

PRESENT: COUNCILLOR B YOUNG (CHAIRMAN)

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

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

Councillor E Strengeiel attended as an observer.

Officers in attendance: Tony Crawley (District Auditor), Peter Duxbury (Executive Director Adults and Children's), David Forbes (Assistant Director Finance and Resources), Terry Hawkins (Interim Assistant Director Adult Social Care Commissioning), Derek McKim (Business Continuity Manager), Pete Moore (Executive Director Resources and Community Safety), Claire Pemberton (Assistant Head of Finance (Corporate)), Lucy Pledge (Head of Audit), Keith Sands (Partnership Director), Dave Simpson (Head of Finance – Corporate and Communities), John Sketchley (Audit Manager), Sarah Tennant (Strategic Risk Manager), Sue Westcott (Assistant Director Children's Services), Rachel Wilson (Democratic Services Officer), Mike Wood – Audit Commission (Audit Manager) and Louise Staples – Audit Commission (Team Leader).

52. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Mrs S Rawlins.

53. DECLARATIONS OF MEMBERS' INTERESTS

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

54. MINUTES OF THE MEETINGS OF THE AUDIT COMMITTEE HELD ON 14 NOVEMBER 2011

RESOLVED

That the minutes of the previous meeting held on 14 November 2011 be confirmed and signed by the Chairman as a correct record.

55. RISK APPETITE AND UPDATE OF STRATEGIC RISK REGISTER

Consideration was given to a report presented by the Head of Audit which provided the Committee with an update on the progress with plans to 'test out' the organisations appetite for risk and work on updating the Strategic Risk Register.

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It was reported that two Risk Workshops had been held on 8 and 14 December 2011. The workshops were designed to be fully interactive and allow opportunities for senior managers and councillors in attendance to contribute their views as well as help with identifying and prioritising the biggest risks faced by the council.

The Committee was advised that one of the main aims of the workshop was to test out the risk appetite of those present to see if they were willing and prepared to 'walk the talk' when it came to supporting the tone from the top regarding risk. As an organisation, the County Council needed to be 'Open and Aware' to risk.

The workshops found that there was still an appetite to take measured risks, and there was a representation of directors and councillors. It was an encouraging message that there was not any major conflict of views across the two groups.

It was noted that the Strategic Risk register would be used to ensure that big issues stayed visible so that assurance could be given that they were being managed.

RESOLVED

That the progress made in testing out the organisations appetite for risk and the updating of the Strategic risk register be noted.

56. BUSINESS CONTINUITY MANAGEMENT UPDATE

The Committee received a report from the Business Continuity Manager which provided information in relation to the progress with the findings and recommendations from the internal audit of the Council's Business Continuity Management systems and processes.

It was reported that a number of key areas where improvements were required were identified, and these included some additional work within Children's Services to ensure that Business Continuity arrangements were developed for their critical services. The Committee was advised that significant progress had now been made in these areas and the Authority was on track to achieve the targets set. It was noted that the following progress had been made:

- The Business Continuity Management Strategy had been reviewed and updated taking into account the progress and developments made since it was created;
- A process of re-engagement with existing and new senior management was on-going. This process had proved essential due to the restructuring of service areas and the managers responsible for those areas;
- The Business Continuity team was working directly with and supporting Commissioning teams to ensure the necessary assessment was being done to ensure that key suppliers, providers and stakeholders had Business Continuity arrangements in place;
- The Business Continuity management guidance and toolkits was promoted on a quarterly basis through internal communications on George. This was backed up with annual reviews of Business Continuity plans with managers, team meetings, general communications and through workshops.

The Assistant Director, Children's Services was in attendance for this item to provide the Committee with an update on the work which had been carried out within Children's Services in terms of Business Continuity. The Committee was advised that it had been decided to move to a single Business Continuity Plan within the directorate, rather than separate ones for each service. This was put together with the help of the Business Continuity Manager and it would be reviewed in February 2012 when a desktop exercise would be carried out to determine whether it was fit for purpose. The Business Continuity Plan would be reviewed on an annual basis to ensure that critical areas were still covered. Senior officers were also working closely with commissioning teams to ensure that key suppliers had Business Continuity plans in place as well.

It was noted that one of the issues raised during the IT failure the previous year, was that there was not efficient IT back up for staff who were working from home. The Authority was very dependent on its own IT systems, but it was hoped that this would now be complimented by systems that suppliers had in place. ICT would always come up as a key risk and so would always encourage suppliers to have back up in place. Commissioning teams were encouraged to request suppliers put business continuity plans in place, and this was being built into contracts. These plans were then assessed to ensure that they were robust.

RESOLVED

That the progress with the recommendations of the audit of Business Continuity Management, particularly in relation to Children's Services, be noted.

57. CORPORATE AUDIT PROGRESS REPORT TO 30 NOVEMBER 2011

Consideration was given to a report which provided an update on progress made against the Audit Plan 2011/12 as agreed by the Committee on 21 March 2011 and 26 September 2011.

It was reported that limited assurance had been given for Children's Services, for Kinship Care Allowances which were offered by the Authority to ensure the child was not economically disadvantaged by the placement. It was noted that residence orders had not been reviewed up until January 2011, when responsibility had transferred to Regulated Services which had resulted in overpayments.

The Committee was advised that a follow up audit would not normally be carried out. Assurance would be sought from the Assistant Director that the agreed recommendations had been implemented.

It was also reported that one issue was around staff training. It was highlighted that the difficulty had been new staff had been brought in which meant that they had to start the training programme from the beginning. The training was in place and was being delivered but the issue was about training when new staff started in this area. It was stated that the responsibility of the Team Manager to ensure that work was only allocated to those staff that had received full training.

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The Committee was informed about a Court Judgement in which a grandmother had won the right to be paid a fostering allowance by Kent County Council for looking after her granddaughter, after she was placed in her care by Kent Social Services. This was highlighted as it was possible that this could lead to some retrospective claims to the Authority, and contingencies in the budget had been made for this.

A discussion followed and some of the points raised included the following:

- Foster carers allowances were not means tested;
- There was not a figure immediately available of how many kinship placements were in Lincolnshire, however there was a high number in the County;
- In terms of overpayments which had taken place, a large sum of money was not involved, and there were difficulties in claiming it back, particularly when the families were not advised they were receiving too much money;

Other significant work which had been carried out during this period was highlighted to the Committee, which included:

- Assurance Mapping – this had resulted in the development of an assurance ‘map’ which would be presented to the Committee in January 2012;
- Process Reviews – processes and the operation of the management information system had been reviewed in order to streamline work and allow maximisation of the assurance which could be given with the resources available;
- Audit Lincolnshire Website
- Newark and Sherwood District Council Audit Services – the Audit Lincolnshire partnership had tendered for and won the contract to provide audit services to Newark and Sherwood District Council. This would be the first out of county service provided by the partnership. The contract would be for a period of five years. It was also noted the contracts were in place with South Holland District Council and North Kesteven District Council. No particular accreditation was required to enable the authority to sell these services, other than staff needed to have the appropriate accounting qualifications. One of the first challenges would be around start up and building relationships with the transferred staff and the client;
- ICT Audit Strategy – this had been reviewed in conjunction with Deloitte as the first step in improving the ICT audit provision;
- Due Diligence – financial transaction testing had been undertaken, and the testing methodology had been reviewed to include pro-active counter fraud elements;
- Performance information

RESOLVED

That the outcomes of the Corporate Audit work be noted.

58. UPDATE ON ANNUAL GOVERNANCE STATEMENT 2011

A report was received which provided the Committee with information on progress on agreed actions contained in the Councils Annual Governance Statement 2011 which was approved at the meeting held on 26 September 2011 and set out areas where it was identified that further work was required to improve systems or monitor how key risks faced by the Council were being managed.

It was reported that the action plan showed that progress had been made on most of the areas identified in the Statement and that plans were in place to fully implement all agreed actions by 31 March 2012.

The Committee was provided with the opportunity to ask questions in relation to the Annual Governance Statement 2011 and the following points were raised:

- Head's of Service would be responsible for ensuring succession plans for their own service area were robust;
- Managers were provided with a workforce profile on a quarterly basis;
- Work was being carried out on contracting and commissioning to establish where there was good practice and also in strategic commissioning with the more towards personalisation in Adult Social Care, and how the Authority works with other agencies in terms of joint commissioning;
- Some of the contracts in place were quite old and long standing;

RESOLVED

That the progress made be noted.

59. ANNUAL EXTERNAL AUDIT LETTER 2010/11

Consideration was given to a report which presented the opinion of the District Auditor following the 2010/11 external audit of Lincolnshire County Council and the Pension Fund. The Committee was referred to Appendix A of the report which contained the Audit Commission's Annual Audit Letter which summarised the findings from the 2010/11 external audit, and it focused on the following two areas:

- The external audit of Lincolnshire County Council's financial statements;
- An assessment of Lincolnshire County Council's arrangements to achieve value for money in its use of resources

It was reported that the District Auditor had issued an unqualified opinion on Lincolnshire County Council's financial statements on 31 October 2011 and on the Pension fund annual report on 26 September 2011.

The District Auditor presented his findings to the Committee who were advised that he had concluded that Lincolnshire County Council had adequate arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

It was highlighted to the Committee, that the Authority would not be listed as missing the deadline of 30 September 2011, as the accounts had been submitted within a month of this deadline, and only authorities which had taken longer than this would be listed.

It was also noted that the fees incurred for the late submission of the accounts would still be in the region of £10,000, but they would be over this amount.

RESOLVED

That the content of the report be noted.

60. PROGRESS REPORT – COUNTER FRAUD 2011/12

Consideration was given to a report which provided the Committee with an update on the fraud investigation activities and information on progress against the Counter Fraud Work Plan 2011/12.

It was reported to the Committee that a significant amount of pro-active work to target counter fraud had been taking place, and attention was drawn to following activities:

- Imprest accounts (petty cash) – this was one of the emerging fraud risks within the Midland Counties region. The level of risk exposure within the county was assessed and a pro-active fraud exercise was devised. A number of unannounced visits were made at twenty different sites, and one instance of fraud was discovered. The matter was referred to the police, and dealt with by the court. This exercise also highlighted that money tied up in Imprest accounts could be reduced.
- Fraud Awareness Sessions – officers attended all primary and secondary headteacher forums to raise awareness of the fraud risks within the school environment. The sessions were very well attended and good feedback was received.
- Fraud – National Picture/Guidance
- It was reported in September 2011 that there were 15 live fraud cases and two of those cases had now reached a conclusion.

The Committee was provided with the opportunity to ask questions to the officers present and some of the points raised during discussion include the following:

- Concerns were raised regarding the amount of financial training given to headteachers when they were appointed. The case study in the report highlighted how vulnerable headteachers could be;
- It was suggested that all councillors should attend the fraud awareness sessions which were being held as most of the councillors were also school governors. It was suggested that this should be followed up through the Councillor Development Group;
- It was planned to send a newsletter to all headteachers which contained hints and tips relating to protecting their school against fraud;
- The training was provided for governors and headteachers, but it was up to them to attend;
- It was important to remember that the governors role was to ensure that there were appropriate controls in place;
- It was also important to ensure that there was evidence to back up financial reports being presented to governors so they can ask questions on the content and processes.

RESOLVED

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

61. ISSUES ARISING FROM THE CLOSURE OF ACCOUNTS 2010-11

Consideration was given to a report which summarised the problems experienced in closing the accounts for the financial year 2010-11 and preparing the Statement of Accounts, and the action plan prepared in response to ensure that these issues do not affect the preparation of the Statement of Accounts for 2011-12.

It was requested at the meeting on 31 October 2011, that officers from the County Council and the Council's partner Mouchel be invited to come back to report on the problems experienced and provide the Committee with an action plan. The Committee was advised that the difficulties in the closure of accounts process were assessed to have arisen from the following areas:

- Conversion to accounting under International Financial Reporting Standards (IFRS)
- Staffing and technical skills
- Technical difficulties with SAP

The Partnership Director for Mouchel attended the meeting to present the action plan and provide the Committee with the opportunity to ask questions in relation to the problems experienced in closing the accounts. Some of the points raised during discussion included the following:

- None of the errors were related to the technicalities of converting to IFRS
- Even though it was disappointing to miss the deadline, this should not detract from the hard work which had been done by the staff to close the accounts;
- There were 30 actions in the action plan to ensure this did not happen again;
- Mouchel would be covering the extra costs incurred due to the delays in closing the accounts;
- A closer working relationship had also been established between Mouchel and the County Council with the potential for staff being co-located;
- It was hoped that the investment in resources and co-location of staff would give the confidence that this would not happen again;
- This process needed to be managed jointly from now on and the co-location of staff would ensure that any issues were identified earlier;
- The Audit Commission had been involved in discussions regarding the dates entered onto the action plan;
- The problems were not picked up sooner as there were some technical issues, such as the balance sheet needed to be restated. Also a lot of the guidance from CIPFA in relation to IFRS was not available until late in the process;
- There had been some underestimating of the amount of resources that were needed;
- A lot of assurances were given that the process was on target, but then not delivered;
- There were some serious resource issues due to staff absences that could not be covered by other members of the team
- Regular reports to this Committee were requested for the future;

The District Auditor informed the Committee that the Audit Commission was running workshops again this year on the audit and closedown process, and he would be happy to give a presentation to officers from the Council or Mouchel if required.

RESOLVED

That the content of the report and action plan to be implemented for the closure of accounts for 2011-12, be noted.

62. ADULT SOCIAL CARE UPDATE

Consideration was given to a report which provided an update on a range of service issues which was requested at the meeting of the Committee on 11 July 2011. The report focused on some of the significant improvements which had taken place as well as information on the financial projections for 2011/12 through to the broad outlook for 2012/13.

The Committee was advised that a lot of work had been carried out as it was thought important to have a clear vision and purpose in place, and so a lot of work had been carried to ensure excellence. Four very successful half day sessions had been held with staff, and officers had also worked with third tier managers. It was noted that performance management and assurance was essential to improvement across the whole council. Adult Social Care regularly reported progress to the Informal Executive and Corporate Management Board.

It was reported that an overspend of £5million was currently projected for 2011/12 but by the end of year 2, Adult Social care should be in a position to balance its budget.

In relation to the £9.1million reablement monies which were available from NHS Lincolnshire for 2011/12, it was reported that it had been agreed that in Lincolnshire it would be used for service transformation and delivery. In other organisations this money had been used to fill gaps in budgets.

The Interim Assistant Director Adult Social Care Commissioning, reminded the Committee that Adult Social Care had gone through its restructure which was implemented on 4 July 2011, and since then officers had been trying to take greater control of the budget and the delivery of savings as well as the introduction of personalisation. It was reported that the authority had achieved the national target of transferring 30% of people to personal budgets by the beginning of the year, and it was hoped that 50% would be transferred by the end of the year.

Updates were provided in relation to each of the following service areas within Adult Social Care:

- Contact and referral – the actual number of outstanding assessments across all service areas exceeding the 28 day period had been reduced to approximately 112, of these a significant number were only outstanding by a matter of days. However, officers were confident that there were no safeguarding issues in the outstanding assessments. It was also noted that capacity and resources within Adult Social Care had been increased.
- Direct Payments Audit – the team had been consolidated and an additional business support resource had been added, and management was now in a position to roll out the revised processes. The key improvements had been to the audit of individual payments. This did not refer to direct payments which had been misused, but those which had not been spent at all.

- Contracts Team – there were 32 recommendations for this area following the Audit and Risk Management Internal Audit, and it was reported these had all now been implemented. However, a small number were ongoing actions which were around changing culture and attitudes.
- Resource Allocation System (RAS) – processes had been overhauled and recently approval had been gained from the Executive to implement the new system. As part of the restructure, a quality assurance team had been introduced. The only outstanding issue was the IT infrastructure, but this would be resolved as part of the corporate IT review.

The Committee was provided with the opportunity to ask questions to the officer present in relation to the updates provided, and the following points were raised:

- In relation to the 100 direct payments audits which had been undertaken, it was estimated that the clawback would be in excess of £500,000. It was noted that this was predominately due to underspends, but in a minority of cases there was inappropriate spending;
- If people were entitled to this money they should be given advice on what sorts of services they could spend it on;
- The average direct payment was in the region of £7,500;
- The authority did not want to encourage people to spend money they did not need, and so all direct payments would be assessed again;
- A lot of work had been carried out within the home care market;
- The over provision of residential care homes would decrease because of decreasing need;
- It had been a turbulent six months, but there was a need for the Committee to assess whether they had a reasonable level of assurance that the senior managers were in control of the risk;
- It was suggested that some of the detail and monitoring could be referred to scrutiny committees;
- Concerns were raised over how much Adult Social Care was being promoted in terms of personalisation. The Committee was advised that there had been thorough reporting of this in the media which had been positive, and good support had been received from the Excellent Ageing team;
- It had been a particularly challenging time for Adult Social Care, but senior managers were reasonably pleased with the progress which had been made and they were confident the service was going in the right direction;
- 797 people had been communicated with regarding personal budgets through forums around the county and market place events;
- There was a need to ensure that management strength was maintained;
- There was a need for this Committee to continue to monitor the progress being made;

The Chairman suggested that he write to the Leader of the Council on behalf of the Committee to ask for his comments.

RESOLVED

That the report and comments made be noted.

63. WORK PLAN

Consideration was given to a report presented by the Head of Audit which outlined progress on agreed actions and the Committee's work plan up to June 2012. The Committee was referred to Appendix A of the report which set out its Action Plan.

It was highlighted to the Committee that it had been sometime since they had had an informal workshop for training and/or undertaken a self assessment of the Committee's effectiveness. Members welcomed the suggestion and agreed that sessions should be held in the afternoon following a meeting of the Audit Committee. Potential dates for these sessions would be sought and circulated to assess availability.

Other items which were suggested for inclusion on the Work Plan included the following:

- Robustness of IT systems – this would be incorporated into the internal audit and business continuity plan;
- There may be items from the Strategic Risk Register that the Committee would wish to pick up at a later date;

RESOLVED

1. That the action plan and work plan be agreed;
2. That the agenda items for the 30 January 2012 be agreed

The meeting closed at 12.20pm