

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

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

Officers in attendance: Tony Crawley (Audit Commission), Judith Hetherington-Smith (Chief Information Officer), Stephanie Kent (Audit Manager), David O'Connor (Executive Director Performance and Governance), Lucy Pledge (Head of Audit and Risk Management), Pete Moore (Executive Director Resources and Community Safety), Meredith Teasdale (Assistant Director Children's Services), Richard Wills (Executive Director for Communities), Mike Woods (Audit Commission) and Rachel Wilson (Democratic Services Officer).

41. APOLOGIES FOR ABSENCE/REPLACEMENT MEMBERS

Apologies for absence were received from Councillor Mrs S Rawlins.

An apology for absence was also received from Mr P D Finch (Independent Added Person).

42. DECLARATIONS OF MEMBERS' INTERESTS

No declarations of interests were received at this point in the meeting.

43. MINUTES OF THE MEETING OF THE AUDIT COMMITTEE MEETING HELD ON 12 NOVEMBER 2012

RESOLVED

That the minutes of the meeting of the Audit Committee held on 12 November 2012 be confirmed and signed by the Chairman as a correct record.

44. ICT AUDITS 2012

Consideration was given to a report which set out the five IT audits which were undertaken during 2012, from which a number of significant issues were identified. These issues had been addressed in partnership with Mouchel, and action plans were in put place.

During early 2012, two scheduled internal audits of ICT were undertaken – IT Service Management and SAP Security and Licencing – which both resulted in an outcome of limited assurance and included a number of concerns about the activities undertaken on behalf of the County Council by Mouchel. Three additional internal audits were then commissioned by the Chief Information Officer of ICT activities which Mouchel were involved in performing on behalf of the Council (Software Licence Management,

## AUDIT COMMITTEE 28 JANUARY 2013

IT Asset Management and Electronic Data Management). There had not been any previous audits into these areas and the result in all cases was limited assurance.

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:

- All electronic data was backed up, and there was no evidence that any of the back-ups had failed. However, there were no systematic mechanisms for testing the back-ups. This was one of the items that Mouchel was now looking into;
- A second location to set up a data centre was currently being looked into;
- Systems were well structured and resilient, but there was only the one data centre, which was a weakness;
- Provision had been made in the coming years' budget to move forward with a second data centre;
- An independent audit on disaster recovery would be undertaken in order to provide additional assurance;
- All actions from the audits which had been carried out were being tracked. Assurance from Mouchel that they were on time;
- The NGP (Next Generation Platform) project was a particular set of activities, which would address many of the issues identified in the five audits which were carried out. Other activities would be put in place to address the remaining issues;

### RESOLVED

That the progress being made to address the issues highlighted in the five audits described in the report be noted.

#### 45. CORPORATE AUDIT PROGRESS REPORT TO 2013

The Committee received a report which provided an update on progress made against the Audit Plan 2012/13. It was noted that this was the regular quarterly update, and overall good progress had been made on the delivery of the Internal Audit Plan for 2012/13. The Committee was advised that performance up to December 2012 was significantly skewed downwards (56%) due to many of the reports being at draft stage (fieldwork complete). They were all on track to be delivered by the year end.

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:

- There was a dedicated counter fraud and investigation team, and so there was confidence that there were sufficient resources to carry out any necessary investigations;
- It was suggested that the Committee read the report 'Protecting the Public Purse 2012' by the Audit Commission;

- The Guidance Note issued by CIPFA in December 2012 would be circulated to the Committee, and the Work Plan updated accordingly;
- One area that would need to be monitored closely would be the move towards more joint commissioning. More work on this would need to be undertaken over the next few months, as the authority started to do more in conjunction with the CCG's;
- The primary commissioning body would need to ensure that there were appropriate audit arrangements in place;
- The Commissioning and Procurement Teams would ensure that there were the right conditions for rights of access for counter fraud purposes;
- The CCG's would be under the Audit Commission regime, and Tony Crawley was the appointed auditor to the PCT, so there should be continuity in terms of the CCG's and the County Council;

**RESOLVED**

That the outcomes of the Corporate Audit work be noted.

**46. LCC CERTIFICATION OF GRANTS AND RETURNS 2011-12**

Consideration was given to a report which provided the Committee with a Summary of the work completed by the Audit Commission's Audit Practice on the certification of the council's 2011/12 grant claims and returns.

It was reported that the Audit Practice issued an unqualified certificate for the return. It was also noted that the Council had adequate arrangements in place for preparing its grants and returns. Overall it was a positive position.

The Committee was also informed that the overall fee for the certification of grants and returns was lower than the original estimate, with a total fee for the year of £4,630. This was much lower than the estimate of £16,000 which was included in the 2011/12 audit plan.

**RESOLVED**

That the report be noted.

**47. COUNTER FRAUD PROGRESS REPORTS TO 31 DECEMBER 2012**

The Committee received a report which provided an update on the authority's fraud investigation activities and information on progress made against our Counter Fraud Work Plan 2012/13.

It was reported that overall good progress had been made on the delivery of the Work Plan for 2012/13, however, four tasks had been rescheduled to Quarter 4. It was highlighted that there had been particular good progress in relation to data analytics, fraud recoveries and recent investigation results.

## **AUDIT COMMITTEE**

### **28 JANUARY 2013**

The Committee was advised that officers were in the process of finalising designs for new counter fraud and whistleblowing posters and leaflets, and it was hoped that these would be launched in February 2013.

There were currently five live investigations which were on going with the Police, and the Service was still receiving fraud referrals. One referral had been from management and preliminary investigations were taking place.

Three of the eight police investigations had been closed, as the investigating officer and/or Crown Prosecution Service (CPS) concluded that there was insufficient evidence for a conviction. However, the Council had taken all necessary appropriate action in relation to these cases.

#### **RESOLVED**

That the outcomes of the authority's counter fraud work be noted.

#### **48. UPDATE ON ANNUAL GOVERNANCE STATEMENT 2012**

Consideration was given to a report which provided the Committee with information on progress on agreed actions contained within the Council's Annual Governance Statement 2012, which was approved by this Committee on 24 September 2012. It was noted that the purpose of this update was to provide assurance that the items which were highlighted in the Governance Statement were being managed.

Members of the Committee were provided with an opportunity to ask questions to the officers present in relation to the information presented in the report and some of the points highlighted during discussion included the following:

- Officers were satisfied that all actions were on track, but it was noted that some would take longer than one year to implement. These items would be picked up in the Governance Statement 2013;
- ICT resilience would be included in the 2013 Governance Statement, but it was thought that this was very low risk. It was noted that this had also been picked up by the Value for Money Scrutiny Committee;
- A combined assurance map for ICT would be welcomed;
- In terms of ICT risk, the main concern was those people who worked in the field and needed remote access to information, a failure in ICT could leave vulnerable people at risk. Members were assured that this was linked into the business continuity work.

#### **RESOLVED**

That the progress made be noted.

#### **49. COMBINED ASSURANCE STATUS REPORTS**

Consideration was given to a report which provided the Committee with an insight on the assurances across all the Council's critical services, key risks and projects. The status reports were presented to the Audit Committee by the executive Directors' of Children's Services, Communities, Resources & Community Safety and Performance

& Governance (Adult Social Care was discussed at the Committee in November 2012).

The reports aimed to provide an insight on the assurances which were in place for areas of the business that mattered the most. Internal Audit co-ordinated the assurance information which was available from management, corporate functions/third parties and Internal Audit, with the overall assurance opinion determined by senior management.

The Committee was taken through each Combined Assurance Status Report by the relevant Executive Director, and highlighted key messages, critical systems and strategic risks. Members of the Committee 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 include the following:

**Resources and Community safety:-**

- Overall, a high level of assurance was reported across the services and the critical systems of control were working well, although there were some areas where the authority was trying to provide some improvement, but this was mainly in areas which had undergone some degree of change, such as Safer Communities;
- The Budget Strategy would be going to Executive and Full Council and included a partial draw down of reserves, but there was confidence that the reserves would be sufficient for the next two years;
- An allowance had been made in the budget of £3million in relation to demographic changes in terms of adult social care;
- Central government had been made aware of the additional costs of delivering services in rural areas;

**Communities:-**

- Communities was a diverse portfolio, and had a high level of positive assurance around its critical systems and activities;
- There were good financial management processes in place, and a high level of confidence that things were working well;
- Corporate function and third party assurance (e.g. peer reviews and accredited quality management systems), as well as internal Audit, were used to avoid complacency;
- Strategic risks of flooding and infrastructure were identified as well as the actions being taken to minimise these risks. There was satisfaction that these risks were being managed effectively;
- The authority was working collaboratively with partners to reduce the risks of flooding;

**Children's Services:-**

- School Administration Service - There was evidence of excellent practice in some schools in getting children to attend school (it was suggested that this be added to the Work Plan);
- In terms of schools where most of the children had English as a second language, there had been changes to the funding formula. The support that

## AUDIT COMMITTEE 28 JANUARY 2013

was offered was key to these schools, and schools would also offer support to each other;

- It was important for schools to be aware that it was likely that there could be cultural differences as well as language differences;
- The 'Every Day Matters' programme was for every school and every child;

### Performance and Governance:-

- Performance & Governance provided support to Members and Officers to ensure that the Council met its objectives;
- A high level of positive assurance was reported for its critical activities and systems;
- It was believed that governance arrangements were strong and robust;
- Recruitment was carried out in a very controlled way, all requests for external advertisement of posts needed to be reviewed and approved by the Resourcing Board. The staff level had remained stable over the past year;
- Areas where there were problems in recruiting were in senior management, and in order to bring in private sector skills, there was a need to ensure that remuneration remained competitive. It was important to ensure the right mix of skills;

The Committee was advised that they had received four combined assurance status reports, and it was thought that they provided a positive view of the Council's critical systems. No significant gaps had been identified. Many of the amber ratings were in services where there had been transformational change. It was not unexpected that this would be the case. An update would be provided in a years time.

### RESOLVED

That the current status of the Executive Directors' assurance regime be noted.

### 50. WORK PLAN

Consideration was given to a report from the Executive Director Resources and Community Safety, which provided the Committee with information on progress on agreed actions and its work plan up to November 2013.

It was requested that the date of the meeting scheduled to be held on 30 September 2013, be brought forward to 23 September 2013.

It was noted that the following items would be added to the Work Plan:

- Review of Strategic Contracts (November 2013)
- Flooding – check with Scrutiny first
- School Administration Service (September 2013)
- Officer Code of Conduct (November 2013)

### RESOLVED

1. That the progress of agreed Actions in Appendix A be noted.
2. That the work plan set out in Appendix B be noted.

3. That the agenda items for the Committee on 22 April 2013 be agreed

The meeting closed at 12.15 p.m.