

**AUDIT COMMITTEE
19 NOVEMBER 2018**

PRESENT: COUNCILLOR MRS S RAWLINS (CHAIRMAN)

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

Also in attendance: Mr P D Finch (Independent Added Person)

Councillors: R G Davies and M A Whittington attended as observers.

Officers in attendance:-

Rachel Abbott (Audit Team Leader), Julie Castledine (Principal Auditor), Dianne Downs (Team Leader - Counter Fraud and Investigations), Matt Drury (Principal Investigator), David Forbes (County Finance Officer), Vicki Sharpe (Pay and Reward Lead), Jill Thomas (Principal Auditor), Fiona Thompson (Service Manager - People), John Wickens (Chief Digital Officer) and Emily Wilcox (Democratic Services Officer)

38 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor A P Maughan and P E Coupland.

39 DECLARATION OF MEMBERS' INTEREST

There were no declarations of interest.

40 MINUTES OF THE MEETING HELD ON 24 SEPTEMBER 2018

RESOLVED:

That the minutes of the meeting held on 24th September 2018 be approved as a correct record and signed by the Chairman.

41 PAYROLL PROGRESS REPORT

The committee received a report from the Strategic People Management Advisor, which provided an update on the council's payroll position and the steps being taken to address any risk of inaccurate payroll.

As a result of payroll receiving low assurance in the 2016/17 audit and limited assurance in the 2017/18 audit, the committee had requested regular updates on the progress in relation to the improvements in the payroll service.

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It was acknowledged that there had previously been a number of Agresso system issues that had contributed to the errors in payroll processing. A number of system fixes or manual workarounds had been developed to ensure accuracy of the payroll process from April 2018.

It was noted that a payroll audit had taken place in October 2018, which focused on testing the new controls that had been put in place to ensure that transactions were complete and accurate.

The Strategic People Management Advisor was pleased to inform members that following the recent audit, payroll had moved from a level of limited assurance to substantial assurance.

Although it was positive that the level of assurance had increased, officers acknowledged that there was still further work required to ensure that improvements continue to be made and the level of assurance is maintained, and there were a number of steps in place to ensure this.

Members were referred to Appendix A for more information on the recent audit.

Members were informed that there would be a further audit undertaken in March 2019, which would enable the continued testing of a number of recent process improvements to ensure that the progress continued. Officers proposed that a further report be submitted to the committee in June 2019 with the results of the audit.

Members were provided with an opportunity to ask questions, in which the following points were noted:

- Officers felt that the large reduction in payroll errors, queries and issues raised were a reflection of the improvements made within the payroll system as a whole.
- It was questioned why 'regulatory requirements had not been complied with' was only listed as a medium risk. It was confirmed that some statutory and maternity pay recalculations having not occurred, resulting in regulatory requirements not being met. However, as there were only a small number of people affected in comparison to the overall number of employees, it was only classed as a medium risk. Members were assured that managers were working to ensure the reporting was carried out to meet the statutory requirements.
- Officers were satisfied that manual adjustments were now in a manageable format.
- It was clarified that there was finance training planned for schools to ensure they could use the payroll system effectively. It was noted that work was also being done to make the payroll forms easier to use.
- Members were pleased that payroll now had substantial assurance.

RESOLVED:

That the report be noted.

42 INTERNAL AUDIT PROGRESS REPORT

Jill Thomas, Principal Auditor, presented a report which provided details of the audit work undertaken during the period of 11th September 2018 – 5th November 2018.

Members were informed that during the above period, 8 audits had been completed and final reports issued in respect of each one.

The Principal Auditor outlined the results of the audits and gave a brief description of the work undertaken:

High Assurance was given to:

- Cash Management – Heritage Services
- Cash Management – Eastgate Children's Home
- Supplier Reliability

Substantial Assurance was given to:

- Domestic Homicide Review
- Cash Management – Business Support
- Cash Management – Music Services
- Cash Management – Registration Services
- Payroll Interim

The Principal Auditor highlighted a typing error in appendix A of the report, on page 54 of the main agenda. Members were referred to the updated document which had been circulated as a supplement.

The committee were advised that there were 8 audits at draft report stage, and 11 audits in progress. The details of each would be reported to the committee once the detail had been finalised.

Officers also highlighted that during September – November 2018, significant work had also been carried out by audit in relation to the Corporate Support Services Contract, as well as the Highways 2020 project.

Members were invited to ask questions, in which the following points were raised:

- It was confirmed that a 'lessons learnt' review was taking place which would look at the impact of the Lincoln Eastern Bypass when the contractor Carillion collapsed.
- One member questioned why payroll had received substantial assurance, rather than high assurance, and what needed to be done to increase the

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assurance. Officers explained that although drastic improvements had been made, there was still more work to be done to maintain a level of high assurance.

- Members were informed that officers would be reviewing the guidance around data retention and records management.

RESOLVED:

That the report be noted.

43 COUNTER FRAUD PROGRESS REPORT TO 30 SEPTEMBER 2018

The committee received a report from the Principal Investigator, which provided an update on progress made against the Counter Fraud Work Plan 2018/19.

Members were advised that strong progress was being made against the work plan for 2018/19, noting some of the key achievements:

- An annual update of the Fraud Risk Register had been completed
- A proactive review to detect Procurement Fraud had been completed.
- Work in other key priority areas of fraud risk had been delivered in 2018-19.

It was noted that the Lincolnshire Counter Fraud Partnership (LCFP) arrangements continued to support joint working to develop a strong, effective and sustained response to the threat of fraud across the county.

The Principal Investigator informed members that there had been an increase in fraud referrals, having received 13 fraud referrals in 2018/19 to date. It was noted that there had been an increase in social care referrals.

The committee were advised that during 2018/19, £7,210 had been recovered in relation to fraud cases. Officers expected this figure to increase with legal efforts to secure a further £39,000.

Members were provided with assurance that the council's fraud arrangements were effective, and that progress had been made against the counter fraud work plan.

Members were invited to ask questions, in which the following points were raised:

- It was clarified that although most types of fraud contained a level of cyber fraud, it had been categorised separately in order to acknowledge the high risk level.
- In response to a question, it was clarified that 31% of the referrals for 2018/19 were social care referrals, and that the majority were at a low level in comparison to the overall budget.
- Members were advised that officers would be reviewing guidance around the retention of data records to ensure that multiple copies of records weren't being stored unnecessarily.

RESOLVED:

That the report be noted.

44 WHISTLEBLOWING ANNUAL REPORT 2017-18

The committee received a report from the Principal Investigator which provided an overview of the council's whistleblowing arrangements throughout the year 2017/18.

It was noted that 36 whistleblowing concerns had been raised in 2017/18 had which was an increase of 24% on the previous year. Officers were encouraged by the increase, as they had continued to promote the whistleblowing facility and the importance of reporting concerns about wrongdoing.

Members were advised that work was being carried out to develop plans for the areas that posed the most significant threat, which included communicating with schools.

Members were referred to Appendix B of the report, which provided an updated Whistleblowing Policy. The policy had been updated to reflect changes in legislation.

Officers were of the view that the council's zero tolerance approach to whistleblowing continued to be successful

Members were invited to ask questions, in which the following points were raised:

- One member questioned how Lincolnshire County Council operated within the national context. In response, officers explained that participated in The CIPFA Fraud and Corruption Tracker (CFaCT) 2018, which was a benchmarking exercised ran by CIPFA.
- Officers advised that on a national scale, reporting was above average. It was noted that the council had a dedicated counter fraud team, which was not the case for all councils.
- It was likely that counter fraud cases would become more complex, but the team were currently managing well and were in a strong position to respond.
- In response to a question, members were informed that once concerns had been reported, the whistle-blower was offered verbal and written feedback to provide assurance that investigations had taken place.
- It was noted that the number of whistleblowing concerns raised was higher than the national average, which was thought to be a sign that whistleblowing was working well and that people felt confident in raising concerns.

RESOLVED:

That the report be noted.

45 WORK PLAN

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The Chairman reminded members that a workshop focussing on the 'lessons learnt by Northamptonshire County Council' was taking place on Wednesday 19th December at 10:00am in the Council Chamber. All members were invited to attend.

It was suggested that for future Combined Assurance Status reports, it would be beneficial to put forward written to the directors prior to the meeting, to provide a focus and allow directors to prepare answers.

RESOLVED:

That the committee were satisfied with the work plan.

46 CONSIDERATION OF EXEMPT INFORMATION

RESOLVED:

That, in accordance with Section 100A of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business on the grounds that if they were present there could be disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended.

47 IMT ICT GOVERNANCE UPDATE

The committee received a report from the Chief Digital Officer which provided an update on the council's IMT and ICT governance arrangements.

Members discussed the report and raised a number of questions for clarification on specific issues, to which officers responded.

RESOLVED:

That the report be noted.

48 IMT CYBER SECURITY UPDATE

The committee received a report from the Chief Digital Officer which provided an update on the council's IMT cyber security arrangements.

Members discussed the report and raised a number of questions for clarification on specific issues, to which the officers responded.

RESOLVED:

That the report be noted.

49 REPORTS FOR INFORMATION

50 NATIONAL AUDIT OFFICE - CYBER SECURITY AND INFORMATION
 RISK GUIDANCE FOR AUDIT COMMITTEES

A copy of the Cyber security and information risk guidance for Audit Committees was circulated with the agenda pack for information

The meeting closed at 11.45 am