

**AUDIT COMMITTEE  
11 NOVEMBER 2013**

**PRESENT: COUNCILLOR MRS SUSAN RAWLINS (CHAIRMAN)**

Councillors Mrs E J Sneath (Vice-Chairman), N I Jackson, S M Tweedale, W S Webb and P Wood

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

Officers in attendance:-

Tony Crawley (KPMG), Debbie Bowring (Principal Risk and Assurance Officer), David O'Connor (Executive Director Performance and Governance), Claire Pemberton (Assistant Head of Finance), Lucy Pledge (Head of Audit and Risk Management), Nick Rouse (Investment Manager), John Sketchley (Audit Manager), Tony Warnock (Head of Finance - Children's and Specialist Services) and Mike Wood (KPMG)

29 APOLOGIES FOR ABSENCE

An apology for absence was received from Councillor C E D Mair

30 DECLARATIONS OF COUNCILLORS INTERESTS

There were no declarations of interest at this point in the meeting.

31 MINUTES OF THE MEETING HELD ON 23 SEPTEMBER 2013

RESOLVED

That the minutes of the Audit Committee held on 23 September 2013 be signed by the Chairman as a correct record.

32 ICT AUDITS UPDATE

Consideration was given to a report which provided an update to the position reported at the Audit Committee meeting on 23 September 2013. It was also reported that Lincolnshire County Council had been issued with a deadline of November 19, 2013 to achieve its Public Service Network Code of Connection (PSN CoCo) compliance.

The Executive Director Performance and Governance provided the Committee with an outline of each audit and the progress which had been made. Members were

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provided with the opportunity to ask questions in relation to the information contained within the report and some of the points raised included the following:

IT Service Management Audit

- Some of the difficulties which had been experienced in previous years with people accessing the system from home during bad weather had been resolved. There were now more staff with Citrix access and Outlook Web Access as well;
- PSN would be very important to the authority in the future when there was more joint working, such as with health colleagues;
- All staff had now been migrated to Windows 7;

SAP Security and Licence Audit

- An issue had been discovered on SAP with some users having an inappropriate security access. This had now been corrected with all staff now on the correct security level;
- There was a direct relationship between schools and Mouchel in relation to SAP. It was also noted that officers were seeking to protect this service so it was available to schools who did not want to become academies;
- Access to this system was limited;
- Many academies were operating their own financial software, but those schools that were using SAP, Mouchel would continue to offer that service;
- It was thought that the plan to move away from using SAP was good news, and it was hoped that the new system would be much easier to deal with;
- It was noted that change was now managed better, and a year would be allowed to transition from SAP to the Agresso system;

Software Licence Management

- All recommendations from this audit had been completed;
- The new case management system should deliver savings of £750,000;
- SAP licences were regularly refreshed to ensure that only the users who needed them had them. If SAP had not been accessed within a certain amount of time, that user would be taken off the system;
- Some contractors needed access to specific information;
- It was very important for agility that users were able to access these systems when required;

IT Asset Management

- All actions had been completed;

Electronic Data Management

- Officers would follow on the first key issue identified in the audit;

Mobile Computing and Remote Access

- This audit had resulted in substantial assurance being given;

Disaster Recovery

- The £5m which had been put aside to build a second data centre would not be utilised, and instead would be used to fund the transition to ERP;
- There were a set of risks which would need to be managed in the coming year;
- It had been confirmed that back-ups were being correctly monitored by Mouchel;
- There had been multiple single points of failure within the data centre;

- The authority was now in a better position in terms of disaster recovery than it was a few years ago;
- There were different retention schedules for different types of data, but data usually needed for 6 years, there was some data, such as information relating to social care cases;
- There was an off-site storage facility for paper files;

PSN CoCo Compliance

- The PSN would be a vehicle for sharing information with partners such as health;
- DBS (Disclosure and Barring Service) checks were carried out for any staff and councillors who had contact with children or vulnerable adults;
- A new system would be put in place to enable staff and members to use their own equipment to connect to the Council's network;
- There would be a more integrated solution as when logging in to a computer a user would be able to have access to all systems,
- The PSN should transition across when a new contractor was appointed;

The Committee was informed that whilst the authority was not where it wanted to be in terms of ICT, but it was a lot closer to it and was a much better position than a few years previously.

It was noted that the Chairman would be kept up to date on these issues.

**RESOLVED**

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

**33     RISK MANAGEMENT PROGRESS REPORT TO 31 OCTOBER 2013**

Consideration was given to a report which assisted the Committee in fulfilling its role to ensure that the Council had effective risk management arrangements in place, by providing an update on how well the council's biggest risks were being managed as well as reporting on the progress made in assisting the Council to adapt and change the way it 'thinks' about risk.

It was reported that this was the Committee's half-yearly update report on risk management. The Committee was advised that there had only been one movement in terms of risk score, in relation to Risk 5 – Adult Care not able to live within budget. Also there was a change in direction of travel for Risk 9 – Maintenance of effective governance arrangements. The direction of travel had reduced to 'declining' due to potential governance issues arising from a new Council. It was noted that the evolving political dynamics and the current inexperience and understanding of many members was demanding more input, support and guidance from the Management Board to minimise the impact on the Council's existing governance arrangements.

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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 point raised during discussion included the following:

- There were many councillors who were new to being a councillor;
- Senior officers were spending a lot more time dealing with member issues than previously;
- If councillors were dissatisfied with the amount of time it took staff to respond to their queries there was an escalation process with the executive directors. Members reported that there had been instances of waiting 2-3 weeks for a response;

(At this point in the meeting Mr P D Finch wished that it be noted that he declared an interest as a Non-Executive Director of Lincolnshire Partnership NHS Foundation Trust)

- In relation to Risk 14, it was noted that Tony Hill, Executive Director Public Health, was the Chair of the Programme Board, and integration work was proceeding. The first stage review of contracts had taken place and decisions had been made regarding which to proceed with and those which would not be renewed;
- It was suggested that a schedule be included in the work plan for senior officers to report to the Audit Committee on the strategic risks in their directorates, and what strategic risks they identified for the coming years;
- Governance was something that most were not aware of unless there was a problem;
- The Executive Director Performance and Governance would be keeping a watching brief on the direction of travel of the risk for maintenance of effective governance;
- The key thing was in how the organisation dealt with situations when things went wrong;
- There was a clear quality assurance regime for the provision of adult care services, and a peer review of this service had also been carried out. The Committee was advised that a formal response on this could be obtained from the Executive Director Adult Care. It was noted that the Adult Care budget had on-going pressures, and it would always be an issue that the council would have to manage. It was important that the risk was actively managed;

#### RESOLVED

That the current status of the strategic risks facing the Council be noted.

#### 34 CORPORATE AUDIT PROGRESS REPORT TO 30 SEPTEMBER 2013

The Committee received a report which provided an update on progress made against the Audit Plan 2013/14. It was reported that approximately a third of the Plan was now completed, which was expected for this time of the year. There were 19

audits underway, and of these 8 were close to completion and the final reports were being agreed with the relevant managers. It was noted that the work plan had been adjusted due to resourcing constraints which had been experienced during this year.

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 included the following:

- Concerns were raised regarding the reduction in audit days for some of the audits, particularly for Public Health. Members were advised that a combined status report on the assurance arrangements in Public Health would be presented at the March 2014 meeting of the Committee;
- It was felt that using the combined assurance model would enable the Head of Internal Audit and Risk Management to give a Head of Audit opinion;
- Engagement from public health colleagues in relation to audit work was much improved;
- It was suggested that the Executive Director for Public Health could be invited to attend a meeting of the Committee;
- The Mouchel Pensions Administration team had been assessed as 'Limited Assurance', however, there had since been significant improvements in terms of performance, and the Pensions Committee received regular reports;
- It was acknowledged that there was a potential risk with the transfer of the contract for the Pensions service;

RESOLVED

That the outcomes of Corporate Audit Work be noted.

35     ANALYSIS OF HIGH PRIORITY RECOMMENDATIONS OUTSTANDING  
          AT 30 SEPTEMBER 2013

The Committee received a report which provided an analysis of the high priority audit recommendations outstanding at 30 September 2013, and suggested how they should be managed.

It was reported that there were only 3 outstanding high priority recommendations at this time, which was considered a good situation. Of these, two would be followed up for the next meeting, and in relation to the third, a response had now been received and the action had been completed.

In relation to the recommendation for the Councillor Big Society Fund, of the 10 grants awarded which were randomly checked, no feedback has since been received to suggest there were any issues with them.

RESOLVED

That the content of the report be noted and the suggested actions be agreed.

**36      REVIEW OF AUDIT & INSPECTION FINANCIAL PROCEDURE &  
INTERNAL AUDIT CHARTER**

Consideration was given to a report which presented the Committee with the revised policy documents for Financial Procedure 7 – Audit and Inspection and the Internal Audit Charter which took into account the recently published UK Public Sector Internal Audit Standards and the change in the External Audit Regime.

It was reported that Financial Procedure 7 – Audit and Inspection formed part of the Financial Regulations and procedures in the Constitution of the Council. It aimed to inform officers and members of the mandatory requirements and provide guidance on good practice in the roles of internal and external audit and other inspection regimes.

In relation to the Internal Audit Service and Context section of the Internal Audit Charter, it was noted that an extra paragraph would be added in which set out the extent of the External Audit Work which was carried out by the Authority.

Members commented that they had found the report very straightforward to understand which was important as it ensured that the processes could be understood by members of the public, and made the audit process more transparent.

**RESOLVED**

1. That the revised Audit & Inspection Financial Procedure 7 be approved; and
2. That the draft Internal Audit Charter be noted, prior to wider consultation and approval by the Corporate Management Team.

**37      ANNUAL EXTERNAL AUDIT LETTER 2012/13**

Consideration was given to a report which presented the opinion of the Council's External Auditor following the 2012/13 external audit of Lincolnshire County Council and the Pension Fund.

It was reported that the Council's External Auditor had issued an unqualified opinion on Lincolnshire County Council's financial statements and on the Pension Fund annual report on 27 September 2013.

The Committee was advised that the Annual Audit Letter would be circulated to all members and added to the Council's website.

**RESOLVED**

That the contents of the report be noted.

**38      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 July 2014.

It was suggested that a half-day workshop session be arranged for February 2014 to enable the Committee to undertake a self-assessment on the effectiveness of the Audit Committee.

**RESOLVED**

1. That the progress of agreed actions be noted;
2. That the work plan be noted;
3. That a self-assessment on the effectiveness of the Audit Committee be undertaken in February 2014.

The meeting closed at 12.25 pm