

PRESENT: COUNCILLOR B YOUNG (CHAIRMAN)

Councillors W J Aron, Mrs C M H Farquharson, C Farrar, N I Jackson and Mrs P A Mathers.

Mr D Finch (Added Independent Person).

Councillor C E H Marfleet also attended the meeting as an observer.

Officers in attendance: David Forbes (Assistant Director, Finance and Resources), Terry Hawkins (Interim Assistant Director Strategic Commissioning), David Laws (Head of Finance – Adult Social Care & Public Health), Derek McKim (Business Continuity Manager), David O'Connor (Executive Director Performance and Governance), Claire Pemberton (Assistant Head of Finance (Corporate)), Dave Simpson (Head of Finance – Strategic & Communities), John Sketchley (Audit Manager), Louise Stables (Principal Auditor, Audit Commission), Helen Storr (Audit Manager – Communities/Development), Rachel Wilson (Democratic Services Officer) and Mike Wood – Audit Commission (Audit Manager).

14. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Mrs S Rawlins and Tony Crawley – Audit Commission (District Auditor).

15. DECLARATIONS OF MEMBERS' INTERESTS

Mr D Finch declared a personal interest as a non Executive Director of the Lincolnshire Partnership NHS Foundation Trust.

Councillor Mrs P A Mathers declared a personal interest as a stake holder in Lincolnshire Primary Care Trust (LPCT).

16. MINUTES OF THE MEETING OF THE AUDIT COMMITTEE HELD ON 13 JUNE 2011

RESOLVED

That the minutes of the previous meeting held on 13 June 2011 be confirmed and signed by the Chairman as a correct record.

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That under Section 100(A) (4) of the Local Government Act 1972, the public and press be excluded from the meeting for the following item of business (Minute No 18 refers) on the grounds that it involved the likely disclosure of exempt information as defined in Paragraph 1 of Part 1 of Schedule 12A of the Act, as amended.

18. ADULT SOCIAL CARE CONTRACTING

Consideration was given to a report presented by Terry Hawkins, Interim Assistant Director Strategic Commissioning, which updated the Committee with the agreed management actions and progress to date.

The Chairman congratulated the Interim Director, Strategic Commissioning on the work that had been done so far.

RESOLVED

1. That the Interim Assistant Director Strategic Commissioning would provide a further update to the Audit Committee in 3 months time;
2. That the Executive Director Performance and Governance would provide an update to the Audit Committee in months time on the work being undertaken to review compliance with contract procedures;

19. ADULT SERVICES FINANCIAL MANAGEMENT UPDATE

Terry Hawkins, Interim Assistant Director Strategic Commissioning, provided the Committee with a verbal update on the financial management of Adult Services. He reported that one of the biggest controls which had been introduced was the Performance Board, which had so far met three times, and it did seem to be helping to focus the improvements. Due to the scale of the challenge facing Adult Social Care, this Board was now meeting on a two weekly basis. The support of the Executive Director Performance and Governance had also strengthened the transformation programme, and the delivery of the core offer was also on track, and the Interim Director Strategic Commissioning was confident that the Core Offer would be delivered this year.

It was reported that the new structure went live on 4 July, 2011 and management were in the process of delivering financial management training which was expected to be completed by October 2011.

The two main risk areas which had been identified were Learning Disabilities and Physical Disabilities, and two recovery groups had now been established to manage these areas and implement the improvements. A Panel had now been established to approve all new requests to Adult Social Care for support.

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Members were reassured that the mental health services were robust and Section 75 agreements were in place with LPFT as they were the main provider of support for these services. A process of transformation was also going on due to the introduction of personal budgets. It was thought the changes going on would not impact the people who were eligible for mental health support.

RESOLVED

That the update provided be noted.

20. INTERNAL AUDIT REPORT: BUSINESS CONTINUITY MANAGEMENT

Consideration was given to a report presented by Derek McKim, Business Continuity Manager which informed the Committee of findings of the internal audit of the Council's systems and processes in place for Business Continuity Management.

It was reported that an opinion of limited assurance had been given as Business Continuity Plans were not fully developed for Children's Services. In order to resolve this, resources had been focused to engage with Children's Services. The Business Continuity Manager had met with the Assistant Director Children's Services, and would also be attending the Children's Services Departmental Management Team meeting later in the week to agree a way forward.

With regard to the Findings, Recommendations and Agreed Actions outlined in the Internal Audit Report, it was reported that all actions with a timescale of July 2011 were underway and would be completed by the end of the month. It was requested, whether in future the timescales for completion of actions could be more specific.

A discussion followed where members of the Committee were provided with the opportunity to ask questions of the officers present and some of the points raised included:

- The report presented did not include schools, however, schools continued to receive support from the Emergency Planning Unit (not sure this is correct – Derek to clarify);
- There were Service Level Agreements in place for some of the suppliers for the authority;
- Limited assurance had been given due to the testing of one area which had been found to not be up to the standard of the rest of the organisation;
- Toolkits were created during the audit which had increased confidence;
- The authority should be in a better position by the end of March 2012;
- There was a need for this to be monitored and for assurance to be given that progress was being made;
- Some major incidents had been managed in the past year

RESOLVED

That the information presented be noted and an update brought back to the December 2011 meeting of the Audit Committee.

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21. REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT

David Forbes, Assistant Director, Finance and Resources presented a report which informed the Committee of the statutory requirement for bodies such as the County Council to review the effectiveness of internal audit once a year and for the finding of the review to be considered by an appropriate committee of the Council. The paper reported the findings of work undertaken by a joint officer/councillor working group. Whilst a few areas for ongoing monitoring and improvement were identified, the group concluded that the Council did have an effective system of internal audit.

The Committee was reminded that this review was not just about the effectiveness of the Internal Audit Service, but also the effectiveness of the Audit Committee. The review group consisted of the Chairman and Vice-Chairman of the Audit Committee, the Executive Director Performance and Governance and the Assistant Director Finance and Resources. The Review looked at issues which were identified the previous year and how they had been dealt with and also examined what issues were relevant for the current year. It was noted that, in line with best practice, the Head of Internal Audit did not participate in this review, but did submit some documentation.

In relation to the Cipfa good practice guide, issued in November 2010, which covered both the role played by the Head of Internal Audit in helping steer the Council to maintain good governance arrangements and the attributes required by the individual occupying this role, 93 themes were identified, and it was felt by the Review Group, that there were eight cases where full compliance was not presently achieved. However, there was an expectation from Cipfa of a 'comply or explain' approach when assessing local practice, and details in respect of each of these issues had been given in compliance with the guides 'explain' principle.

The Committee was reassured that the substantial reduction in resources would not affect the work being carried out and all work would be completed and it was important to keep this under review.

RESOLVED

That the opinion of the Review Group, that the Council maintained an effective system of internal audit, be endorsed.

22. INTERNAL AUDIT ANNUAL REPORT - 2011

Consideration was given to a report presented by John Sketchley, Audit Manager, which provided the Committee with the Head of Internal Audit's opinion on the adequacy of the Council's governance and control environment and delivery of the Internal Audit Plan for 2011.

The Committee was informed that the Annual Internal Audit Report aimed to present a summary of the audit work undertaken over the past year, including the opinion of the Head of Internal Audit on the overall adequacy of and effectiveness of the

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governance framework and internal control system and the extent to which the council could rely on it; information on how the plan was discharged and of overall outcomes of the work undertaken and also to draw attention to any issues particularly relevant to the Annual Governance Statement. It was noted that the main issues identified were around Adult Social Care.

The report concluded that the Internal Audit Service continued to work with the Audit Committee and Management to assist the Council in maintaining effective governance, risk and control processes. However, during 2010/11 a number of areas for improved compliance and strengthening of the control processes had been identified within Adult Social Care, and therefore it had been recommended that this area be included in the Council's Annual Governance Statement. In light of the work undertaken, the opinion of the Head of Internal Audit regarding the adequacy and effectiveness of Lincolnshire County Council's arrangements for governance, risk management and control was Limited.

During discussion of this report, the following points were noted:

- The report had noted that there had been difficulties in gaining access to staff, this was due to managers being occupied by the workforce change process and it was expected that this would improve in the coming months, there were no particular problems with access to contractors;
- The Internal Audit progress report was on the work plan for September 2011, and this should provide an update on any outstanding actions;
- As part of taking action on Section 106 agreements the Executive Director for Communities had reported to management board the previous week over the increased engagement with district councils, and there would be more work with sub county groups. A joint planning system would also be looked into.

RESOLVED

That the content of the Head of Audit Annual Report be noted.

23. DRAFT ANNUAL GOVERNANCE STATEMENT 2011

The Council's Assistant Director Finance and Resources presented a report to the Committee which set out the main principles and activities of the annual review of the Council's governance framework, which helped to produce the annual governance statement.

The Committee was informed that it was a requirement for the authority to annually review the governance arrangements and to produce a statement. The document had now been drafted by the Governance Group and has been circulated to the executive directors for their comments. It was hoped that the Annual Governance statement would be signed off by the Chief Executive, the Leader of the Council and the Executive Director Resources and Community Safety in September 2011.

It was noted that the statement was made up of two parts, the first part showed the overall framework for governance within the authority, and remains relatively unchanged year on year. The second part showed potential governance issues and five issues had been identified for 2011, which included the following:

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- Adult Social Care – Putting People First
- Value for Money – strategic commissioning and contract management
- Service Delivery Post Core Offer
- Working with our Communities
- Reviewing our Governance and Assurance Arrangements

The main thing to comment on was the areas for action, and it was noted that officers would be looking across the board to ensure there were no other issues with contract arrangements. In terms of service delivery it was important to understand the massive impact that the reduction in grant was having on the council, and Lincolnshire was ahead of other local authorities with this as the only authority which had chosen to front load the staff reductions, and by the end of the calendar year the authority would have a consolidated management structure.

The Executive Director Performance and Governance confirmed that, with a few minor changes to the timetable, the authority was on track to deliver the savings from the reductions.

In terms of Community Budgets, there may be a need to slightly amend the content of the report, as Lincolnshire was working on a broader front with work going on around excellent ageing, flood risk management as well as families with complex needs as there was still movement in central government on these issues.

With any shared budgets there would be a need to ensure robust governance arrangements were in place and one of the key issues to be faced would be around flexibility.

It was commented in relation to item 5.4 – Audit Committee, in the Annual Governance Statement, that it should be included that external auditors were present at all meetings, and that private meetings with the external auditors also took place.

RESOLVED

1. That the draft Annual Governance Statement accurately reflected the Council's governance framework and that the governance issues raised were reasonable and appropriate.
2. That it the statement be recommended for signature by the Leader of the Council, the Chief Executive and the Executive Director - Resources and Community Safety

24. WORK PLAN

A report by Lucy Pledge, Head of Corporate Audit and Risk Management, was submitted which provided the Committee with progress on agreed actions, together with its work plan for the period up to September 2011.

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It was noted that in relation to the report on Regulation of Investigatory Powers Act (RIPA) which had been moved to the September 2011 meeting, there was now a legal requirement to provide quarterly reports to an 'appropriate' committee, and therefore they would be coming to the Audit Committee.

RESOLVED

1. That the progress of agree actions as detailed at Appendix A of the report be noted.
2. That the work plan as detailed at Appendix B of the report be agreed.

25. DRAFT STATEMENT OF ACCOUNTS 2010 -11

(During this item, Councillor C Farrar declared a personal interest as a governor at The Phoenix School, Grantham)

Consideration was given to the draft Statement of Accounts for Lincolnshire County Council for the financial year 2010 – 11. The final statement of Accounts for 2010 – 11 would be presented to the Audit Committee at its meeting in September 2011.

The Assistant Director – Finance and Resources informed the Committee that the audit regulations had changed this year so that by the time the accounts were approved, they were audited accounts. The accounts had to be signed off by the end of June and published and approved by the end of September. At the full council meeting in May 2011, responsibility for approval of the financial statements was delegated to the Audit Committee.

In consideration of the Statement of Accounts 2010 – 11, the following points were noted:

- Page 11 – queries relating to 'Cost of Services'
- Page 12 – queries relating to 'Long Term Liabilities'
- Non –distributed costs had reduced by around £130million as a consequence of change from RPI to CPI for valuing pension fund liabilities.
- Under the present system, academies would become lease holders of the buildings and they would also be responsible for all maintenance of the property. The lease term was 125 years and at the end of the lease, the building should be returned to the authority in the same state. The academies were also responsible for their own insurance.
- At the present time there were no schools with PFI agreements which had chosen to become academies. It was noted that all PFI schools were special schools.
- Page 7 – projects in schools to improve kitchens, carrying out remodelling and adding extensions to secondary and primary schools. Only work classed as urgent would be carried out on schools which were to become academies. This would be assessed on a case by case basis;
- Page 11 – clarification of the meaning of 'Corporate and Democratic Core'
- Clarification of the meaning of the terms usable reserves and ear marked reserves

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- The waste management reserve was one of the biggest, and it had previously been agreed to use £13million of this reserve for balancing the budget in 2011/12 in the light of the workforce change programme
- County Farms was classed as investment property and had an annual valuation
- The authority worked very closely with the external auditors when preparing the accounts so there should not be anything controversial within them
- Page 101, note 51-f – provision for potential write-offs in Adult Social Care
- Page 77, note 31 – Trading activities did not cover Legal Services and Procurement Lincolnshire, but related to trading with the private sector
- There were some areas likely to change such as asset values etc
- Salix was a fund aimed at helping local authorities to become carbon neutral, any savings from energy saving projects would be reinvested. Lincolnshire's fund was £500,000.
- Due to a reduction in the Audit Commission fees, the authority would be receiving a rebate of 8% on the fees paid for 2011 – 12
- The whole of the document would be available to view online

The Chairman commented that he was looking forward to seeing the completed document in September 2011.

RESOLVED

That the draft Statement of Accounts be noted.

The meeting closed at 11.55am