

**AUDIT COMMITTEE
 25 JANUARY 2016**

PRESENT: COUNCILLOR MRS S RAWLINS (CHAIRMAN)

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

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

Officers in attendance:-

Rachel Abbott (Deputy Audit Manager), Debbie Barnes (Executive Director of Children's Services), Steve Blagg (Democratic Services Officer), David Forbes (County Finance Officer), Glen Garrod (Director of Adult Care), Judith Hetherington Smith (Chief Information and Commissioning Officer), Tony McGinty (Consultant Public Health Children's), Pete Moore (Executive Director of Finance and Public Protection), Lucy Pledge (Audit and Risk Manager), Donna Sharp (County Service Manager (Registration, Celebratory & Coroners Services)) and Richard Wills (Executive Director for Environment and Economy)

42 WELCOME TO JOHN CORNETT, EXTERNAL AUDITOR, KPMG

The Chairman welcomed John Cornett, External Auditor, KPMG, to the Committee, in place of Tony Crawley, who had retired.

The Chairman requested that the Committee's best wishes should be sent to Tony Crawley.

43 APOLOGIES FOR ABSENCE

None were received.

44 DECLARATION OF MEMBERS' INTERESTS

No declarations of interests were made at this stage of the meeting.

45 MINUTES OF THE MEETING OF THE AUDIT COMMITTEE HELD ON 23 NOVEMBER 2015

RESOLVED

That the minutes of the previous meeting of the Audit Committee held on 23 November 2015, be agreed as a correct record and signed by the Chairman, subject to "Mr D Finch" being added to the list of attendees.

46 COMBINED ASSURANCE STATUS REPORTS

The Committee received a report in connection with the assurances across the Council's critical services, key risks and projects.

(a) Richard Wills, Executive Director for Environment and Economy, presented his report and highlighted the following issues:-

1. Overall assurance had improved in the short term but there was a need to consider future resilience.
2. There was a concentration on economic growth.
3. Democratic and Legal Services were crucial for the Council's overall governance arrangements and scrutiny was the subject of a detailed review.
4. Progress was on-going in connection with the preparation of a new Waste Strategy for the medium/long term.
5. Planning was failing to meet deadlines in connection with responses to District Planning Authorities.
6. Highways had staff vacancies of 20%/25% with staff having to act up in some areas to prevent redundancies in the future.
7. The need to manage the possible decline of transport services.
8. All major capital projects carried big strategic risks.

Officers' responses to comments made by the Committee included the following:-

1. Improvements had been made in vehicle technology to prevent pollution.
2. To manage risk it was important to have the appropriate staffing.
3. To create economic growth sometimes it was necessary to take risks.
4. With local government devolution any Combined Authority established might need to ask individual local authorities to take a lead in the delivery of some services.
5. With reduced staffing it might be necessary to concentrate on the large capital projects.

(b) Pete Moore, Executive Director of Finance and Public Protection, presented his report and highlighted the following issues:-

1. He was unable to sign off the risk assurance for the Serco contract.
2. It was essential that work was completed this financial year to ensure the smooth closure of accurate and up to date accounts.
3. Highlighted the financial challenges faced by the Council in the next four years following the Spending Review and Local Government Settlement.

Officers' responses to comments made by the Committee included the following:-

1. Planning and monitoring procedures were in place to monitor and protect the Council's Business Plan.
2. Monitoring and management were in place for the Serco contract and were explained in detail in Judith Hetherington-Smith's assurance report to this meeting. There were still outstanding issues in connection with payroll, overpayments, pensions and the Inland Revenue.

3. Serco was aware of the Council's need to finalise its accounts by the end of the financial year.
4. Much work was being done between the Council and Serco but it was not possible to give an end date when the payroll and purchase ledgers issues would be finalised.
5. Serco was aware of the need to provide the necessary financial information to allow the Council to finalise its budget.
6. The Executive had considered all options in connection with the Serco contract and Serco had assured the Council that they were still committed to the contract.
7. The implementation of Agresso by Serco would be examined in due course.
8. Serco was preparing an action plan which would be seen by the Council.
9. In addition to the implementation of Agresso there were still some information, communication and technology systems behind schedule in their implementation and these would be covered in the Annual Governance Statement.
10. Costs incurred by the Council as a result of Serco's performance were reviewed on a monthly basis.
11. The sharing of information to the Committee about Serco's action plans would be examined.

(c) Debbie Barnes, Executive Director of Children's Services presented her report and highlighted the following issues:-

1. Children's Services was highly regulated and scrutinised through the third party inspectorate, Ofsted.
2. The paper confirmed areas of risks and these included budget pressures, reduced resilience, delays in the implementation of MOSAIC and increasing demand for safeguarding services.
3. The need to implement a more inclusive strategy to reduce the high number of children excluded from schools in Lincolnshire.
4. Over 80% of children were in good schools in Lincolnshire but "closing the gap" was an issue especially with children eligible for free school meals.
5. There was a need for the Council to "grow its own staff" because of staff shortages in certain areas, especially social care.

Officers' responses to comments made by the Committee included the following:-

1. It was hoped to implement the MOSAIC package in July 2016 and more delay would increase risk. Mosaic would need to facilitate a greater use of mobile technology which was important.
2. Health Visiting and Information sharing with neighbouring local authorities for children was explained as commissioning had changed from registered to resident.

The Committee agreed to monitor potential risks caused by any delay in the implementation of the MOSAIC package.

(d) Tony McGinty, Consultant in Public Health, presented his report and highlighted the following issues:-

1. The commissioning of services was frequent and included the re-commissioning of services previously provided by the NHS.

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2. Many challenges existed in Lincolnshire including above national levels of obesity and alcoholism.

Officers' responses to comments made by the Committee included the following:-

1. Improved management of the misuse of substances would lead to a reduction in criminality and a reduction in the use of acute health services.
2. There was evidence that nurse training courses provided by the University of Lincoln was helping to raise their number of Nurses and their retention in Lincolnshire.

The Committee agreed the Council should continue to monitor the effects of substance misuse on the budget.

(e) Glen Garrod, Director of Adult Care, presented his report and highlighted the following issues:-

1. Following the 2015/16 review the level of assurance had improved.
2. Good progress was being made in the implementation of the Better Care Fund.
3. The support given by the Commercial Unit meant it was possible to re-procure 80% of the social care support commissioned externally.
4. Residential and Home Care services were relatively stable.
5. Future risks included the loss of momentum on key change programmes such as MOSAIC and Integration with health.
6. Integration with the NHS was important to secure more government resources.
7. Implementation of Mosaic and Agresso was important to the service.
8. Income from service charges was working well.

Officers' responses to comments made by the Committee included the following:-

1. The implementation of the Dilnot recommendations would have generated significant additional assessment activity but its implementation had been delayed until 2020.
2. Pressures in the future included negotiations with the Clinical Commissioning Group in connection with the Better Care Fund. He was optimistic for the outcome of these negotiations.
3. The importance of corporate support for information, communications and technology procurement and contract management.
4. The implementation of the Mosaic package in Adult Care independently of the implementation of Agresso was being examined.
5. The effects of increased funding for Adult Care from the 2% increase in the Council Tax was insufficient to meet the significant funding gap and would not cover the increase in the Living Wage.
6. The effects of demographic pressures from an increase in the elderly population.
7. Appropriate back-up systems were in places in the event of problems with Mosaic.

RESOLVED

That the report and the comments made by the Committee be noted.

47 UPDATE ON LIBRARIES ACTION PLAN

The Committee received a verbal update in connection with the Libraries Action Plan.

Officers stated that the main issues learnt from the Judicial Review was the need to ensure that alternative options were evaluated and that statutory consultation and community engagement was undertaken and in this respect a toolkit had been produced to aid staff.

Officers stated that all future management projects had been examined to assess what resources were needed and that the necessary monitoring procedures were in place.

Officers responded to comments made by the Committee including that the Council was in the process of undertaking consultation on the proposed Council Tax and that this Committee had a role to ensure that consultation procedures were in place to minimise risk to the local authority.

RESOLVED

That the report and comments made by the Committee be noted.

48 AUDIT OF CORONERS SERVICE - UPDATE ON PROGRESS

(Note: Councillor W S Webb requested that a note should be made in the minutes that a Coroner and a Coroner's Officer were known to him)

The Committee received a progress report on the implementation of the actions arising from the Corporate Audit of the Coroner's service undertaken in Spring 2014.

Officers' responses to comments made by the Committee included the following:-

1. In the event of an exceptionally long Inquest it would be necessary to approach the government for additional funding.
2. Consultations had taken place with the Coroners about potential risks and procedures were in place to cover long Inquests.
3. Challenges remained including assessing/validating the length of time a Coroner could be involved in an Inquest.

RESOLVED

(a) That the report and comments made by the Committee be noted.

(b) That actions against recommendations arising from the audit of the Coroners' service be shown in future reports.

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49 WHISTLEBLOWING ANNUAL REPORT 2014/15

The Committee received a report on an overview of the Committee's whistleblowing arrangements for the year 2014/15.

Officers in response to comments made by the Committee stated that Academies had their own arrangements for whistleblowing, the recommendations arising from whistleblowing were monitored, actions agreed and implemented as appropriate.

RESOLVED

(a) That whistleblowing activity for the year 2014/15 be noted.

(b) That the on-going work to raise awareness and to provide assurance on the effectiveness of the Council's arrangements, be noted.

50 UPDATE ON THE AGRESSO PROJECT

It was noted that this matter had been previously been considered in minute No. 46.

51 INTERNAL AUDIT PROGRESS REPORT

(Note: Councillor Miss F E E Ransome left the meeting)

The Committee received a report on audit work undertaken in the period 1 July 2015 to 31 December 2015.

Officers drew attention to those areas of "Limited Assurance", which included Business Rate Pooling and Big Society Grants.

Officers in response to comments made by the Committee, stated that the necessary procedures were in place to ensure that 16-18 year olds were in education, employment or training. However, there was a small group of 18 year olds which needed further examination.

Officers stated that following the restructuring and problems with recruiting staff for Internal Audit the effectiveness of the Audit Committee would be considered at the next meeting.

RESOLVED

That the report and comments made by the Committee be noted.

52 EXTERNAL AUDIT PROGRESS REPORT

The Committee received a report from KPMG, the County Council's External Auditors, which gave an update on the 2015/16 audit deliverables.

The External Auditors drew attention to issues with Agresso which they would examine in February 2016 and the new criteria specified by the National Audit Office detailed in "Value for Money" in the report.

The Committee noted the volatility of the Stock Market and the huge changes effecting pensions which were being examined.

RESOLVED

That the progress report be noted.

53 WORK PLAN

The Committee received a report in connection with its Work Plan.

The Committee discussed the role of the Audit Committee in ensuring that proper risk management was in place to manage the Serco contract. Officers stated that the Value for Money Scrutiny Committee would examine the Key Performance Indicators of the Serco contract. Officers agreed that it was not the role of this Committee to involve itself in operational delivery matters but to ensure that the procedures were in place to cover governance and risk and in this respect an action plan was required to ensure that the Serco contract was being delivered.

RESOLVED

(a) That the review of the Audit Committee's Work Plan 2015/16 to ensure that it contained assurance areas necessary to approve the Annual Governance Statement 2016, be noted.

(b) That the actions identified in the Plan, be noted.

(c) That officers consider the comments made by the Committee in connection with the role of the Audit Committee in identifying and ensuring that risks were managed in the Serco contract.

The meeting closed at 1.25 pm