

**AUDIT COMMITTEE
25 JUNE 2018**

PRESENT: COUNCILLOR MRS S RAWLINS (CHAIRMAN)

Councillors A J Spencer (Vice-Chairman), P E Coupland, A P Maughan, R B Parker and A N Stokes

Officers in attendance:-

Rachel Abbott (Audit Team Leader), David Forbes (County Finance Officer), Emma Krasinska (Commissioning Manager, Adult Care & Community Wellbeing), Pete Moore (Executive Director, Finance and Public Protection), Lucy Pledge (Audit and Risk Manager), Sophie Reeve (Chief Commercial Officer), Fiona Thompson (Service Manager - People), Professor Derek Ward (Director of Public Health) and Rachel Wilson (Democratic Services Officer)

1 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor P Skinner.

2 DECLARATION OF MEMBERS' INTEREST

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

3 MINUTES OF THE MEETING HELD ON 26 MARCH 2018

RESOLVED

That the minutes of the meeting held on 26 March 2018 be signed by the Chairman as a correct record.

4 UPDATE ON ACTIONS ARISING FROM AUDITS IN ADULT CARE

The Committee received an update on actions and recommendations identified in two recent internal audit reports which were on Assessment of Needs in Adult Care and the Quality of Workforce Learning and Development.

Representatives from Adult Social Care were in attendance to provide verbal updates to the Committee on progress since the findings of the audit were reported to the meeting of the Audit Committee in March 2018.

It was reported that the outcomes of the Carers Workforce Development Audit was reported to the meeting of the Audit Committee held in March 2018. It was noted that there was no officer present to address the Committee at that meeting as the lead officer had recently left the authority, therefore it was agreed that an officer would

instead attend a meeting in 6 months' time to update on progress since the audit had taken place.

Members were advised that this was an interim update on actions undertaken by the two providers of the Lincolnshire Carers' Service, following the audit of workforce learning and development in January 2018. It was reported that the Lincolnshire Carers' Service was commissioned to carry out the delegated statutory function of the Carer's Assessment (Care Act 2014) of adult carers for Lincolnshire County Council. In 2017/18 the service assessed the needs of 2,367 carers. CSC Serco provided the 'front door' into the service and offered a telephone based service. Carer's FIRST provided all aspects of face to face support in the community.

The audit focused on the internal quality assurance framework of Carers FIRST and Serco, particularly in relation to carers' assessment. It looked for evidence of quality assurance in practice, in terms of one to one staff supervision and workforce development.

It was reported that Carers FIRST and Serco Customer Service Centre had both taken immediate steps to comply with recommendations. Revised contracts had been signed off with both providers to employ additional staff, which would lead to the implementation of the required quality assurance checks. Members were advised that this was an interim update and the expected resolution date for actions was early autumn 2018.

In terms of the actions being taken to fulfil the Audit recommendations, it was noted that both providers now had a comprehensive workforce development planned for staff, including mandatory elements commissioned/provided in part by the Council (i.e. safeguarding training). Each provider was either uploading or aimed to upload course certificates onto its database to evidence full resolution. Members were also advised that Carers FIRST had drafted an internal Quality Assurance Framework Action Plan which included evidence based monitoring across supervision, quality assurance of assessment and observation of practice. It was also noted that toolkits to quality assure assessments, supervisions and practice observation were currently being trialled by staff. Finally, members were informed that Serco had a Quality Management System in place and the contact centre carried out monthly call evaluations for each service area, which informed monthly 'one to ones' between staff and team leader.

In conclusion, it was reported that both providers of the Lincolnshire Carers Service were making good progress towards fulfilling the audit recommendations, which then in turn supported the Council's Quality Assurance Framework and Care Act compliance.

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

- Attendance sheets were now being retained by both providers, and generation of certificates was now included as part of the training.

- Officers were confident that a higher level of assurance would be achieved following re-inspection.
- There was confidence that the changes stated had taken place in Serco as some of these changes had been witnessed by officers from adult social care.
- It was requested whether in future officers presenting updates on audits could provide a written report. It was queried whether the updates could set out what the findings of the audit were and what actions had taken place since.
- Officers were confident that there would be no impact on service users, and it was just that the training that was carried out was now able to be evidenced.

Derek Ward, Director of Public Health was in attendance to provide an update to the Committee on progress since the Assessment of Needs Adult Care audit took place in March 2017.

It was reported that five recommendations were produced as a result of the audit as listed below, and progress against each one was reported:

1. *Adult Care to consider regular monitoring and reporting on checks of the effectiveness of support arrangements within one to two weeks. Adult Care to consider regular monitoring and reporting on planned light touch reviews within six to eight weeks.*
2. *Adult Care to consider regular monitoring and reporting on planned every 12 month reviews.*
3. *Adult Care should review whether the currently used 'target start date' is the most appropriate date for measuring whether the assessments have been completed within 28 days performance indicator. The start date used for assessment completed within 28 days performance indicators should be made clear to the readers of Adult Care Performance Reports. Adult Care should ensure that the Principal Practitioners could easily access and identify the start date used for assessments completed within the 28 days performance indicator.*
4. *With the introduction of Mosaic, management should review the accuracy and adequacy of the 28 days performance monitoring confirming:*
 - *The anomalies are now longer present*
 - *Mosaic includes appropriate data input validation checks*
 - *Users cannot overwrite key dates*
5. *Adult Care should ensure that all people are captured in the Information and System Team's Mosaic training records.*

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

- In relation to recommendation two, it was queried whether there was confidence that 100% of customers would have had their annual review when internal audit revisited the service. Members were advised that there were a

4

AUDIT COMMITTEE

25 JUNE 2018

number of circumstances which could affect a person having a review such as a change to their care package, and also people may die within the year. It was noted that currently between 86-87% people were receiving their annual review. Members were informed that this was now being documented on Mosaic.

- It was noted that Safeguarding Adults had received limited assurance, and it was queried whether there were plans for the audit team to return and if so was it expected that the audit status would be upgraded. It was confirmed that the Audit Team would be returning to carry out a follow up visit, and that an audit of the mosaic system was also being carried out, although there were some disagreements regarding what the risks were. Assurance had been gained that actions were being taken and that controls had been designed in for the switch from AIS to Mosaic.
- It was noted that error and warning reports would be examined for data completion and accuracy, as well as people processes as well.
- It was noted that there would always be a need for free text notes within the system. However, where text could be constrained through drop down boxes and it made sense to do so, this would be done. It was highlighted that once dates were inputted, they could not be changed.
- It was commented that becoming more reliant on IT would reduce the problems of transferring information into new systems. Mosaic was ahead of where the council infrastructure was.

RESOLVED

That the Committee note the update on actions arising from the two audit reports.

5 INTERNAL AUDIT PROGRESS REPORT

Consideration was given to a report which provided the Committee with details of the audit work during the period 11 March – 12 June 2018 and advised on the progress with the 2018/19 plan. It was reported that during this period 13 audits were completed, with four of them given limited assurance. It was noted that the full executive summaries were attached as appendix 2 to the report, with the exception of payroll which was included as a separate agenda item.

Members were also advised that the two IMT reports had been issued without the actions agreed. However, it was reported that representation from IMT would be in attendance at the July meeting of the Audit Committee.

It was noted that actions had been agreed for completion in September, and it was proposed to ask those representatives to come to the meeting in September so they could update the Committee on actions which had been done rather than what was hoped to be done.

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

- It was queried how things moved forward when there was a disagreement on the outcomes of an audit, and also what the role of the audit committee would be in this situation. It was clarified that there was not a disagreement in relation to the findings, but it had not been possible to agree the actions.
- It was commented that the management response to an audit provided the Committee with assurance that any issues were being managed.
- In relation to the fuel cards, it was noted that an action plan had been agreed, and were being transferred from procurement to commissioning but without a contract in place. It was noted that the risks were low, but there were still risks.
- In relation to the two ICT audits, it was queried how the Committee could have any assurance that the audit was effective. It was acknowledged that there had been some challenges in getting the response, but officers would keep chasing or bring it to the Audit Committee to make it more transparent.
- It was noted that the manager responsible for the ICT audits had not been invited to attend this meeting as it was already scheduled for them to attend the next meeting in July.
- Members expressed disappointment that a management response had not been received for the two ICT audits and felt that this suggested a disregard for the audit process and was preventing the audit committee doing its job. The Audit and Risk Manager advised that the comments would be passed back to the appropriate officer.
- It was commented that the role of the Audit Committee was to support the audit process and not being able to get a management response did not send the message that there were good interdepartmental relations. It was acknowledged that a management response was needed to the IMT audits, but members were advised that there was currently very limited capacity within the team and recruitment was ongoing. However, it was felt that even a limited response would have been preferable.
- The role of the Audit Committee was to provide assurance to the Council that controls and processes were working, and the internal audit team made this possible. However, if internal audit were unable to complete their reports due to a lack of response from managers, the Audit Committee should require those managers to attend the Committee.
- In relation to fuel cards, it was commented that it was difficult to see what the problem was and that it was the responsibility of management to have oversight of the issues, and there was a definite need for the processes to be tightened up.

RESOLVED

1. That the outcomes of Internal Audit's work be noted.
2. That on those occasions where a management response was not received to an audit, the lead officer be required to attend the appropriate meeting of the Audit Committee to provide an update on progress.

6

AUDIT COMMITTEE

25 JUNE 2018

The Committee was advised that each year the Council was required to reflect on how well the Council's governance framework had operated during the year and identify any governance issues that needed to be drawn to the attention of Lincolnshire's residents.

It was noted that good governance underpinned everything the Council did and how services were delivered often came under close scrutiny.

A 'good' Annual Governance Statement is an open and honest self-assessment of how well the Council's business had been run across all activities – with a clear statement of any areas of significant concern.

The Audit Committee oversaw the development of the Annual Governance Statement and recommended its adoption by the Council. It was noted that the Committee considered the Draft Annual Governance Statement at its meeting on 26 March 2018. Members were advised that work had been undertaken with the Corporate Digital Team to make the Statement easier to read and understand. This year's Statement also included information on value for money and commercialisation.

Members commented that the new layout was much better and did make it easier to read. However, it was felt that in terms of the improvement actions identified as part of the 2016/17 Statement, the area of market supply being on track could be seen as mis-leading. In terms of payroll, this was behind plan in terms of the updating of financial procedures.

RESOLVED

1. That the Annual Governance Statement 2017/18 accurately reflected how the Council was run.
2. That the Statement included the significant governance issues/key risks it would have expected to be published.
3. That the Audit Committee approve the Statement and recommend it for adoption by the Council.

7 INTERNAL AUDIT ANNUAL REPORT

Consideration was given to a report which gave the Head of Internal Audit opinion on the adequacy of the Council's Governance, Risk and Control environment and delivery of the Internal Audit plan for 2017/18. Members were advised that overall the Council was performing adequately.

Members commented that it was good to see that the internal control had increased and there was one area performing well and three performing adequately. It was also commented that it would be positive if next year there could be another one or two areas which were upgraded to performing well.

In relation to the financial control assurance remaining the same and being assessed as performing adequately, it was noted that this generally related to outstanding

payroll actions and recommendations. It was suggested that this section maybe needed to be reworded as it read as though the assessment was due to the finance system.

It was noted that the recent upgrade to Agresso had been successful. It was noted that at one point the authority had been unable to take payment by credit card, but this issue had now been resolved.

RESOLVED

That the content of the Audit and Risk Manager's Head of Internal Audit Annual Report be noted.

8 COUNTER FRAUD ANNUAL REPORT 2017/2018

Consideration was given to a report which provided the Committee was information on the overall effectiveness of the Authority's arrangements to counter fraud and corruption and reviewed the delivery of the 2017/18 Counter Fraud work plan.

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

- It was noted that 84% of the work plan for 2017/18 had been delivered.
- It was also noted that 9 new referrals of suspected fraud had been received. Whilst this was fewer than the previous year, the cases investigated had tended to be of a more complex nature.
- National intelligence showed that fraud continued to be on the increase and cyber fraud in particular was an increasing risk area.
- In relation to recruitment fraud, members were advised that this was something which was not a new issue and related to those situations where someone would apply for a post and make declarations about their qualifications or experience which were not true. It was noted that this had occurred within some of the schools. However, officers were unsure of the number of cases but would find out this information and circulate to the Committee.
- It was confirmed that further work would be taking place to go through the overpayments.

RESOLVED

That the Council's arrangements to counter fraud and corruption and the progress made to implement policy be assessed by the Audit Committee as effective.

9 PAYROLL UPDATE

Consideration was given to a report which provided the Audit Committee with an up-to-date briefing on the payroll position and the steps being taken to address any risk of an inaccurate payroll.

Members were guided through the report and it was highlighted that since March 2018, improvements in monthly payroll administration had continued as expected. However, it was disappointing that there were still a number of improvement actions which required progression. It was reported that these improvements remained the single highest priority for the People Management Service.

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

- It was noted that it had gone from low to limited assurance and so there had been an improvement, but it was still far from where members would like the assurance level to be.
- It was noted that there had been close working taking place between LCC People Management, audit colleagues and Serco and there was confidence that an appropriate plan was in place. However, there were a significant number of actions which could be closed down once the historic pay validation (Pay Statements Project) work was completed.
- It was expected that an improvement would be seen when the audit team returned to carry out a follow up audit, however whether this would be enough to get to a substantial level of assurance was not known.
- It was commented that the fact that there had been improvements gave some assurance that things were moving in the right direction but the progress had been slow, and goal posts kept moving which was a worry from an assurance perspective.
- In relation to the Pay Statements Project, there had been 2020 overpayments identified and they would all be investigated. It was noted that just over £1million had been recovered and around £0.5million still outstanding. However, it was expected that more would be added to the list as the validation continued.
- The development of itemised payslips to ensure employees were better able to confirm their payments and deductions (particularly for multiple employments) was a key control, and it was a high priority to get these resolved. Members were advised that work on this would be starting next month.
- It was queried when error or oversight developed into fraud. Members were advised that all issues of overpayments were the responsibility of the manager. Monthly payroll budget reports were provided to schools prior to the payroll being run which they were required to monitor. Schools had the responsibility to notify payroll when a member of staff left. Where there were overpayments, there was an established process which had to be followed. It was also noted that another set of communications was planned to go out in the coming weeks as there continued to be late notifications of leavers to the payroll service.
- Members also queried whether the Council was at risk of sending incorrect reports to HRMC if people were being over paid, then the amounts of tax and national insurance being deducted would be incorrect. It was noted that this would need to be processed through payroll.

- It was noted that one issue still to be resolved was underpayments to the pension fund, and members were advised that the Council intended to make good any underpayments to the Pension Fund which were a result of the historic payroll issues.
- Contact would be made with any ex-employees who had received an overpayment.
- It was commented that it seemed like the Pay Statements project was a massive piece of work. It was acknowledged that it was an extremely complex project, and that there was no other organisation that had taken on this type of project. It was noted that the authority was expecting that it would soon be in a position where pay statements for fire and rescue could be issued, once assurance was provided by Serco on the final data quality checks.
- It was noted that frequent meetings were held with the Director responsible for People Services, and additional resources had been committed to this project.
- It was noted that 58% of the outstanding audit actions had been closed off, and 16% of the remaining actions from the 2016 and 2017 audit reports were linked to the Pay Statements Project.
- It was queried what grounds the Committee could have for assurance, and members were advised that there was a Pay Statement Board meeting arranged with Serco for the following day. The completion date of September/October was based on a number of decisions. Serco had been unable to give a very analytical plan of what actions had been done. It was noted that assurance had not been given on the Pay Statements work by the Audit Team, but Audit were engaged with the project and were in a position to monitor the direction of travel.
- Members were advised that system fixes and workarounds were in place to prevent those types of errors which had been seen in the first couple of years from occurring. It was also noted that a very good payroll manager was now in place which provided confidence that things would move in the right direction.
- It was queried whether submissions to HMRC had been incorrect if pay slips had been incomplete, and whether the authority was in discussion with HMRC on this. Members were advised that it may trigger a compliance visit, however, HMRC had risk assessed the authority as low. It was also noted that HMRC officers had visited the Council to speak with the County Finance Officer prior to Christmas, but this was mainly regarding VAT.
- Members were re-assured that employees who were leaving were not continuing to be paid as there were now manual controls in place. A very clear policy about the need to notify payroll of leavers was in place, as was a clear process once payroll was notified. If payroll received late notification of leavers from the manager/school, the recovery of overpayments procedure was implemented.
- It was noted that the recovery of overpayments involved predominantly historic payroll.
- Members were advised that controls had been designed into the system. However, an absolute guarantee that the controls were working effectively could not be given at this time.

10

AUDIT COMMITTEE

25 JUNE 2018

- It was queried whether the number of mis-payments which had been resolved could instead be shown as a figure rather than a percentage.
- It was noted that the assurance opinion was a judgement made by internal audit. When it was first assessed, the low opinion was very low, but it was noted that the assurance had just tipped into limited and that now key progress was being made and it was felt that there was sufficient evidence of that progress to move to limited.
- It was noted that a lot of issues were related to getting the system controls tightened up, but also a big issue had been dealing with the historic cases.
- It was queried when the Committee could expect another payroll report and members were informed that officers were due to report back in September. However, it was suggested whether the November meeting would be a more realistic target.
- It was noted that there was some information and data which could be provided to the Committee on trends to reflect the reductions seen in the number of payroll errors.

RESOLVED

That the report be noted and the Committee be provided with statistical information as part of the update to the September meeting.

10 WORK PLAN

Consideration was given to a report which provided the Committee with information on the core assurance activities currently scheduled for the 2018/19 work plan.

It was noted that there was a new CIPFA practical guide on effective Audit Committees, and that the skills matrix would be sent out to the Committee within the next few weeks.

It was noted that the Annual Report was now in draft form and would be submitted to the July meeting together with the output from the workshop held in March.

Members were also advised that approval had been given for a second independent member of the Committee to be appointed. The necessary changes to the Constitution would be submitted to the meeting of Council in September. It was also noted that Mr Finch would be retiring from the Audit Committee in December 2018.

RESOLVED

That the work plan and points listed above be noted..

11 DRAFT STATEMENT OF ACCOUNTS 2017/18

Consideration was given to a report which provided members with an opportunity to scrutinise and comment on the draft Statement of Accounts. The final Statement of Accounts would be presented to the Audit Committee on 23 July 2018 for approval.

Members received a presentation which provided detailed information in relation to the following areas:

- Introduction and Background
- Further Background
- Role of the Audit Committee
- Role of the External Auditor
- Narrative Report (pages 147-156 of the agenda pack)
- The Main Financial Statements
- Expenditure and Funding Analysis (p. 157 of the agenda pack)
- Comprehensive Income and Expenditure Analysis (p.158 of the agenda pack)
- Movement in Reserves Statement (p.159 of the agenda pack)
- Balance Sheet (p.160 of the agenda pack)
- Cashflow Statement (p.161 of the agenda pack)
- Potential Notes of Particular Interest
- Pension Fund Accounts (p.250 of the agenda pack)
- Lincolnshire's LGPS Pension Fund Account (p.250 of the agenda pack)
- Potential Question Topics

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

- In relation to the outturn report and the under spend of £44m, it was clarified that of that amount £27.3m was the Council's underspend, the remainder belonged to schools. It would be recommended to Council that £17m be put into the reserves.
- The outturn report would be considered by the Overview and Scrutiny Management Board, then Executive and finally, it would be approved by Council at its meeting in September.
- It was noted that the biggest item in relation to the income and expenditure statement was the schools budget. The main expenditure outside of schools, was adult social care. There would be a need to look at the use of resources for future years, as that would be where the pressures would be.
- It was noted that Adult Care funding had been stabilised for the time being by the Better Care Fund (BCF) but there was a lot more uncertainty in relation to children's social care.
- Members were advised that the revenue support grant from government was reducing to the point where it would be non-existent and would be replaced by a new system.
- It could be estimated what the Council's pressures would be, but it was not known that the government contribution towards these pressures would be.
- It was noted that Lincolnshire was in the same position as every other local authority, police force, fire and rescue and NHS in terms of uncertainty around finance. However, members were informed that Lincolnshire was equipped to deal with this uncertainty.
- It was noted that the Lincolnshire Pension fund was funded, however, the scheme relied on new people enrolling in it.

12
AUDIT COMMITTEE
25 JUNE 2018

- In relation to Note 39 – Related Parties – it was queried whether the part relating to councillors could be re-worded to make it simpler to understand.
- The final set of accounts would be brought back to the Committee in 4 weeks' time for approval.

RESOLVED

That the comments made in relation to the Statement of Accounts be noted.

12 CIPFA BETTER GOVERNANCE FORUM - DEVELOPING AN EFFECTIVE ANNUAL GOVERNANCE STATEMENT

A copy of the CIPFA Better Governance Forum – Developing an Effective Governance Statement was circulated with the agenda pack for information.

13 CIPFA AUDIT COMMITTEES - PRACTICAL GUIDANCE FOR LOCAL AUTHORITIES AND POLICE 2018 EDITION

A copy of the CIPFA Audit Committee – Practical Guidance for Local Authorities and Police (2018 edition) was circulated with the agenda pack for information.

The meeting closed at 1.15 pm