015/16 audits.</p> <p>The Regulations can be found on the UK Legislation website at www.legislation.gov.uk/uksi/2015/234/contents/made</p>	<p><i>The Committee may wish to note that these regulations only apply from the 2015/16 audit, and consider the timing of the 2015/16 and 2016/17 audits.</i></p>

Area	Level of Impact	Comments	KPMG perspective
LAAP Bulletin 103: closure of the 2014/15 accounts and related matters	<p style="text-align: center;">● Low</p>	<p>On 27 March CIPFA issued <i>LAAP Bulletin 103: closure of the 2014/15 accounts and related matters</i> which clarifies a number of issues with regard to the preparation of 2014/15 financial statements in response to FAQs in relation to:</p> <ul style="list-style-type: none"> ■ accounting for local authority maintained schools in England and Wales; ■ accounting for local authority maintained schools transferring to academy status; ■ <i>LAAP Bulletin 102: accounting for collaboration – transition issues</i>; and ■ amendments to the 2015/16 Code regarding the frequency of valuations. <p>The Bulletin also highlights a number of other issues affecting the closure of the 2014/15 accounts:</p> <ul style="list-style-type: none"> ■ accounting standards that have been issued but have not yet been adopted, including IFRS 13 Fair Value Measurement; ■ use of example financial statements for preparation of the 2014/15 accounts; and ■ technical alerts, including changes to holiday pay calculations following recent Employment Appeal Tribunal rulings and NDR provisions for refunds granted on appeal against the rateable value of business properties. <p>For future accounting periods, the Bulletin also provides an update on issues affecting 2015/16 and on the measurement of transport infrastructure assets in 2016/17. CIPFA has now issued the guidance notes in support of its Code of Practice on transport infrastructure assets. The final section of the Bulletin includes an update from HM Treasury and the Department for Communities and Local Government covering the Whole of Government Accounts return for 2014/15.</p> <p>The bulletin can be found on CIPFA’s website at www.cipfa.org/policy-and-guidance/laap-bulletins/laap-103-closure-201415-accounts</p>	<p><i>We have discussed the relevant 2014/15 issues raised in the LAAP Bulletin with managers and the agreed audit approach takes these into account.</i></p> <p><i>The Committee may wish to seek assurances from managers that the 2015/16 and 2016/17 issues, particularly the accounting requirements for transport infrastructure assets, are being considered.</i></p>

Area	Level of Impact	Comments	KPMG perspective
<p>CIPFA Treasury and Capital Management Panel bulletin – April 2015 update</p>	<p>● Low</p>	<p>CIPFA’s Treasury and Capital Management Panel has issued its latest bulletin. These bulletins contain topical treasury management issues which may be of relevance to local authority treasury teams. The latest bulletin covers:</p> <ul style="list-style-type: none"> ■ Public Works Loan Board (PWLB) governance changes; ■ regulatory changes; ■ Lender’s Option, Borrower’s Option loans (LOBOs); ■ IFRS 13 and IFRS 9; ■ Islamic finance; ■ publications update; and ■ UK Municipal Bonds Agency. <p>The bulletin can be found on CIPFA’s website at www.cipfa.org/policy-and-guidance/technical-panels-and-boards/treasury-and-capital-management-panel/newsletters-and-bulletins</p>	<p><i>The Committee may wish to seek assurances that the issues that are relevant for their treasury management teams are being addressed.</i></p>

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Area	Level of impact	Comments	KPMG perspective
NAO Code of Audit Practice 2015/16	<p style="text-align: center;">●</p> <p style="text-align: center;">Low</p>	<p>Following its public consultation, the NAO’s final draft Code of Audit Practice has now been approved.</p> <p>The Code will apply for audits relating to financial year 2015/16 and beyond. The former Audit Commission Code continues to apply for 2014/15 audits</p> <p>Further details can be found on the NAO website at http://www.nao.org.uk/code-audit-practice/</p>	<p><i>The Committee may wish to seek assurances that the finance department is aware of the requirements of the Code for the 2015/16 Audit.</i></p>



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Appendix

Appendix 1 – 2014/15 Audit deliverables – Authority and Pension Fund

Deliverable	Purpose	Timing	Status
Planning			
Fee letter	Communicate indicative fee for the audit year	April 2014	Issued April 2014
External audit plan	Outline our audit strategy and planned approach Identify areas of audit focus and planned procedures	February 2015	Final (Audit Committee March 2015)
Interim			
Interim progress report	Details and resolution of control and process issues. Identify any improvements required prior to the issue of the draft financial statements and the year-end audit. Initial VFM assessment on the Council's arrangements for securing value for money in the use of its resources.	June 2015	June 2015
Substantive procedures			
Report to those charged with governance (ISA+260 report)	Details the resolution of key audit issues. Communication of adjusted and unadjusted audit differences. Performance improvement recommendations identified during our audit. Commentary on the Council's value for money arrangements.	September 2015	
Auditor's report	Providing an opinion on your accounts (including the Annual Governance Statement). Concluding on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the VFM conclusion).	September 2015	
WGA	Concluding on the Whole of Government Accounts consolidation pack in accordance with guidance issued by the National Audit Office.	September 2015	
Annual audit letter	Summarise the outcomes and the key issues arising from our audit work for the year.	November 2015	



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Regulatory and Other Committee

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

Report to:	Audit Committee
Date:	22 June 2015
Subject:	Counter Fraud Annual Report 2014/2015

Summary:

This report provides information on the overall effectiveness of the Authority's arrangements to counter fraud and corruption and reviews the delivery of the 2014/15 counter fraud work plan.

Recommendation(s):

To consider the overall effectiveness of the Council's arrangements to counter fraud and corruption and the progress made to implement policy.

Background

The Counter Fraud Annual Report provides an overview of the fraud proactive and investigation work completed over the year. This summary provides information to enable the Committee to review the outcomes and overall effectiveness of the Council's arrangements. The progress reports submitted throughout the year and this annual report are the key sources of assurance on the adequacy of Council's counter fraud activities.

Conclusion

The Council's counter fraud commitment and arrangements remain strong – in recent years we have achieved excellent results in terms of recovering fraud losses and whilst we haven't had the same levels of recovery in 2014/15, we have been able to realise other outcomes from our investigations and apply appropriate and robust sanctions in line with our Counter Fraud Policy. These include successful prosecutions, dismissal and/or resignations. We have recovered £25.5k in year and expect a further £28.8k shortly.

During 2014/15, the Council has increased the emphasis on its fraud awareness activities to ensure it maintains a strong counter fraud response. Our promotion campaign has been aimed at developing general awareness and knowledge of fraud but it has also been targeted at specific areas of high fraud risk – for example social care, procurement and contract fraud.

The newly formed CIPFA Counter Fraud Centre recently developed and produced a Code of Practice on Managing the Risk of Fraud and Corruption. There are 5 key principles within the code and these build upon the main themes previously identified within the Local Government Fraud Strategy (Fighting Fraud Locally):

- Acknowledge responsibility of the governing body for countering fraud and corruption
- Identify the fraud and corruption risks
- Develop an appropriate counter fraud and corruption strategy
- Provide resources to implement the strategy
- Take action in response to fraud and corruption

The Counter Fraud and Investigation Team can assist the audit committee through a regular programme of self-assessment to ensure that the Council's counter fraud arrangements continue to conform with the principles contained within the code. CIPFA are due to produce an assessment tool to support this process.

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 Annual Report

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.



Public Sector Auditing Private Sector Thinking

Counter Fraud Annual Report 2014/2015



Date: June 2015

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Contact Details:
Lucy Pledge CMIIA
Head of Audit & Risk Management



County Offices, Newland, Lincoln, LN1 1YG
☎:01522 553692 ✉ lucy.pledge@lincolnshire.gov.uk

Introduction

1. The purpose of this report is to:
 - Review the delivery of our 2014/15 Counter Fraud Work Plan
 - Provide information on the overall effectiveness of the Authority's arrangements to counter fraud and corruption

Background

2. There have been significant developments in counter fraud during 2014/15. Following the decision to transfer benefit fraud investigation staff to the Single Fraud Investigation Service, the Department of Communities and Local Government (DCLG) announced a £16m Counter Fraud Fund to ensure that councils could maintain their response to the threat of Corporate Fraud (i.e. non-benefit fraud). Bids for funding were encouraged to be innovative, collaborative and sustainable. We submitted two bids for funding and one of these was successful.
3. CIPFA launched its Counter Fraud Centre (CCFC) in July 2014. This body is the lead and co-ordinates the fight against fraud and corruption across the public services. The CCFC has close links to the Department of Communities and Local Government (DCLG), the National Crime Agency and the Cabinet Office and is the new 'home' for the Local Government Fraud Strategy known as 'Fighting Fraud Locally'. CCFC are dedicated to helping organisations save money through increasing their ability to detect, prevent and recover losses from fraud.
4. Since the formation of CCFC they have developed a Code of Practice on Managing the Risk of Fraud and Corruption. It is encouraging that Lincolnshire County Council already adhere to the 5 key principles identified within the code and has all fraud related policies recommended in place.
5. The final 'Protecting the Public Purse Report (2014)' from the Audit Commission was published in October 2014 – this body has now formally closed. In future, the document will be produced by the CIPFA Counter Fraud Centre. The 2014 report told us that the national estimate of the annual cost of fraud at £2.1 billion still applies. The report re-iterated the need for councils to focus upon non-benefit areas that carry high fraud risks – these include social care and procurement fraud. These are two areas where we have employed increased awareness and pro-active work designed to detect fraud during 2014/15. The report also suggests a correlation between the decrease in detected fraud in some areas with the fall in dedicated fraud resources available.
6. For our part, Lincolnshire County Council has maintained its dedicated counter fraud and investigative resource at the same level for several years. This

demonstrates the strong commitment of the council to reducing fraud and error and is supported by the savings and recoveries made over this time.

7. We have focused strongly on awareness and promotional work during 2014/15. Material publicising our counter fraud and whistleblowing arrangements was distributed across all areas of the council and to our partners and contractors. We have also reinforced the general counter fraud message with regular articles within bulletins and publications aimed at increasing awareness of fraud and further strengthening the anti-fraud culture.
8. We have also carried out targeted work in specific high risk fraud areas. For instance, we have now completed our programme of awareness sessions with Social Care and Safeguarding teams – these were aimed at improving their understanding of the potential for fraud in their area and encouraging officers to raise and discuss their concerns with us. As a direct result of the workshops the number of social care cases referred for follow up has increased significantly and we have recently had a successful prosecution and recovery. Closer links between officers have been established that allow potential issues to be discussed and advice provided – so far these are proving to be very effective.

We have embarked on similar awareness work on procurement fraud and have met with contract leads to discuss delivery of workshops to contract management teams across the Council. We have delivered a pilot session to officers within Children's Services – this was well received and will be rolled out to other contract teams in 2015/16.

Investigations into suspected fraud 2014/15

9. We received 23 new potential fraud referrals during 2014/15 – an increase on previous years and mainly due to the targeted awareness work with social care officers. The total estimated value of fraud associated with these cases was £43k. We found an increase in low level fraud e.g. mileage claims, abuse of assets and abuse of time where we were unable to estimate the loss. Similarly, we have 12 financial abuse cases which we are in the process of establishing the extent of the loss and will include in future progress reports.

10. Results during 2014/15:

- A female was convicted of fraud by failing to disclose information. This related to Direct Payments from the Council made in respect of her father's care. The individual was in charge of his financial affairs and failed to disclose that he had passed away 12 months earlier. This allowed payments to continue which she used for her own benefit. The individual pleaded guilty to the offence and received a Community Service Order of 200 hours and was required to pay court fees of £85 and a victim surcharge of £60. They also repaid the stolen monies (£7,786). This case was a direct result of fraud awareness sessions with social care teams - a team manager raised the issue

at a workshop, we gathered the relevant information through our investigation, prepared a case file and referred the matter to Lincolnshire Police.

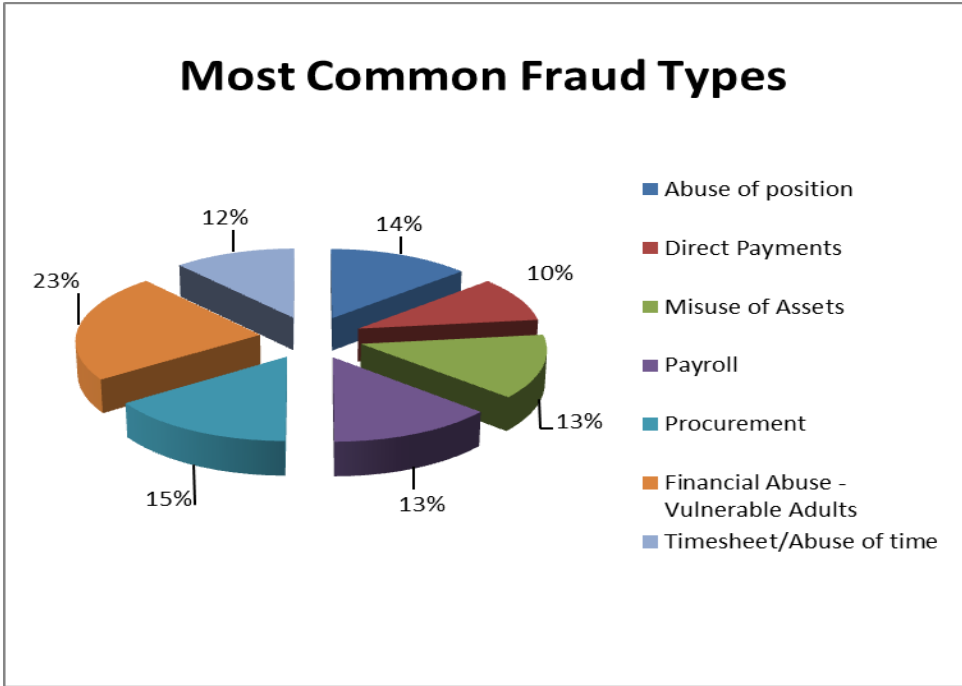
- An employee was found guilty of Taking a Vehicle Without Consent and received an 18 month Community Service Order and was required to pay costs of £85. The individual's driving licence was also endorsed with 6 penalty points. This case related to unauthorised use of a Council vehicle - we completed our own employment investigation and they were summarily dismissed.
- An employee was investigated following allegations they were using the council's time and facilities to conduct their own online business. In addition to this, they used the council's postage system for correspondence relating to the private business. The individual resigned before the disciplinary hearing.

11. The table below gives the Council's profile of fraud referrals over the last five years:

Fraud Type	No. of instances 2010/11	No. of instances 2011/12	No of instances 2012/13	No of instances 2013/14	No of instances 2014/15
Abuse of Position	3	2	2	-	
Bank Account / Creditor Payments	-	1	-	-	
Cheque Fraud	1	-	-	-	
VAT fraud	-	-	-	-	
Direct Payments	-	-	-	3	2
Expenses	1	1	-	1	
False Invoices	1	-	1	-	
False Claims	1	-	-	-	2
False Accounting	-	2	-	-	
Grants	1	2	-	-	
Insurance Fraud	1	3	-	-	
Imprest (Cash)	2	-	-	1	
Misuse of Assets	1	2	2	-	2
Payroll	3	2	2	-	
Pension	-	1	-	-	
Procurement	3	2	-	1	2
Recruitment Fraud			1	1	
School Fund /	-	-	-	2	

Fraud Type	No. of instances 2010/11	No. of instances 2011/12	No of instances 2012/13	No of instances 2013/14	No of instances 2014/15
Budget Share					
Financial Abuse – Vulnerable Adults	2	3	5	-	12
Timesheet / Abuse of Time	1	1	1	-	3
Benefit Fraud	-	-	-	1	

12. The chart below shows the most common types of fraud within the last five years. Latterly, the most prevalent type of fraud referred has been financial abuse of vulnerable adults – this increase is a likely result of the educational work we have delivered to social care and safeguarding teams.

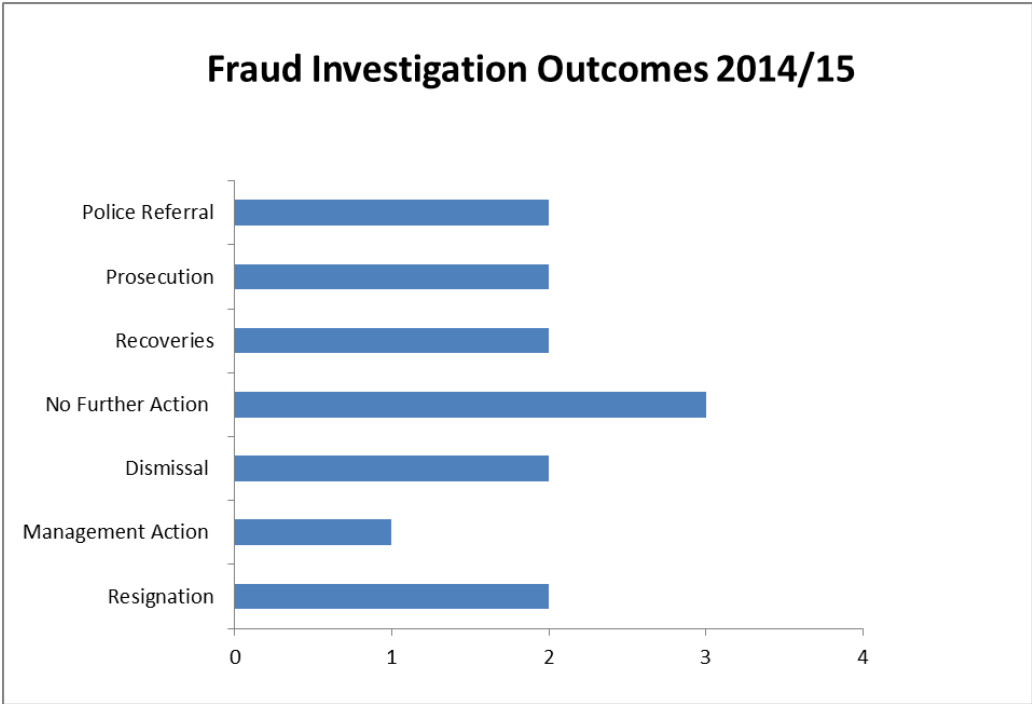


In 2014/15 we received two referrals relating to direct payments and a further 12 relating to potential financial abuse – these referrals were a direct result of increased awareness and liaison work we have undertaken with social care practitioners and Safeguarding teams. Whilst we have had financial abuse cases in previous years we are uncertain whether we were aware of the true extent of the problem.

The Protecting the Public Purse 2014 report identified that the number of social care cases detected in 2013/14 had increased by 119% on the previous year. This shows that fraud in this area remains a high risk for our safeguarding and social care teams and it is important that we continue to support where investigation is required.

13. We have analysed the results from each case completed in the year 2014/15 – this includes cases started in 2013/14. The table below highlights the Council's zero tolerance to fraud and shows that we continue to impose tough and proportionate sanctions and work hard to ensure we recover as much loss as possible.

14. Outcomes relating to fraud cases completed during 2014/15:



15. The previous two financial years (2012/13 and 2013/14) saw the Council achieve exceptional results in terms of recoveries made – over £1m. Understandably, we have not been able to sustain this high level in 2014/15 although we were successful in securing recovery of almost £8k in direct payments, £6k in contract recovery and £11,685 to date through our work on the 2014/15 National Fraud Initiative. We have identified a further estimated £28,830 recovery potential in the areas of direct payments, pensions and duplicate payments.

16. All of the cases identified relating to potential direct payments fraud and financial abuse involved individuals external to the council. Last year we said it was likely that referrals of this nature would increase from our programme of targeted fraud awareness in this area – this has proved to be the case.

17. For internal cases, action plans are produced following any investigation work - whether that involves preliminary enquiries only or where the case progresses to formal investigation. The aim is to reduce the risk of reoccurrence by understanding the issues and taking action to improve controls, where required.

Proactive Work

18. We have placed more emphasis on fraud awareness work in 2014/15 and a major part of this was new posters and leaflets for fraud and whistleblowing. These are now displayed or available in council offices and establishments throughout the county. We have also made arrangements for this material to be provided to our key partners. Our promotional material is now accessible on the updated Counter Fraud and Investigation Team internet & intranet pages.

19. To build upon the message from our promotional material we have worked with the Council's Communication Team to produce regular articles in County News, daily news bulletins and our updated GEORGE page. These updates have been around both general fraud awareness and more specific fraud risks.

20. Our awareness work over the year included:

- Children's Services Contract Team
- Social Care managers and practitioners
- Central Finance Team (handling Direct Payments and Financial Assessments)
- Adult Safeguarding Team

21. This has led to improved communication and links and has resulted in the referral of 12 adult financial abuse cases that we are currently analysing. Many of the cases involve potential abuse by family members or those with Power of Attorney responsibilities. They can be sensitive and difficult to progress to prosecution but we hope to improve this by working with:

- Safeguarding officers
- Police
- Office of the Public Guardian (OPG)
- SERCO Court of Protection Team

22. Procurement and contract fraud is one of the highest fraud risks costing Local Government an estimated £876m each year – actual fraud detected in 2013/14, according to the latest Protecting the Public Purse Report was £4.4m. It is also one of the most difficult types of fraud to identify and investigate. The best source for identifying potential fraud within contracts is the contract leads, hence our awareness work. This intelligence will inform our contract fraud pro-active exercise planned for 2015/16.

23. In October 2014 we submitted data for the 2014/15 National Fraud Initiative (NFI) data matching exercise. The Audit Commission returned our data matches in February 2015 and our work on the high priority matches is still ongoing. Most priority areas (those of highest risk) are now complete. These are:

- personal budgets (direct payments)

- payments for residents in private care homes
- pensions.

24. To date we have identified and recovered £11,865 and have identified several cases for further investigation and follow up. The cases identified so far can be broken down as:

- *Private Residential Care Homes*
2 amounts recovered totalling £10,523. Both cases relate to payments continuing to the home after the residents have died. There is no evidence of fraud in either case.
- *Personal Budgets (direct payments)*
1 case of value £1,161 has been identified and recovered. A further case estimated at £10.9k is currently under investigation. Payments were made after death but there is currently no evidence of fraud.
- *Pensions*
We are currently following up 4 cases (value - £12,830). These relate to individuals receiving pension after death. The Pensions Team are investigating and calculating the value of the overpayment.

We are working on other data matches on payroll, creditors, insurance, blue badges and concessionary travel passes. So far we have found 2 duplicate payments totalling £5.1k which we are investigating.

25. There has been a decline in the amount of NFI recoveries since 2008/09 – this is to be expected as systems are strengthened to prevent further overpayments. In 2012/13 we recovered £16k in total – based on results so far in 2014/15, we expect a slight increase on this figure.

26. Our pro-active review on the Council's payroll focused on expenses and allowances, honoraria and other ad hoc payments. We found no significant issues from this work which confirms controls in this area have been generally effective. A similar approach is used on a regular basis as part of our Due Diligence audit work in analysing expenses and mileage claims – in 2014/15 we have not found significant errors/concern.

27. We now have payroll data for two consecutive years (2013/14 and 2014/15). We intend to use the scripts we have developed to provide a longer term analysis to identify patterns or trends which we can combine with future Agresso data to inform our pro-active work in the coming years.

28. We continue to lead the Midland County Fraud Group – meetings take place on a six monthly basis. This continues to provide valuable fraud and investigation intelligence and also allows best practice to be shared and communicated among members. We have now developed a shared intranet site that allows group members to log policies and procedures, relevant fraud bulletins and case summaries.

29. We are currently also considering LAIOG (Local Authority Investigation Officers Group) membership – this would allow us to obtain further intelligence of fraud cases, establish contacts and seek to extend potential training opportunities.

Lincolnshire Counter Fraud Partnership

30. In 2014, the Department for Communities and Local Government (DCLG) made a £16m Counter Fraud Fund available to help councils maintain a response to the threat of corporate fraud (i.e. non benefit fraud). Councils were invited to submit bids for funding. Bidding criteria required a level of innovation, collaboration and sustainability to allow future counter fraud efforts to continue. Our bid to create the Lincolnshire Counter Fraud Partnership was successful and secured £200k of funding for the County.

31. The partnership consists of Lincolnshire County Council and all seven district councils. The aim of the partnership is to develop working arrangements between counter fraud specialists and subject area experts with a view to:

- Delivering joint pro-active fraud exercises across the county
- Developing and delivering a co-ordinated fraud awareness programme
- Sharing of intelligence, investigation resource, expertise and best practice

32. Governance arrangements have been agreed, a Project Group established and a Principal Investigator appointed to oversee and deliver the project. Two county-wide projects have so far been approved and the Principal Investigator has developed a comprehensive work plan to deliver over the next 18 months. This is an exciting initiative and the benefits of joint working are potentially significant. Progress reports will be provided to this committee over the coming year.

Conclusion and Next Steps

33. The Counter Fraud and Investigations team have achieved 90% of the counter fraud work plan for 2014/15 – we have carried forward 3 areas to the 2015/16 work plan: revisiting the Council's fraud risk assessment, pro-active counter fraud review of contracts and development of a fraud e-learning tool. We intend to develop these collaboratively through the Lincolnshire Counter Fraud Partnership in the coming few months.

34. We believe our counter fraud activities remain effective – we have successfully delivered fraud awareness work (both general and targeted) throughout 2014/15 by working with teams to address high fraud risks that can be categorised as traditionally 'difficult to reach' e.g. social care, procurement and contract fraud. This awareness work has already resulted in more referrals of potential fraud and this is something we expect to continue over the next year.

Counter Fraud Work Plan 2014/15

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	Complete
Website maintenance	Updates / warnings of emerging fraud risks, case summaries, results and prevention information		September 2014	December 2014	GEORGE updated and Audit Lincolnshire website update in progress
Awareness Campaign	Posters, leaflets, e-learning tool to rejuvenate staff awareness		April 2014	June 2014	Fraud and whistleblowing awareness material produced and distributed and articles published. E-learning tool under development
Sub Total		40			
Deterrence					
Promotion of counter fraud activity	Communications covering: <ul style="list-style-type: none"> ▪ Counter fraud team ▪ Investigation outcomes / 		April 2014	March 2015	<ul style="list-style-type: none"> • Successful outcomes publicised

Area	Indicative Scope	Planned Days	Start Date	End Date	Status
	prosecutions ■ Advice on fraud prevention measures				through local press and internal media and publications. • Results periodically published in GEORGE
Sub Total		10			
Prevention					
Organisational learning	Supplementary reports and actions plans arising out of investigation work		April 2014	March 2015	Completed at conclusion of investigations, where necessary
Data analytics	Further development / use of data analytics within regular key control testing programme – particularly around payroll and expenses		April 2014	March 2015	Completed
Advice	Enhancing fraud controls and process – new and existing systems		April 2014	March 2015	Completed – specific advice on fraud controls around Agresso and contract management arrangements

Area	Indicative Scope	Planned Days	Start Date	End Date	Status
Sub Total		40			
Detection					
Update Fraud Risk Profile	Incorporating emerging risk issues and results from local risk assessment	Revised target	December 2014	March 2015	C/f to 2015/16 – to work jointly via the Lincolnshire Counter Fraud Partnership
Proactive fraud exercises	<ul style="list-style-type: none"> • Payroll • Contracts 		September 2014	March 2015	Fieldwork completed. Further analysis planned to identify longer term patterns & trends.
			December 2014	January 2015	Delayed until 2015/16 Counter Fraud Plan – joint partnership exercise
National Fraud Initiative 2014/15	<ul style="list-style-type: none"> • Data preparation for 2014/15 upload and matching exercise • Initial analysis, sampling and 		September 2014	October 2014	Completed
			February 2015	March 2015	3 cases of overpayment –

Area	Indicative Scope	Planned Days	Start Date	End Date	Status
	testing of LCC data matches				£11.6k recovered. Further cases identified for follow up (£28.8k).
Sub Total		140			
Investigation					
Whistleblowing and fraud Investigation	In line with investigation manual and recommended best practice		April 2014	March 2015	<ul style="list-style-type: none"> • 19 whistleblowing referrals • 23 investigation referrals
Sub Total		350			
Sanctions and Redress					
Pursue civil, disciplinary and/or criminal sanctions	Action taken during investigation process		April 2014	March 2015	<ul style="list-style-type: none"> • 1 x prosecution • 2 x dismissal • 2 x resignations
Identify and recover losses	Identified during investigation – recovery action through Proceeds of Crime Act, Insurance and legal means		April 2014	March 2015	<ul style="list-style-type: none"> • £11,685 recovered via NFI • £7,786 recovered from fraud prosecution • £6k contract

Area	Indicative Scope	Planned Days	Start Date	End Date	Status
					recovery <ul style="list-style-type: none"> A further £28.8k recovery potential
Sub Total		5			
Contingency					
Advice & Liaison			April 2014	March 2015	Completed
Sub Total		65			
Grand Total		650			

Agenda Item 7



Regulatory and Other Committee

Open Report on behalf of Judith Hetherington Smith, Chief Information and Commissioning Officer

Report to:	Audit Committee
Date:	22 June 2015
Subject:	Information Governance Breaches – Internal Audit

Summary:

This report is to provide an update to the position reported at the Audit Committee meeting on 30th March 2015.

Following a number of information breaches involving Lincolnshire County Council information an internal audit was requested by the Chief Information and Commissioning Officer. The aim of the audit was to provide management assurance on a number of key information governance areas including; training and awareness; security incident reporting; and third party information sharing and processing.

The audit resulted in a number of recommendations aimed at improving current information governance practices across the Council. This report describes activity undertaken so far to meet these recommendations.

Recommendation(s):

The Committee is asked to note the progress being made against the recommendations described in this report.

1 Background

Information Governance is a key function which requires a multi-disciplined approach across every aspect of the Council involved in handling, processing and sharing information.

It supports the relevant legal and compliance requirements the Council must abide by and assists in maintaining public confidence in the way the Council delivers services and improves the effectiveness of business activity.

The information governance structure and approach adopted by the Council has been subject to much positive change over the past 12 months and continues to develop in its maturity. The findings of the internal audit support ongoing efforts to improve current practices and acts as evidence of a frank and transparent approach adopted by the Council to identify and resolve issues. The internal audit report has also helped to

inform a wider information assurance strategy which has been designed to improve information governance practices on a wider scale.

2 Information Governance Breaches Audit

The results of this audit were reported to the Audit Committee in March 2015; a synopsis of key findings and subsequent corrective action is provided below.

	Key Finding	Action	June 2015 position
1.	There is a lack of effective monitoring of employees completing mandatory annual online Information Governance training across the Council and as a consequence completion levels are low.	A more accurate reporting mechanism, utilising the Agresso ERP application, to identify levels of compliance across mandatory information governance e-learning will be introduced. It will better support the management and monitoring of individuals who fail to undertake the training.	Incomplete. Delays encountered due to Agresso and Lincs2Learn applications requiring the synchronisation of staff records which is key to ensuring accurate reporting. Work continues to ensure an acceptable solution is implemented. It is currently anticipated that this should be available by September.
2.	Management need to reinforce the need for staff to undertake information governance training and to be supported with an accurate reporting mechanism.	Once accurate reporting is in place, as described above, reports are to be made available to managers to help support monitoring of employee training. A communication plan will be implemented which will promote the importance of training.	Incomplete. Delays encountered due to Agresso and Lincs2Learn applications requiring the synchronisation of staff records which is key to ensuring accurate reporting. Work continues to ensure an acceptable solution is implemented.
3.	Refresher training should be provided which is less time consuming and focuses on key issues	A revised e-learning training package will be developed which reduces completion times and focuses on issues relevant to the Council.	Partially complete. Creation of a revised training package is underway. Target completion time for staff undertaking training has been reduced from 3 hours to 45 minutes. The reduction in the

			<p>completion time for the revised training has removed the need for an abbreviated refresher training package.</p> <p>Deployment of the training will be achieved in conjunction with the new reporting method as described in Key Point 1.</p>
4.	Accurate records of individuals completing information governance training via an alternative method to the online E learning are not kept.	The information governance team will record training provided by them via other methods e.g. face to face	Complete. Instances of alternative training sessions are now being recorded by the information governance team.
5.	Information Governance training does not give prominence to reporting security incidents or measures that should be adopted when sharing information with 3 rd parties.	Adapt the training to include more information on the importance of security incident reporting and information processing by 3 rd parties	Complete. The revised training, which is due to be deployed, now includes more information on reporting security incidents and sharing information with 3 rd parties.
6.	Third parties processing information on behalf of the Council must be identified to ensure appropriate safeguards are in place across information processing.	<p>The actions agreed by the Information Security and Compliance Manager differ from those recommended by the audit report to take into account the need for change on a wider scale.</p> <p>Introduce an information asset register designed to identify key information assets (those involving personal and/or sensitive data);</p> <p>Introduce and apply the concept of Information Asset Owners across Director Areas to support appropriate</p>	<p>Partially complete. A business case is currently being drafted to present to CMB.</p> <p>It is currently anticipated that this will be submitted in July</p> <p>Partially complete. A business case is currently being drafted to present to CMB.</p>

		<p>management of information.</p> <p>Introduce at the beginning of any information sharing process a consistent approach to information governance requirements.</p> <p>Introduce a privacy impact assessment process, based on Information Commissioners Office best practice. to help identify privacy risks at an early stage of projects involving the sharing of information,</p> <p>The introduction of an information sharing register managed by the information governance team. This will provide a more thorough oversight of sharing where IG assistance has been requested.</p>	<p>It is currently anticipated that this will be submitted in July</p> <p>Partially complete. A suite of information governance terms and conditions for contracts which will be used as a reference point are currently being produced by colleagues in Legal.</p> <p>It is currently anticipated that these will be available by August</p> <p>An information sharing agreement template has been produced to standardise and simplify the documenting of such agreements.</p> <p>Complete.</p> <p>Complete.</p>
7.	A review of security incident management procedures should take into account Information Commissioners Office (ICO) and Health and Social Care Information	A new internal procedure document will be created to formalise and standardise the internal approach and will consider both ICO and HSCIC guidance.	Complete.

	Centre's (HSCIC) guidance.		
8.	The method of recording security incidents is basic, relying on the use of an excel spreadsheet. An alternative more complex recording solution will add benefit to the overall process.	An alternative solution to recording breaches and investigation correspondence will be investigated with a view to replacing the basic functionality provided by Excel.	Ongoing. A request to utilise Lagan, a web-based CRM solution already utilised by the Council, has been made. This will support wider information governance requirements and will be reviewed to understand its potential benefit as a tool to record security incidents.
9.	Following a security incident containment action, and its appropriateness, is not always documented.	A new internal procedure document will be created to formalise and standardise the internal team approach. This will include the requirement to document and communicate containment measures.	Complete.
10.	There is no formal process which considers the severity of an incident with external reporting requirements.	An impact matrix will be developed to assist in achieving consistent internal and external reporting	Complete.
11.	Evidence of Caldicott Guardians being notified of security incidents is rarely recorded.	A new internal procedure document will be created to formalise and standardise the internal team approach. This will include the requirement to document where Caldicott Guardians have been advised about specific incidents. Note: The Information Security and Compliance Manager has challenged this finding as it did not consider the context of incidents. E.g. Caldicott Guardians are only advised of data breaches which involve	Complete.

		Social Care or Patient data and therefore will not be made aware of every data breach.	
12.	There is no final report issued following an investigation into a security incident breach and as a consequence there is no natural closure of the incident	A security incident final report will be introduced to formally capture recommendations made to staff following a breach and to provide closure.	Complete.
13.	Remedial actions that have been agreed following a security incident are not followed up to confirm their implementation.	Follow up of recommendations will be introduced to encourage and improve staff behaviour; to resolve policy gaps; and to improve information processes.	Complete.

3 Conclusion

The vast majority of findings articulated within the internal audit report had already been identified by the Information Governance team as processes requiring improvement and as a result corrective action had commenced prior to the internal audit. While good progress continues to be made it is recognised that work is still required on a wider scale to improve the overall information governance framework which will support and encourage organisational buy in and improve good practice.

Coupled with this however is the need for senior managers, managers and staff across the Council to acknowledge the importance of information governance. By adopting appropriate information governance practices and maintaining an awareness of their own responsibilities the information culture of the organisation should improve and the likelihood of information breaches should decrease.

4 Consultation

Policy Proofing Actions Required

n/a

5 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 David Ingham, who can be contacted on 553721 or david.ingham@lincolnshire.gov.uk and Judith Hetherington Smith, who can be contacted on 553603 or Judith.HetheringtonSmith@lincolnshire.gov.uk.

Regulatory and Other Committee

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

Report to:	Audit Committee
Date:	22 June 2015
Subject:	Work Plan

Summary:

This report provides the Committee with information the core assurance activities currently scheduled for the 2015/16 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 2016.

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 and best practice (see Appendix A).
- 2 The work plan is in draft as the Committee is currently reviewing its effectiveness. A workshop was held on the 31st March 2014 with further work planned on the afternoon of the 23rd June 2014. The outcome of these workshops will inform / influence the Committee's work plan for 2014/15 and the assurances it wishes to seek.
- 3 The 2013 CIPFA guide to Audit Committees gives some practical tips to help committees effectively discharge their responsibilities – one of those duties is to provide independent assurance on the adequacy of the internal control environment. The Guide encourages audit committees to focus on 'what works' whilst recognising the need to demonstrate good governance and independence. A copy of the guidance has been circulated to members of the Committee.
- 4 The guide lists some examples of good practice and how committees can assess their effectiveness and much of this already features within the Committee's agenda. However, the Committee may wish to assess whether there is any scope for improvement by considering how it covers the following good practice:

- encouraging ownership of the internal control framework by appropriate managers
- reviewing major projects and programmes to ensure governance and assurance arrangements are effective
- reviewing the effectiveness of the performance management arrangements
- ensuring value for money assurance arrangements are reported on and assessing how this features in the Annual Governance Statement (AGS)
- working with members to improve their understanding of the AGS
- participating in self assessments of the governance arrangements
- assessing the effectiveness of the ethical governance arrangements for staff and members
- improving how the Council discharges its responsibilities for public reporting e.g. better targeting at the audience and plain English
- reviewing and encouraging transparency in partnership decision making

Conclusion

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 2016

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.

Audit Committee Work Plan – 2015/16		
21st September 2015	Assurances Required / Being Sought	Relevancy – Terms of Reference
Core Business		
<ul style="list-style-type: none"> Annual review of the effectiveness of the Council's Internal Audit Function 	<p>To consider how well the Internal Audit Functions is performing:</p> <ul style="list-style-type: none"> Is it what you want – independent, objective and provide a knowledgeable view of how well the Council is being run? Conforms to the Public Sector Internal Audit Standards? Has an effective Quality Assurance framework? Successfully delivers results that make a difference in how well the Council is run? 	<p>Council maintains an effective internal audit service</p>
<p>Review of Head of Internal Audit's Annual Report and Opinion 2015</p>	<p>Gain an understanding of the level of assurances being provided by the Head of Internal Audit over the Council's governance, risk and internal control arrangements and why.</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> <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>
<ul style="list-style-type: none"> Review of the Council's Governance and 	<p>Confirm that the Annual Governance Statement</p>	<p>To oversee the production of the Council's Annual</p>

Audit Committee Work Plan – 2015/16		
<p>Assurance Arrangements and the Draft Annual Governance Statement 2015</p>	<p>reflects the Committee's understanding of how the Council is run and that any significant governance issues / risks have been identified / published.</p> <p>Constructively challenge the information and evidence being presented.</p> <p>Ensuring value for money assurance arrangements are reported on and assessing how this features in the Annual Governance Statement.</p> <p>Improving how the Council discharges its responsibilities for public reporting e.g. better targeting at the audience and plain English</p>	<p>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>• Scrutiny of the Council's Financial Statements 2014/15 (with specialist support/advisor)</p>	<p>By asking questions (supported by independent advisor), confirm the integrity of the Council's financial statements prior to audit / publication.</p> <p>Improving how the Council discharges its responsibilities for public reporting e.g. better targeting at the audience and plain English</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> <p>Duty to approve the authority's statement of accounts, income and expenditure and balance sheet.</p>
21st September 2015	Assurances Required / Being Sought	Relevancy – Terms of Reference
Core Business		
<p>• Internal Audit Progress Report</p>	<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>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 – 2015/16		
	Confirm appropriate progress being made on the delivery of the audit plan and performance targets	
<ul style="list-style-type: none"> External Audit Governance Report on the Audit of the Council's Financial Statements and their assessment of the Council's arrangements to secure Value for Money in its use of resources 	<p>Seek assurance over the adequacy of the External Audit opinion on the financial statements and the Council's value for money arrangements.</p> <p>Ensure any issues / risks identified are being effectively managed.</p>	<p>To consider the external auditor's annual letter, relevant reports and the report to those charged with governance.</p> <p>To consider specific reports as agreed with the external auditor.</p> <p>To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts</p>
<ul style="list-style-type: none"> Approval of the Council's Annual Governance Statement 2015 	Confirm that the final Annual Governance Statement accurately reflects the Committees understanding of how the Council is run and any comments made on the draft have been acted upon.	<p>To oversee the production of the Council's Annual Governance Statement and to recommend its adoption</p> <p>To consider the Council's compliance with its own and other published standards and controls.</p>
<ul style="list-style-type: none"> Approval of the Council's Statement of Accounts for 2014/15 	<p>Consider the outcome of the External Audit and the appropriateness of management responses.</p> <p>Ensure that the explanatory forewords to their accounts help the public understand the authority's financial management of public funds.</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> <p>Duty to approve the authority's statement of accounts, income and expenditure and balance sheet.</p>
<ul style="list-style-type: none"> Review of draft Annual Report on the work of the Audit Committee 	Provide assurance that the Committee has adequately discharged its terms of reference and has positively contributed to how well the Council is run.	
<ul style="list-style-type: none"> Risk Management Progress Report 	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	To monitor the effective development and operation of risk management and corporate governance in the Council

Audit Committee Work Plan – 2015/16		
	<p>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>	
23rd November 2015	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
<ul style="list-style-type: none"> Internal Audit – External Assessment 	Assurance over Internal Audit conformance with the Public Sector Internal Audit Standards	Council maintains an effective internal audit service
<ul style="list-style-type: none"> Review of Audit Committee Terms of Reference 	Assurance that role and remit of the committee continues to meet best practice.	
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 	<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 – 2015/16		
assurance (management / corporate functions).		
January 2016	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>
<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 2015 	<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>
<ul style="list-style-type: none"> Review of Accounting Policies 	<p>Seek assurance that the Council has appropriate</p>	<p>To review the annual statement of accounts.</p>

Audit Committee Work Plan – 2015/16		
	accounting policies in place to ensure that items are treated correctly in the 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 hat need to be brought to the attention of the Council
Other Assurance		
<ul style="list-style-type: none"> Combined Assurance Status Reports 	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.	To consider the Council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice
March 2015	Assurances Required / Being Sought	Relevancy – Terms of Reference
Core Business		
<ul style="list-style-type: none"> Draft Internal Audit Plan 2016/17 	<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 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>	To consider reports dealing with the management and performance of internal audit
<ul style="list-style-type: none"> Draft Counter Fraud Plan 2016/17 	<p>Gain assurance that the Council has effective arrangements in plane 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 compalints process.

Audit Committee Work Plan – 2015/16		
<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>	<p>To monitor Council policies on confidential reporting code, anti-fraud and anti-corruption policy and the Council's complaints process.</p>
<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>	<p>To monitor the effective development and operation of risk management and corporate governance in the Council</p>
<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 / 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>
Other Assurance		
Internal Audit – External Assessment		

Audit Committee Action Plan – 2014/15			
Action	Terms of Reference Outcome	Key Delivery Activities	Who by and When
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
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
Undertake a skills and knowledge survey to review and establish any training and development needs as a whole Committee.			
<p>Other Areas for possible inclusion in the Committees work plan:</p> <ul style="list-style-type: none"> Reviewing and encouraging transparency in partnership decision making. 			

<ul style="list-style-type: none">• Understand and seek assurance over the governance and risks associated with our key partners.• 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.• Overview of the constitution• Monitoring the Council's complaint process• Compliance with the Transparency Code			
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