

**AUDIT COMMITTEE
 21 SEPTEMBER 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: Mrs J Brockway, R G Davies, P M Dilks, I G Fleetwood, M S Jones, C E D Mair, Mrs A M Newton, Mrs M J Overton MBE, R B Parker and M A Whittington attended the meeting as observers

Officers in attendance:-

Tony Crawley (KPMG), David Forbes (County Finance Officer), Judith Hetherington Smith (Chief Information and Commissioning Officer), Pete Moore (Executive Director of Finance and Public Protection) and Rachel Wilson (Democratic Services Officer)

19 APOLOGIES FOR ABSENCE

No apologies for absence were received.

20 DECLARATION OF MEMBERS' INTEREST

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

21 MINUTES OF THE MEETING HELD ON 20 JULY 2015

RESOLVED

That the minutes of the meeting held on 20 July 2015 be signed by the Chairman as a correct record.

22 INTERNAL AUDIT PROGRESS REPORT

Consideration was given to a report which provided an update on audit work undertaken in the period 15 July 2015 to 31 August 2015.

Members were informed that during this period, 8 County Audits had been completed, 1 to final report and 2 to draft report stage as well as finalising 5 school audits. There were 7 audits in progress. It was also reported that there were still two auditors advising/supporting the Agresso project – post implementation.

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Members were advised that the Corporate Audit and Risk Management restructure had been finalised and was due for implementation on 1 October 2015. It was noted that there would be a period of transition, as people take on their new roles. There would be a review of the audit plan in conjunction with the senior management team.

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:

- It was clarified that under performance information, the targets should be for 2015/16 not 2014/15 as stated in the report;
- There were concerns that only 20% of the Plan had been completed. However, members were advised that at this point of the year it was expected that around 35% of the plan would be complete. It was suggested whether splitting the year into quarters would be useful for members in future reports. It was agreed that this would be helpful;
- Officers would be looking at what was scheduled to be audited for the rest of the year and the work that had to be done would be prioritised. In terms of resources needed from November onwards, it was noted that there could be additional resources available through the partnership with Leicester City Council. There were also contractors specifically focused on financial controls and their contract had been extended to the end of March 2016;
- In relation to staffing, the sickness issue had been resolved, and one person had had to take ill health retirement;
- It was queried when members would be provided with information in relation to the amount of additional time/resources county council staff had spent supporting the Agresso project post implementation. It was noted that the estimated cost in terms of finance staff was £67,000, and the Audit component was £6,500. It was noted that this was the equivalent to around 40 additional days to what had been scheduled;
- It was commented that in terms of the Safeguarding Audit, this looked like a good outcome. Members were informed that the scope of the audit was to ensure that the learning from Serious Case reviews transferred into training for staff. Nationally there were some fairly bad headlines in relation to safeguarding. However, it was felt that there were some strong processes in place to implement recommendations which were made;
- It was noted that a careful watching brief would be kept on the area of safeguarding, as it was currently a high profile area;

RESOLVED

That the Committee note the outcomes of the Internal Audit work.

23 APPROVAL OF THE COUNTY COUNCIL'S ANNUAL GOVERNANCE STATEMENT 2015

Consideration was given to a report which provided the Committee with an opportunity to discuss the Council's Annual Governance Statement 2015.

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

Members were informed that a 'good' Annual Governance Statement was an open and honest self-assessment of how well the Council had run its business across all activities – with a clear statement of the actions which had been taken or required to address any areas of concern.

The Audit Committee oversaw the development of the Annual Governance Statement and recommends its adoption by the Council. The Committee had considered the draft statement at its meeting on the 22 July 2015.

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:

- This was the finalised statement which had been produced as a result of the discussions at the meeting in July;
- In relation to the transition to Agresso, it was noted that similar issues had been experienced when SAP had been introduced;
- There were concerns regarding the amount of additional time and effort that had been involved post implementation of Agresso. Members were advised that all additional time and costs were being tracked;
- Members were advised that the Statement was broadly the same as what had been received at the previous meeting. However, sections had been re-written to include the latest situation with Agresso.

RESOLVED

1. That the Committee agree that the Annual Governance Statement 2015 accurately reflected how the Council was run;
2. That the Committee agreed that the Statement included the significant governance issues/key risks it would have expected to be published;
3. That the Committee approve the Statement and recommend that it be adopted by the Council.

24 EXTERNAL AUDITS ISA 260 REPORT TO THOSE CHARGED WITH
GOVERNANCE ON LINCOLNSHIRE COUNTY COUNCIL'S STATEMENT
OF ACCOUNTS AND LINCOLNSHIRE COUNTY COUNCIL PENSION
FUND ACCOUNTS FOR 2014/15

It was reported that the Statement of Accounts for Lincolnshire County Council and for Lincolnshire County Council Pension Fund for the financial year 2014/15 had been completed and independently audited.

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

The External Auditors reported that they were they planned to be, and it was anticipated that unqualified audit opinion on the Authority's financial statements would be issued by 30 September 2015.

Members were guided through the KPMG Report to those charged with governance (ISA 260) 2014/15 and Report to those charged with governance (ISA 260) – Lincolnshire Pension Fund which were attached as appendices to the report, and were provided with the opportunity to ask questions to officers present in relation to the information contained within the report, and some of the points raised during discussion included the following:

- It had been taken into account that officers had been very open about the issues which had been faced;
- Two significant audit differences in relation to capital accounting were identified, one was material in value, and it was understood this would be adjusted in the final version of the financial statements, and one was non-material which management did not propose to correct;
- It was noted that the review of property, plant and equipment uplifting exercise was an annual exercise, but had not been applied quite correctly this year;
- In relation to the management representation letter, there were no non-standard or exceptional items which needed to be included;
- It was proposed that the external auditor would give an unqualified conclusion, but there were steps which would need to be taken in order to be able to issue this next year as well;
- It was confirmed that other authorities were using Agresso, and the system was not unique to Lincolnshire;
- It was expected that the 2015/16 plan would have additional risk which would require additional cost, however, auditors should be able to make use of the control mechanisms in place. Extra time would be allowed to enable finance staff to correct any errors. A close eye would be kept on what internal audit was doing. It was expected that there would be an additional cost;
- In relation the Management response being marked as to follow, it was noted that this this was only due to a timing issue, and the updated version could be re-issued following the meeting. The management responses would also be included in the value for money conclusion;

RESOLVED

1. That the External Auditors Report to Those Charged with Governance (ISA 260) for Lincolnshire County Council be noted;
2. That the External Auditors Report to Those Charged with Governance (ISA 260) for Lincolnshire County Council Pension Fund be noted;
3. That the Committee approve the Letter of Representation on behalf of the Council to enable the Audit Opinion to be issued.

25 STATEMENT OF ACCOUNTS FOR LINCOLNSHIRE COUNTY COUNCIL
FOR THE YEAR ENDED 31 MARCH 2015

Consideration was given to a report which presented the final Statement of Accounts for Lincolnshire County Council for the financial year 2014/15 for approval.

It was reported that the Committee had had an opportunity to scrutinise the accounts at its meeting in July 2015 and the changes which were discussed had been included in the finalised Statement of Accounts.

RESOLVED

That the Audit Committee approve the Statement of Accounts for 2014/15.

26 WORK PLAN

Consideration was given to a report which provided the Committee with information on the core assurance activities currently scheduled for the 2015/16 work plan.

During discussion of the Work Plan, the following was noted:

- It was suggested that a follow up of the Libraries – Organisational; Review should be scheduled for the work plan in January 2016;
- It was suggested whether the Audit Committee Forum should be re-established, and if members would find this useful;
- Officers would look in when the update on the Coroners Service would be brought back;
- It was suggested whether there could also be an update on Agresso at the November meeting so that the Committee was kept informed.

RESOLVED

That the work plan be approved.

27 CONSIDERATION OF EXEMPT INFORMATION

That in accordance with Section 100 (A)(4) of the Local Government Act 1972, the public and press be excluded from the meeting on the grounds that the following item of business contained exempt information as defined in Paragraph 3 of Part 1 of Schedule 12 A of the Local Government Act 1972, as amended.

28 AGRESSO UPDATE - COUNCIL'S FINANCIAL CONTROL ENVIRONMENT
AND SERCO PERFORMANCE

The following representatives from Serco were in attendance at the meeting:

Sean Hanson – Managing Director
Derek Irvine – Partnership Director
Gareth Moss – Strategic Partnership Director
Pete Eldridge – Operations Director

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Eira Hammond – Payroll Manager

Ian Smith – Agresso Programme Manager

Members of the Value for Money Scrutiny Committee joined the meeting for consideration of a report which provided the Committee with assurance information on the Council's financial control environment and Serco performance – post implementation of the Agresso system.

Representatives of Serco were in attendance to answer questions from members of both Committees.

RESOLVED

1. That the report be noted;
2. That an Agresso Recovery Group be set up with the following membership:-
 - Executive Councillor for Finance, Property
 - Executive Councillor For Highways, Transport and IT
 - Executive Director for Finance and Community Safety
 - Chief Information and Commissioning Officer
 - One representative of the Audit Committee
 - One representative of the Value for Money Scrutiny Committee

The meeting closed at 2.10 pm