

**AUDIT COMMITTEE  
20 SEPTEMBER 2010**

**PRESENT: COUNCILLOR B YOUNG (CHAIRMAN)**

Councillors W J Aron, Mrs C M H Farquharson, N I Jackson, C Farrar and Mrs S Rawlins.

Mr D Finch (Added Independent Person).

Officers in attendance: Tony Crawley (External Auditor), Alun Jones, Stephanie Kent, Claire Pemberton, Lucy Pledge, Helen Storr and Mike Wood

It was suggested that all future meetings start at 10.00am, to allow time after the end of the formal meeting for more informal sessions, which could include training.

**RESOLVED**

That all future meetings of the Audit Committee commence at 10.00am.

**24. APOLOGIES FOR ABSENCE / REPLACEMENT MEMBERS**

Apologies were received from Councillor Mrs P A Mathers.

**25. DECLARATIONS OF MEMBERS' INTERESTS**

Councillor C Farrar declared a personal interest as the Chairman of the Pensions Committee

Councillors N I Jackson and B Young declared personal interests as members of the Pensions Committee.

**26. MINUTES OF THE MEETING OF THE AUDIT COMMITTEE HELD ON 12 JULY 2010**

**RESOLVED**

That the Minutes of the previous meeting of the Audit Committee held on 12 July 2010 be confirmed and signed by the Chairman as a correct record.

**27. EXTERNAL AUDIT ANNUAL GOVERNANCE REPORT ON THE STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2010**

Consideration was given to a report which presented the Committee with the Statement of Accounts for Lincolnshire County Council for the financial year 2009-2010 which had been completed and independently audited to meet the statutory deadline of publication by 30 September 2010.

The external auditors, the Audit Commission, had now completed their work on the authority's Statements of Accounts, and had provided their Annual Governance Report (AGR) to the Authority. This provided details of matters arising and errors

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identified in the unaudited accounts, it also included a draft Letter of Representation which needed to be signed before the Audit Opinion was given. The Committee was asked to note the key points of the AGR as presented by the External Auditor. The Committee was also notified of amendments which had been made to the accounts since the draft Statements were presented to the Committee on 14 June 2010.

It was reported that all the issues which had been raised last year had been addressed and the Statement of Accounts for 2009/10 had a good attention to detail. It was noted that once the Audit Certificate had been issued the audit would be closed, and the external auditors commented that they did not see any need to withhold the certificate from the Authority. The Chairman congratulated both sides for a job well done.

It was noted that there were still areas which could be improved and these would be set out in a memo to officers in a few weeks time, however, there was nothing which really needed drawing attention to or to report at this time.

A detailed summary had been provided in Appendix 4 of the Annual Governance report and a lot of positive messages were present throughout the document.

It was queried why the unadjusted mis-statements (appendix 2 to the AGR) had not been corrected and it was reported that it was quite complicated to make these adjustments, and it was easier to put them in the next year's accounts. Not amending these statements would make no difference to the external auditor or the reader. The principle of financial reporting was to look at the effect on the reader if the changes were made.

It was noted that if there were queries by members of the public, the certificate could be held open and the opinion of the external auditor could still be made. In fact the certificate could be held open for several years if necessary.

**RESOLVED**

- (1) That the External Auditors Annual Governance Report be considered
- (2) That the amendments made to the draft Statement of Accounts previously presented to this Committee be agreed and the revised Statement of Accounts be noted
- (3) That the Letter of Representation be approved on behalf of the Council to enable the Audit Opinion to be issued

**28. EXTERNAL AUDIT ANNUAL GOVERNANCE REPORT ON THE PENSION FUND ACCOUNTS FOR THE YEAR END 31 MARCH 2010**

Consideration was given to the Pension Fund Accounts for the financial year 2009-10 which had been completed and independently audited. These accounts were included within the Lincolnshire County Council Statement of Accounts, which needed to meet the statutory deadline of being published by 30 September 2010, and it was noted that there were no issues to report.

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RESOLVED

That the External Auditors Annual Governance Report for the Lincolnshire County Council Pension Fund be considered.

29. CORPORATE AUDIT PROGRESS REPORT TO 31 JULY 2010

Limited Assurance was given to the case management audit in Children Services, after due consideration, it was agreed to defer this item until the meeting on 8 November 2010, as it was deemed important that there be someone present from Children's Services to go through the attached appendices and answer any queries from the Committee.

It was noted that the CfBT provided finance training to schools and governing boards, and it was queried whether it would be worth a member of the Audit Committee sitting in on one of these training sessions. The Head of Corporate Audit and Strategic Risk Management agreed to put this to the CfBT.

RESOLVED

- (1) That this item be deferred until 8 November 2010 so that the Head of Service FAST (North) can be invited to attend to discuss the contents of the appendices
- (2) That the Head of Corporate Audit and Risk Management contact the CfBT to determine whether a member of the Audit Committee could attend some of their training for school governors

30. PUTTING PEOPLE FIRST – ICT RISKS

Consideration was given to a report which provided the Committee with an update on progress with the risks relating to the ICT implementation of the Putting People First Programme.

Discussion of this report centred around the Adult Integrated Solution (AIS) computer system and Rostering and Monitoring. It was reported at the meeting that the AIS system was moving forward well, and it was hoped that some savings would be achieved through the implementation of this system. The first AIS server had been fitted and installed and the second server which would be installed would be for disaster recovery. It was also noted that someone had now been recruited to act as project manager for the implementation of a new finance system to manage individual budgets.

Discussion continued around the monitoring and rostering system as staff would be provided with hand held devices as well as mobile phones, which would receive messages in real time from the central system. These devices would eventually replace time sheets, and will be able to record accurate information about staff movements during the day. The training of individuals to use this system was being completed.

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The Committee discussed this system and some of the points raised included the following:

- How much research had been carried out before this was implemented?
- The system had been implemented over summer
- There had been connectivity issues but they were being solved, it was hoped that the system would be fully operational with all 350 care workers by the end of the financial year
- Concerns that the hand held devices would be used whilst driving
- The phone would not be fully functional and would only dial out to pre-programmed numbers
- It would be possible to contact the emergency services through the new centralised system.
- There was a need to clearly define what officers wanted the system to do, and then find a system to do it
- One of the key risks was the integration of this system with others – it needed to be able to integrate with the Swift system and the finance system

It was suggested that the Executive Director (Children's Group) attend a future meeting of this Committee and the Chair would liaise with officers to arrange a suitable date for him to attend.

### **RESOLVED**

- (1) That the content of the report be noted
- (2) That the Executive Director (Children's Group) be invited to attend a future meeting to discuss this system

### **31. ECONOMIC DOWNTURN BRIEFING NOTE**

Consideration was given to a report which informed the Audit Committee of the findings of the audit review into the actions taken to minimise the impact of the economic downturn and future planned audit work.

it was reported that the authority had developed robust plans to manage the economic downturn, and following an internal audit, the approach received substantial assurance, as there was clear evidence of corporate plans and strategies for addressing the impact of the downturn.

It was suggested that the Executive Director (Resources and Community Safety) be invited to a future meeting to talk to the Committee about the key risks following the Comprehensive Spending Review (CSR) in October 2010.

It was noted that it would be important for staff to be flexible and that it may be beneficial for them to receive training so ensure that they can adapt to changing situations, if posts which become vacant were not refilled. It was requested that assurance was provided that there was scope for further training of staff to take place, as it would be important to consider how to best work with existing resources.

It was requested that an update be provided on this issue at the next meeting by the Executive Director (Development Services).

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RESOLVED

That the content of the report be noted.

32. COUNTER FRAUD PROGRESS REPORT

Consideration was given to a report which provided an update on progress against the Counter Fraud Work Plan 2010/11 which had been agreed by the Audit Committee at its meeting in March 2010.

It was reported that the Council's Counter Fraud Policy had been re-launched and it had also been supplemented with a Fraud Response Plan and a new leaflet "Fighting Fraud" had been distributed county-wide. It was noted that the submission date for the 2010/11 National Fraud Initiative was 4 October 2010.

The Committee was informed that since the last report at the June meeting, the team had been focused on two complex and high value fraud investigations, the cases were now with the police and the Counter Fraud and Investigations team were still assisting with the criminal investigation. It was reported that where Council employees had been involved, appropriate action had been taken. The Committee was informed that officers would bring case summaries and action plans to future meetings.

It is likely that due to the economic environment that there would be an increase in the risk of fraud. Officers would need to be aware of the risks – the leaflet mentioned help and further awareness training planned. It was also noted that publicity would be given to any cases the Authority had been successful in pursuing.

Committee discussed fraud risks around schools. It was noted that risks had always existed for schools due the lack of segregation and reliance on individuals. It was thought there may be an increased risk with academies if they started to move away from established practices. It was noted that headteachers received basic training in identifying possible fraud attempts, however, the level of knowledge varied between headteachers.

RESOLVED

That the outcomes of the counter fraud work to date be noted.

33. WHISTLEBLOWING ANNUAL REPORT 2009/10

Consideration was given to a report which provided an overview on the effectiveness of the Council's whistleblowing arrangements throughout the year 2009/10.

It was highlighted to the Committee that 29 whistleblowing disclosures during 2009/10, with the majority coming through the Council's dedicated whistleblowing hotline, and it was noted that the majority of concerns were either dignity at work – bullying and harassment or breach of policy/procedure and/or alleged poor practice. The Committee was informed that 65% of concerns originated in Children's Services. Of all the contacts made, 5 resulted in investigations by the Counter Fraud &

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Investigations Team. The remaining 24 were resolved through other means such as provision of advice or directorate management. Only in 3 cases was no further action taken either because of a lack of detail or anonymity of whistleblower. However, evidence would be requested that the issue had been resolved before the investigation would be closed down. It was believed that the number of disclosures would increase with the publication of the new policy.

The Committee was informed that the process did work and that improvements had been made to the policy. It was also reported that recognition had been received from the Audit Commission that the policies and processes were well established.

It was queried how a successful whistleblowing policy was measured? Was it through no referrals or by a lot of them? It was noted that it was better for people to be able to report things without fear, and if they have doubts they could be reassured.

**RESOLVED**

That the whistleblowing activity for 2009/10, the revised plans to communicate the new policy and increase the level of awareness, both internally and externally, be noted.

**34. WORK PLAN**

Consideration was given to a report which provided the Committee with information on progress on agreed actions and its work plan up to March 2011.

It was requested that a report on the 2 Counter Fraud cases which were being pursued, was brought back to the Committee, once the investigation had concluded and details were available.

It was suggested that The Executive Director (Resources and Community Safety) be invited to attend a future meeting to provide the Committee with an opinion on the Comprehensive Spending review and how it would affect Lincolnshire County Council

**RESOLVED**

- (1) That the progress of agreed actions set out in Appendix A be noted
- (2) That the work plan set out in Appendix B be noted.

Meeting closed at 11.50am