

**AUDIT COMMITTEE  
26 JUNE 2017**

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

Councillors A J Spencer (Vice-Chairman), P E Coupland, A P Maughan, R B Parker, P A Skinner and A N Stokes

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

Councillors: attended the meeting as observers

Officers in attendance:-

Rachel Abbott (Audit Team Leader), John Cornett (External Auditor, KPMG), David Forbes (County Finance Officer), Pete Moore (Executive Director, Finance and Public Protection), Mike Norman (External Auditor, KPMG), Lucy Pledge (Audit and Risk Manager), Heather Sandy (Chief Commissioning Officer for Learning), Pete Sidgwick, Fiona Thompson (Service Manager - People), Richard Wills (Executive Director, Environment and Economy) and Rachel Wilson (Democratic Services Officer)

**Announcement by the Chairman**

Members were advised that it was proposed to hold the annual training session on the Statement of Accounts separately to the meeting, on 17 July 2017. It was agreed that the meeting of the Audit Committee would still take place on Monday, 24 July 2017 as scheduled.

It was also agreed that this training should be opened up to all councillors.

1 **APOLOGIES FOR ABSENCE**

There were no apologies for absence.

2 **DECLARATION OF MEMBERS' INTEREST**

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

3 **MINUTES OF THE MEETING HELD ON 27 MARCH 2017**

RESOLVED

That the minutes of the meeting held on 27 March 2017 be received and signed by the Chairman.

**4 INTERNAL AUDIT PROGRESS REPORT**

Consideration was given to a report which provided the Committee with details of the audit work undertaken during the period 12 March to 12 June 2017 and also advised on the completion of the 2016/17 Audit Plan and progress with the 2017/18 plan.

It was reported that during this period, 18 County audits had been completed, 7 to final report (including a consultancy assignment) and 10 to draft report stage as well as finalising 1 school audit. It was also noted that there were a further 6 audits in progress.

Members were advised that 3 final reports had been issued with limited assurance – HR Recruitment Processes in Schools; Adult Care Assessments and Heritage Site Financial Controls – and that senior managers would be in attendance for this item to answer any queries from the Committee and provide an update on progress since the audit was carried out.

It was acknowledged that the performance against timescales was quite disappointing, but some causal analysis had been carried out which had identified a number of factors both within and outside of the control of the Internal Audit Team. The Committee was advised that an action plan had been developed to address some of the identified issues. It was hoped that an improvement would be seen as the Team worked through the 2017/18 work plan.

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:

- Concerns were expressed regarding some of the language used in the executive summaries of completed audits which had received substantial assurance such use of the word 'adequate' as it was suggested that this did not reflect a high enough standard. Members were advised that words such as this were used differently in audit terminology, 'adequate' would reflect that required needs were being fulfilled. Officers agreed to take this point into consideration and would look at more consistent use of language.
- In relation to those audits given limited assurance, members were advised that senior officers would be in attendance at this meeting to provide an update on work carried out since the audits took place.
- It was queried whether officers were satisfied that the action plan put in place would lead to improvements in performance. Members were advised that officers were confident that there would be improvements, but were not certain that 100% would be achieved as there would always be factors which were outside the control of the team. It was noted that officers were working on some key areas of business, for example, on how meetings were scheduled, as there were often a lot of delays associated with the starting and finishing of the audit through not being able to get into senior officers diaries.
- It was noted that the indicator in relation to a draft report issued within 2 months of fieldwork commencing was an indicator which was added in by the Audit and Risk Manager to ensure that there was oversight of work underway.

- It was commented there was often the good intentions to do things, but the evidence was not always there and it was queried whether this needed to be an area of concern.
- In relation to the action plan for internal audit, it was queried when the 80% target would be achieved and whether this was realistic. Members were advised that the target was realistic when it was set, but there was an increasing complexity to the audits which were being carried out, and it was now more appropriate for officers to have longer to carry out the more complex work.
- In relation to the actual performance of 39% of the draft report issued within 2 months of fieldwork commencing, it was queried when it was thought that this performance would start improving. It was reported that an improvement was expected immediately and should be seen in the September progress report.
- It was queried whether the 39% performance was an indication of a training need and that managers needed to take requests for meetings with audit more seriously. Members were assured that officers did consider these requests as important. However, they were maybe not as important as other aspects of work.
- It was noted that some audits were more complex than others and so it would take more time to produce the draft report. There were also other times when a service area had had other priorities and so the timeline had slipped. It was suggested that this may be something that the Executive Directors would need to discuss with senior managers.
- It was also noted that a lot of time was lost as meetings would be regularly cancelled and rearranged without being escalated. When there was a difference of opinion between management and audit, this could also cause delays. It was suggested that there may be scope for interim recommendations and action plans to be presented to the Committee before the final report was signed off.
- It was suggested that this could be an opportunity for the Audit and Risk Manager to express the disappointment of the Audit Committee to senior managers, and advise that the Committee thought more priority needed to be given to meetings with internal audit. It was also noted that there had been some turnover and reduction of senior managers which may have had an impact. It was important to help senior managers to see Audit in a different light.
- Members were reassured that senior managers did not perceive the Audit Committee as being there to catch them out.

HR Recruitment Processes in Schools (Fiona Thompson – Service Manager, People Management and Heather Sandy – Chief Commissioning Officer, Learning were in attendance)

- Following the audit, the management team completed a detailed policy review to clarify the guidance to schools.
- The majority of communication with schools took place in September, and it was planned to share the revised policy with schools during this time, it would also be reiterated through the head teacher briefings.

- It was reported that a self-audit tool was being developed which schools would be requested to complete.
- Managers had liaised with those schools where issues had been identified, and a further audit was planned for spring/summer 2018.
- Concerns were raised that it could take time for the message about the revised guidance to get through to all schools as the authority was a large organisation.
- Members were advised that Ofsted had recently inspected the employment processes of 54 schools as part of the schools inspection framework and no concerns had been raised.
- It was noted that it was important that the Council worked with Serco around the contract that they sold to schools, and the minimum standards which were expected in the contract schools could buy from Serco.
- The Council did not have oversight of the employment and recruitment processes in academies. It could only intervene in those academies where there were safeguarding issues which had been referred through the designated officer to the County Council.
- It was queried whether there was any way of asking schools to acknowledge receipt of the communication regarding recruitment processes. Members were informed that the leadership from the Head Teachers and governors would be key in moving forward.
- It was noted that there had been significant changes in schools HR legislation in recent years, which was where some of the gaps had occurred, and now officers were ensuring that head teachers were responding to these changes.
- Members were advised that requirements around DBS had changed, and currently 98% of DBS checks were in place. It was noted that the system for registering was not very user friendly. There had also been an extensive turnover of staff within schools including new administrative staff.
- It was confirmed that the sample size for the audit had been 19 schools.
- In relation to the proposed self-assessment, it was queried whether schools would need to have an evidence base so it did not become a 'box ticking' exercise. Members were advised that the self-assessment would be a rigorous process and uploading it would be the job of the school governors as they would be looked upon to provide challenge where necessary.
- Concerns were raised that the authority had responsibility for something that was not completely visible, and it was queried what assurance there was that checks were now being undertaken properly. Members were advised that officers had gone back to those schools where issues had been identified to ensure that the right check and policies were in place. It was also clarified that the Council was not responsible for recruitment checks in schools. However, what the authority needed to do was assure itself that the risks were being managed, the responsibility and accountability were with the head teachers and governors.
- It was requested that an update on this be brought back in six months.
- Members were assured that work would be put in place to follow up on those schools where problems were identified.
- If the self – audit tool was to be sent out in September, it was queried whether the committee could be updated on how many schools had completed it.

Heritage Sites (Will Mason, County Heritage Manager was in attendance)

- The service was in the process of making a lot of changes, including staffing changes which should lead to improvements in the future.
- The audit identified that stock management was one area where more could be done.
- A risk register for heritage sites had now been set up
- It was queried whether there were targets in relation to money and balancing expenditure with income. Members were advised that previous years had been looked at in terms of setting targets, however, with the recent re-launch of the castle there has not yet been a typical year, and with a programme of events for coming years this target would be difficult to set. There would be a need to review this over a slightly longer term basis, but it would be about stretching these targets and identifying where costs could be controlled.
- It was queried whether officers were looking robustly at cost control and food wastage, as food outlets always had problems with people over ordering food stock.
- It was reported that the area of most risk was Lincoln Castle, and so an external stock taker had been brought in on a temporary basis. There was a need for simple and robust processes for stock management.

Adult Care – Initial and Annual Care Assessments (Pete Sidgwick, Assistant Director – Adult Frailty and Long Term Conditions was in attendance)

- In relation to the potential key risks which were identified for this audit, it was reported that targets had been put in place which were stretching targets. It was also noted that there was no evidence that the service was not hitting the target for the 6-8 week review.
- The new IT system Mosaic would help managers to manage information better and then be able to log where gaps were occurring
- Members were advised that there were activities that officers needed to prioritise, and there was also a limited workforce. Members were advised that the assessments were being undertaken, but they were not always recorded on the system.
- Concerns were raised about whether assessments were being recorded as carried out on the system.
- It was highlighted that one of the key controls was policies and processes, and that the audit was not just looking for a box to tick, but what management oversight there was.
- It was noted that it was planned to schedule an audit of the Mosaic system.
- It was commented that this Committee was not assured that the risks were being managed, and it was queried when internal audit would be able to come back to this Committee and give assurance. Members were advised that a revised opinion should be able to be given when the audit of Mosaic had been carried out.
- It was suggested that it seemed appropriate that Glen Garrod, Executive Director Adult Care and Community Wellbeing should be asked to attend a future meeting of the Committee

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### AUDIT COMMITTEE

26 JUNE 2017

- Members were informed that there would not be any other authority which would achieve 100% in terms of 12 month and 28 days assessments. What was needed was to decide what level of performance was acceptable.

#### RESOLVED

1. That an update on HR Recruitment Processes in schools be brought back to the Committee in six months.
2. That the Executive Director for Adult Care and Community Wellbeing be asked to attend the Committee in relation to the Adult Care – Initial and Annual Care Assessments audit to provide assurance that risks were being managed.

## 5 EXTERNAL AUDIT: PROGRESS REPORT AND TECHNICAL UPDATE

Consideration was given to a report from KPMG which provided the Audit Committee with an overview on progress on delivery of their responsibilities as the Council's external auditors.

Members were guided through the report and were provided with the opportunity to ask questions to the officers present in relation to the information within the report and some of the points raised during discussion included the following:

- It was queried how confident KPMG were that the accounts would be completed on time, and it was reported that at this time the previous year the external auditors had been flagging up issues around the Council's ability to produce a set of accounts. The external auditors were not flagging up any concerns at this stage for this year.
- It was commented that it was important that the right opinion was given rather than getting it completed on time.
- It was noted that there were improvements in the accounts payable, but there were still issues with payroll.
- It was recognised that there were still some issues around systems controls, but these more on a systems basis than the scale of errors.
- It was reported that the Council was still going through management discussions in relation to the opinion, and the control regime transactions were being tested.

#### RESOLVED

That the progress report presented be received.

## 6 DRAFT COUNTER FRAUD WORK PLAN

Consideration was given to a report which provided the Committee with information on the proposed Counter Fraud activities for 2017/18 and the draft Counter Fraud work plan.

On consideration of the draft Counter Fraud Work Plan for 2017/18, members commented that they were assured that the authority was following good procedures.

It was also noted that there had been a successful prosecution of a case which had been to court the previous Friday.

RESOLVED

That the Counter Fraud Work plan for 2017/18 be approved as presented.

7     REVIEW OF GOVERNANCE FRAMEWORK & DEVELOPMENT OF ANNUAL GOVERNANCE STATEMENT 2017

Consideration was given to a report which provided the Committee with an opportunity to consider and approve the Annual Governance Statement (AGS) 2017. It was reported that the Council was required to reflect on how well the Council's governance framework had operated during the year and identify any governance issues that needed to be drawn to the attention of Lincolnshire's residents.

Members were advised that good governance underpinned everything that the Council did and how services were delivered often came under close scrutiny. A 'good' Annual Governance Statement was an open and honest self-assessment of how well the Council had run its business across all activities with a clear statement of the actions being taken or required to address any areas of concern.

The Committee was 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:

- Work had been carried out to make the AGS more readable in plain English.
- Several issues had been identified as needing a watching brief, but they were not significant issues.
- In relation to the overall assurance status for 2015/16 and 2016/17 (as listed on p.105 of the report) it was queried whether a lower level of assurance would be offered for 2016/17, and members were advised that this was correct.
- The effective implementation of Agresso was given very low assurance last year, but improvements were being seen in some areas but not others.
- Each risk was very different in its nature and control regime. For example, safeguarding would always be an amber risk, but there was substantial assurance that risks were being managed and controls were in place. It was suggested whether including a link to the risk register in the Statement would be helpful, and members agreed that it would be.
- It was queried whether the Effective implementation of Agresso system – finance and HR systems risk could be separated out as the problems in the HR systems were being hidden by the improvements on the finance side.
- It was noted that the resilience and business continuity was an emerging risk and so had a watching brief. It was commented whether, in light of events which had happened in London in recent months, there was a need for some assurance that any lessons learned were being taken account of. Members

were advised that checks were being made on all buildings and schools, and so far no safety issues had been identified. It was also reported that the Emergency Planning Team had been instructed to look at the lessons learned following the Grenfell Tower fire, and Lincolnshire's emergency planning approach was far ahead of what had been seen in some other areas. It was queried whether, as this was now a national issue whether it needed to be included in the Statement, however, members were advised that officers would prefer to review this in due course as there would be some very significant issues for some authorities.

- It was clarified that the section in relation to Managing Our Resources (Value for Money) would need to be completed before the external auditors could issue their opinion.

#### RESOLVED

1. That the contents of the Annual Governance Statement 2017 accurately reflected how the Council was run
2. That the Statement included the significant governance issues/key risks the Committee would expect to be published
3. That officers look into whether the risk in relation to the Effective Implementation of Agresso system – Finance and HR systems could be separated to reflect the improvements in the finance systems.

#### 8 WORK PLAN

The Committee received a report which provided information on the core assurance activities currently scheduled for the 2017/18 work plan.

It was clarified that the External Audit Plan due to be submitted to the Committee at its meeting on 26 March 2018 would be the 2017/18 plan rather than the 2018/19 plan as stated in the report.

It was also noted that Glen Garrod, Executive Director for Adult Care and Community Wellbeing would be requested to attend the meeting in July 2017, and the Audit and Risk Manager would contact him regarding getting assurance in relation to the audit carried out on Adult Care – Initial and Annual Care Assessments.

The Chairman advised that the draft Annual Report on the work of the Audit Committee would cover the last six months' work of the Committee. The report would come to this Committee for comments and approval and would then be submitted to Full Council in September 2017.

#### RESOLVED

1. That the actions identified in the Action plan be agreed.
2. That the Executive Director Adult Care and Community Wellbeing be asked to attend the meeting of the Committee scheduled to take place on 24 July 2017 in relation to the Audit on Adult Care – Initial and Annual Assessments.

The meeting closed at 12.30 pm