

County Offices
Newland
Lincoln
LN1 1YL

10 June 2016

Audit Committee

A meeting of the Audit Committee will be held on **Monday, 20 June 2016 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



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, 20 JUNE 2016**

Item	Title	Pages
1	Apologies for Absence	
2	Declaration of Members' Interests	
3	Minutes of the previous meeting held on 21 March 2016	5 - 10
4	Statement of Accounts 2015/16 - Risk Update <i>(To receive a report which provides a summary of the key risks faced by the Council in producing the Statement of Accounts 2015/16 and progress in addressing these risks)</i>	11 - 20
5	Review of Serco Contract <i>(To receive a report which recommends Terms of Reference for a review of the contract awarded to Serco. The Council resolved at its meeting in May to ask KPMG to undertake the review in accordance with terms of reference approved by the Audit Committee)</i>	21 - 28
6	Risk Management Progress Report - June 2016 <i>(To receive a report which provides the Committee with an update on how well the Council's biggest risks are being managed as well as reporting on the progress made in assisting the Council to adapt and change the way it 'thinks' about risk)</i>	29 - 50
7	External Audit Progress Report <i>(To receive a report from KPMG, the County Council's External Auditors, giving an update on the 2015/16 Audit deliverables)</i>	51 - 64
8	Internal Audit Progress Report <i>(To receive a report which provides an update on internal audit work undertaken in the period 1 March to 31 May 2016)</i>	65 - 86
9	Review of Draft Annual Report on Audit Committee Work	To Follow
10	Appointment of External Auditors <i>(To receive a report which outlines the options available for the Council in procuring external auditors when the current contract ends, together with their respective advantages and disadvantages. It recommends that the option of participating in a national sector led procurement exercise is likely to deliver the best value for money outcome)</i>	87 - 92
11	Regulation of Investigatory Powers Act 2000 <i>(To receive a report which provides an update on the Council's compliance with the Regulation of Investigatory Powers Act 2000 regarding the use of surveillance powers and the actions taken following the inspection of the Council by the Office of Surveillance Commissioners in 2015)</i>	93 - 108

12 Work Plan

109 - 118

(To receive a report which provides the Committee with information relevant to the core assurance action activities currently scheduled for the 2016/17 work plan)

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

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

Contact details set out above.

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AUDIT COMMITTEE 21 MARCH 2016

PRESENT: COUNCILLOR MRS S RAWLINS (CHAIRMAN)

Councillors N I Jackson, Miss F E E Ransome, S M Tweedale, W S Webb and P Wood

Officers in attendance:-

Rachel Abbott (Audit Team Leader), Steve Blagg (Democratic Services Officer), David Forbes (County Finance Officer), Claire Machej (Head of Finance (Corporate)), Lucy Pledge (Audit and Risk Manager), Mike Norman (External Auditor, KPMG) and John Cornett (External Auditor, KPMG)

54 APOLOGIES FOR ABSENCE/REPLACEMENT MEMBERS

Apologies for absence were received from Councillor Mrs E J Sneath and David Finch (Independent Added Person)

55 DECLARATION OF MEMBERS' INTERESTS

None at this point of the meeting.

56 MINUTES OF THE MEETING HELD ON 25 JANUARY 2016

RESOLVED

That the minutes of the previous meeting of the Audit Committee held on 25 January 2016, be agreed as a correct record and signed by the Chairman.

57 EXTERNAL AUDIT PLAN - 2015/16

The Committee received a report in connection with how External Audit would deliver their Financial Statement 2015/16 work for the Council. The External Auditors highlighted a number of issues including identification of key risks, changes to assets valuation basis and their fees for the 2015/16 audit. They stated that the latter could change due to the on-going issues with Agresso and agreed to report back to the Committee on this matter.

Responses to comments made by the Committee included that any member of the public on the electoral register was able to make a request to examine the accounts; that the Financial Statements would only be reported to the Committee when the accounts had been finalised even if this was to a later meeting and that the External Auditors had regular meetings with the Council's audit and finance sections to mitigate risks in the preparation of the accounts.

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The Chairman agreed to bring the possibility of increased External Auditor fees due to on-going issues with Agresso to the attention of the Leader of the Council, the Recovery Board and the Value for Money Scrutiny Committee.

RESOLVED

That the External Audit Plan for delivering the Financial Statements 2015/16 for the Council, be accepted..

58 EXTERNAL AUDIT PROGRESS REPORT

The Committee received a progress report from the External Auditors on the 2015/16 audit deliverables. The Committee's attention was drawn to the continuing work to resolve issues with the implementation of Agresso and the Committee would be kept updated on this matter.

Comments by the Committee included the monitoring of the Serco contract and knowledge acquired from other local authorities about the use of Agresso.

The External Auditors stated that they checked whether management and financial controls were in place to monitor the Serco contract; stated that Agresso was used by other local authorities but that there had been specific issues with its implementation at the County Council which were being addressed.

The Chairman stated that a full inquiry into the implementation of the Serco contract would be carried out by the Council in due course.

RESOLVED

That the External Audit progress report on the 2015/16 Audit deliverables be noted.

59 STATEMENT OF ACCOUNTS 2015/16

The Committee received a report in connection with the Statement of Accounts 2015/16 which summarised:-

1. Changes resulting from the Accounts and Audit Regulations 2015;
2. Changes to the Code of Practice on Local Authority Accounting which would be incorporated into the 2015/16 Statement of Accounts;
3. The review of the Council's Accounting Policies; and
4. A summary of the key risks faced by the Council in producing the Statement of Accounts 2015/16.

Officers stated that since the publication of the report Appendix B (Closure of Accounts – Risk Analysis) had been updated and would be sent to Committee members after the meeting.

Officers' responses to comments made by the Committee included:-

1. The Council had put procedures in place to handle local authority schools becoming Academies. However, there would still be cost pressures for the Council as it would not be possible to transfer debt charges as a result of a school's borrowing.
2. The Committee's strategic role was to ensure that management had the appropriate measures in place to produce the Statement of Accounts.

The Chairman agreed to let the Leader of the Council and Chief Executive have a copy of revised Appendix B (Closure of Accounts – Risk Analysis).

Officers agreed to provide an update of the closure of the accounts 2015/16 to the Committee in late April/early May 2016.

RESOLVED

(a) That the changes to the Explanatory Foreword and in the process for Exercising Public Rights required by the Accounts and Audit Regulations 2015, be noted.

(b) That the changes required to the Statement of Accounts from the Code of Practice 2015/16, be noted.

(c) That the Statement of Accounting Policies (Appendix A) to use in preparing the Council's accounts for the financial year ending 31 March 2016, be approved.

(d) That the key risks, actions and contingency arrangements identified for the production of the 2015/16 Statement of Accounts, be noted.

60 INTERNATIONAL AUDIT STANDARD - RESPONSE TO MANAGEMENT PROCESSES QUESTIONS

The Committee received a report in connection with an assessment around whether the Council and Pension Fund financial statements might be incorrect due to fraud or error. Officers stated that the figures of £20m and £17, under the paragraph headed "Note", in the report, should read £12m and £16m respectively.

Officers in response to comments made by the Committee explained the process of communication to employees on business practice and ethical behaviour. Exit interviews were also conducted with employees. Every budget holder had been sent an information pack about this topic. Officers stated that with regard to schools this was the responsibility of the School's Finance Officer and the School Governing Body to ensure all staff were made aware of the management practices in place to prevent fraud.

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**AUDIT COMMITTEE
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RESOLVED

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

61 COUNTER FRAUD AND INVESTIGATIONS WORK PLAN 2016/17

The Committee received a report in connection with the Council's Counter Fraud and Investigations Work Plan 2016/17.

In response to comments made by the Committee officers stated that in connection with local factors and risks, data was collected frequently, examined on a regular basis and the different methods of pursuing compensation were explained with the maximum recovery sought.

RESOLVED

That the Counter Fraud Work Plan for 2016/17 be approved.

62 DRAFT INTERNAL AUDIT PLAN 2016/17

The Committee received a report in connection with the draft Audit Plan for 2016/17.

Comments by the Committee included:-

1. Was the Council satisfied that all its procedures were up to date following the Rotherham child sex exploitation Inquiry?
2. The Coroner's service ability to manage to budget was challenging as Inquests were unpredictable. This needed to be taken into account in auditing the service.
3. There were risks and uncertainty associated with the devolution process.
4. The ability to provide an audit service in view of the increased workload from both the financial and non-financial sectors.

Officers' responses included:-

1. Officers were working with Children's Services on the issues raised by the Rotherham child sex exploitation Inquiry and this would be reported to a future meeting.
2. The Committee was able to seek an assurance from officers that appropriate systems were in place to address issues raised by the Coroner's Service.
3. The proposals announced by the Chancellor of the Exchequer in connection with devolution for Lincolnshire would need to be approved by the full Council and officers would be seeking an assurance that the necessary governance was in place.
4. Resources had been allocated to ensure that the audit procedures were in place to cover both financial and non-financial Council services in the next financial year.

RESOLVED

That the draft audit plan for 2016/17, be agreed.

63 INTERNAL AUDIT PROGRESS REPORT

The Committee received a report which gave an update of audit work undertaken in the period 1 January 2016 to 29 February 2016. The Committee's attention was drawn to the 72% "actual" performance figure in the report which reflected the on-going issues with Agresso.

Officers stated that David Powell, the Council's Emergency Planning Officer, hoped to attend today's meeting to talk about business continuity but had a conflicting meeting. Officers discussed the recent malware attack on the Council's systems and that this was being analysed to produce a report on the event and lessons learned. The role of this Committee was to ensure that the Council had the necessary systems in place to respond to such attacks.

Comments by the Committee included:-

1. All of the Council's employees needed to be made aware of the contents of the report to the Executive on business continuity.
2. Could the payroll action plan be made available to the Committee?
3. Business continuity had suffered due to problems with Serco.
4. It was thought that procedures were already in place to address cyber- attacks.

Paul Briddock and Christine Shepherd from Serco, attended the meeting, and commented as follows in respect of payroll audit:-

1. Explained the procedures put in place by Serco to deal with the recent cyber-attack.
2. The payroll action plan was in place, monitored monthly and 60% of the action plan had been completed, to date.
3. Over-payments were being addressed weekly, tracked and information fed back to the cost centres.
4. Price Waterhouse Cooper had been engaged by Serco to undertake an assurance review of payroll accuracy.

Paul Briddock and Christine Shepherd responded to comments made by the Committee as follows:-

1. The number of payroll questions by employees had reduced substantially and details of the type of questions being asked would be submitted to the next meeting of the Recovery Board.
2. The March payroll was satisfactory with only a few individual queries following its submission to HMRC.
3. The situation in connection with the schools' payroll had improved considerably since last year with few outstanding issues of a longstanding nature. Serco representatives had attended the Schools' Forum to explain the current

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arrangements to address queries in connection with payroll in schools and the focus in schools was now on communication. The Recovery Board would examine the statistics in due course.

4. The various contractual issues raised by the Serco contract would be examined in the future.

5. A Senior Control Officer had been appointed in September 2015 to examine the various payroll issues and work was on-going with Price Waterhouse Cooper and the County Council to ensure that the necessary controls were in place.

6. Key payroll trained staff had been retained by Mouchel which had caused issues for Serco and training on payroll issues was now provided at the University of Lincoln.

Officers stated that they still had concerns about the necessary controls being in place and there was still a low level of assurance.

RESOLVED

That the outcomes of Internal Audit work be noted.

64 WORK PLAN

The Committee received information relevant to the core assurance activities currently scheduled for the 2015/16 work plan.

Officers stated that with the demise of the Audit Commission KPMG had been appointed as the Council's External Auditors but their contract terminated in 2017/18 when there would be a need to appoint new External Auditors. The Local Government Association would be running a national procurement programme on this matter but there was a need for the Council to express an interest at this stage, which would be non-committal, by April 2016. Officers stated that they would submit a report on this matter to the next meeting of the Committee.

It was agreed that the next meeting of the Committee on 20 June 2016 would start at 10.30am to allow for an informal meeting between the Committee and the External Auditors, at 10.00am.

RESOLVED

(a) That the Committee's work plan be noted.

(b) That the next meeting of the Committee on 20 June 2016 start at 10.30am to allow for an informal meeting of the members of the Committee and the External Auditors at 10.00am.

The meeting closed at 12.40 pm

Regulatory and Other Committee

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

Report to:	Audit Committee
Date:	20 June 2016
Subject:	Statement of Accounts 2015/16 - Risk Update

Summary:

This report provides a summary of the key risks faced by the Council in producing the Statement of Accounts 2015/16 and progress in addressing these risks.

Recommendation(s):

The Executive Director of Finance and Public Protection asks Members of the Audit Committee to:

1. Note the key risks, actions and contingency arrangements identified for the production of the 2015/16 Statement of Accounts.

Background

1.1 At its meeting on 21 March the Audit Committee were presented with a risk assessment for the preparation of the Statement of Accounts for 2015/16. This paper updates the risk analysis and provides the Committee with an update in progress preparing the Council Statement of Accounts for 2105/16.

Closure of Accounts Risk Analysis

1.2 The challenges faced by the Council in the first year of using Agresso financial system are well documented. While the Authority continues to work on resolving the issues raised by the implementation of its new financial system there are a number of identifiable risks that may give rise to material misstatements in the accounts.

1.3 The risks originally identified and reported to the Audit Committee in March 2016 have been kept under review. **Appendix A** sets out the current position on the Closure of Accounts risks, alongside the actions that are being taken to mitigate them and, where possible, identify planned contingency arrangements.

For information, and to track progress a copy of the original risk analysis presented to this Committee on 21 March has been attached at **Appendix B**.

1.4 The risks are also being discussed with the external auditors (KPMG) to confirm the adequacy of the arrangements and potential implications for the audit of the accounts.

Conclusion

2.1 The Statement of Accounts preparation is being closely monitored and tracked by officers and members. Members of the Audit Committee are asked to note the risk analysis for the Statement of Accounts for 2015/16.

Consultation

a) Policy Proofing Actions Required

n/a

Appendices

These are listed below and attached at the back of the report	
Appendix A	Closure of Accounts 2015/16 - Risk Analysis
Appendix B	Risk Analysis – 21 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 Claire Machej, who can be contacted on 01522 553663 or claire.machej@lincolnshire.gov.uk.

Closure of Accounts - Risk Analysis





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Original Priority	Risk	Details	Original RAG	Current Actions/ Mitigation	Due Date	Contingency Arrangements	Current RAG	Update (6 June 2016)
1	Payroll control account significantly out of balance	Service Revenue costs posted to suspense account ~£100m	Red	Process outstanding data files.	29/02/2016	Use estimates to post remaining balance	Green	Data files processed 28/4/16.
			Red	Services to review results and post corrections. Rules circulated for limiting actions on miscodings	31/03/2016	Limit corrections to be posted	Yellow	Schools payroll costs still to be reviewed for reasonableness.
		Green with diagonal lines	Outstanding data files to be processed against control accounts of around £300m	LCC to manage reconciliations for 2015/16 only.	29/02/2016	Carry forward any remaining balances into new year	Green	Posting of data files left around £15m in suspense, which was resolved after a significant amount of work by Corporate Finance. A balance of ~£150k was written off, pending any issues arising from the review of schools payroll costs.
		Green with diagonal lines		Meeting requested with Serco to discuss external audit requirements	30/06/2016		Green	More detailed, revised approach to postings should remove this requirement.
		Green with diagonal lines		Unit4 consultant appointed to help resolve issues.	Actioned		Green	Files extracted in new format to allow posting.
10	Capital Module	Capital module yet to be used in practice, risk of unforeseen issues	Green with diagonal lines	Module has been thoroughly tested. Consultant booked to help resolve any issues 9-11 May	11/05/2016	No alternatives available	Green with diagonal lines	Year end processes near completion, some issues have required work arounds, and a Unit4 consultant helped resolved other issues.
6	Mapping of Service Expenditure Analysis (SEA) from old year	No old year balances held in Agresso to help ensure that there have been no structural changes to the SEA mapping.	Yellow	New year SEA produced before year end to enable analytical review	31/03/2016	Map coding via spreadsheet and produce SEA on Agresso codes	Green with diagonal lines	Mapping complete, initial comparisons have identified some areas of potential concern which are being investigated.
			Green	Ascertain KPMG's requirements	Actioned		Green	KPMG have confirmed they do not need to see audit trail.
New 27/4/16	Audit requirements for payroll not met	Payroll summary figures needed for external audit	Green with diagonal lines	Meeting requested with Serco to discuss external audit requirements	29/04/2016		Green with diagonal lines	Serco to pick up payroll figures required by auditors. LCC have reconciled to postings in General Ledger codes.

Original Priority	Risk	Details	Original RAG	Current Actions/ Mitigation	Due Date	Contingency Arrangements	Current RAG	Update (6 June 2016)
9	Delays in processing journals	The journal upload process has only recently gone live in Agresso and recent journal processing has taken up to a few days to action. Real time journals will be needed during closedown. Need to understand the backlog still with Finance to action		Processing should be quicker once backlog of journals have been processed. Size of databases being increased by SERCO.	Ongoing	Bulk journals to be processed overnight allowing smaller journals to be processed in real time during closedown		No particular difficulties experienced in recent weeks, although processing journals in the old financial year requires manual intervention.
3	Non Payroll Control Account Reconciliations	Reconciliation processes have not yet been fully implemented		AP/AR reconciliation reports passed over to Serco. Corporate Finance carrying out payroll reconciliations.	29/04/2016	Ensure AP/AR/Payroll control accounts reconciled as a minimum by the end of the financial year.		Agresso AP/AR reconciliation reports identified and run at 11/3/16 and 14/4/16. Reports did not identify any significant issues. Separate AP reconciliation carried out at 31/3/16.
4	Non-payroll suspense and holding accounts	Balances not regularly reviewed during the year		LCC Finance staff to clear any outstanding balance	15/04/2016	Clear high value entries and make informed judgements regarding any balance.		Fully cleared except for capital receipts which are awaiting posting - no problems are anticipated with this.
New 21/3/16	Accounting for Better Care Fund	Significant sums involved. Need to ensure correct treatment				Follow previous years practice for pooling arrangements		Meetings held with CCG's and accounting treatment agreed for each area in liaison with KPMG.
New 21/3/16	Cashbook entries missing	Entries in GL have not been posted to Cashbook reconciliation sub system				Add manual reconciliation items to reconciliation report		Alternative arrangements in place.
New 21/3/16	Trial Balance mispostings	Mispostings between LCC and Pension Fund Trial balance for LCC doesn't balance				Enter a global posting correction between LCC and Pensions		Mispostings identified and corrections actioned.
New 21/3/16	Shortage of Licences mean finance staff cannot access Agresso	Finance staff are being blocked from accessing Agresso during busy periods. This will cause critical delays during closedown when greater use of Agresso is expected		Additional licences on order. Issue being raised by staff with IT helpdesk when it occurs. Staff need to be reminded to log off when not using system		Serco can log off users that are not active to free up licences.		25/4/16 - All additional licences loaded. No significant issues raised in recent weeks.
2	Capital - allocation of capital spend (works orders) to assets and asset classes	£60m+ of capital spend (works orders) still to be allocated to assets		Raised with senior finance staff and further training beginning to finance staff to complete this work.	Actioned	Focus on high value assets in Highways and Schools.		Completed 25/4/16
New 21/3/16	Confirm interface to Capital	Capital module in Agresso will not accept CONFIRM postings				Generate manual postings via spreadsheet		Alternative arrangements successfully used. Resolution now in place for 2016/17

Original Priority	Risk	Details	Original RAG	Current Actions/ Mitigation	Due Date	Contingency Arrangements	Current RAG	Update (6 June 2016)
5	Trial Balance Report and Statement of Accounts Checks	Existing checks need full review due to new system. Trial balance not yet available to help assess position	Yellow	Trial Balance report to be finalised for loading into SoA worksheet as a trial run	Actioned	Manually input data to SoA tables. Focus on internal consistency checks for SoA	Green	Trial Balance report now running and has identified issues picked up as a new risk.
			Yellow	Review existing internal consistency checks.	Actioned		Green	Work completed
7	Purchase card payments not posted	Around £3.3m unposted to end of February	Diagonal Green	Contingency plan already implemented	24/03/2016	Details to be extracted and sent to card holders for coding	Green	Postings completed 25/4/16
		No plans to accrue payments after 2/3/16	Green	Discuss whether this is an audit issue with KPMG	Actioned	If necessary, charge accruals to default codes outside	Green	KPMG have confirmed that this should not be an issue
8	Duplicate Payments	Work by internal audit has identified potential duplicate payments. This is likely to be an area of concern for KPMG.	Diagonal Green	Duplicate payments to 24/11/15 identified and repayment chased with suppliers. Continue to run reports to year end.	31/03/2016	Clear high value entries and look to clear the low value items in the new year.	Green	Items in Phase 2 investigated and action taken. Items over £10k identified from phase 3 report and actions in place to resolve

RAG Key:

	Serious concern - no guarantee that current actions will fully resolve.
	Some concern - Needs monitoring to ensure actions resolve concern.
	Some minor residual concern but actions in place to resolve.
	Issue resolved - no concerns.

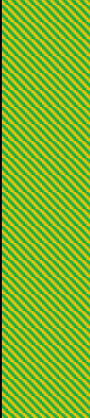
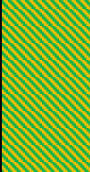
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Closure of Accounts - Risk Analysis - as at 21 March 2016

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Priority	Risk	Details	RAG	Current Actions/ Mitigation	Due Date	Contingency Arrangements	Other Comments
1	Payroll control account currently out of balance.	Outstanding data files to be processed against control accounts of around £300m		Unit4 consultant appointed to review and help resolve the issues involved. Process outstanding data files.	Actioned 29/02/2016	Preparations in place to correct any outstanding issues.	Risk remains once files are processed there will still be significant balances to resolve.
		Payroll service costs misposted to control account ~£100m		Agree cut-off point with Serco for LCC finance to take over responsibility for tackling issue. Begin collecting data from Schools regarding miscodings.	Actioned 31/03/2016	Use summary journals to action the changes required.	Prepare journals for whole year from 1 March 2016.
2	Capital - allocation of capital spend (works orders) to assets and asset classes	£60m+ of capital spend (works orders) still to be allocated to assets		Raised with senior finance staff and further training beginning to finance staff to complete this work.	Actioned	Focus on high value assets in Highways and Schools.	
3	Control Account Reconciliations	Reconciliation processes have not yet been fully implemented		Closely monitor progress made by SERCO.	15/04/2016	Ensure AP/AR/Payroll control accounts reconciled as a minimum by the end of the financial year.	
4	Suspense and holding accounts	Balances not regularly reviewed during the year		Prioritise with SERCO finance staff to ensure balances reviewed for year end	15/04/2016	Clear high value entries and make informed judgements regarding any balance.	
5	Trial Balance Report and Statement of Accounts Checks	Existing checks need full review due to new system. Trial balance not yet available to help assess position		Trial Balance report to be finalised for loading into SoA worksheet as a trial run	31/03/2016	Manually input data to SoA tables. Focus on internal consistency checks for SoA	


Priority	Risk	Details	RAG	Current Actions/ Mitigation	Due Date	Contingency Arrangements	Other Comments
				Review existing internal consistency checks.	31/03/2016		
6	Mapping of Service Expenditure Analysis (SEA) from old year	No old year balances held in Agresso to help ensure that there have been no structural changes to the SEA mapping.		New year SEA produced before year end to enable analytical review	31/03/2016	Map coding via spreadsheet and produce SEA on Agresso codes	2015/16 comparisons not yet usable. Concern that there may be significant changes that would need investigating during closedown. KPMG do not require a full mapping trail from previous year.
				Ascertain KPMG's requirements	Actioned		
7	Purchase card payments not posted	Around £3.3m unposted to end of February		Contingency plan already implemented	24/03/2016	Details to be extracted and sent to card holders for coding	
		No plans to accrue payments after 2/3/16		Discuss whether this is an audit issue with KPMG	Actioned	If necessary, charge accruals to default codes outside management accounts and met temporarily from General Fund	Not a particular concern for KPMG given the value involved
8	Duplicate Payments	Work by internal audit has identified potential duplicate payments. This is likely to be an area of concern for KPMG.		Duplicate payments to 24/11/15 identified and repayment chased with suppliers. Continue to run reports to year end.	31/03/2016	Clear high value entries and look to clear the low value items in the new year.	Existing arrangements should satisfy KPMG, however, will need to detail plans of how this will be avoided in future


Priority	Risk	Details	RAG	Current Actions/ Mitigation	Due Date	Contingency Arrangements	Other Comments
9	Delays in processing journals	The journal upload process has only recently gone live in Agresso and recent journal processing has taken up to a few days to action. Real time journals will be needed during closedown. Need to understand the backlog still with Finance to action		Processing should be quicker once backlog of journals have been processed. Size of databases being increased by SERCO.	Ongoing	Bulk journals to be processed overnight allowing smaller journals to be processed in real time during closedown	Still a concern that the level of journals increases at year end and the length of time it may take to clear the backlog
10	Capital Module	Capital module yet to be used in practice, risk of unforeseen issues		Module has been thoroughly tested. Consultant booked to help resolve any issues 9-11 May	11/05/2016	No alternatives available	


RAG Key:



 Serious concern - no guarantee that current actions will fully resolve.

 Some concern - Needs monitoring to ensure actions resolve concern.

 Some minor residual concern but actions in place to resolve.

 Issue resolved - no concerns.

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Regulatory and Other Committee

Open Report on behalf of Richard Wills, Monitoring Officer

Report to:	Audit Committee
Date:	20 June 2016
Subject:	Review of Serco Contract

Summary:

The report recommends Terms of Reference for a review of the contract awarded to Serco. A review has been anticipated for a while but the Council resolved at its meeting in May to ask KPMG to undertake the review in accordance with terms of reference approved by the Audit Committee.

Recommendation(s):

To determine the Terms of Reference for KPMG's review of the Serco Contract as indicated at Appendix A, or as amended by the Committee.

To consider whether the Committee may wish to hold special meetings to oversee the Review.

Background

1. The Audit Committee has received regular updates on the progress of Agresso and wider aspects of the contract the County Council has with Serco. It has been accepted for some time that a review would be required. However, officers have advised that in the first instance it was important to ensure that people engaged in commissioning and delivering the contract were allowed to concentrate on improving delivery.
2. At the County Council in May, a motion relating to Serco and the review was proposed by Cllr Parker. An amendment to this motion was proposed by Cllr Hill and this amended was accepted and voted upon.
3. The context for the motion was that the council continued to be concerned and disappointed by the delivery of some services by Serco and the impact this is having on:
 - the citizens of Lincolnshire,
 - our Local Authority schools,
 - organisations we trade with and which supply us with vital services

- our staff
- the operations of the County Council.

It is acknowledged that Serco has made progress in improving service delivery and the Council looks forward to this service delivery reaching the contracted standards. While this Council has the contractual right to terminate the contract with Serco, we recognise that it is currently in the Council's best interest to work with Serco while they continue to put the problems right. Serco's continued commitment to rectification, in spite of their financial losses, is valued by this Council.

4. At its meeting on 20 May 2016, the Council resolved:
 - a) to ask the Chief Executive to ensure that the promised review of the procurement and award of the Serco contract and the implementation of Agresso is undertaken at once using the Council's external auditors KPMG; the terms of reference for the review to be agreed by the Audit Committee at its next meeting in June;
 - b) that the review is reported to the Audit Committee at its September meeting;
 - c) to ask the Chief Executive to keep under review progress to improve performance and the options available to the County within the terms of the contract, and to consult as he considers necessary with the Recovery Group.
5. I have been asked, as the Monitoring Officer, to oversee the review on behalf of the chief executive because I have been independent of the contract letting and supervision.
6. The review should be restricted to determining what has happened in the process of specifying the contract, tendering, management and delivery of the contract that emerged. It should enable learning points to be drawn from the review and recommendations that might help the council let future contracts. The review will not consider how the council may wish to deal with Serco in future, albeit that the outcome of the review may help inform any decisions of that nature.

Conclusion

7. The Council had already indicated that it would undertake a review and the County Council's resolution has provided the impetus for undertaking that now.
8. The Audit Committee is invited to consider the terms of reference that have been drawn up and are presented in Appendix A. It may also wish to consider whether oversight of the review can be managed within its normal calendar of meetings or whether it would like a special meeting to consider an interim report. Full Council meets on 16 September and Audit Committee is scheduled to meet on 26 September.

Consultation

a) Policy Proofing Actions Required

n/a

Appendices

These are listed below and attached at the back of the report	
Appendix A	Proposed Terms of Reference for a review of the Serco Contract.

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 Richard Wills, who can be contacted on 01522 553000 or richard.wills@lincolnshire.gov.uk.

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**APPENDIX A
to Audit Committee Report 20 June 2016**

**PROPOSED TERMS OF REFERENCE FOR A REVIEW OF THE SERCO
CONTRACT (June 2016)**

Preamble

It is proposed that this Review considers:

1. The tendering process and contract specification.
2. The management of the Contract.
3. Serco's performance in the delivery of the services under the contract and the implementation of Agresso.

The overall purpose of the Review is to learn from the experience of letting and operating the contract with Serco so that we have the best possible arrangements in place to procure and manage contracts in future.

The context

(as discussed at the Council Meeting on 20 May 2016)

The council continues to be concerned and disappointed by the delivery of some services by Serco and the impact this is having on:

- the citizens of Lincolnshire,
- our Local Authority schools,
- organisations we trade with and which supply us with vital services
- our staff
- the operations of the County Council.

It is acknowledged that Serco has made progress in improving service delivery and the Council looks forward to this service delivery reaching the contracted standards. While this Council has the contractual right to terminate the contract with Serco, we recognise that it is currently in the Council's best interest to work with Serco while they continue to put the problems right. Serco's continued commitment to rectification, in spite of their financial losses, is valued by this Council.

At its full meeting on 20 May 2016, the Council resolved:

- *to ask the Chief Executive to ensure that the promised review of the procurement and award of the Serco contract and the implementation of Agresso is undertaken at once using the Council's external auditors KPMG; the terms of reference for the review to be agreed by the Audit Committee at its next meeting in June;*
- *that the review is reported to the Audit Committee at its September meeting;*
- *to ask the Chief Executive to keep under review progress to improve performance and the options available to the County within the terms of the contract, and to consult as he considers necessary with the Recovery Group.*

Key lines of enquiry for the independent post-implementation review.

1. Tendering, decision making and contract documents.

To assess governance, project management and leadership in relation to:

- 1.1 any way in which the nature of the contract, its terms and evaluation framework and decision making affected the potential quality of delivery:
 - i. whether the operational and commercial risks associated with this embracing contract were allocated within and managed appropriately through the contract;
 - ii. whether the risks of outsourcing would have been better managed by alternative packaging this embracing contract into smaller contracts;
 - iii. whether there were any constraints or specific requirements or a lack of clarity in the contract that contributed to the poor delivery of services by Serco and particularly in relation to Agresso.
- 1.2 how the evaluation framework affected the choice of contractor:
 - i. the process and criteria for selecting a long list and short list of bidders;
 - ii. whether the LCC evaluation of risks could have identified any potential factors in Serco's bid that might have led them to question:
 - a. The veracity of their bid; and
 - b. Serco's competence to deliver against the contract;
 - iii. whether factors arising from transferring a service between external suppliers were adequately assessed and addressed.

2. Management of the Contract:

To consider:

- i. whether it would have been possible to identify indications of potential failure before the services commencement date of the contract;
- ii. whether the governance, project management and leadership of the contract since commencement has contributed to or been appropriate to manage the risks of and prevent or mitigate the effects of poor performance;
- iii. whether increased contract management resources would improve contract management.

3. Delivery of services under the Contract and the implementation of Agresso

To:

- i. review Serco's operational performance of the services;
- ii. review Serco's implementation of Agresso;
- iii. review the Council's support to the implementation of Agresso.

OUTPUTS

A report should be delivered to the Chief Executive by the <date> in time for a report to be prepared for the Audit Committee on <date>.

The report should contain:

- A review of the contract, evaluation framework, letting of the contract and delivery of services and implementation of Agresso;
- Recommendations derived from the learning points.

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Regulatory and Other Committee

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

Report to:	Audit Committee
Date:	20 June 2016
Subject:	Risk Management Progress Report - June 2016

Summary:

The role of the committee is to gain assurances that the Council is effectively managing its key risks and has good risk management systems and processes in place that enable decision makers to understand the level of risk being taken and the Council is prepared to accept.

There have been no big surprises for the Council where it suffered significant financial loss or reputation.

In addition the Committee have responsibility to monitor effective development and operation of risk management and corporate governance in the Council.

This report assists the Committee in fulfilling that role, by providing an update on how well the Council's biggest risks are being managed as well as reporting on the progress made in assisting the Council to adapt and change the way it 'thinks' about risk.

Recommendation(s):

That the Committee notes the current status of the strategic risks facing the Council and make recommendations on any further scrutiny required.

Background

As part of the on-going review and oversight of the Strategic Risk Register, there have been regular updates from the risk owners in obtaining assurances that the strategic risks are being managed effectively.

During the past few months we have undertaken a review of our strategic risks taking into account of any 'operational' risks.

The Risk Management Progress Report, which can be found in Appendix A, provides the Committee with updates on key messages received over the past 7 months since the last report in November 2015.

Conclusion

Overall, the council's strategic risks continue to be managed pro-actively. There is a good level of awareness of the current and emerging issues, with positive action being taken where appropriate.

Given the scale and significance of the changes facing the Council further work is required to ascertain and review the Council's risk appetite going forward.

Consultation

a) Policy Proofing Actions Required

N/A

Appendices

These are listed below and attached at the back of the report	
Appendix A	Risk Management Progress Report - June 2016
Appendix B	Strategic Risk Register

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 Debbie Bowring, who can be contacted on 01522-553772 or debbie.bowring@lincolnshire.gov.uk.

Risk Management Progress Report

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Appendix 2 – Strategic risk register	

Contact Details:
Debbie Bowring



County Offices, Newland, Lincoln, LN1 1YG
☎:01522 553772 📧 debbie.bowring@lincolnshire.gov.uk

Introduction

1. The purpose of this report is to provide an update on:

- the key strategic risks facing the Council
- the activities being undertaken to support the Council in developing a culture of being ‘Creative & Aware of Risk’¹.

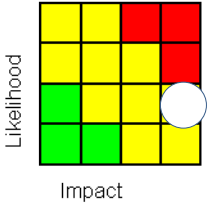
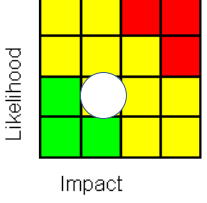
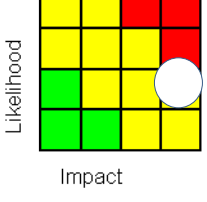
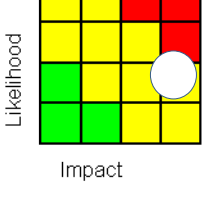
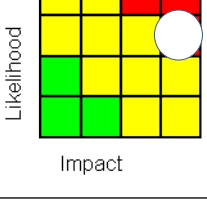
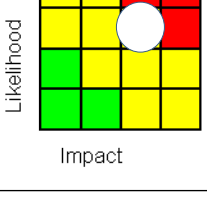
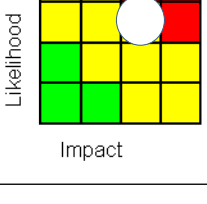
Key Messages

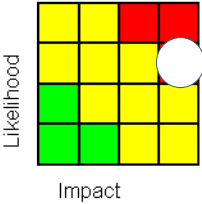
Our Strategic Risks

2. Over the past couple of months, we have undertaken updates from the various risk owners against the strategic risks to gain an assurance that these are being managed effectively.
3. Our Strategic Risk Register includes 11 risks – these are

Risk	Current Risk	Assurance
Safeguarding – Safeguarding Children		Substantial
Safeguarding – Safeguarding Adults		Limited
Resilience (Business Continuity) – Capacity & resilience to responding to, and recover from, wider area and prolonged emergencies and business disruption (e.g. coastal flooding / pandemic flu) impacting on public safety, continuity of critical functions and normal service delivery		Limited

¹ The Council wishes to be creative and open to considering all potential delivery options, with well measured risk taking whilst being aware of the impact of its key decisions.

<p>Market Supply Adult Care – Adequacy of market supply to live within budget</p>		<p>Limited</p>
<p>Projects – Ability to deliver our major designated projects</p>		<p>Substantial</p>
<p>Budget – LCC – Funding and maintaining financial resilience</p>		<p>Substantial</p>
<p>Governance – Maintenance of effective governance arrangements including the way we implement transformational change and decisions affecting service delivery</p>		<p>Substantial</p>
<p>Recruitment / Staffing – Ability to recruit & retain staff in high level areas</p>		<p>Limited</p>
<p>Strategic contracts – Ensuring contracts are fit for purpose in the Commissioning Agenda</p>		<p>Limited</p>
<p>Governance – Effective implementation of the Agresso system to ensure good Financial and HR systems</p>		<p>Limited</p>

<p>Cyber Security – A broad spectrum of internal and external threats, which seek to negatively impact the confidentiality, integrity or availability of an information system and/or the information residing therein.</p>		<p>Limited</p>
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Operational (Tactical) risks

5. The Corporate Risk & Safety Steering Group met on 3rd March 2016 and an update was provided on the operational risks via the chairs of the various groups.
6. The dashboard approach enables the Council to maintain an oversight of its Directorates risk and safety performance. It recognises that there is no single reliable measure of risk and safety performance, opting instead to use a 'basket' of measures to provide information on a range of key risk and safety activities which can be tracked over time to assess overall performance.
7. The 'Risk' element of each dashboard focuses purely on what are considered to be the - biggest (tactical) risks for the 'Directorates'. It also acts as an early warning mechanism for any emerging big risks requiring escalation to the Strategic Risk Register.
8. A summary of each Directorates 'Top 5' risks can be seen in *Appendix 1* from which the following key messages can be drawn:
 - Almost all areas have identified having a tactical risk around 'people', e.g. Inability to retain/recruit skilled & motivated staff, a risk which is echoed within the Strategic Risk Register;
 - Almost all areas have identified having a tactical risk around 'budget and lack of future finances to deliver services', a risk which is echoed within the Strategic Risk Register;
 - There are no tactical risks requiring escalation to the Strategic Risk Register or CMB at the present time.
 - There are no risks with 'No Assurance' from a management perspective.
 - It has been agreed that Information & Commissioning will note their own top 5 biggest 'tactical' risks and these will be noted at the next update.

Risk Management – Internal Audit Report – Issued July 2014

9. Following on from the internal risk audit report that was concluded in 2014, there remains one outstanding action from this report;

- **Risk in decision making**
This has yet to be completed due to the involvement of other services and the inclusion of other areas within the template. We are currently awaiting a status update from Democratic Services as to when the template shall be updated.
- In view of the above, we shall look at alternative methods in moving this forward such as communication via internal comms, briefing papers to authors of reports and general awareness raising via the directorate groups.

Risk Management strategy and toolkit

10. We have updated our risk management toolkit to help support effective risk management practice and decision making. We have been working with Learning & Development in producing two risk management e-learning modules, one strategic and one operational. These are due to be launched mid/end June 2016.

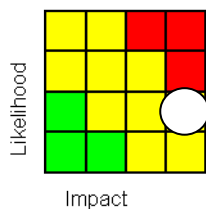
11. We are also looking to work with Democratic Services in launching some bespoke awareness sessions and training programme for both councillors and members on risk management.

Our Strategic Risks

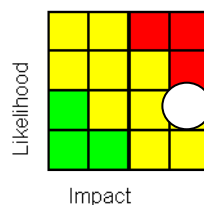
Our strategic risks are as follows;

12. Key areas/ risks to note are as follows;

Risk 1: Safeguarding Children – Substantial assurance



Current risk score



Target risk score

The level of assurance over this risk remains at 'substantial' with the direction of travel continuing at 'improving'.

Risk 2: Safeguarding Adults – Limited assurance



Current risk score Target risk score

Following the limited audit result from Dolves work and the peer review due in June 2016 – making safeguarding personal, the level of assurance is 'limited' at this time, however this risk continues to be at target score.

Risk 3: Good Business Continuity & Resilience – Limited assurance



Current risk score Target risk score

Following a recent audit report, the level of assurance has reduced to 'limited' however; outstanding issues from the audit report are being reviewed.

Risk 4: Adequacy of market supply to meet eligible needs for adults - Limited assurance



Current risk score Target risk score

There is still a national problem with staff and recruitment in this area. The supply service is drying up with more demand on the service. Having said this, it is an improving situation in respect of homecare and re-enablement, however nursing care in the south, still a significant concern.

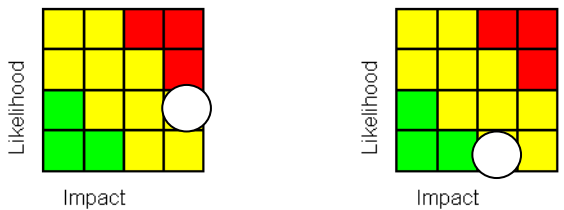
Risk 5: Ability to deliver our major designated projects – *Substantial assurance*



For the purposes of this strategic risk, we have utilised a standard template to provide us with assurances that the key projects to the organisation have adequate risk management in place. Whilst there are no major concerns with the assurance of overall projects, each specific project comes with their own risks.

Over the coming months, we shall be looking into the specific projects and what the key risks are for each project.

Risk 6: Funding and maintaining financial resilience – *Substantial assurance*

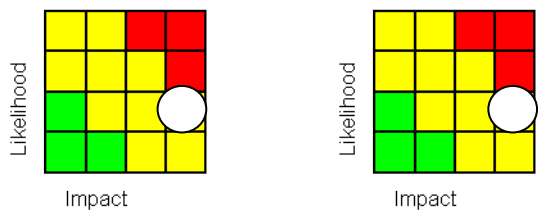


Current risk score

Target risk score

There have been no movement on the assurance level, direction of travel or scoring of this risk since our last report.

Risk 7: Maintenance of effective governance arrangements – *Substantial assurance*



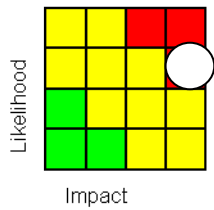
Current risk score

Target risk score

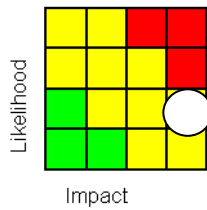
Good governance underpins everything we do as a Council and how we deliver services often comes under close scrutiny.

There have been no movement on the assurance level, direction of travel or scoring of this risk since our last report.

Risk 8: Ability to recruit & retain staff in high risk areas – *Limited assurance*



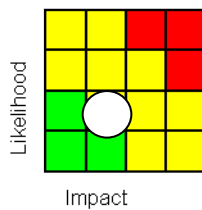
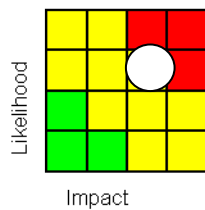
Current risk score



Target risk score

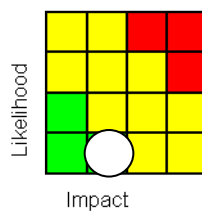
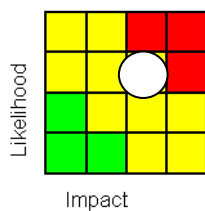
This risk still remains a high risk for the Council, however there is ongoing work to implement new actions to reduce the current risk score and provide a level of substantial assurance in the near future.

Risk 9: Ensuring contracts are fit for purpose in the Commissioning Agenda – *Limited assurance*



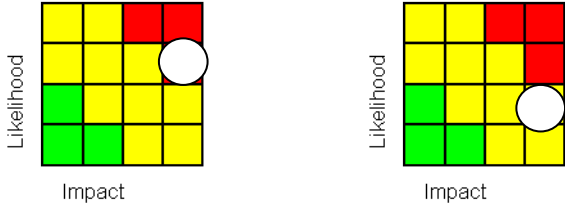
Even though the assurance level for this risk is at limited, there are a number of actions that are due to be implemented over the coming period that will bring the assurance level to substantial.

Risk 10: Effective implementation of the Agresso system to ensure good governance in respect of key financial and HR systems. – *Limited assurance*



This continues to be a significant risk. The issues relating to the implementation of the Agresso system are well known with oversight by CMB, recovery board and members on a regular basis.

Risk 11: Cyber Security – A broad spectrum of internal and external threats, which seek to negatively impact the confidentiality, integrity or availability of an information system and/or the information residing therein. – Limited assurance



This is a new significant risk that has been included on the strategic risk register following the recent malware incident. There are a number of new and developing actions in progress and being developed, however existing practices are unclear. We are monitoring the progress of the different phases of the developing actions.

A copy of the updated Strategic Risk Register can be seen in *Appendix 2*.

Looking forward in risk management

We are aware that times are changing, the organisation is with fewer services and resources and therefore, we have to have an awareness that the way we deal with risk, also has to change.

Looking forward to the forthcoming year, our focus will be on the following;

1. Revisit the risk appetite of the Council clearly setting the level of risk the Council is willing to take and accept for its activity.
2. Undertake a fundamental review of the strategic risk register – ensuring that it is fit for purpose and we have captured the key risks facing the authority. This will align with the Council's business plans / strategies beyond 2016.
3. Independent benchmarking undertaken over the next couple of months and look to work on any areas of improvement. This work will be based on the CIPFA model risk enablers.
4. Roll out our risk management training and development including production of a comms plan.

APPENDIX 1 - Directorate Top 5 Risks – as at 31st May 2016

Adult Social Care			
No.	RISK	Level of Mgmt Assurance	Escalation Req'd?
	Due to timing of the Adults operational meeting, their top 5 to be tabled at the Audit Committee meeting on 20 th June 2016		
1		Limited	No
2		Limited	No
3		Substantial	No
4		Limited	No
6		Substantial	No

Childrens			
No.	RISK	Level of Mgmt Assurance	Escalation Req'd?
1	Safeguarding	Substantial	No
2	Buildings (Children's Centre / Family Contact Centres and some Youth Centres	Limited	No
3	Transport	Substantial	No
4	Schools administration System	Limited	No
5	Schools in Special measures	Limited	No

Environment & Economy			
No.	RISK	Level of Mgmt Assurance	Escalation Req'd?
1	Effective governance of major capital projects	Substantial	No
2	Recruitment and retention of qualified and experienced staff during ongoing period of change, impacting upon reliance and business continuity when dealing with emergency (and same routine) situations.	Limited	Yes Note (1)
3	Insufficient resources to match the ambitions and expectations to ensure matched funding opportunities and delivery of major projects of significant environment, economic and infrastructure benefit. Now further stretched due to requirements to prepare for devolution.	Limited	No

Public Health			
No.	RISK	Level of Mgmt Assurance	Escalation Req'd?
1	Contract Management	Limited	No
2	Political - working and decision making in a political organisation	Substantial	No
3	Reduction in staff wellbeing and motivation due to continuing changes with ensuring the right skills in place to continue the service provided.	Limited	No

Lincolnshire County Council – Risk Management Report

4	Ongoing budget reductions leading to the potential failure of critical services as well as some routine services which are being radically impacted.	Limited	Yes Note (2)
5	Ongoing impact of issues with IT systems on carrying out business as usual (efficiency, effectiveness, cost, financial management)	Limited	Yes Note (3)

4	Access to and storage/holding of information - sharing with other parties, data protection	Substantial	No
5	Overspend of Coroners Service arising from increasing long inquest payments and cost of assistant coroners	Limited	No

Finance & Public Protection			
No.	RISK	Level of Mgmt Assurance	Escalation Req'd?
1	Inability to recruit & retain skilled staff	Limited	No
2	Insufficient budget to deliver agreed acceptable level of service	Substantial	No
3	Safety of children and adults in and out of county (assessed from a local service perspective)	Substantial	No
4	Compliance with statutory legislation within various services	Substantial	No
5	Reputational risk around relationships with external clients	Limited	No

- Note 1)** Retention of qualified staff becoming more of an issue as uncertainty continues in some service areas.
- Note 2)** The impact on some services is so extensive that they are being effectively stopped, which has a major effect on public perception even though they are not statutory
- Note 3)** Business as usual is continuing to be impacted by IT speeds and issues with Agresso in particular

APPENDIX 2 – Strategic risk register – As attached with this report

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Strategic Risk Register

Version: 1.4

Reviewed: April - June 2016 (links to Commissioning Strategies January 2015)

Owner: Tony McArdle: Chief Executive

Commissioning Strategy - Our communities are safe and protected from harm

No of Risk	Risk Owner	Risk description	Risk Appetite (How much risk are we prepared to take & the total impact of risk we are prepared to accept)	Current risk score	Target risk score	Assurance Status (Full, Substantial, Limited, No)	Assurance - Direction of Travel (Improving, Static, Declining)	Actions
1	Debbie Barnes	Safeguarding Safeguarding children	Cautious (Regulatory standing & legal compliance - recognised may need to change the ways we do things are done but will be tightly controlled)	<p>Likelihood</p> <p>Impact</p>	<p>Likelihood</p> <p>Impact</p>	Substantial	Improving	Existing Controls <ul style="list-style-type: none"> • Audit & Performance information to DMT for scrutiny • Safeguarding Assurance days • Independent Chairs - review care plans & quality - act as eyes & ears for DMT • Peer Challenge (East Midlands Group) • Quality Team Manager Audits • Management & investigation of complaints at local level • Children's Safeguarding Board • Performance Framework for Quality Assurance mechanisms • Practitioner Supervision & Appraisal • Implementation of recommendations from serious case review • Member scrutiny of Social Care • Ofsted Inspection • Signs of Safety • Adoption reform • Partners in practice
2	Glen Garrod	Safeguarding Safeguarding adults	Cautious (Regulatory standing & legal compliance - recognised may need to change the ways we do things are done but will be tightly controlled)	<p>Likelihood</p> <p>Impact</p>	<p>Likelihood</p> <p>Impact</p>	Limited	Improving	Existing controls <ul style="list-style-type: none"> • Multiagency Safeguarding Policy & Local Procedures in place • Adults Strategic Safeguarding Board • Virtual integration between policy, practice & strategy • CQC Information Sharing Meetings • Delivery of Safeguarding training to providers as part of 'Supporting Proprietors - Leadership & Management' programme • Appropriate checks / vetting of staff in 'regulated activity posts' • Investment in staff development agreed with Adult Safeguarding Board (ASB) of £250,000 for 2 years (each year) • Improved performance monitoring to Adult Safeguarding Board (ASB) under development for regular monitoring • Public Protection Board • New quality assurance unit • Lead professional & elite professionals • Serious case reviews • Senior Business Manager appointed to assist Safeguarding Manager and take lead on implementing Peer Challenge Action Plan • Performance Score Card monitored at department level reported to LASAB • Regular Case file Audits system implemented • Domestic Homicide review action plan completed March 2015 • Implementation of Action plan arising from Peer Challenge completed January 2015 • Internal Audit on Safeguarding completed with Substantial assurance • New resource for LSAP in an analyst New / Developing controls <ul style="list-style-type: none"> • Develop & implement suitable assurance framework for commissioned services (that considers safeguarding) • Develop & implement suitable assurance framework for Personal Budgets (that considers safeguarding) • Peer review in June 2016 - making safeguarding personal

No of Risk	Risk Owner	Risk description	Risk Appetite (How much risk are we prepared to take & the total impact of risk we are prepared to accept)		Current risk score	Target risk score	Assurance Status (Full, Substantial, Limited, No)	Assurance - Direction of Travel (Improving, Static, Declining)	Actions
3	Pete Moore	Resilience (Business Continuity) Capacity and resilience to respond to, and recover from, wider area and prolonged emergencies and business disruption (e.g. coastal flooding / pandemic flu) impacting on public safety, continuity of critical functions and normal service delivery.	Hungry (Projects & major change - need to be innovative and take higher risks for greater reward - higher levels of devolved authority)	Open & Aware (Partnerships - Recognised that we work differently with different partners)			Limited	Improving	Existing controls <ul style="list-style-type: none"> Investing in protection and vulnerability reduction (e.g. Boston Barrier) - this refers to the flooding part of the risk Commissioning through effective partnership working (e.g. LRF, LHRP and FR & DM) Flood risk drainage management strategy - this refers to the flooding part of the risk New / Developing Control <ul style="list-style-type: none"> Implementation of Senior Management Command arrangements Retaining sufficient capacity to meet our duties (and fulfil our local authority / FRS roles and responsibilities) as a category 1 responder (under the Civil Contingencies Act) Maintaining organisational / operational competencies (training & exercising) in key roles and functions of command outside our control, multi-agency co-ordination and business recover Reflect and review impacts of organisational change Training and exercise of people in roles of command, business recovery and multi-agency co-ordination including Cygnus Ensure plans are in place and audited Reviewing our preparedness in the event of an emergency, working with partners - looking at joint arrangements with the districts for the LRF and looking at a deal about mutual aid around the region. Review outstanding issues from recent audit report

Commissioning Strategy - The health and wellbeing of the population is improved, people remain independent for longer and feel responsible and in control of their own future

No of Risk	Risk Owner	Risk description	Risk Appetite (How much risk are we prepared to take & the total impact of risk we are prepared to accept)	Current risk score	Target risk score	Assurance Status (Full, Substantial, Limited, No)	Assurance - Direction of Travel (Improving, Static, Declining)	Actions
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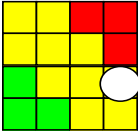
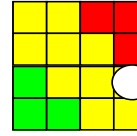
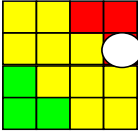
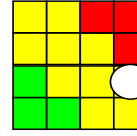
4	Glen Garrod	Market Supply AC Adequacy of market supply to live within budget	Cautious (Regulatory standing & legal compliance - recognised may need to change the ways we do things are done but will be tightly controlled)	 Likelihood Impact	 Likelihood Impact	Limited	Improving	Existing controls <ul style="list-style-type: none"> Continued improved relationships with providers Community support framework Targeted market stimulation - geographic or service based on micro-level according to need and based on good intelligence. Capital strategy in place for next 3 years with funding level and team created Additional resources in Procurement Lincs to improve contract management Homecare rates established and procurement approach agreed Funding for residential care secure Contract register in place Additional investment in community based services with NHS developed Additional funding agreed for 3 years with Executive New / Developing controls <ul style="list-style-type: none"> Develop further diversification of the market, i.e. multiple providers being able to offer multiple services Develop right mix of skills to become a commissioner of services Extra care schemes should begin to be progressed by end of 16/17
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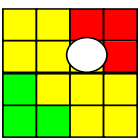
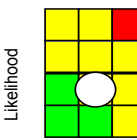
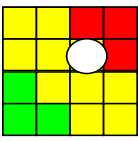
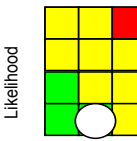
Commissioning Strategy - Businesses are supported to grow and want to invest in the county; people have the skills and training to access local jobs supported by the right infrastructure and environment

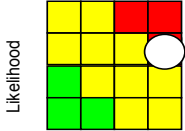
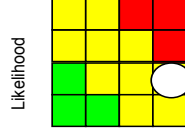
No of Risk	Risk Owner	Risk description	Risk Appetite (How much risk are we prepared to take & the total impact of risk we are prepared to accept)	Current risk score	Target risk score	Assurance Status (Full, Substantial, Limited, No)	Assurance - Direction of Travel (Improving, Static, Reducing)	Actions
5	Richard Wills	Projects Ability to deliver our major designated projects	Hungry (Projects & Major change - Need to be innovative and take higher risks for greater reward - high levels of devolved authority - management by trust rather than tight control - 'break the mould' and challenge current working practices)	 Likelihood Impact	 Likelihood Impact	Substantial	Static	<ul style="list-style-type: none"> For the purposes of this strategic risk, we have utilised a standard template to provide us with assurances that the key projects to the organisation have adequate risk management in place. A project risk register is maintained and over the coming months, we shall be looking into the specific projects and what the key risks are for each project.

Commissioning Strategy - We effectively target our resources so that individuals and communities experience the desired benefits and results

No of Risk	Risk Owner	Risk description	Risk Appetite (How much risk are we prepared to take & the total impact of risk we are prepared to accept)	Current risk score	Target risk score	Assurance Status (Full, Substantial, Limited, No)	Assurance - Direction of Travel (Improving, Static, Reducing)	Actions
6	Pete Moore	Budget - LCC Funding and maintaining financial resilience	Open & Aware (Finance & money - No surprises - prepared to invest for reward and minimise the possibility of financial loss by well measured risk taking - allocating resources in order to capitalise on potential opportunities)	 Likelihood Impact	 Likelihood Impact	Substantial	Static	Existing controls <ul style="list-style-type: none"> Sound process on trying to protect where funding is going supported by Medium Term Financial Strategy Efficiency and Savings Agenda Good financial management with monitoring arrangements in place Accountability framework Work to meet future budget targets through Fundamental Budget Review and Financial Challenge work. Council Priority Activities agreed & delivery of major projects managed / monitored. Close working with DC's on funding arrangements Medium term financial plan for next 3 years updated as part of budget process Use of reserves to balance the budget in 2015/16 New / Developing controls <ul style="list-style-type: none"> Use of reserves to balance the budget in 2016/17 Building flexibility to deal with in-year changes Capital Programme/Asset Sales Review Commissioning for Lincolnshire Programme Further medium term budget planning being undertaken in 2016 and for year efficiency plan to be agreed by Council in September 2016.

7	Pete Moore	Governance Maintenance of effective governance arrangements including the way we implement transformational change and decisions affecting service delivery	Hungry (Reputation & Public confidence - Comfortable with taking decisions that are likely to bring scrutiny of the Council but where potential benefits outweigh the risks. Recognise that highly devolved decisions making will mean that not all risks known - take action when uncertain of results or with uncertain info - willing to accept significant loss for potential higher rewards)	Likelihood  Impact	Likelihood  Impact	Substantial	Improving	Existing controls <ul style="list-style-type: none"> Local Code of Conduct based on LGA been adopted Governance Arrangements take account of CIPFA guidance Progressing the review of scrutiny arrangements. Implementation of Combined Assurance Model Annual Governance Report from Monitoring Officer, Common Code of Conduct and Register of Interests Scheme of delegation Learning outcome from the libraries judicial review Maintain opportunistic approach as to up date constitution New / Developing controls <ul style="list-style-type: none"> Governance Framework needs modifying to adapt to changing organisational environment - less prescriptive in style, with balancing of risk & accountability - needs a formal plan. Monitoring and implementation of the Members code of conduct
8	Debbie Barnes	Recruitment / Staffing Ability to recruit & retain staff in high risk areas	Averse (People - Recognise that our staff are a valuable resource that requires investment by us to help sustain their health & wellbeing - low risk options taken to minimise exposure)	Likelihood  Impact	Likelihood  Impact	Limited	Improving	Existing controls <ul style="list-style-type: none"> 'Pro-active work on developing resilient use of mindful employer charter and the Health and the Wellbeing plan' Training funded by I Count on increasing resilience through change Effective management oversight & appraisal systems in place 'CX Briefings and newsletters support internal staff engagement at various levels Audits & action plans in areas of sickness absence hotspots Recruitment and retention action plan for qualified social workers in Children's Services, procurement, legal, engineers, planners and teachers Additional temporary resources to promote employment opportunities for young people in the Council and support development of future workforce including apprentices. Employee feedback through the development of staff surveys to reinforce the Council's commitment to be a good employer (staff surveys in November 2015) A central source of internal and external market data which can be used by specific managers to source resources effectively to meet their requirements (for hard to recruit and retain areas) New / Developing controls <ul style="list-style-type: none"> Updating job evaluation scheme to be more fit for purpose Strategic workforce project plan Organisational development practice applied to all key change related projects Re procurement of Agency contract to meet diverse needs of Council, ensuring value for money Implement the Council's workforce planning processes to improve and support retention of key skills A central source of internal and external market data which can be used by specific managers to source resources effectively and efficiently to meet their requirements Pilot use of the SHL system (OPQ/MQ) with the hard to recruit and hard to retain posts to ascertain what drives tenure and performance in these roles in order to form a recruitment strategy. Evaluate the use of current sourcing channels to increase the use of social media and other platforms like 'Linked In'. Strategic review of employee benefits Review of key policies employment policies relating to recruitment & retention Reviewing Manpower contract Reviewing flexible retirement policy

No of Risk	Risk Owner	Risk description	Risk Appetite (How much risk are we prepared to take & the total impact of risk we are prepared to accept)		Current risk score	Target risk score	Assurance Status (Full, Substantial, Limited, No)	Assurance - Direction of Travel (Improving, Static, Declining)	Actions
9	Judith Hetherington-Smith	Strategic contracts Ensuring contracts are fit for purpose in the Commissioning Agenda	Open & Aware (Finance & money - We wish to reduce cost and improve performance by well measured risk taking incorporated into our contracts which accurately and comprehensively record the commercial deal struck. We are prepared to fund capital expenditure where it makes sense to do so.	Open & aware/ cautious (Partnerships - Recognised that we work differently with different contractors / partners)			Limited	Improving	Existing controls <ul style="list-style-type: none"> • Business cases • Options appraisals • Access to commercial team advice and support • Access to legal advice and support • Use of industry standard contracts e.g. NEC • Service area internal quality assurance processes • Project decision making and governance including accountable decision maker • CPPR • Contract regulations New / Developing controls <ul style="list-style-type: none"> • Developing library of contract precedents • Developing Standard Operating Procedures • Commercial awareness training • Market analysis tool
10	Judith Hetherington-Smith and Pete Moore	Governance Effective implementation of the Agresso system to ensure good governance in respect of key Financial and HR systems.	Open & Aware (Reputation & organisational/service user confidence - This is a time limited risk that needs managing to ensure effective implementation and sound governance systems)				Limited	Improving	Existing controls <ul style="list-style-type: none"> • Agresso Board to identify problems, solutions and monitor progress. • Serco and Unit 4 provision of additional resources for programme management problem solving and customer liaison. • Recovery Group including VFM & Audit Committee inputs • Updating of programme & resources plan • Council provision of additional staffing resources to respond & resolve problems. • Contract Management. New/Developing controls <ul style="list-style-type: none"> • Plans for upgrades of system

11	Judith Hetherington-Smith	<p>Cyber Security A broad spectrum of internal and external threats, which seek to negatively impact the confidentiality, integrity or availability of an information system and/or the information residing therein.</p>	Cautious	 <p>Likelihood</p> <p>Impact</p>	 <p>Likelihood</p> <p>Impact</p>	Limited	Improving	<p>Existing controls</p> <ul style="list-style-type: none"> • The scope and maturity of effective controls designed to mitigate the risk of a cyber-attack are currently unclear. Therefore the level of risk mitigation is also unclear. <p>New/Developing controls</p> <ul style="list-style-type: none"> • A project is underway which is taking a phased approach to the delivery of critical controls designed to reduce the Council's exposure to common types of cyber attack and to provide a sound foundation of basic cyber hygiene measures. the controls, which are extracted from the International standard ISO/IEC 27001:13 - Security Techniques - Information Security Management Systems are: <ul style="list-style-type: none"> • Asset Management • User Access Management • Operational Procedures and responsibilities • Protection from Malware • Technical Vulnerability Management • Network Security Management • Supplier Relationships • Incident Management • Monitoring
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Regulatory and Other Committee

Open Report on behalf of Pete Moore, Executive Director Finance and Public Protection
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Report to:	Audit Committee
Date:	20 June 2016
Subject:	External Audit Progress Report

Summary:

Report from KPMG, the County Council's External Auditors, giving an update on the 2015/16 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 2015/16
- 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 Mike Norman, who can be contacted on 0115 935 3554 or michael.norman@kpmg.co.uk.



External Audit: Progress Report and Technical Update

Lincolnshire County Council

Audit Committee – June 2016

Contents

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- Technical update 5

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

The report also highlights some of the recent KPMG communications and other publications on 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.

This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. Public Sector Audit Appointments issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on Public Sector Audit Appointment's website (www.psa.co.uk).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact John Cornett, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers (on 0207 694 8981, or by email to andrew.sayers@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk, by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3H.

External audit progress report - June 2016

This document provides the audit committee with a high level overview on progress in delivering our responsibilities as your external auditors.

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.

Commentary	
Planning	<p>We presented the draft 2015/16 audit plan for the external audit of the Authority and the Lincolnshire Pension Fund to the March 2016 Audit Committee. We have continued to liaise with management on the significant financial and operational issues at the Council.</p> <p>Our work over the coming quarter will include:</p> <ul style="list-style-type: none"> • ongoing liaison with finance staff and further meetings with senior officers as part of the audit process to better understand the current and longer term issues that the council is addressing; and • liaising with internal audit. • starting our final accounts audits
Financial statements	<p>Since the Audit Committee's last meeting we have:</p> <ul style="list-style-type: none"> • continued to liaise with finance and IT Managers regarding the progress being made in improving the controls over the operation of Agresso. • liaised with Serco and PwC regarding the audit work being carried on payroll and their findings. • discussed the progress made in addressing the year-end closedown risks and confirmed our core working paper requirements. • agreed start dates for the main Pension Fund and County Council final accounts visits (20 June and 1 August 2016 respectively). <p>We expect to confirm our approach for the data and analytics testing, and agree the information required from Serco, before the end of June 2016.</p> <p>At this stage there are no additional matters that we need to bring to your attention.</p>
Value for Money	<p>In our audit plan we identified the following as areas where we would need to carry out further work during the remainder of the audit:</p> <ul style="list-style-type: none"> • Operation of the Serco support services contract - we have continued to monitor your progress in addressing the continuing issues with the operation of the contract with Serco. • Managing you budget and shaping your medium term financial strategy – we have continued to monitor your progress in establishing arrangements for ensuring effective budget management control through the new Agresso system and discussed with management the Council's progress in managing its medium term financial position. <p>We will continue with this work, update our risk assessment during the year and report our conclusions in the ISA260 report to the Audit Committee in September 2016.</p>

External audit progress report - June 2016

This document provides the audit committee with a high level overview on progress in delivering our responsibilities as your external auditors.

At the end of each stage of the audit we issue certain deliverables, including reports and opinions. A summary of progress against these deliverable is provided in Appendix 1 of this report.

Commentary	
Audit fee update	The indicative audit fee notified to the Council in April 2015, was £107,325 (£143,100 in 2014/15) for the Council's audit and £24,350 (£24,350 in 2014/15) for the Pension Fund. We have set out in our Audit Plan a number of audit risks and other factors which are likely to require us to carry out additional work in support of our audit opinions and value for money conclusion. We will update the Audit Committee as the audit progresses on any likely changes to the fee, and confirm the final fee later for the year in our Annual Audit Letter. Any increase would in any case be subject to the approval of the PSAA.
Other work	We have not carried out other non-audit work since the Audit Committee's March 2016 meeting. We are currently discussing with Managers the terms of reference for a proposed independent review of the procurement of the Serco contract and the implementation of Agresso. We will update the Audit Committee on this work if it proceeds.
Actions	We ask the Audit Committee to: <ul style="list-style-type: none"> ▪ NOTE this progress report.

Technical update - KPMG publications

Area	Comments
<p>Reimagine Local Government</p>	<p>In April 2016 KPMG launched an new client communication (<i>Let's Talk Local Government</i>) with the aim of providing a channel for regular dialogue with our clients to discuss relevant topical issues. The communication forms part of our <i>Reimagine Government</i> campaign and our colleagues have applied their thinking to reimagine public services, using this to generate conversations , design solutions and implement this thinking locally.</p> <p>The <i>Reimagine Local Government</i> Website can be found at:</p> <p>https://home.kpmg.com/uk/en/home/insights/2016/04/reimagine-local-government.html</p> <p>The first edition of the communication includes the following think pieces:</p> <p>Women in the public sector: "I thought I was there to make up the numbers", This is a write up of our successful International Women's Day event.</p> <p>https://home.kpmg.com/uk/en/home/insights/2016/04/women-public-sector-leaders.html</p> <p>Council cash crunch: New approach needed to find fresh income, by Adrian Fieldhouse. In the article the author proposes that to enable diversified income streams to flourish councils need to have to have the right culture and approach.</p> <p>https://home.kpmg.com/uk/en/home/insights/2016/04/council-cash-crunch-new-approach-needed-to-find-fresh-income.html</p> <p>English devolution: Chancellor aims for faster and more radical change, by Katie Johnston. Even some of the more dynamic authorities may find it difficult to drive growth at a scale and pace sufficient to make up for the loss of central support.</p> <p>https://home.kpmg.com/uk/en/home/insights/2016/04/english-devolution-chancellor-aims-for-faster-and-more-radical-c.html</p> <p>Time for the Care Act to deliver, by Andrew Webster. The article proposes that the idea of councils as responsive organisations, guiding people to the best care, is the correct one. It is not only right for the wellbeing of our population.</p> <p>https://home.kpmg.com/uk/en/home/insights/2016/04/time-for-the-care-act-to-deliver.html</p> <p>Councils can save more than just cash by sharing data, by Richard Walker. Local authorities are yet to realise the full value of their data and are wary of sharing information. Cross-sector structures and the right leadership is the first step to combating the problem.</p> <p>https://home.kpmg.com/uk/en/home/insights/2016/04/councils-can-save-more-than-just-cash-by-sharing-data.html</p> <p>Reimagine Care: using digital platforms to improve life for service users and carers , by Mark Essex. Government policies on public services emphasise personalisation but the offer in social care often falls short of these goals. This could improve through a change in approach and some relatively straightforward digital technologies,</p> <p>https://home.kpmg.com/uk/en/home/insights/2016/03/reimagine-care.html</p> <p>Please let us know if you need any more information on any of these publications.</p>

Technical update - CLG announcements

Area	Comments
<p>Councils given flexibility to use sales of surplus property to improve services</p>	<p>In March 2016 the government issued further guidance to support its Autumn Statement announcement of planned changes to the rules for use of 'capital receipts'. For a 3-year period from the 1 April, local authorities will be able to spend any revenues they generate from selling surplus assets – like property or shares and bonds - to fund the costs of improvements to services. Examples of things capital receipts could be used on improving include:</p> <ul style="list-style-type: none"> shared back office, restructuring and admin work with other councils counter fraud programmes public facing services which straddle more than one body, like children's services or trading standards <p>The guidance requires that if councils are to use these flexibilities they should develop a dedicated strategy document to go alongside or as part of their annual budget. As a minimum, strategies should list each project that plans to use revenues from capital receipts to improve and state details of the expected savings or service transformation. From 2017 to 2018 strategies will also be required to review whether planned savings outlined in previous years are being achieved.</p> <p>The guidance can be found at the link below:</p> <p>https://www.gov.uk/government/publications/final-guidance-on-flexible-use-of-capital-receipts</p>

Technical update - National Audit Office publications

Area	Comments
<p>Discharging older patients from hospital</p>	<p>The health and social care system’s management of discharging older patients from hospital does not represent value for money, according to the NAO. The spending watchdog estimates that the gross annual cost to the NHS of treating older patients in hospital who no longer need to receive acute clinical care is in the region of £820 million.</p> <p>NHS guidance is that patients are moved out of acute hospital as soon as it is clinically safe to do so; it is important to achieve the correct balance between minimising delays and not discharging a patient from hospital before they are clinically ready. Caring for older people who no longer need to be in hospital in more appropriate settings at home or in their community instead could result in additional annual costs of around £180 million for other parts of the health and social care system. This would reduce the potential savings of £820 million arising from discharging patients earlier from hospitals.</p> <p>The report found that, while some efforts to rectify the situation have been made, an ageing population and more older people being admitted to hospital means there needs to be a step change in performance to resolve the problem. Data on delayed transfers of care substantially under-estimate the range of delays that patients experience. Over the past two years the official data shows there has been an increase of 270,000 (31%) in days in acute hospitals when beds have been occupied by patients who have had their discharge delayed unnecessarily, to the current figure of 1.15 million days. These figures, however, only account for delays after clinicians and other professionals deem a patient to be ready for discharge, and does not include all patients who are no longer in need of acute treatment. Based on evidence gathered by the NAO, the true figure for patients aged 65 and older who are no longer benefiting from acute care could be as high as 2.7 million days.</p> <p>In 2014-15, the percentage of older people admitted to hospital after attending A&E was 50%, compared to 16% for those aged under 65. Although overall length of stay for older patients following an emergency admission has decreased from 12.9 to 11.9 days in the last five years, suggesting improved efficiency, the overall number of bed days resulting from an emergency admission has still increased by 9% from 17.8 million to 19.4 million days.</p> <p>Workforce capacity issues in health and social care organisations are making it difficult to discharge older patients from hospital effectively. Across the health and social care system, providers and commissioners said that staff recruitment and retention were a significant cause of delays: vacancy rates for nursing and home care staff were up to 14–15% in some regions, and fewer than half of hospitals felt they had sufficient staff trained in the care of older patients. Health and social care organisations are also not sharing patient information effectively, despite a statutory duty to do so. In addition, while hospitals are financially incentivised to reduce discharge delays, there is no similar incentive for community health and local authorities to speed up receiving patients discharged from hospital. Among the NAO’s recommendations is that the Department of Health, NHS England and NHS Improvement should set out how they will break the trend of rising delays against the demographic challenge of growing numbers of older people.</p> <p>The NAO’s full report can be found at: https://www.nao.org.uk/report/discharging-older-patients-from-hospital/</p>

Technical update - National Audit Office publications (continued)

Area	Comments
<p>English Devolution Deals</p>	<p>This April 2016 report by the NAO states that devolution deals to devolve power from central government to local areas in England offer opportunities to stimulate economic growth and reform public services for local users, but the arrangements are untested and government could do more to provide confidence that these deals will achieve the benefits intended, according to the National Audit Office.</p> <p>Over the last 18 months, 10 devolution deals have been agreed, outlining the transfer of powers, funding and accountability for policies and functions previously undertaken by central government, in Greater Manchester, Cornwall, Sheffield City Region; the North East; Tees Valley; Liverpool City Region; the West Midlands, East Anglia; Greater Lincolnshire; and the West of England. They are the latest in a range of initiatives and programmes designed to support localism and decentralisation.</p> <p>HM Treasury and the Cities and Local Growth Unit are responsible for managing the negotiation, agreement and implementation of devolution deals on behalf of central government as a whole. All of the deals include an agreement on devolved responsibility for substantial aspects of transport, business support and further education. Other policy areas included in some of the deals are housing and planning, employment support and health and social care. The government has announced new additional investment funding of £246.5 million a year alongside the devolution deals announced so far. Over time, the government intends to combine this funding with a number of other funding streams into a 'single pot' to enable more local control over investment decisions, and has announced £2.86 billion of initial allocations over 5 years for the first 6 mayoral devolution deals.</p> <p>Central government's management approach to brokering devolution deals is designed to support its policy of localism. The government considers that devolution proposals should be led by local areas, and that central government's role should be to respond to these proposals. As a result, the government has decided not to set out a clear statement of what it is trying to achieve through devolution deals.</p> <p>According to the NAO, however, there are significant accountability implications arising from the deals which central government and local areas will need to develop and clarify. These include the details of how and when powers will be transferred to mayors and how they will be balanced against national parliamentary accountability. The deals agreed so far involve increasingly complex administrative and governance configurations. And as devolution deals are new and experimental, good management and accountability both depend on appropriate and proportionate measures to understand their impact.</p> <p>To improve the chances of success, and provide local areas and the public with greater clarity over the progression of devolution deals, central government should clarify the core purposes of devolution deals as well as who will be responsible and accountable for devolved services and functions, and should ensure it identifies and takes account of risks to devolution deals that arise from ongoing challenges to the financial sustainability of local public services.</p> <p>The NAO's full report can be found at: https://www.nao.org.uk/report/english-devolution-deals/</p>

Technical update - National Audit Office publications (continued)

Area	Comments
<p>Local Enterprise Partnerships</p>	<p>The role and remit of Local Enterprise Partnerships has grown significantly and rapidly since 2010, but as things stand, the approach taken by the Department of Communities and Local Government to overseeing Growth Deals risks future value for money, according to the National Audit Office.</p> <p>The government encouraged the establishment of LEPs as private sector-led strategic partnerships which would determine and influence local growth priorities. With the advent of the Local Growth Fund, the amount of central government funding received by LEPs is projected to rise to £12 billion between 2015-16 and 2020-21 via locally negotiated Growth Deals. The Department, however, has not set specific quantifiable objectives for what it hopes to achieve through Growth Deals, meaning that it will be difficult to assess how they have contributed to economic growth.</p> <p>The NAOs report found that LEPs themselves have serious reservations about their capacity to deliver and the increasing complexity of the local landscape. To oversee and deliver Growth Deal projects effectively, LEPs need access to staff with expertise in complex areas such as forecasting, economic modelling and monitoring and evaluation. Only 5% of LEPs considered that the resources available to them were sufficient to meet the expectations placed on them by government. In addition, 69% of LEPs reported that they did not have sufficient staff and 28% did not think that their staff were sufficiently skilled. The NAO found that LEPs rely on their local authority partners for staff and expertise, and that private sector contributions have not yet materialised to the extent expected.</p> <p>In addition, there is a risk that projects being pursued will not necessarily optimise value for money. Pressure on LEPs to spend their Local Growth Fund allocation in year creates a risk that LEPs will not fund those projects that are most suited to long term economic development. Some LEPs reported that they have pursued some projects over others that, in their consideration, would represent better value for money. LEPs have also found it challenging to develop a long-term pipeline of projects that can easily take the place of those that are postponed.</p> <p>The Department has acted to promote standards of governance and transparency in LEPs, and all 39 LEPs had frameworks in place to ensure regularity, propriety and value for money by March 2015. The Department, however, had not tested the implementation of such assurance frameworks at the time that Growth Deals were finalised. The NAO found that there are considerable gaps in LEPs' compliance with the Department's requirements in this regard, and that the availability and transparency of financial information varied across LEPs.</p> <p>The NAO's full report can be found at: https://www.nao.org.uk/report/local-enterprise-partnerships/#</p>

Technical update - CIPFA publications

Area	Comments
<p>'More Medicine Needed'</p>	<p>The government's Five Year Forward View for the NHS, published in 2014 is, according to CIPFA's May 2016 report, already outdated as extra money for investment is used to plug short-term gaps. The report warns that the NHS could well overreach its budget by £10bn a year by 2020. Analysis suggests that the NHS will struggle to make £22bn planned efficiency savings by 2020. Furthermore, new pressures have arisen since the plans were set in 2014, and much of the £8bn additional funding announced last year is being used to make ends meet, instead of being invested in projects to save money in the future.</p> <p>The report warns that new charges or healthcare rationing will have to be introduced, unless taxes are raised to meet the annual £10bn shortfall, which is equivalent to £571 for every working household.</p> <p>CIPFA has called for an independent commission to establish a 'golden ratio' of GDP spend on healthcare. UK spending on health is expected to be 7% of GDP by 2020, well below other countries such as France or Germany (11%), let alone the US (18%).</p> <p>CIPFA states that the NHS faces a shortfall of £2.45bn this year and that's likely to grow to £10bn by 2020. The shortfall is due to a combination of insufficient financial support, increased pressures from new commitments and a growing and aging population, and unrealistic saving targets.</p> <p>The government estimated that the pressures on health will likely cost £30bn by 2020, which it intends to address with £22bn efficiency savings and £8bn additional funding in the Spending Review 2015. CIPFA's analysis suggests that the cost of increasing demand will in fact be in the range of £30bn-£40bn, with savings only being in the range of £16bn-£22bn and much of the additional funding has already been used. The 2020 overspend is therefore expected to be in the range of £5bn-£16bn with a most likely scenario of £10bn.</p> <p>CIPFA's report is available through: http://www.cipfa.org/about-cipfa/press-office/latest-press-releases/%C2%A310bn-black-hole-likely-by-2020,-as-nhs-retreats-to-quick-fixes</p>

Appendix 1 - 2015/16 Audit deliverables

Deliverable	Purpose	Timing	Status
Planning			
Fee letter	Communicate indicative fee for the audit year	April 2015	Issued April 2015
External audit plan	Outline our audit strategy and planned approach Identify areas of audit focus and planned procedures	January 2016 (for March 2016 Audit Committee)	To March 16 Audit Cttee
Interim			
Interim progress report and liaison	Update on any control and process issues. Liaison with managers to Identify improvements required prior to the issue of the draft financial statements and the year-end audit.	April 2016 and onwards	Updated through March Audit Committee Progress Report Other discussions ongoing
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 2016	TBC
Completion			
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 2016	TBC
WGA	Concluding on the Whole of Government Accounts consolidation pack in accordance with guidance issued by the National Audit Office.	September 2016	TBC
Annual audit letter	Summarise the outcomes and the key issues arising from our audit work for the year.	November 2016	TBC



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Regulatory and Other Committee

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

Report to:	Audit Committee
Date:	20 June 2016
Subject:	Internal Audit Progress Report

Summary:

This report provides an update on internal audit work undertaken in the period 1st March to 31st May 2016.

Recommendation(s):

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

Background

This report provides details of the internal audit work during the period 1st March 2016 to 31st May 2016, advises of progress with the 2016/17 Audit Plan, and raises any other matters that may be relevant to the Audit Committee role.

Conclusion

During the period we have completed 6 County audits, 1 to final report and 4 to draft report stage as well as finalising 1 school audit.

There are currently 13 further audits in progress. All contracted Academy visits for 2015/16 are complete and the 2016/17 program of work has started.

The Committee should note the outcomes of the audits 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

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.

Internal Audit Progress Report

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Introduction

1. The purpose of this report is to:
 - Provide details of the audit work during the period 1st March 2016 to 31st May 2016
 - Advise on completion of the 2015/16 plan and progress with the 2016/17 Audit Plan
 - Raise any other matters that may be relevant to the Audit Committee role

Key Messages

2. During the period we have completed 6 County audits, 1 to final report and 4 to draft report stage as well as finalising 1 school audit.
3. There are currently 13 further audits in progress. All contracted Academy visits for 2015/16 are complete and the 2016/17 program of work has started.
4. The detailed 2016/17 Audit Plan is shown in Appendix 2 with current progress as follows:
 - 6% completed or at draft report stage
 - 17% in progress
 - 23% agreed and scheduled during quarter 2
 - 28% agreed and scheduled during quarters 3 and 4
 - 26% potential audit areas to be agreed and scheduled¹

Internal Audit work completed in the period 1st March 2016 to 31st May 2016.

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

High Assurance	Substantial Assurance	Limited Assurance	Low Assurance
	<ul style="list-style-type: none"> ■ Freedom of Information 		

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.

¹ Our quarterly liaison meetings agree and schedule audits during the year based on the risk based plan and new emerging risk areas.

6. Since our last progress report we have issued 1 corporate final report:

Freedom of Information – Substantial assurance

Our audit has sought to provide assurance that the authority is compliant with the Freedom of Information Act 2000. We assessed training, policy, guidance, and publication schemes. We also evaluated processing and performance in relation to statutory timescales.

The processing of Freedom of Information requests, now undertaken by SERCO, is being handled effectively. Requests received are logged and acknowledged without delay and the information needs are then promptly communicated to established key contacts within the County Council. Deadlines are given to provide this information and reminders issued to make sure the request can be answered within the statutory time limit of 20 days.

The statutory time limit of 20 days were not being monitored by the authority so we recommended this be introduced. We also made a small number of recommendations relating to the service contract, process and exemptions to FOI.

Audits in Progress

7. We have 6 audit's at draft report stage, the issue of finals for 2 of these has been delayed as management have not provided responses timely; however we continue to pursue these:

Concerto Property Asset Management System

We have included this audit in ICT plan as Concerto software is a new application. The scope of this review includes assessing whether adequate controls are in place to protect the system and data from unauthorised access, modification and system unavailability.

We have held a closure meeting with Management, but have yet to receive agreement on actions. We continue to pursue these.

Mental Capacity Act

The Mental Capacity Act 2005, provides a statutory framework for people who lack capacity to make decisions for themselves. It is supported by a Code of Practice (the Code), which provides guidance and information about how the Act works in practice.

Our review will seek to provide assurance that the adult care workforce have regard to the Code when acting or making decisions. Our work reviewed the following areas:

- Training of the adult care workforce relating to the Mental Capacity Act 2005 and the Code of Practice

- Application of the code guidance in practice
- Monitoring the application of the code by senior management within adult services.
- Management of Deprivation of Liberty Safeguard (DoLS) risks. (High level review only)

We have held a closure meeting with Management, but have yet to receive agreement on actions. We continue to pursue these.

European Union Procurement Changes

The Public Contracts Regulations 2015 implement the 2014 EU Public Sector Procurement Directive and some reforms recommended by Lord Young of Graffham. The Regulations came into force in February 2015 with the new rules applying, with a small number of exceptions, to procurements starting on or after the 26 February 2015.

Our review will seek to provide assurance in the following areas:

- Appropriate public procurement training has been offered to or accessed by LCC officers engaged in procurement.
- Rules and guidance has been/will be developed to assist officers and professional advisers in ensuring procurement decisions are compliant with the Public Contracts Regulations 2015.
- Procurement is compliant with the Public Contracts Regulations 2015 and EU Treaty obligations across all of the Authority's Directorates including activity carried out on the advice of VinciMouchel the Council's professional property adviser.

Integrated Community Equipment Service

The Integrated Community Equipment Service (ICES) provides short and long term loans of equipment, through a Joint Commissioning approach between LCC and the Clinical Commissioning Groups.

A competitive tendering has been undertaken and the new five year ICES contract awarded during summer 2015, commencing April 2016.

Our audit will give independent assurance that effective and robust Contract Management Arrangements are in place.

Financial Control Systems Work - Payroll

Our annual work to provide assurance over the financial control environment is complete. Our Payroll work is at draft stage awaiting closure meeting. The review covered Starters, Leavers, Changes, Claims, Exception Reporting, Payment Runs, and Deductions & Pay-overs to External Bodies. Work included:

- System documentation / mapping, evaluation and walkthrough
- Key control testing

- Analytical Review – data matching / trend analysis / Exceptions
- Substantive testing
- Sample testing of error correction for accuracy / completeness
- Error resolution – review feedback from Schools / LCC Directorates

Financial Control Systems Work – Accounts Payable

Our annual work to provide assurance over the financial control environment is complete. Our Accounts Payable work is at draft stage awaiting closure meeting. The review covered Supplier creation and maintenance, Exception reporting and Payment runs which incorporated purchasing cards, duplicate payments, and use of 'faster payments' and 'CHAPS'. The type of work included to complete the review mirrors that above for payroll

8. The following audits are currently in progress:

Pensions

Since the implementation of Agresso in April 2015, a number of issues relating to pension deductions and third party payovers have been brought to the attention of LCC senior management. These have included:

- Delayed payment of contributions to third parties
- No / incomplete information provided to third parties to support payovers
- Incomplete / incorrect information reported to Pension Funds on starters / leavers / changes

The LCC Pension Fund Manager has also highlighted areas of concern specifically relating to the LGPS. Our review includes:

- identifying and evaluating the current procedures and controls in place to provide monthly contribution reports and to update pension funds on starters, leavers and changes
- review of payroll to third party payover reconciliations and supporting reports
- analytical review and substantive testing to assess the accuracy and completeness of Prudential AVC, LGPS, Teachers and NHS pension deductions and monthly contributions paid over
- accuracy and completeness of pension postings to the general ledger

Adult Safeguarding Referrals

Our audit seeks to provide assurance over safeguarding referrals through examination of the following:

- Confirmation that the Council is Care Act compliant via the referral process
- Robustness of the Risk Assessment process
- Clarity over the different roles and responsibilities and how these interlink

- Effectiveness of the procedures and guidance available to staff

Scoping this audit has been problematic with several scope changes requested by Adult Social Care and consequently a variety of people involved. This has created lengthy delays in starting this work which subsequently has been moved into the 2016/17 Audit Plan.

Better Care Fund – Financial Management

Lincolnshire's Better Care Fund (BCF) is one of the largest in the Country, setting a 2015/16 budget of £197m. This pooled budget is supported by a delivery plan, which specifies where expenditure will be targeted to maximise the chance of performance indicators being met. Lincolnshire County Council (LCC), as host authority for the fund, are responsible for accounting and audit as well as completion and submission of quarterly and annual returns.

The focus of our audit aimed to provide assurance over the effectiveness of LCC, in discharging its role as host. Specifically that it has the right resources and skills and receives appropriate support and information from partners to fulfil this role well.

Unfortunately we have experienced some delays in starting this audit. We have been working this through with the Director of Adult Social Care and have now started work with a revised scope.

HR – Absence Management

Adult Care and Children's Services were previously identified as areas where there were high levels of sickness and reviews have been undertaken by the Absence Management Project Team. Reviews of these 'hot spots' were undertaken in 2012/13 and 2013/14 and considerable improvements have occurred in both areas.

Our audit seeks to provide assurance on application of the Sickness Management Policy across areas of the council not previously subjected to focused review.

Financial Control Systems Work – General Ledger

Our annual work to provide assurance over the financial control environment has been delayed slightly for General Ledger to coincide with the action plan to support closure of accounts. Completion of this work, which mainly has a focus on postings and journals, is near.

2016/17 scheduled audits in progress

We also have 10 2016/17 audits in progress, these are:

- Child Sexual Exploitation – Joint Working
- Better Care Fund
- Adult Safeguarding Referrals
- Domestic Homicide Reviews

- Income
- Debtors
- Joint Waste Management Strategy
- Planning Software Replacement (Consultancy Assignment)
- Transport Connects – Company set up (Consultancy Assignment)
- Public Health Local Commissioning Framework

Details of the scope of these audits can be found in the plan at Appendix 2.

Performance Information

9. Our performance against targets for 2015/16 is shown in the analysis below:

Performance Indicator	Annual Target	Profiled Target	Actual
Percentage of plan completed (based on revised plan)	100%	100%	98%
Percentage of recommendations agreed	100%	100%	100%
Percentage of recommendations implemented	100% or escalated	100% or escalated	29% ²
Timescales:			
Draft Report issued within 10 days of completion	100%	100%	84% ³
Final Report issued within 5 days of management response	100%	100%	86% ⁴
Draft Report issued within 2 months of fieldwork commencing	80%	80%	48% ⁵
Client Feedback on Audit (average)	Good to excellent	Good to excellent	Good to excellent

10. Progress with the implementation of agreed management action can be found at Appendix 3.

² 10 out of 34 overdue actions have been implemented. The 24 overdue actions relate to the Payroll Audit one

³ Based on targets for 19 2015/16 reports completed including schools

⁴ Based on targets for 16 2015/16 reports completed including schools

⁵ Based on targets for 25 2015/16 reports completed including schools

Other Matters of Interest

11. **Grant Thornton Report – Reforging Local Government (Summary findings from the fifth year of financial health and governance reviews at English local authorities) - published December 2015**

This report provides some insight from research undertaken by Grant Thornton into the financial resilience of Councils to meet required savings by 2020.

- Their research suggests that:
- the majority of councils will continue to weather the financial storm but to do so will now require difficult decisions to be made about services
- most councils project significant funding gaps over the next three to five years but the lack of detailed plans to address these deficits in the medium-term represents a key risk
- Whitehall needs to go further and faster in allowing localities to drive growth and public service reform including proper fiscal devolution that supports businesses and communities
- local government needs a deeper understanding of its local partners to deliver the transformational changes that are needed and to do more to break down silos
- elected members have an increasingly important role in ensuring good governance is not just about compliance with regulations but also about effective management of change and risk
- Councils need to improve the level of consultation with the public when prioritising services and to make sure that their views help shape council development plans.

The full report can be found at the following link

<http://www.grantthornton.co.uk/insights/reforging-local-government/>

12. **CIPFA.SOLACE: Delivering Good Governance in Local Government (2016 Edition) – publication date April 2016**

It is crucial that leaders and chief executives keep their governance arrangements up to date and relevant. To assist them, the Framework defines the principles that should underpin the governance of each local government organisation. It provides a structure to help individual authorities with their approach to governance

To achieve good governance, each local authority should be able to demonstrate that its governance structures comply with the core and sub principles contained in this Framework. It should therefore develop and maintain a local code of governance/governance arrangements reflecting the principles set out. Whatever form of arrangements are in place, authorities

should test their governance structures and partnerships against the Framework's principles.

Local authorities are required to prepare a governance statement in order to report publicly on the extent to which they comply with their own code of governance on an annual basis, including how they have monitored and evaluated the effectiveness of their governance arrangements in the year, and on any planned changes in the coming period. The process of preparing the governance statement should itself add value to the effectiveness of the governance and internal control framework.

This edition of the Framework applies to annual governance statements prepared for the financial year 2016/17 onwards.

13. CIPFA – Public Sector Internal Audit Standards. Update April 2016

These standards, which are based on the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF), are intended to promote further improvement in the professionalism, quality, consistency and effectiveness of internal audit across the public sector.

The Standards have been revised from 1 April 2016 to incorporate the Mission of Internal Audit and Core Principles for the Professional Practice of Internal Auditing.

A complete copy of the standards can be located at the following web address:
<http://www.cipfa.org/policy-and-guidance/standards/public-sector-internal-audit-standards>

Appendix 1 - Assurance Definitions⁶

<p>High</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>Substantial</p>	<p>Our critical review or assessment on the activity gives us a substantial 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.</p>
<p>Limited</p>	<p>Our critical review or assessment on the activity gives us a limited level of confidence 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>Low</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>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>

⁶ 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 2016/17

Audit Area	Assurance Being Sought	Planned Start Date	Actual Start Date	Final Report Issued	Status / Assurance Given
Commissioning Strategy 1: Children are Safe and Healthy					
Families Working Together	Audit sign off as per the requirements of the grant.	Aug 16			
Child Sexual Exploitation (CSE) joint working	Confirm a strategy and local action plan setting out the roles and responsibilities of all partner organisations is in place. Adequate data and intelligence gathering arrangements exist between key providers to ensure a joined-up response in dealing with children at risk of sexual exploitation.	Jun 16	Jun 16		
Missing Children	<p>Confirm that LCC complies with its statutory requirements in relation to missing children to include consideration of risks in relation to Child Sexual Exploitation and Radicalism. Assurance will be sought over 3 strands:</p> <ul style="list-style-type: none"> • Children missing from home or care • Children missing education • Children not receiving 25 hours education per week <p>Our audit will leverage assurance from other sources of recent review, where possible.</p>	Nov 16			
Commissioning Strategy 2: Learn and Achieve					

Social Care and SEND transport	Over transitional arrangements from the current providers to the new arrangements that will commence January 2017	Aug 16			
School Admissions	Confirmation that the risks regarding implementation of new admissions software have been managed to minimise disruption to schools.	Sep 16			
Inclusion	Verify that the 'Inclusive Lincolnshire' strategy is embedded across Lincolnshire education settings and how the Behaviour Outreach Support Service (BOSS) success is measured and reported.	Feb 17			
Local Authority Arrangement for Supporting School Improvement	Sufficiency of transition arrangements for moving from a contracted service to a sector led approach.	Feb 17			
SEND reform	Update on embedding of the new SEND framework in key areas of the service.	Aug 16			
Commissioning Strategy 3: Readiness for Adult Life					
Careers Advice	That the alternative delivery model for careers advice to young people achieves required outcomes.	Jan 17			
Commissioning Strategy 5: Adult Specialities					
Transfer of the attendance allowance	Support and advice in development of arrangements for the transfer of responsibilities of attendance allowance from Department of Work & Pensions to LCC – maximising governance, risk management and control arrangements.	Mar 17			
Commissioning Strategy 6: Carers					
CSC Carers Team	Confirm Carers mobilisation plan complete and progress made against delivery of this plan.	Aug 16			
Commissioning Strategy 7: Adult Frailty, Long Term Conditions and Physical Disability					
Workforce Development	That the workforce development plan is embedded and delivery arrangements and monitoring are effective to	Sep 16			

	develop and maintain a skilled workforce.				
Assessment of needs / Annual care assessments	That there are effective processes and procedures are in place to ensure that timely reviews/reassessments of current and new service user's needs are being undertaken.	Sep 16			
Provider payments – validation and data quality	Confirm there are effective systems and processes in place for validation and authorisation of payments to various providers of care and support for Adults.	Jan 17			
Client Contributions Policy	Confirm that the new contributions policy has been fully implemented and is applied consistently to all applicable service users.	Feb 17			
Better Care Fund	Confirm adequacy of governance, financial management and performance monitoring arrangements to ensure the BCF meets its objectives in the medium term.	Jun 16	Jun 16		
Integration with Health	Progress and delivery of the plan to integrate Health and Social Care.	Mar 17			
Commissioning Strategy 8: Safeguarding Adults					
Adult Safeguarding – Follow up of Peer review action plan	That actions resulting from the June 2016 peer review of adult safeguarding are progressing as agreed and ensuring desired outcomes.	Feb 17			
Domestic Homicide Reviews	Follow up of Domestic Homicide Reviews involving LCC to confirm that agreed actions have been taken or are progressing and that lessons learnt are embedded.	Jun 16	Jun 16		Fieldwork in progress
Commissioning Strategy 9: Enablers and support to the Council's outcomes					
SERCO – Agresso Post Implementation Review	Review of the implementation of Agresso throughout the key stages of the project, go live and post implementation issues and resolution in order to identify lessons learnt	Jun 16	Jun 16		Scoping – to be undertaken by KPMG
ICT - Key Application Audit – Agresso	Overall Administration of this key application, to include Access, Security and Processing controls.	Not Scheduled			
ICT - Key Application	Overall Administration of this key application, to include	Not			

Audit –Case Management System (MOSIAC)	Access, Security and Processing controls.	Scheduled			
ICT Audit	<p>Scheduling of individual ICT audits to be agreed in year. Possible areas for focus include:</p> <ul style="list-style-type: none"> • ICT provider governance arrangements • ICT strategy • Data Sharing • Change Control <p>We will discuss and agree the final ICT plan with the Chief Commissioning</p>	Not Scheduled			
Business Support	Confirm effective and efficient support is given at the right time, place and people to meet the needs of the business	Nov 16			
Service Transformation	Confirm that service reviews, restructures and reductions have been performed in line with the commissioning cycles and aligned to budget plans.	Jul 16			
Contracts	Management of capital and revenue contracts	Not Scheduled			
Commissioning Strategy 10: How we do our business					
Corporate Complaints	Review of the complaints process to provide assurance that it is fit for purpose and meeting targets in resolving customer complaints at the earliest contact.	Jul 16			
Corporate Policies and Procedures	Assurance over effectiveness of Corporate Policies and Procedures in providing the 2 nd line of the 3 lines of assurance model.	Jun 16			
Scrutiny functions	Assurance over effectiveness of Scrutiny functions in providing the 2 nd line of the 3 lines of assurance model.	Not Scheduled			
Performance Management	Assurance over effectiveness of performance management in providing the 2 nd line of the 3 lines of assurance model.	Not Scheduled			

Pension Fund	British Wealth Funds - this will change how money is invested and will result in changes for Pensions Committee	Mar 17			
Budget Management	Should be more self-service (although other Agresso issues have impacted)	Not Scheduled			
Bank reconciliation	Key systems that support the running of the Council's business and ensure compliance with corporate policies and legal requirements. 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.	Not Scheduled			
General Ledger		Not Scheduled			
Payroll		Not Scheduled			
Income		May 16	May 16		Fieldwork in progress
Creditors		Not Scheduled			
Debtors		Jun 16	Jun 16		Fieldwork in progress
Treasury Management		Not Scheduled			
VAT	Agresso has impacted and system not working smoothly as previous. Possible change in risk rating from HMRC	Aug 16			
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.	Jan 16			
Schools	Periodic audits of maintained schools.	Throughout year			In progress
Commissioning Strategy 11: Protecting the Public					
Trading Standards	Capacity issues are managed using a risk based methodology and the future model based on income generation is realistic and deliverable.	Sep 16			
Commissioning Strategy 12: Sustaining and growing business and the economy					
European Regional Development Fund	Accounts are adequate to support expenditure in line with grant conditions.	Jul 16			Scoping

Commissioning Strategy 13: Protecting and sustaining the environment					
Joint Waste Management Strategy	Review to provide assurance on waste management strategy applied. To include management of overspends – prediction and prevention.	Jun 16	May 16		Scoping
Commissioning Strategy 14: Sustaining and developing prosperity through infrastructure					
Highways Maintenance Contract	Consultancy - Support and advice on project to implement the recommendations of the 'Cranfield University work'.	Aug 16			
Planning software procurement	Consultancy - Support and advice in procurement and development of a new planning management system to ensure adequate governance, risk management and controls.	Apr 16	Apr 16		Fieldwork in progress
Transport Connects – 'Teckal' Trading Company	Consultancy – Support and advice on the Governance, Risk Management and Control arrangements for the setup of this 'Teckal Company' to provide passenger transport.	May 16	May 16		Fieldwork in progress
Commissioning Strategy 15: Community Resilience and Assets					
Heritage sites	Effective governance and financial and stock management in key sites	Mar 17			
Lincolnshire Archives	Consultancy - Support and Advice on the planning process for relocation of the archives to a new site	Oct 16			
Commissioning Strategy 16: Wellbeing					
Local Commissioning Framework	The effectiveness of the new Local Commissioning Framework. The Framework will be tested using the Libraries procurement as a sample.	Jun 16			Scoping
ICES	The new contract is being effectively managed and is delivering efficiencies as set out.	Dec 16			
Commissioning Strategy 17: Enablers and support to key relationships					
Partnership Management	High level review of the process in place for managing and monitoring partnerships.	Aug 16			
Devolution	Confirming effectiveness of governance arrangements of	Jan 17			

	the devolved committee.				
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.	Nov 16			
Follow up of Recommendations	Audit Reports issued during 2015/16 where an audit opinion of 'Limited' or 'Low' will be followed to establish progress in implementing agreed management actions.	Nov 16			
Advice & Liaison		Various throughout the year			In progress
Annual Report		Jun 16	Jun 16		In progress
Annual Governance Statement	Support development of the AGS and review of the local code of gov in light of the revised CiPFA SOLACE guidance	Jun 16	Jun 16		In progress
Audit Committee		Various throughout the year			In progress

Appendix 3 – Overdue Actions at 31st May 2016

Audit Area	Date	Assurance	Recs	Implemented	Overdue		Not Due
					H	M	
Coroners	June 2014	Limited/ Substantial	52	45	5	2	0
Debtors	April 2014	Limited	11	6	4	1	0
Income	Jan 2014	Limited	8	7	0	1	0
Information Governance	Mar 2015	Limited	15	12	3	0	0
Home to School Transport	January 2015	Substantial	14	11	0	3	0
Civil Parking Enforcement	April 2014	Substantial	3	2	0	1	0
Payroll Audit 1 2016	March 2016	Low	27	3	16	8	0

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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:	20 June 2016
Subject:	Appointment of External Auditors

Summary:

KPMG are the current external auditors of the Council having been appointed under a national procurement exercise undertaken by the Audit Commission prior to its demise. The current contract ends with the audit of the 2017/18 financial statements. Under existing regulations the Council needs to have appointed external auditors for the 2018/19 financial year by December 2017 to enable them to commence duties in April 2018. A number of options exist for the Council in taking this matter forward. This report outlines those options together with their respective advantages and disadvantages. It recommends that the option of participating in a national sector led procurement exercise is likely to deliver the best value for money outcome.

Recommendation(s):

That the Committee agree to seek to appoint external auditors for the period commencing April 2018 by means of the sector led procurement initiative being undertaken by the Local Government Association.

Background

- 1.1. The Local Audit and Accountability Act 2014 brought to a close the Audit Commission and established transitional arrangements for the appointment of external auditors and the setting of audit fees for all local government and NHS bodies in England. On 5 October 2015 the Secretary of State Communities and Local Government (CLG) determined that the transitional arrangements for local government bodies would be extended by one year to also include the audit of the accounts for 2017/18.

- 1.2. The Council's current external auditor is KPMG, this appointment having been made under at a contract let by the Audit Commission. Following closure of the Audit Commission the contract is currently managed by Public Sector Audit Appointments Limited (PSAA), the transitional body set up by the Local Government Association (LGA) with delegated authority from the Secretary of State (Communities & Local Government). Over recent years the Council has benefited from reduction in fees in the order of 50% compared with historic levels. This has been the result of a combination of factors including new contracts negotiated nationally with the firms of accountants and savings from closure of the Audit Commission. The Council's current external audit fees are £107k per annum for the Council and £24k per annum for the pension fund.
- 1.3. When the current transitional arrangements come to an end on 31 March 2018 the Council will be able to move to local appointment of the auditor. There are a number of routes by which this can be achieved, each with varying risks and opportunities. Current fees are based on discounted rates offered by the firms in return for substantial market share. When the contracts were last negotiated nationally by the Audit Commission they covered NHS and local government bodies and offered maximum economies of scale.
- 1.4. The scope of the audit will still be specified nationally, the National Audit Office (NAO) is responsible for writing the Code of Audit Practice which all firms appointed to carry out the Council's audit must follow. Not all accounting firms will be eligible to compete for the work, they will need to demonstrate that they have the required skills and experience and be registered with a Registered Supervising Body approved by the Financial Reporting Council. The registration process has not yet commenced and so the number of firms is not known but it is reasonable to expect that the list of eligible firms may include the top 10 or 12 firms in the country, including our current auditor. It is unlikely that small local independent firms will meet the eligibility criteria.

2. Options for local appointment of External Auditors

- 2.1. There are three broad options open to the Council under the Local Audit and Accountability Act 2014 (the Act):

Option 1 To make a stand-alone appointment

- 2.2. In order to make a stand-alone appointment the Council will need to set up an Auditor Panel. The members of the panel must be wholly or a majority independent members as defined by the Act. Independent members for this purpose are independent appointees, this excludes current and former elected members (or officers) and their close families and friends. This means that elected members will not have a majority input to assessing bids and choosing which firm of accountants to award a contract for the Council's external audit. A new independent auditor panel established by the Council will be responsible for selecting the auditor.

Advantages/benefit

- 2.3. Setting up an auditor panel allows the Council to take maximum advantage of the new local appointment regime and have local input to the decision.

Disadvantages/risks

- 2.4. Recruitment and servicing of the Auditor Panel, running the bidding exercise and negotiating the contract is estimated by the LGA to cost in the order of £15,000 plus on going expenses and allowances
- 2.5. The Council will not be able to take advantage of reduced fees that may be available through joint or national procurement contracts.
- 2.6. The assessment of bids and decision on awarding contracts will be taken by independent appointees and not solely by elected members.

Option 2 Set up a Joint Auditor Panel/local joint procurement arrangements

- 2.7. The Act enables the Council to join with other authorities to establish a joint auditor panel. Again this will need to be constituted of wholly or a majority of independent appointees. Further legal advice will be required on the exact constitution of such a panel having regard to the obligations of each Council under the Act and the Council need to liaise with other local authorities to assess the appetite for such an arrangement.

Advantages/benefits

- 2.8. The costs of setting up the panel, running the bidding exercise and negotiating the contract will be shared across a number of authorities.
- 2.9. There is greater opportunity for negotiating some economies of scale by being able to offer a larger combined contract value to the firms.

Disadvantages/risks

- 2.10. The decision making body will be further removed from local input, with potentially no input from elected members where a wholly independent auditor panel is used or possibly only one elected member representing each Council, depending on the constitution agreed with the other bodies involved.
- 2.11. The choice of auditor could be complicated where individual Councils have independence issues. An independence issue occurs where the auditor has recently or is currently carrying out work such as consultancy or advisory work for the Council. Where this occurs some auditors may be prevented from being appointed by the terms of their professional standards. There is a risk that if the joint auditor panel choose a firm that is conflicted for this Council then the Council may still need to make a separate appointment with all the attendant costs and loss of economies possible through joint procurement.

Option 3 Opt-in to a sector led body

2.12. In response to the consultation on the new arrangement the LGA successfully lobbied for Councils to be able to 'opt-in' to a Sector Led Body (SLB) appointed by the Secretary of State under the Act. An SLB would have the ability to negotiate contracts with the firms nationally, maximising the opportunities for the most economic and efficient approach to procurement of external audit on behalf of the whole sector.

Advantages/benefits

2.13. The costs of setting up the appointment arrangements and negotiating fees would be shared across all opt-in authorities.

2.14. By offering large contract values the firms would be able to offer better rates and lower fees than are likely to result from local negotiation.

2.15. Any conflicts at individual authorities would be managed by the SLB who would have a number of contracted firms to call upon.

2.16. The appointment process would not be ceded to locally appointed independent members. Instead a separate body set up to act in the collective interests of the 'opt-in' authorities. The LGA are considering setting up such a body utilising the knowledge and experience acquired through the setting up of the transitional arrangements.

Disadvantages/risks

2.17. Individual elected members will have less opportunity for direct involvement in the appointment process other than through the LGA and/or stakeholder representative groups.

2.18. In order for the SLB to be viable and to be placed in the strongest possible negotiating position the SLB will need Councils to indicate their intention to opt-in before final contract prices are known.

3. The way forward

3.1. The Council have until December 2017 to make an appointment. In practical terms this means one of the options outlined in this report will need to be in place by spring 2017 in order that the contract negotiation process can be carried out during 2017.

3.2. The LGA are working on developing a Sector Led Body. In a recent survey, 58% of respondents expressed an interest in this option. Greatest economies of scale will come from the maximum number of councils acting collectively and opting-in to a SLB.

4. Risk Management

- 4.1. There is no immediate risk to the Council; however, early consideration by the Council of its preferred approach will enable detailed planning to take place so as to achieve successful transition to the new arrangement in a timely and efficient manner.
- 4.2. Providing the LGA with a realistic assessment of our likely way forward will enable the LGA to invest in developing appropriate arrangements to support the Council.

5. Legal implications

- 5.1. Section 7 of the Local Audit and Accountability Act 2014 (the Act) requires a relevant authority to appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding year. Section 8 governs the procedure for appointment including that the authority must consult and take account of the advice of its auditor panel on the selection and appointment of a local auditor. Section 8 provides that where a relevant authority is a local authority operating executive arrangements, the function of appointing a local auditor to audit its accounts is not the responsibility of an executive of the authority under those arrangements;
- 5.2. Section 12 makes provision for the failure to appoint a local auditor: the authority must immediately inform the Secretary of State, who may direct the authority to appoint the auditor named in the direction or appoint a local auditor on behalf of the authority.
- 5.3. Section 17 gives the Secretary of State the power to make regulations in relation to an 'appointing person' specified by the Secretary of State. This power has been exercised in the Local Audit (Appointing Person) Regulations 2015 (SI 192) and this gives the Secretary of State the ability to enable a Sector Led Body to become the appointing person.

6. Financial Implications

- 6.1. Current external fees levels are likely to increase when the current contracts end in 2018.
- 6.2. The cost of establishing a local or joint Auditor Panel outlined in options 1 and 2 above will need to be estimated and included in the Council's budget for 2016/17 and 2017/18. This will include the cost of recruiting independent appointees (members), servicing the Panel, running a bidding and tender evaluation process, letting a contract and paying members fees and allowances.
- 6.3. Opting-in to a national SLB provides maximum opportunity to limit the extent of any increases by entering in to a large scale collective procurement arrangement and would remove the costs of establishing an auditor panel.

Conclusion

The Council is required to take action to appoint external auditors from April 2018. The analysis undertaken in this paper suggests the approach that will offer the best value for money is to participate in the sector led procurement initiative being coordinated by the LGA.

Consultation

a) Policy Proofing Actions Required

n/a

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 C Forbes, who can be contacted on 01522 553642 or david.forbes@lincolnshire.gov.uk.



Regulatory and Other Committee

Open Report on behalf of Richard Wills, Executive Director Environment and Economy

Report to:	Audit Committee
Date:	20 June 2016
Subject:	Regulation of Investigatory Powers Act 2000

Summary:

To provide an update on the Council's compliance with the Regulation of Investigatory Powers Act 2000 regarding the use of surveillance powers and the actions taken following the inspection of the Council by the Office of Surveillance Commissioners in January 2015

Recommendation(s):

To note the position in relation to the Council's compliance with the Regulation of Investigatory Powers Act 2000 and endorse the proposal to prepare a policy on authorising surveillance where the provisions of the statutory regime do not apply

Background

This report has been prepared to update the Audit Committee on the Council's compliance with the Regulation of Investigatory Powers Act 2000 (RIPA). Further, this report provides an update on the actions required following the inspection by the Office of Surveillance Commissioners in January 2015.

The Human Rights Act 1998 requires the Council and organisations working on its behalf, pursuant to Article 8, to respect the private and family life of a citizen, his home and correspondence. This is not an absolute right and is qualified to enable organisations to interfere with that right in certain circumstances.

RIPA provides a statutory mechanism for authorising covert surveillance, the use of covert human intelligence sources (CHIS) (i.e. undercover agents) and the acquisition of communications data. It seeks to ensure that any interference with an individual's right under Article 8 is necessary and proportionate. In doing so, RIPA seeks to ensure that both the public interest and the human rights of individuals are suitably balanced.

The Protection of Freedoms Act 2012 and the Regulation of Investigatory Powers (Directed Surveillance and Covert Human Intelligence Sources) (Amendment) Order 2010 amended the situations where a Local Authority may exercise the

powers under RIPA. The Council may therefore now only use the directed surveillance powers to prevent or detect criminal offences that:

- Are punishable with a term of six months imprisonment or more, or
- Are related to the sale of tobacco or alcohol to underage persons.

In order to obtain approval for the use of the RIPA provisions, a Local Authority must seek the authorisation from a Justice of the Peace or a District Judge at the Magistrates Court before it takes effect.

The changes have reduced the Council's use of surveillance powers. For the year 2015/16, the Council obtained 4 authorisations for directed surveillance and 7 authorisations for the use of cover human intelligence sources.

The sole user of the powers under RIPA within the Council is the Trading Standards Service. Examples of where they use the powers includes conducting covert directed surveillance on markets where counterfeit goods are being sold and the CHIS powers to undertake test purchases in respect of on-line sales.

As the Audit Committee may be aware, the Council (along with all other Local Authorities), is subject to periodic inspections by the Office of Surveillance Commissioners (OSC). His Honour Norman Jones QC conducted an inspection of the Council on 7th January 2015 a copy of his report is attached as Appendix 1 to this report.

In general, HH Judge Jones was largely complementary about the Council's thorough and thoughtful approach of the use of surveillance powers under RIPA. He did, however, make a number of recommendations to the Council to improve its use of powers under the statutory provisions. The recommendations are listed at paragraph 46 of his report.

They can be summarised as follows:

- (1) Create a central record of authorisations split into those relating to Directed Surveillance (DS) and those for the use of Covert Human Intelligence Sources (CHIS);
- (2) Amend the CHIS forms referenced in the existing RIPA policy to reflect current Home Office forms;
- (3) The Senior Responsible Officer (SRO) and RIPA Co-ordinating Officer should exercise more robust oversight of authorisations;
- (4) Improve RIPA awareness throughout the Council;
- (5) Consider reducing the number of authorising officers and ensure those remaining are adequately trained;
- (6) Ensure that a controller, handler and record keepers are appointed to manage each CHIS;

- (7) Establish a training programme for those engaged in RIPA applications, and
- (8) Amend the corporate policy.

Legal Services Lincolnshire is responsible for maintaining the central record of authorisations. As the primary user of the surveillance powers, Trading Standards has historically worked closely with Legal Services to ensure that the Council's policy is as up-to-date as possible.

The RIPA Co-ordinating Officer (Legal Services) met with the SRO (Richard Wills) to agree an implementation plan to ensure completion of the recommendations. As a result, the following actions have been taken:

- (1) The central record of authorisations has been separated. The central record is stored on the Council's Information Management Portal with both Legal Services and Trading Standards having access to it.
- (2) The policy has been amended to include links to the Home Office website to ensure that officers are using the most up-to-date forms.
- (3) The amended policy now includes designations in respect of the two posts. The SRO is taking a more proactive oversight of the Council's compliance with the statutory provisions and Legal Services are working closely with Authorising Officers to ensure compliance.
- (4) In order to improve awareness of surveillance, Legal Services will be preparing briefing notes for DMT's. It was also agreed that the annual Information Governance training (accessed through Lincs2Learn) would include a section on surveillance. This element will be completed shortly.
- (5) The policy was amended to reduce the number of authorising officers.
- (6) Trading Standards have implemented this change and did so with immediate effect.
- (7) An external provider was commissioned to provide authorising officers with training on RIPA. That training was delivered in July 2015. As a result of that training, the Council is considering producing a policy which should be applied where RIPA authorisation is not required though the Council wishes to undertake surveillance. In essence, the policy is intended to ensure that the Council complies with its obligations under Article 8 of the Human Rights Act 1998 (right to respect for private life).
- (8) The Council's corporate policy has been amended.

As the Committee will note from the number of authorisations included above, the Council is not a significant user of surveillance powers and indeed utilises other forms of investigation wherever possible. Officers work closely with other

enforcement agencies and will often allow them to take the lead in obtaining authorisations.

Officers consider that creating a new policy to allow an authorisation process where RIPA does not apply would be beneficial and prudent. Whilst RIPA does not prevent surveillance from being undertaken where the statutory provisions do not apply, it would be sensible to create an audit trail and checking mechanism to ensure that any surveillance undertaken by the Council is lawful and does not contravene the provisions of the Human Rights Act 1998.

Conclusion

The Council's use of surveillance powers under RIPA is low and the Office of Surveillance Commissioners was largely complimentary as to the thorough approach taken by officers.

It is recommended that a new policy be created to ensure appropriate human rights consideration is given to non-RIPA authorisations and the Committee is asked to endorse this approach.

Consultation

a) Policy Proofing Actions Required

n/a

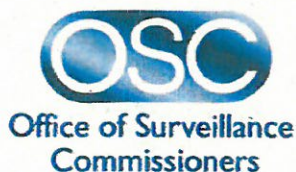
Appendices

These are listed below and attached at the back of the report	
Appendix A	Office of Surveillance Commissioners Inspection report January 2015

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 Mr Leigh Middleton, who can be contacted on 01522 552579 or Leigh.Middleton@lincolnshire.gov.uk.



Chief Executive's Office
09 FEB 2015
Lincolnshire County Council



Chief
Surveillance
Commissioner

OFFICIAL-SENSITIVE

Dear Mr. McCardle,

5th February 2015

Covert Surveillance

On 7th January 2015, an Assistant Surveillance Commissioner, HH Norman Jones QC, visited your Council on my behalf to review your management of covert activities. I am grateful to you for the facilities afforded for the inspection.

I enclose a copy of Mr Jones's report which I endorse. Your Council makes moderate use of covert surveillance through its Trading Standards Department. The 3 recommendations made following the last inspection, in May 2011, have not been fully discharged. But your officers in Trading Standards are well-trained, knowledgeable, dedicated and enthusiastic in relation to RIPA and Mark Keal, your Business and Public Protection Manager is well informed. Some of the documentation examined had inherent weaknesses which need to be addressed.

The recommendations are that a two-part Central Record in relation to directed surveillance and CHIS be created, that existing CHIS forms be corrected and all other forms checked to ensure they correspond to current Home Office forms, that the SRO and Co-ordinating Officer exercise more robust oversight of all authorisations and the authorisation process, that RIPA awareness be improved throughout the Council, that consideration be given to reducing the number of authorising officers and adequate training of them be ensured, that a controller, handler and record keeper be appointed to manage each CHIS for each of whom a risk assessment should be undertaken, that a training programme be established and the weaknesses identified in documentation addressed and that your Corporate Policy and Procedures document be amended as indicated in paragraph 38 of the report

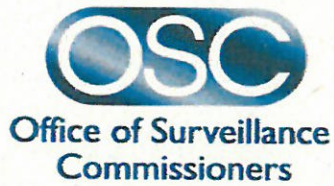
I shall be glad to learn that your Council accepts the recommendations and will see that they are implemented.

One of the main functions of review is to enable public authorities to improve their understanding and conduct of covert activities. I hope your Council finds this process constructive. Please let this Office know if it can help at any time.

Yours sincerely
Christopher Rose

Mr Tony McCardle
Chief Executive
Lincolnshire County Council
Council Offices
Newland
Lincoln LN1 1XY

OFFICIAL - SENSITIVE



OFFICE OF SURVEILLANCE COMMISSIONERS

INSPECTION REPORT

Lincolnshire County Council

7th January 2015

**Assistant Surveillance Commissioner:
HH Norman Jones, QC.**

OFFICIAL - SENSITIVE

OFFICIAL- SENSITIVE

DISCLAIMER

This report contains the observations and recommendations identified by an individual surveillance inspector, or team of surveillance inspectors, during an inspection of the specified public authority conducted on behalf of the Chief Surveillance Commissioner.

The inspection was limited by time and could only sample a small proportion of covert activity in order to make a subjective assessment of compliance. Failure to raise issues in this report should not automatically be construed as endorsement of the unreported practices.

The advice and guidance provided by the inspector(s) during the inspection could only reflect the inspectors' subjective opinion and does not constitute an endorsed judicial interpretation of the legislation. Fundamental changes to practices or procedures should not be implemented unless and until the recommendations in this report are endorsed by the Chief Surveillance Commissioner.

The report is sent only to the recipient of the Chief Surveillance Commissioner's letter (normally the Chief Officer of the authority inspected). Copies of the report, or extracts of it, may be distributed at the recipient's discretion but the version received under the covering letter should remain intact as the master version.

The Office of Surveillance Commissioners is not a public body listed under the Freedom of Information Act 2000, however, requests for the disclosure of the report, or any part of it, or any distribution of the report beyond the recipients own authority is permissible at the discretion of the Chief Officer of the relevant public authority without the permission of the Chief Surveillance Commissioner. Any references to the report, or extracts from it, must be placed in the correct context.

OFFICIAL – SENSITIVE

Chief Surveillance Commissioner,
Office of Surveillance Commissioners,
PO Box 29105,
London,
SW1V 1ZU.

23rd. January 2015.

INSPECTION REPORT LINCOLNSHIRE COUNTY COUNCIL

Inspection 7th. January 2015.
Inspector His Honour Norman Jones, QC.
Assistant Commissioner

Lincolnshire County Council and FRS

1. Lincolnshire is a non-metropolitan county administered by Lincolnshire County Council. The Council serves a population of about 1.1 Million and at 2687 square miles the County is geographically the second largest in England.
2. The Senior Management Team is headed, as at the previous inspection, by Mr. Tony McCardle, the Chief Executive, who is immediately supported by four Executive Directors, one Director and a Chief Information and Commissioning Officer. They lead services which are headed by Assistant Directors; County Officers, Chief Commissioning Officers and Consultants.
3. The Lincolnshire Fire and Rescue Service (FRS) is led by Mr. Dave Ramscar, the Chief Fire Officer who is responds to the Executive Director for Finance and Public Protection.
4. Mr Richard Wills, *Senior Responsible Officer (SRO)* for RIPA, is Executive Director for the Environment and Economy. The role of *RIPA Co-ordinating Officer* is undertaken by Ms. Sally Burke, Senior Solicitor in Legal Services though she has not formally been designated that position.
5. The most recent OSC inspection of Lincolnshire CC was conducted on 11th May 2011 by Mr Graham Wright, Surveillance Inspector.
6. Since its previous inspection the Council has undertaken 58 covert surveillance operations for which authorisation has been granted. Of these 56 were granted to the Trading Standards Department, of which 45 were for *directed surveillance* and 11 for *covert human intelligence sources (CHIS)*. The two remaining authorisations were for *directed surveillance* granted to Planning Enforcement. Save for one *directed surveillance* authorisation which had been granted to Trading Standards under the *urgency provisions, confidential information, urgency and self authorisation* did not feature in any authorisation.
7. The address of the Council Offices is Lincolnshire County Council, County Offices, Newland, Lincoln, LN1 1XY.

Inspection.

8. Mr Wills, Ms Burke and Ms Leeza Mohsan, Legal Officer, extended a warm welcome to Lincolnshire. The inspection was later attended by Mr Mark Keal, Business and Public Protection Manager (Safer Communities) and Trading Standards Manager. Fire and Safety officers who attended were Mr Kieran Davey (Group Manager for Fire Safety, Health and Safety and Legal) and Mr Andy Higgins (Station Manager and Arson Task Force Manager). All officers impressed with their understanding of *RIPA* and its regulatory framework and each extended enthusiastic assistance for which gratitude is expressed.
9. The Inspection was conducted by means of discussion and interview with the initial officers followed by an examination of the Central Record of Authorisations together with a sample of the applications/authorisations, reviews, renewals and cancellations undertaken since the last inspection. Thereafter feedback was provided to all officers concerning the issues arising from the documentary examination. The inspection was completed by a discussion with the initial save officers relating to the Council's *RIPA* Policy and Procedures document.
10. Among the issues discussed were actions taken on past recommendations, the *RIPA* management structure, unauthorised surveillance, Authorising Officers, the provisions of the Protection of Freedoms Act 2012, training, policy and procedures and Councillor responsibilities.

Examination of Records.

11. The **Central Record of Authorisations** is retained on a computerised spreadsheet and the originals of the applications/authorisations, reviews, renewals and cancellations are collated into annual files. Record keeping is the responsibility of Ms. Mohsan under the aegis of Ms. Burke. The Central Record is compliant with the *Code of Practice for Covert Surveillance and Property Interference* save that columns should be added to reflect reviews. It included columns to reflect appearances for approval before a Magistrate. It appeared well maintained and forms an invaluable tool for the *SRO* and *RIPA Co-ordinating Officer* in their exercise of oversight of the system. It was of considerable assistance to the OSC inspection process. Hard copies were available relevant to each year. It was to be noted that the files preceding January 2013 were substantially bulkier than those for 2013 and 2014. This was indicative of a substantial drop-off of authorisation following the commencement of the *Protection of Freedoms Act 2012*.
12. It was noted that the Central Record did not reflect any facility for recording issues specific to *CHIS* authorisation. With the continuation of employment of *CHIS* by Trading Standards it was felt that a similar *CHIS* Central Record should be introduced to reflect those issues.

See recommendation

13. It was noted that the forms for *CHIS* authorisation in use bearing the Lincolnshire county council motif were not compliant with the current Home Office forms omitting the first page bearing details of identification and office of those concerned and later boxes relating to risk assessment and pseudonyms. It is of concern that these essential elements of *CHIS* authorisation would be overlooked especially since Trading Standards from time to time do employ *CHIS*. It is important that it is ensured that all forms in use comply with the current Home Office forms.

See recommendation

14. Six authorisations, two *CHIS* and four *directed surveillance*, were examined in detail and certain others more briefly. All more recent authorisations had required a magistrate's approval. A common issue lay in describing the likelihood of acquiring *confidential information*. Applications tended to use phraseology which left open the possibility of such acquisition, though always in circumstances when there was no likelihood of doing so. There was some indication that officers did not understand the meaning of *confidential*

information, the likely acquisition of which requires authorisation by the Chief Executive. In the vast majority of applications officers should positively state that there is no likelihood of obtaining such information.

15. The two recent *CHIS* authorisations disclosed a number of concerns. Neither identified a controller, handler or record keeper nor were risk assessments undertaken, all of which are required by statute. The fact that these failures were not identified during the oversight process raises anxiety as to the robustness of that process. It is further to be noted that these failures did not prevent approval being granted by the Magistrate. The first examined demonstrated little intelligence basis for the authorisation whilst the intelligence basis in the other was good. In one there was little consideration in the authorisation of the '5W's' and thus poor definition of what was being authorised. In the consideration of *proportionality and necessity* of one appeared the statement 'goods on sale are aimed at babies and young infants'. That information did not appear in the application. There was no copy attached to the file of the application to the magistrates' court and only the applicant attended. The earlier *CHIS* authorisation was of a higher standard based on good intelligence and a competent authorisation. Both the application and authorisation dealt adequately with such issues as *proportionality and necessity*. A good cancellation gave detail of what had been achieved.
16. The *directed surveillance* authorisations were generally of a good standard applications gave sufficient detail of what was required and why, proportionality and necessity were well considered and there was a reasonable intelligence basis for the application. Cancellations were in good form but one that was out of time. However in one case, relating to multiple premises test purchasing, there was no intelligence basis pertinent to individual premises and the authorisation stated that it was granted 'on the basis of previous sales --- to minors'.
17. The one *urgent* authorisation related to a test purchasing operation conducted with the police in which the police wished to add a further set of premises at the last moment. It was decided to do that by way of the *urgency* provisions. Before *urgency* could be used there should be either a likelihood 'to endanger life or jeopardise the investigation or operation for which the authorisation was being given'. (*Code of Practice for Covert Surveillance and Property Interference*, 5.6). The circumstances did not satisfy those requirements. The authorisation was recorded in a letter stating the basis upon which it had been granted and this was subsequently supported by a fully completed authorisation form. However neither document gave evidence of the adequate consideration of either *proportionality* or *necessity* and neither articulated the intelligence basis upon which it was founded.

See recommendation

18. All authorisations were typed. Whilst not a compliancy issue it is better practice to hand write the authorisations (applications may be typed) since that precludes particular forms of challenge at court.

Past Recommendations.

19. Three recommendations were made by Mr Wright in the previous inspection report. These were considered with the officers.
 - I. *A single Central Record of Authorisations should be created which contains all the information required by the Codes of Practice.*

See paragraph 10 above. It was encouraging to note that a further system exists for the Diana arising of review and cancellation date's which assists Ms Mohsan in chasing up these events if documents are not submitted timeously. This recommendation has been partially discharged.
 - II. *The listed failings in applications and authorisations for directed surveillance should be borne in mind by applicants, authorising officers and those with oversight responsibilities.*

There are still examples of reports not containing adequate intelligence though most do. The consideration of *proportionality* and *necessity* has improved although there are still examples of weakness in this area. Lack of consideration of the '5W's' is seen to produce authorisations with insufficient detail. Internal audit and FRS investigations have not been carried out in this period utilising covert surveillance. This recommendation has been substantially discharged.

- III. *The listed failings in applications and authorisations for CHIS should be borne in mind by applicants, authorising officers and those with oversight responsibilities.*

Examination of the records indicates that this issue has not greatly improved and new weaknesses have been identified. This recommendation has not been discharged.

RIPA Management

20. Mr Wills has held responsibility as SRO for less than a year. The overall responsibility of a SRO was discussed and outlined as including responsibility for the integrity of the RIPA process within the Council; for compliance with RIPA and its regulatory framework; for engagement with the Commissioners and Inspectors when they conduct inspections; for overseeing the implementation of any recommendations made by the OSC and for ensuring that authorising officers are of the appropriate standard. In addition Mr Wills holds direct responsibility for keeping the Elected Members aware of RIPA activities within the Council. He is anxious that the Council should be compliant with the legislation and recognises that good central management is essential to that process.
21. At present Ms Burke is not regarded formally as *RIPA Co-ordinating Officer* and the structure of the Legal Department places some difficulties in the way of formalising her position. However it was felt that these may be overcome and that, with Ms Mohsan assisting by keeping the Central Record and chasing up RIPA documents, the additional responsibilities should not prove onerous. The day to day responsibilities of the *RIPA Co-ordinating Officer* should include: (a) maintaining the Central Record of Authorisations and collating the original applications/authorisations, reviews, renewals and cancellations; (b) oversight of submitted RIPA documentation; (c) organising a RIPA training programme; and (d) raising RIPA awareness within the Council.
22. The importance of day-to-day oversight by the *RIPA Co-ordinating Officer* coupled with regular oversight by the SRO cannot be emphasised too strongly. It was apparent from the examination of the records that such oversight is not being exercised in a sufficiently robust manner. An example of this was clearly provided by the failure to recognise the inadequacy of the CHIS forms in use by the Council, a factor that was leading to such authorisations not being compliant with the legislation. It is essential that the oversight officers act robustly to ensure improvement in the quality of authorisations.

See recommendation

23. Ms Mohsan is new to her role in RIPA replacing an officer who had had a number of years experience in this field. It is recognised that she will need some time to gain experience and in the meantime Ms Burke, her immediate line manager, will exercise careful oversight on the process.
24. Ms Burke already delivers enforcement training at the Council and encompasses within that a module relating to RIPA. The FRS and Trading Standards conduct their own training. The only use she could perceive by departments other than those was in relation to the use of body cameras on our wardens and car parking CCTV. In each case the cameras are fully signed and clearly overt, therefore the issue of authorisation is unlikely to arise. There has been some very limited use by Planning and Environment in the past and this Department should be recognised as a potential user.

25. The importance of establishing good *RIPA* awareness throughout the Council, and not merely in enforcement departments, was emphasised and means of improvement were discussed. The Council has an intranet training system which would be ideally suited to including very basic training to all staff members of the requirement for the consideration of authorisation whenever the use of surveillance was in mind. In addition the practice of cascading down *RIPA* information from management meetings should be extended.

See recommendation

Authorising Officers

26. The current authorising officers are listed in an appendix to the *Corporate Policy and Procedures Document on RIPA 2000*, which is the Council's guide on the subject. In addition to the CEO some nine authorising officers are listed. In reality the vast proportion of authorisations are undertaken by Trading Standards and by one authorising officer attached to that department. Whilst the CEO, or in his absence whoever deputises for him, are the only officers who may authorise for the employment of juvenile or vulnerable *CHIS* or the acquisition of *confidential information*, most of the other authorising officers are unlikely to be engaged. This calls into question whether this number of authorising officers is required for the Council's purposes. Each requires training which makes demands on the Council's resources. It may well be felt that the Council could adequately undertake its responsibilities with no more than two or three authorising officers. At the least this position should be reconsidered. It was to be noted that Mr Wills, who should be an authorising officer though only authorising in exceptional circumstances, has received no training and it appears unlikely that other authorising officers have been trained in recent times, including the CEO. (See **Training** below)

See recommendation

Trading Standards

27. Trading Standards is by far the principal user of *RIPA* within the Council. The department falls within Mr. Keal's responsibilities and he is the authorising officer who undertakes most of the authorisations for that department. As such he is the most experienced authorising officer in the Council. The findings of the examination of documents were discussed with him and he appreciated that there were areas which were in need of improvement. It was of some concern that the weaknesses in the *CHIS* forms had not been appreciated.
28. Since 2011 there has been a reduction from over 50 to 23 trading standards officers employed by the County. That has clearly had some effect on the levels of investigation that can be undertaken. Trading Standards Officers engaged with *RIPA* are trained to a high standard having the benefit of professional training courses with *RIPA* modules in addition to training provided which is bought in by the Trading Standards Department. No corporate training is provided. In addition Mr Keal conducts in-house training during the year. Training notes used in May 2014 were provided to the inspection. They form a comprehensive discourse upon the subject of *RIPA* and are concise and easily understood. He himself has attended two courses with *RIPA* input during the past year. He keeps himself abreast of any developments within *RIPA* and is clearly well informed on the subject.

Social Media

29. The Trading Standards Department is the most likely within the Council to use social media for investigatory purposes. In recent years certain sites have been commonly used by criminals for the sale of illicit goods and as a result the Department now investigates them. The officers target specific crimes and multiple crimes. It has become apparent that the types of criminal resorting to social media have become more intelligent and more prolific. To investigate the sites the officers have adopted a particular practice and are well aware of the requirements of authorisation in certain circumstances. If the department gets information that a particular site is being used for illicit sales and the

volume of information is sufficient for it to consider investigation an officer will check the open pages of the site to confirm suspicions. If further investigation is justified a lead officer is assigned and the team is tasked. The principal officer in the team overseas the operation which will normally proceed using a covert identity. If the privacy controls are breached a direct surveillance authorisation will have been obtained and this is to determine when the goods are on sale. Further involvement by approaching the owner/operator will be undertaken following the obtaining of a *CHIS* authorisation.

30. The attention of Mr Keele was drawn to the 2014 edition of the *OSC Procedures and Guidance Document, paragraph 288* for assistance in this field and in determining when *RIPA* authorisation is required.
31. The requirement for the appointment of a controller and handler as well as a record keeper when *CHIS* authorisations are granted was emphasised. Whilst it is appreciated that one officer is appointed to oversee the operation that is insufficient to satisfy the statutory requirements which must be addressed. (*RIPA section 29(2)(c) and (5)*)

See recommendation

Fire and Rescue Service

32. The Lincolnshire FRS is a County service and is integral to the County Council. As a result it adopts all of the Council practices and procedures in relation to *RIPA*. It is highly unlikely to use covert surveillance as a tool of investigation although it has obtained authorisations in the past. However the last of those was in 2009. At that time it had a dedicated authorising officer but has relinquished that and now would rely on the Council to provide this service.
33. A service level agreement exists with the police whereby the police undertake any surveillance required in arson investigations and they provide the authorisations. All equipment for surveillance purposes hitherto owned by the FRS has been passed onto the police. Officers consider that they have adequate powers in relation to any other type of investigation without resorting to covert surveillance.
34. In the unlikely event of considering authorisation an approach would first be made to Ms Burke and the legal Department to see if there was an alternative. A Guidance Note on *RIPA* instructs junior fire officers considering the use of covert surveillance to seek the advice of Mr Davey before proceeding. This training note is drawn to the attention of officers at four monthly intervals during training and lengthier training periods also encompass *RIPA*. *RIPA* developments are drawn to the attention of all officers including the new *Codes of Practice*. Enforcement officers have a manual with a section relating to *RIPA* and additionally they receive training by Ms Burke and by the police. The overall policy of the FRS is to come to the Council, in particular Ms Burke, whenever they would consider using covert surveillance.

Training

35. Whilst the Trading Standards Department and the FRS engage in *RIPA* training for their own departments (see above) there is no corporate training programme for the rest of the Council. Since Trading Standards became the only department to use covert surveillance the regular *RIPA* Update Meetings which involved all authorising officers and Ms Burke, and which were considered good practice at the last inspection, have been discontinued. It was of particular concern that no dedicated *RIPA* training is undertaken for authorising officers and has not been for some time. It is a pre-requisite of any person authorising that they should have been trained and attention should be paid to this omission in the near future. This requirement was discussed with the officers. Ms Burke laid some emphasis on the fact that *RIPA* is included in all enforcement training. However, whilst of considerable value, that is clearly insufficient for any authorising officer and many regular applicants who need detailed training. In the light of the fact that Trading Standards provide dedicated *RIPA* training and also buy in such training it would appear sensible for the Council to take advantage of such facility. In any event authorising officer training should be undertaken for all those who remain authorising officers in the event of a

reduction in numbers. It must be appreciated that the quality of applications and authorisations will only be improved with the quality of training and that it may be necessary, at least initially, to buy in professional training to achieve a minimum standard. Thereafter refresher training could be undertaken at 18 monthly intervals by internal officers although the electronic training system available through the Council intranet would be another effective means of delivery.

See recommendation

Protection of Freedoms Act 2012

36. The provisions of this legislation taken in conjunction with those of the *RIP(Directed Surveillance and CHIS)(Amendment) Order 2012, SI 2012/1500* were discussed. It was considered by the officers that this legislation has had a considerable effect upon the Council's usage of covert surveillance. Indeed this is one of the main reasons why the only investigations now being undertaken using covert surveillance were within the Trading Standards Department which has been largely excluded from effect by those provisions.
37. Only the investigating officer has been attending on the magistrates. This was discussed with the officers and it was recognised that if the Magistrate were to raise questions they are likely to be only answerable by the authorising officer. The officers and particularly Mr Keal recognised that likelihood and it was considered that the authorising officer should attend the Court to assist the Magistrate with the investigating officer.

Policy and Procedures.

38. The *Corporate Policy and Procedures Document on the Regulation of Investigatory Powers Act 2000* is the Council's policy and guidance document on *RIPA*. It is kept constantly under review by Ms Burke who has revised it in the last six months. It takes account of the recent legislative changes. It is a succinct but readable document which, with a few minor amendments, should serve the Council's requirements well. In due course Mr Wills will present it to the Elected Members for their approval. The amendments proposed include:
- Changing the term *authorised officer* to *authorising officer*.
 - Indicating that covert surveillance of County Council employees may not be undertaken solely for employment/disciplinary investigations
 - Under **proportionality** indicate that the least intrusive means of surveillance *on the target and others* should be chosen and that all alternative covert means have been considered and rejected.
 - Remove references to *urgent authorisations*. (These are no longer available to local authorities).
 - Indicate that the duration of authorisations commences with a Magistrate's approval.
 - Indicate that the duration for an authorisation of a juvenile *CHIS* is one month.
 - Indicate that the authorising officer should attend at the Magistrate's hearing for approval.
 - Indicate that originals of all applications/authorisations, reviews, renewals and cancellations should be forwarded to the *RIPA Co-ordinating Officer* for filing with the Central Record.
 - Include the office and identities of the *SRO* and *RIPA Co-ordinating Officer* in appendix 1.
 - Ensure all forms referred to as in use correspond with the current Home Office forms.
 - Where appropriate make reference to the 2014 editions of the *Code of Practice for Covert Surveillance and Property Interference* and the *Code of Practice for CHIS*.
 - Provide links to the *Codes of Practice*. (This should be taken in conjunction with ensuring that copies of the 2014 editions of the *Codes of Practice* and of the *OSC Procedures and Guidance* are available to all authorising officers.)

See recommendation

Councillor Responsibilities

39. The *Code of Practice for Covert Surveillance and Property Interference* and the *Code of Practice for CHIS* require that Councillors are kept informed of the *RIPA* activities of the Council sufficiently to enable them to undertake their ongoing oversight of *RIPA* policy. This is undertaken at Lincolnshire County Council by virtue of a quarterly report to the Councillors. Although this practice had recently fallen into abeyance it is to be revived in the very near future. A fuller annual report should be provided to the Council to assist Councillors in assessing the fitness for purpose of the Council's *RIPA* policy.

Conclusions

40. Lincolnshire County Council makes moderate use of covert surveillance but that is now confined entirely to the Trading Standards Department. The officers within that Department are well trained in respect to *RIPA* and Mr Keal impresses as a well informed and knowledgeable officer on the subject. It is however important that it should recognise the statutory requirements for the employment of *CHIS* and that the correct forms should be in use.
41. The Council has a distinct preference for the use of overt means of investigation whenever possible. Save for Trading Standards it would rebuff the opportunity to employ *CHIS* unless a source was forced upon it. The officers responsible for *RIPA* impress with their knowledge, dedication and enthusiasm. They appreciate the sensitivity of covert surveillance as a tool of investigation but recognise that there are instances in which its use is unavoidable. Equally they recognise that when it is used it must be used in compliance with *RIPA* and its regulatory framework.
42. The effects of the limitations placed on the Council by the *RIP(Directed Surveillance and CHIS)(Amendment)Order 2012, SI 2012/1500* are noticeable in that Council departments other than Trading Standards have effectively ceased to use covert surveillance. That has resulted in a reduced concentration on the subject highlighted by the discontinuation of the *RIPA* Update Meetings and the continued lack of training for authorising officers. It is to be emphasised that the standards of authorising officers must be maintained though a reduction in the numbers would be justified.
43. Whilst in most cases the documents examined exhibited a reasonable standard of performance some continue to disclose inherent weaknesses which require to be addressed. This is best done by ensuring that they are addressed by *RIPA* training and by using exercises in training which test the competency of applicant and authorising officers.
44. Oversight of submitted authorisations requires to be more robustly exercised by the *RIPA* Co-ordinating Officer and the *SRO* and there is a requirement to ensure that all forms in use correspond with the current Home Office forms. The Central Record requires being in two parts and styles to reflect *directed surveillance* and *CHIS*.
45. The **Lincolnshire Fire and Rescue Service** is an unlikely user of covert surveillance though circumstances can be conceived in which it may do so. It has adequate awareness training for its officers and its Guidance Notes contains useful references to *RIPA*. It is aware of the risks of unauthorised surveillance and officers are keenly trained to recognise those risks and seek advice. In the event of requiring authorisation it would rely upon the Council's authorising officers.

Recommendations.

- 46.
- I. Create a Central Record matrix in two parts, one to reflect *directed surveillance* and the other *CHIS*. (Paragraph 12).

- II. Correct the existing *CHIS* forms and check all other forms in use to ensure they correspond to the current Home Office forms. (*Paragraph 13*).
- III. The *SRO* and *RIPA Co-ordinating Officer* should exercise more robust oversight on all authorisations and the authorisation process. (*Paragraph 22*).
- IV. Improve *RIPA* awareness throughout the Council. (*Paragraph 25*).
- V. Consider reduction of the number of authorising officers and ensure all who may authorise are adequately trained. (*Paragraph 26*).
- VI. Ensure that a controller, handler and record keeper (who may be either controller or handler) is appointed to manage each *CHIS* and that risk assessments are undertaken in each such case. (*Paragraph 31*).
- VII. Establish a training programme and address the weaknesses disclosed in the documentary examination by further training. (*Paragraph 35 and 17*).
- VIII. Amend the Corporate Policy and Procedures Document on *RIPA*. (*Paragraph 38*)

**His Honour Norman Jones, QC,
Assistant Surveillance Commissioner.**

Regulatory and Other Committee

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

Report to:	Audit Committee
Date:	20 June 2016
Subject:	Work Plan

Summary:

This report provides the Committee with information relevant to the core assurance activities currently scheduled for the 2016/17 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.
2. Review the outstanding actions designed to improve the effectiveness of the Committee.

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 – work plan to March 2017).
- 2 The following items from the June programme have now been deferred to the July Committee:
 - Draft Annual Governance Statement 2016
 - Annual report on the effectiveness of the Council's complaints and compliments process and the Local Government Ombudsman's Report.
 - Annual Report for Counter Fraud
- 3 Appendix B shows the Committee's action plan – which helps keep track of actions agreed during meetings. Last year a number of areas for consideration were identified:-
 - Reviewing and encouraging transparency in partnership decision making

- Understanding and seeking assurance over the governance and risks associated with our key partners
- Facilitating risk management training and awareness for members and staff. To clarify the understanding of the level of risk which the Council is prepared to accept across its key activities/business units
- Overview of the Constitution
- Compliance with the Transparency Code.

Does the Committee still want to seek assurance around these areas?

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 2017
Appendix B	Audit Committee Action Plan 2016/17

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 – 2016/17		
20th June 2016	Assurances Required / Being Sought	Relevancy – Terms of Reference
Core Business		
Risk Management Progress Report	<p>Gain assurance that the Council is effectively managing its key risks – has good risk management systems / processes in place that enable decision makers to understand the level of risk being taken and the Council is prepared to accept.</p> <p>That there has been on big surprises for the Council where it suffered significant financial loss or reputational damage.</p>	To monitor the effective development and operation of risk management and corporate governance in the Council
Update on progress regarding the annual Statement of Accounts.	That preparation of the annual Statement of Accounts is progressing appropriately.	Duty to approve LCC's statement of accounts.
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.	To provide a report to full council on the committee's performance regarding its terms of reference and meeting its purpose.
Report on the appointment of the Council's external auditor commencing in April 2018.	To set out the options available to the Council regarding the appointment of an external audit service provider so that the best value for money outcome is delivered.	Liaison with the appropriate body over the appointment of the Council's external auditor.
Terms of Reference for the external review of the SERCO Contract	To provide independent review of the scope of the work being commissioned from the external provider.	Commissioning work from external audit.

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Audit Committee Work Plan – 2016/17

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>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>
External Audit Progress Report	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.	To comment on the scope and depth of external audit work and to ensure it gives value for money.
Review of compliance with Regulation of Investigatory Powers Act.	To confirm that the Council's arrangements comply with the legislation.	Whether the council is compliant with its own and other published standards and controls.
18th July 2016	Assurances Required/Being Sought	Relevancy – Terms of Reference
Core Business		
Annual review of the effectiveness of the Council's Internal Audit Function		
Review of Head of Internal Audit's Annual Report and Opinion 2016		
Scrutiny of the Council's Financial Statements 2015/16 (with specialist support/advisor)		

Audit Committee Work Plan – 2016/17		
Review of the Council's Governance and Assurance arrangements and the Draft Annual Governance Statement 2016		
Annual Report reviewing the effectiveness of the Council's complaints and compliments process, including how well the Council has dealt with complaints as demonstrated by the Local Government Ombudsman's Report.		
Approval of Counter Fraud Annual Report 2015/16 reviewing the delivery of the Counter Fraud Work Plan.		
Other assurance		
26 September 2016	Assurances Required/Being Sought	Relevancy – Terms of Reference
Internal Audit Progress Report		
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		
Approval of the Council's Statement of Accounts for 2015/16		

Audit Committee Work Plan – 2016/17		
Approval of the Council's Annual Governance Statement 2016		
Other Assurance		
21st November 2016	Assurances Required/Being Sought	Relevancy – Terms of Reference
Core Business		
Outcome of the Internal Audit External Assessment		
Audit Committee invites the CX and Directors to attend the meeting and provide the Committee with a briefing on their respective assurance arrangements.		
Counter Fraud Progress Report		
January 2017	Assurances Required/Being Sought	Relevancy – Terms of Reference
Core Business		
Internal Audit Progress Report		
External Audit Progress Report and Plan		
Other Assurance		
Combined Assurance Status Reports		

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Audit Committee Work Plan – 2016/17		
March 2017	Assurances Required/Being Sought	Relevancy – Terms of Reference
Core Business		
Internal Audit Progress Report		
External Audit Progress Report and Plan		
Draft Internal Audit Plan 2017/18		
Draft Counter Fraud Plan 2017/18		
International Audit Standards on the risks associated with the impact of potential fraud and error on the Financial Statements		
External Audit Plan		

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Audit Committee Action Plan – 2015/16			
Action	Terms of Reference Outcome	Key Delivery Activities	Who by and When
1. Clarify who should attend the Audit Committee and expectations on the information being presented.	<p>Ensure that relevant and focussed reports are presented. Provide more certainty that assurance is relevant and reliable</p> <p>Promote constructive challenge during meetings</p> <p>Strengthen accountability arrangements and the effectiveness of the Audit Committee</p>	Develop reporting protocol	<p>Audit and Risk Manager</p> <p>30th June 2016</p>
2. 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	In progress	No longer required
<p>3. A number of areas for consideration regarding the work plan were identified last year, namely:-</p> <ul style="list-style-type: none"> • Reviewing and encouraging transparency in partnership decision making. • 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 			

<p>clarify the understanding of the level of risk the Council is prepared to accept across its key activities / business units.</p> <ul style="list-style-type: none">• Overview of the constitution• Compliance with the Transparency Code <p>Are these areas around which the Committee still wants to seek assurance?</p>			
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