



County Offices
Newland
Lincoln
LN1 1YL

16 March 2018

Audit Committee

A meeting of the Audit Committee will be held on **Monday, 26 March 2018 at 10.00 am in Committee Room One, County Offices, Newland, Lincoln LN1 1YL** for the transaction of the business set out on the attached Agenda.

Yours sincerely

A handwritten signature in blue ink that reads 'Richard Wills'. The signature is written in a cursive style and is underlined with a blue line.

Richard Wills
Head of Paid Service

Membership of the Audit Committee
(7 Members of the Council + 1 Voting Added Member)

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

Voting Added Member

Mr P D Finch, Independent Added Person

**AUDIT COMMITTEE AGENDA
MONDAY, 26 MARCH 2018**

Item	Title	Pages
1	Apologies for Absence	
2	Declaration of Members' Interest	
3	Minutes of the meeting held on 29 January 2018	7 - 20
4	Payroll Control Environment - Update <i>(To receive a verbal update from Fiona Thompson, Service Manager – People, on the latest developments with the Payroll Control Environment. Councillor B Young, Executive Councillor for Community Safety and People Management will also be in attendance)</i>	Verbal Report
5	External Audit Progress Report <i>(To receive a report from KPMG, the County Council's External Auditors, which gives an update on the 2017/18 audit deliverables)</i>	21 - 32
6	Counter Fraud Work Plan 2018/19 <i>(To receive a report from Dianne Downs, Team Leader – Counter Fraud and Investigations, which provides the Committee with information on the proposed Counter Fraud activities for 2018/19 and draft Counter Fraud Work Plan)</i>	33 - 80
7	Draft Internal Audit Plan 2018/19 <i>(To receive a report from Lucy Pledge, Audit and Risk Manager, which presents to the Committee the draft Internal Audit Plan for 2018/19)</i>	81 - 108
8	Internal Audit Progress Report <i>(To receive a report from Rachel Abbott, Audit Team Leader, which provides the Committee with the opportunity to consider the Internal Audit Progress Report)</i>	109 - 136
9	Review of Governance Framework and development of the Annual Governance Statement 2017/18 <i>(To receive a report from Lucy Pledge, Audit and Risk Manager, which provides the Committee with the opportunity to review the contents of the draft Annual Governance Statement ensuring that it accurately reflects the Committee's understanding of the Council's governance and assurance arrangements)</i>	137 - 158

- 10 Statement of Accounts 2017/18** 159 - 190
(To receive a report by Dave Simpson, Technical and Development Finance Manager, which summarises the changes to the Code of Practice on Local Authority Accounting which will be incorporated into the 2017/18 Statement of Accounts; also the changes resulting from Accounts and Audit Regulations 2015 and the impact on the Council's Statement of Accounts; and the review of the Council's Accounting Policies)
- 11 Update position on Risk Management** 191 - 196
(To receive a report by Debbie Bowring, Principal Risk Officer, which provides the Committee with an update as to the progress made with the refresh of the Strategic Risk Register and an update on risk management generally)
- 12 International Audit Standard - Response to Management Processes Questions** 197 - 206
(To receive a report from Lucy Pledge, Audit and Risk Manager, which provides the Committee with an assessment around whether the County Council and Pension Fund financial statements may be mis-stated due to fraud or error)
- 13 Work Plan** 207 - 214
(To receive a report from Lucy Pledge, Audit and Risk Manager, which provides the Committee with information on the core assurance activities currently scheduled for the 2018/19 work plan)
- 14 CONSIDERATION OF EXEMPT INFORMATION**
In accordance with Section 100(A)(4) of the Local Government Act 1972, the following agenda item has not been circulated to the press and public on the grounds that it is considered to contain exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended. The press and public may be excluded from the meeting during consideration of this item of business.
- 15 IMT Combined Assurance** 215 - 230
(To receive a report by John Wickens, Head of ICT, which provides the Audit Committee with insight on the assurances across the Council's IMT Service)

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Please note: for more information about any of the following please contact the Democratic Services Officer responsible for servicing this meeting

- Business of the meeting
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Contact details set out above.

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AUDIT COMMITTEE 29 JANUARY 2018

PRESENT: COUNCILLOR MRS S RAWLINS (CHAIRMAN)

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

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

Officers in attendance:-

Rachel Abbott (Audit Team Leader), Debbie Barnes (Executive Director, Children's Services), Robin Bellamy (Wellbeing Commissioning Manager), Glen Garrod (Executive Director of Adult Care and Community Wellbeing), Alina Hackney (Senior Strategic Commercial and Procurement Manager), Steve Houchin (Head of Finance (Adult Care)), Tony McArdle (Chief Executive), Pete Moore (Executive Director, Finance and Public Protection), Lucy Pledge (Audit and Risk Manager), Richard Wills (Head of Paid Service and Executive Director, Environment and Economy), Rachel Wilson (Democratic Services Officer), David Forbes (County Finance Officer) and Mike Norman (External Auditor, KPMG)

38 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor P E Coupland.

39 DECLARATION OF MEMBERS' INTERESTS

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

40 MINUTES OF THE MEETING HELD ON 27 NOVEMBER 2017

It was noted, during consideration of the minutes that the Chairman had met with the Leader of the Council and the Chief Executive since the last meeting to raise the Committee's concerns regarding payroll.

RESOLVED

That the minutes of the meeting held on 27 November 2017 be signed by the Chairman as a correct record.

41 COMBINED ASSURANCE STATUS REPORTS

Consideration was given to a report which provided the Audit Committee with an insight on the assurances across all the Council's critical services, key risks and projects.

The Chief Executive and the Executive Directors were in attendance to present their Combined Assurance report and answer any questions from members of the Committee.

Update by the Chief Executive

The Chief Executive thanked the Committee for the opportunity to come and talk about where the authority was and its future direction. Services continued to perform substantially above the national average. However, there were no established measures to determine whether the council as a whole was good or bad, other than those from inspectorates or benchmarking information. The three main areas which had been identified as continuing to operate at a better standard than other authorities were Children's Services, Adult Social Care and Highways and Transport. It was noted that the authority was delivering above average services for below average costs.

In terms of finances, the Council remained in a sound position for the current day and age. It was reported there were some local authorities on the point of insolvency. Lincolnshire was not one of them. County councils such as Lincolnshire were at a significant disadvantage in the way that they were financed when compared to some other authorities.

The Council was further behind in its IT infrastructure than was expected by this point. When the authority entered into the support services contract it was the intention to be ahead of the game in IT services. The current position was a very disappointing place to be. However, there was a glimmer of hope in that as the authority was so far behind, and as IT developments moved so fast, there may be the possibility of 'leapfrogging' some of the difficulties with current technology and begin again from a more advanced position in terms of business operations, equipment and software systems.

There were general difficulties faced by local government as a whole, and it was commented that it was not thought that there was a vision in government of what role local government played, and it would remain a troubled sector.

In terms of planning for tomorrow, there were specific difficulties, such as the NHS in this County which was in a desperate state as standards and quality of care had deteriorated in large parts of the county as financial difficulties escalated. It was highlighted that the authority was very good at providing assistance to health colleagues, for example with delayed transfers of care (DToc), but there was a troubled interface with the NHS, which could affect things for a while. From a management point of view, there had been regular engagement with the NHS.

How the Council worked with the private sector was changing, and work with the private sector would continue but it would not be on the same scale in the future. The capability of large private sector companies to carry out public service contracts was reducing. The market was not as it was, and the way to achieve best value may be to see more services delivered in house.

There was a need to focus on growth moving forward and to support economic development. The Greater Lincolnshire LEP was very actively supported by the Council, and was a very successful LEP.

The public sector in general was under a lot of pressure including district councils, and there were also substantial pressures on the criminal justice system, due to the way in which public services were organised in places like Lincolnshire. The accountability for the NHS and criminal justice system were very distant. It was hoped that there would be more local accountability for local decisions in the future. This was something which would need to be monitored.

The results of the latest staff survey had been made available and this year had seen the highest ever return rate, with around 56% of staff responding. This was a very high figure for a staff survey. The results were largely the same or slightly better than the previous survey. The survey showed that the staff were contented and working hard, with morale at an all-time high. Any problems in relation to staffing would be around competition and retaining staff as the market was becoming a lot more competitive.

Members were provided with the opportunity to ask questions in relation to the update provided and some of the points raised included the following:

- It was commented that some of the difficulties experienced by staff in relation to IT seemed to be in contrast to the results of the staff survey. Members were advised that the survey asked common questions year on year so that comparable data could be obtained. It was acknowledged that the question which related to environment and equipment was the one which scored the lowest, but the score did not drop lower than the previous year. Management were aware that they were asking staff to use IT which was not always fit for purpose and out to date. The biggest disappointment was that the council had not been able to give staff the tools needed to do their job.
- IT governance was one of the threads which had run through the update, and the aspiration was to get ahead of the game with the support services contract, and it was queried whether the Council was actually ahead of the game at the point when the contract began. It was mentioned that there was a belief that the authority may be able to 'leaf frog' from being behind to catch up with current IT development, but it was queried what gave the Chief Executive confidence that this would be possible. Members were advised that at the start of the contract, the authority was not necessarily ahead in terms of IT, but the specification was included to improve what was already in place.
- It was believed that one route to making significant savings was by using IT to engage with the public. Serco were selected as they had implemented this elsewhere.
- It was noted that IT changed at a rapid pace, and the authority had had a 'shopping list' from the beginning of the contract. Some of the things which were on that list would now be redundant.
- There was now a very short space of time in which Serco could show they had improved, and if they were going to do something different, it needed to be now.

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- It was queried whether it was thought that there would still be limited assurance for IT by this time next year. It was hoped not, as by September 2018, the Council needed to be in a significantly advanced position in relation to IT.
- It was commented that the council had a lot of software that was bespoke, and it was queried whether other authorities were facing similar difficulties. It was suggested whether there was an option of the Council running its own software company. However, it was not foreseen that the Council would run its own software systems. It was acknowledged that the authority had been guilty of having too much bespoke IT, and in the future there was a preference for more 'off the peg' systems. The more that the Council could make itself consistent with the rest of the market the better. There was a need to have standard systems which would work from day one.
- The future of social care was discussed, and it was commented that any further funding would need to be used in an unringfenced way.
- It was acknowledged that there were problems with very large organisations bidding for local government contracts, as their ability to deliver these things was not always as expected. This authority would always look to take the best value option, whether that was using smaller, local companies, or larger organisations.
- It was suggested that providing services in house would remain as a significant option as big operators were finding their margins squeezed.

Executive Director for Children's Services

It was reported that Children's Services was wide in terms of its remit, and safeguarding of children was considered to be the priority aspect of work due to the risks safeguarding presented. The work of the directorate was subject to third party assurance through Ofsted, and a short or focused inspection was expected shortly.

Members were informed that there was a stable leadership team, and there was strong performance with the county's schools. School improvement work continued to provide strong results, although performance at some key stages was below national indicators. There remained a small number of hard to move academies in terms of improvement and officers had shared their concerns with the Regional School Commissioner.

School nursing and Health Visiting had been transferred in house which would offer significant opportunity to integrate all services for children and young people.

It was reported that this year had seen the implementation of the Mosaic case management system, which had had significant teething problems, and initially had not been able to provide robust performance information when first implemented. Work was now in the stage where improvement tweaks were required to what was being done, rather than a need for significant changes.

Partnership working with Serco was improving and the authority continued to seek more cost effective and innovative ways of doing things. It was also noted that the

Service had been working with Rotherham Council for two years, and work was just commencing with Tower Hamlets. Consultation was also taking place around a programme of works for special schools.

Due to a recent change in legislation, the authority would be responsible for care leavers until the age of 25, and so there would be work to do with districts around this new responsibility in relation to a joint protocol for housing options.

ICT continued to be a challenge and there was a need to ensure that staff working front line practice had fit for purpose ICT equipment, which was not the case at the moment.

There were also significant pressures and demands on social care. An additional bid for additional resources had been submitted. Recruitment of qualified social workers remained an issue with agency staff making up the shortfall, and the aim was get down to zero vacancies filled by agency staff. Current performance was at 8% which was significantly than national average.

In terms of People Management, there were still issues with payroll to resolve.

Members were provided with the opportunity to ask questions in relation to the update provided and some of the points raised included the following:

- In relation to apprenticeships, it was noted that the project had been slow to start and it was queried whether the Council would lose a significant proportion of the levy. It was also queried whether it was planned to have apprenticeships for hard to recruit to posts. Members were advised, that in terms of the levy, in the first instance, it was over a two year period so the authority should not be penalised. Work had been carried out which meant that the authority was ready to move forward from a procurement perspective for training opportunities. It was also noted that the delays had been at a national level as the training/standards for many apprenticeship schemes were not yet ready. It was noted that this was out of the authority's control as they were being produced at a national level, but members were assured that when the standards were ready, the authority would be ready.
- In terms of supported accommodation, there was an invest to save project that was presented to the Property Board, where fire houses which were no longer required by Fire and Rescue would be converted for use as supported accommodation. It was hoped that the joint protocol with district councils would recognise the local need, and work with the county council to provide accommodation for care leavers so they didn't make themselves intentionally homeless.
- It was commented that the report had highlighted that there was a lack of quality data from Mosaic and Agresso following implementation. It was acknowledged that data which was required on a daily basis, such as how many cases were allocated to a social worker had not been able to be provided at first, however, members were advised that this was not now the case.
- Managers were struggling to manage sickness and appraisals through Agresso. Although, strategic information was available, it was difficult to

understand at an operational level so managers could target resources to help improve sickness levels.

- Members were advised that there was management oversight of the payroll systems by one of the executive directors.
- The Committee congratulated the Executive Director and her team for the work they had done in Rotherham.

Executive Director Adult Social Care and Community Wellbeing

It was reported that winter was often the busiest time of year for Adult Care and Community Wellbeing services.

In terms of delayed transfers of care (DToC), from an Adult Care perspective, performance was very good.

A lot of work was carried out on quality checking as there were 19,000 care workers. There was a small team who focused on quality assurance. Contracting was once a function of Adult Social Care, but this was now carried out by the procurement and commercial team.

In terms of the service sector, there were over 370 providers who were performing to the same standard as the rest of the country. About 80% of those were good or outstanding, none were inadequate, and the rest were improving. The authority worked closely with CQC colleagues and would provide assistance to those providers which were struggling, and would work with them for months if necessary.

The CSC had improved its performance. However, regarding financial assessments undertaken by Serco these were not performing well, but additional resources had since been allocated. ICT had not delivered the channel shift which was expected, which was one of the efficiency drivers. Housing was very important and it was anticipated that the government would expect upper tier authorities to get more involved in supported housing. It was noted that working age adults in need of care were the biggest cost to the authority, at around a cost of £11m each over their care career. Due to this, adult care continued to be a growth industry in terms of cost. Improvements in health and care mean that people with complex needs are now living longer than they previously would have done, which is why meeting housing needs would be important in the future.

The single largest strategic risk that was faced by adult care, would be if the government did not resolve the funding for social care by 2020, when nationally, the service would be facing a cliff edge and social care would start to collapse in parts of the country. It was also noted adult care demanded a lot of public interest in the media. Also, a risk to adult social care was the better care fund (BCF) as it underwrote a number of corporate budgets by £7-8 million, this was in addition to the total value in underwriting adult care costs.

There was a need to improve design standards for houses yet to be built, as if houses were designed slightly differently they would be able to meet the needs of disabled adults, and these adjustments would not cost any more money.

Members were provided with the opportunity to ask questions in relation to the update provided and some of the points raised included the following:

- It was queried why two areas (Adult Frailty and Long Term Conditions and Customer Service Centre) had received low assurance. Members were advised that this was due mainly to the financial assessments. At the organisational level, this generated in excess of £40 million of income as a result of charging, and individuals were assessed on their ability to contribute to care costs. This could result in bills for thousands of pounds if assessments were not carried out in an appropriate time. Serco were not performing as was needed and some people were waiting up to 9 months for financial assessments and then for charges to start. In December 2017, it was arranged with Serco for additional staff to assist with the assessments. Performance data had now changed so managers could monitor how many people were waiting on a monthly basis, which would then be reported to the portfolio holder.
- The CSC was rated as low assurance due to the abandoned call rate, and also that there had been a lot of staff sickness in the team. It was noted, that all of the services performance was now green. The worry was the ability to carry out channel shift was not there, as there was no ability for self-service.
- It was noted that there was £3million in the budget for IT, and there was a recognition that the authority could not pay the lowest amount and expect a high end service. When IT improvements were in place, it was expected that financial assessments would work well, people would continue to have good quality customer experience, and for staff to see it was not just a software programme but it could communicate with other systems so that different organisations were getting information about one person's life. This would provide much richer information, reduce duplication in services and also allow for predictive care.
- In relation to Mosaic, a lot of issues had been ironed out, but it was queried whether assurance could be given that the Council's statutory duties were being met. It was also noted that Lincolnshire was in the upper quartile nationally across the board, but what now needed to be understood was how others would contribute in terms of finance. For example, the BCF needed to be agreed with the four CCG's and the Health and Wellbeing Board and the DFG had to be agreed with the district councils. Work was underway to reduce the risk to the Council.
- When Public Health and Adult Care Director areas were merged into Adult Care and Community Wellbeing in October 2016, all the contracting functions were transferred to the procurement unit. Many of the contracts which received low assurance were historical, and a very different outcome should be found now.
- It was queried whether external providers would be able to use Mosaic and whether there was confidence that other organisations would be able to input into the system. It was noted that Fire and Rescue could already connect to it as of December 2017. It was commented that there were no software problems, but there were connectivity problems, which it was hoped would be resolved in late Spring 2018.

- It was commented that the direction and changes within the directorate could now be seen, and that there was a whole team approach, and it was not just about efficiencies but a better service.
- In terms of the issues faced by the NHS, it was hoped that there were some lessons that could be learned from how adult social care was administered at a local level. There was a need for the NHS to examine its systems and procurement.
- In Lincolnshire, £236 million of services were in a pooled budget and commissioned largely by the Council, most of which were on behalf of the NHS. It was noted that there was beginning to be an understanding in the NHS that there might be some skill sets within the Council that could be of assistance.

Executive Director for Finance and Public Protection

It was reported that there was ongoing risk in relation to finance and reflected in the budget. The Council was currently going through the process to agree its budget for the coming two years. The budget continued to make measured savings supported in a measured way by the use of reserves. The Council had made £290million of savings in the last few years. This was partly due to reducing government grants and also growing pressures.

In terms of the situation after this two years, from 2020 onwards, if nothing changed with Adult Social Care funding or the fairer funding campaign, the authority would need to make a further £20 million of savings. It was noted that the possible savings from back office services had already been made.

In terms of the BCF, if funding was not maintained or increased through other grants this authority would be under severe pressure along with other social care authorities.

Again, the £3million allocated to ICT improvements was highlighted as the importance of this had been recognised.

It was highlighted that continued improvements in assurance levels for the directorate could be seen, in particular, Corporate Property which was performing well. It was noted that the option of setting up a property company was being investigated, as this would allow the Council to do more work around extra care housing as well as solutions for care leavers.

In terms of finance and audit, there were measured improvements on two years ago, but from a financial aspect there was still some work to be done through the Agresso route map.

There would be a need to keep an eye on the situation with Brexit, as the impacts may be with things such as the pension fund. The reduction in the pound had reduced the pension deficit but officers could not be certain what would happen in the future.

Fire and Rescue had had a very positive outcome from a peer review last year, but there were a few things in terms of planning to be followed up in terms of learning, such as the Police and Crime Act and the duty to collaborate with the Police and EMAS.

In relation to Emergency Planning, business continuity plans were due to be reviewed at the beginning of 2017, but there had been a couple of factors which had delayed this activity. However, members were advised that this work would now be completed by summer 2018.

Members were provided with the opportunity to ask questions in relation to the update provided and some of the points raised included the following:

- In relation to the 2% red risks, it was clarified that these related to Business Support budgets and were no longer a red risk. It was reported that Business Support had made savings of around £4 million.
- It was noted that good conversations were taking place with three districts about extra care housing facilities.
- In relation to fairer funding, the Committee was advised that a technical consultation document had been published just before Christmas 2017. It was noted that all the right building blocks had been included in the document, e.g. rurality. However, there was not a lot of new money in the system, and it was thought it would be very difficult to implement or approve radical change in the current system.
- In relation to the 2020 deadline for funding, it was noted that this also coincided with Brexit and it was queried whether there would be any medium term benefits from leaving the EU, and whether there had been any talk at a national level of whether local government might benefit from this. It was commented that if there was a transition period of two years, the financial commitments of the country would be very similar to current arrangements.

Executive Director for Environment and Economy

The increase in amber risks to 44% was acknowledged, but it was commented that this may not necessarily be a bad thing if the risks were understood and planned for. There would be a need to look at the Council's appetite to risk.

The KPMG report which had been carried out in relation to the Support Services Contract had been reported to this Committee on a number of occasions. It was thought that the council now had sufficient oversight and scrutiny in place in relation to the contract. It was also noted that the Council had commissioned Cap Gemini to produce a report identifying the future direction of strategic ICT for the Council. In terms of the current position, it was noted that some of the tasks had had to be brought in house.

In terms of the Agresso upgrade, it was noted that user acceptance testing would be carried out, and it was hoped that staff would be using the upgraded system in March 2018.

In terms of waste management, this was a service which was dependent on seven other partners, and so difficulties were expected. There was a joint waste partnership which was working to make waste services run more smoothly, and it was commented that it was probably in a better position than it had been for a number of years. A food waste trial was about to be undertaken in South Kesteven.

The heritage service was aiming to move to a zero budget base, but may struggle to achieve this in the time set.

In response to the news that Carillion, the contractor appointed to construct the Lincoln Eastern Bypass (LEB), it was noted that whilst this was rare, it was not that unheard of that the Council did not have processes in place for this eventuality. The East Midlands framework had been used to appoint another contractor in the interim to allow works to continue, however, there was a limit on contracts of £25million. A contract had been awarded to Galliford Try and a package of works would be agreed. There would also be a second framework with an unlimited upper contract value. There was the potential for the interim contractor to bid for the second framework contract. It was noted that Carillion had run into trouble due to service related projects, and as a company were looking sound when the Council awarded the LEB contract to them two years ago, and at that time, there was no real reason to expect the company to get into difficulties. Projects of this size had always been awarded to external contractors. Within the Council, there were procedures in place which allowed it to move quickly when situations such as this arose.

Members were provided with the opportunity to ask questions in relation to the update, and some of the points raised included the following:

- It was queried what lessons had been learned in relation to a dependence on the private sector. It was noted that due diligence was done on both sides, and due diligence on the finances were also carried out when the profit warning was issued for Carillion in July 2017. The situation had been watched closely, as well as putting plans in place in the event of a failure of the company.
- Within the last two months, officers had been working out how much money was owed to Carillion, and what was the value of the works which had been carried out so far, and if there were any outstanding payments. It was noted that the main earth works had not been done and the work which had been carried out was well supervised. The railway bridge aspect of the project had been de-risked as it had been carried out by Network Rail. The archaeology work had also been carried out. Finances were now being managed a lot tighter and the authority was making payment in arrears, but it was not unknown for some projects to pay in advance of works.
- It was not possible to comment on whether the collapse of Carillion would have a negative on local businesses. It was possible the incoming contractor may take on some of the sub-contractors.
- In terms of the ongoing profitability of private sector partners, it was queried whether there could be a fixed process where every quarter or 6 months, private sector partners could provide evidence with regards to their profitability as auditors were giving Carillion a clear bill of health. However, members were advised that it was a company's ability to deliver a contract rather than

their ability to stay in business which was looked at. Central government did do a bit of more in terms of checking finances of private sector partners. It was not thought to be a good use of public money for local authorities to look into this as well.

- A company going out of business would not mean that a contract was terminated. A decision would need to be taken by the authority to end the contract.
- It was suggested that the points around continued due diligence work be passed on to the commercial team, but there was a need for balance around the amount of due diligence which was carried out.

RESOLVED

That the updates given and points raised be noted.

42 EXTERNAL AUDIT PROGRESS REPORT

Consideration was given to a report from KPMG, the County Council's external Auditors, which gave an update on the 2017/18 deliverables.

Members were guided through the main sections of the report and were advised that there were no changes to the Code of Audit Practice, and the main difference to previous years, was the bringing forward of the deadline for the draft accounts to 31 May 2018, and the final signed accounts by 31 July 2018.

The Committee noted the revised deadline for the accounts, and also requested whether written assurances could be sought for Clare Pickering who was taking over the role of Audit Assistant and 'In Charge' role, she would be able to carry out this work.

RESOLVED

That the progress report and comments made be noted.

43 INTERNAL AUDIT PROGRESS REPORT

Consideration was given to a report which provided details of the audit work undertaken during the period 1 September and 31 December 2017, as well as advising on the progress with the 2017/18 audit plan.

Members were advised that 20 final audit reports had been issued, with 16 being given high or substantial assurance. Three audits were issued with limited assurance and the full executive summaries were available in Appendix 2 of the report. It was reported that representatives from the service areas would be in attendance to give members updates on what actions had been taken to address the concerns highlighted in the audits.

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It was also noted that one consultancy assignment had been completed, and a further 9 audits had been completed to draft stage.

Officers reported that performance against targets was showing significant improvements. It was also noted that there had been some changes to the Plan since its approval at the start of the year, with some audits being added, and others being moved back.

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:

- In Appendix 3 to the report, outstanding actions as of 30th November 2017, were listed, and it was noted that some dated back to March 2015 and it was queried why they had not been completed. Members were advised that these recommendations related to the integration of IT systems, however, they were still being followed up with the Information Governance team.
- In relation to the Agresso upgrade, it was noted that this would not be going live until March 2018, and it was queried why this had been delayed an extra month. Members were advised that the final testing phase had revealed one or two problems, but nothing major, but they required intervention from the supplier. It was noted that user acceptance testing needed to be completed, as well as penetration testing, where external people would try and get into the system. It was envisaged that the upgrade would be live four weeks from the date of this meeting.
- It was noted that the audit on Cyber Security had not started and it was queried what the reason for this was. Officers advised that this audit had been postponed due to staffing changes with the Chief Digital Officer role. Whilst there was someone acting up in this role audit would continue to work with them until they were in a position for an audit to be carried out. It was confirmed that the main issue in delaying this audit was the change of personnel.
- The significance of these areas was recognised, but it was also recognised that the interim Chief Digital Officer needed time to get to know the systems. The IMT assurance map was due to come to the Committee in March 2018. It was also acknowledged that cyber security was still recognised as a strategic risk.
- It was requested whether the Committee could see a copy of the Cap Gemini report, and it was noted that it was a very technical report.
- In relation to the Agresso upgrade, it was queried whether the testing had been done with live data sets, and it was noted that three payroll runs had been carried out.
- In terms of the outstanding recommendations, it was queried how significant it was that they were still outstanding. It was noted that there would be more impact on the control and risk environment if the assurance given was limited and the recommendations were high priority.
- It was queried whether a comment could be included with the list of outstanding recommendations so the Committee could understand the impact

of these recommendations being outstanding. It was noted that alongside the recommendations was an agreed action plan and the implementation of the recommendations would be tracked, why some had not been implemented would also be looked at.

- The time frame for implementation of recommendations needed to be agreed with management, but, this was generally about three months for high priority recommendations. It was requested whether the manager could be asked to come to the Committee if recommendations had not been implemented six months after the audit, and it was agreed that this would be added into the work plan.
- It was noted that the majority of the outstanding recommendations were related to payroll functions and members were advised that this was on officers' radars.
- It was commented that at the time that reports were completed, managers accepted that the recommendations were high priority, and so it was clear that timescales needed to be realistic. If the recommendations could not be implemented in three months there was a need to set a realistic timescale.

Officers were in attendance to update members on actions taken in relation to the audits carried out for the Wellbeing Service, Adult Social Care Client Contributions and Housing Related Support which were all issued with limited assurance.

In relation to the Housing Support and Wellbeing Service, the following was reported to the Committee:

- All contracts were transferred to the Commercial Team in October 2016 and it was identified very quickly that there were some key risks and so assistance was sought from the Audit Team.
- At the point when the audit was being undertaken, many things had started to be addressed by the Team. Existing contract arrangements were due to come to an end, and these contracts were not always meeting what people required.
- It was an opportunity to demonstrate what governance was put in place, and the audit was able to see that lessons had been learnt.
- All procurement was reviewed in line with the new framework.
- All areas of concerns had been addressed, and through management feedback, the team was keen for Audit to come back to see where processes had been improved.
- Following the transfer of the procurement and contracting, it was noted that from a commissioner perspective, there was reassurance on how contracts would now be delivered. Previously the approach had been very provider led, but was now commissioner led, which was very positive.

In relation to the Client Contributions Policy, the following was reported to the Committee:

- There had been issues around the time lines of assessments. The target was for 75% of assessments to be conducted within 14 days.
- Performance had started to improve, particularly in relation to system issues and timeliness. 75% were now completed within the required timeframe.

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AUDIT COMMITTEE

29 JANUARY 2018

- However, there were still concerns about the other 25%, and steps were being taken to make sure that the impacts were mitigated.
- Issues were being dealt with on a case by case basis.
- It was noted that what other authorities did had been looked at, and it was found that all were doing something slightly different in terms of deadlines. It was up to the authority to look at what was realistic in terms of timelines.
- Serco were supportive of the help being provided by the Council.
- There would be a need to look openly at the policy and the KPI's.

RESOLVED

1. That the outcomes of Internal Audit's work be noted.
2. That relevant managers be asked to attend a meeting of the Audit Committee if recommendations of audits were not implemented within six months.

44 WORK PLAN

Consideration was given to a report which provided the Committee with information on the core assurance activities currently scheduled for the 2018/19 work plan.

It was noted that it would be included in the work plan that managers should be requested to attend a meeting of the Committee if recommendations set out in a final audit report had not been implemented within six months.

It was suggested that a workshop be held in the afternoon of March 26th, following the meeting in the morning, to discuss the work plan and inform the Committee's annual report which would be submitted to Council in May 2018.

It was also noted that the Executive Director Adult Care and Community Wellbeing would be coming back to the Committee in March or June 2018 with a report on the progress with financial assessments.

The Chairman announced that Mr P D Finch, Independent Added Member would be retiring from the Committee at the end of the year and thanked him for his service to the Committee over the years.

RESOLVED

That the work plan, and the points highlighted above be noted.

The meeting closed at 1.20 pm



Regulatory and Other Committee

Open Report on behalf of Pete Moore, Executive Director for Finance and Public Protection

Report to:	Audit Committee
Date:	26 March 2018
Subject:	External Audit Progress Report

Summary:

Report from KPMG, the County Council's External Auditors, giving an update on the 2017/18 Audit deliverables.

Recommendation(s):

The Committee considers the progress report and identify any further information/actions that might be required.

Background

Appendix A is KPMG's report providing an update. This includes

- Audit Plan 2017/18 and progress to date.
- Technical update

Conclusion

The report provides assurance over the progress and delivery of the external audit plan and that any risks to successful production of the financial statements and audit are being effectively managed.

Consultation

a) Policy Proofing Actions Required

n/a

Appendices

These are listed below and attached at the back of the report	
Appendix A	External Audit Progress Report

Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

This report was written by Mike Norman, who can be contacted on 0115 935 3554 or michael.norman@kpmg.co.uk.



External Audit: Progress Report and Technical Update

Lincolnshire County Council

Audit Committee – March 2018

Contents

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Report sections

— External audit progress report 3

Appendix

1. Technical Update 4

This report provides the audit committee with an overview on progress in delivering our responsibilities as your external auditors.

The report also highlights some of the recent communications and other publications on the main technical issues which are currently having an impact in local government.

If you require any additional information regarding the issues included within this report, please contact a member of the audit team.

This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. Public Sector Audit Appointments issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on Public Sector Audit Appointment's website (www.psaa.co.uk).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact John Cornett, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers (on 0207 694 8981, or by email to andrew.sayers@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk, by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3H.

External audit progress report - March 2018

This document provides the Audit Committee with a high level overview on progress in delivering our responsibilities as your external auditors.

At Appendix 1 we have provided a technical update on relevant reports and publications by National Audit Office, CIPFA and other bodies.

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Commentary	
2017/18 Audit	<p>We presented the 2017/18 audit plan for the external audit of the Authority and the Lincolnshire Pension Fund to the January 2018 Audit Committee. We have continued to liaise with management on the significant financial and operational issues at the Council.</p> <p>The Authority and Pension Fund interim audits were carried out January/February 2018. The work included:</p> <ul style="list-style-type: none"> • Updating our risk assessments, including those covering accounting estimates, fraud, IT, service organisations and other aspects of the general control environment. • Understanding the processes (systems) for the identified Significant Accounts, and testing the operation of the controls within those processes. • Testing the journals and financial reporting controls. • Attending a Finance Team training session and providing feedback on the relevant audit issues for this year. • Reviewing the arrangements which are relevant to the VFM conclusion. <p>There are no matters of concern relating to the Pension Fund audit that we need to report to the Committee at this stage. We have further work in progress regarding the normal IAS 19 pension liability testing which we carry out on behalf of the admitted bodies' auditors, which we expect to complete in June/July 2018.</p> <p>The Authority's Payroll system controls continue to be a area of concern and we expect our audit approach to this areas to again be largely substantive.</p> <p>Our work over the coming quarter will include:</p> <ul style="list-style-type: none"> • ongoing liaison with finance staff and Internal Audit and further meetings with senior officers as part of the audit process to better understand the current and longer term issues that the council is addressing; • Confirming the working paper requirements for the final accounts audit, and discussing the recently issued 'Prepared by Client' schedule; • starting our final accounts audits. The Pension fund and County Council audits are planned to start 4 and 18 June 2018 respectively; • Reporting the results of the IAS 19 related testing to the admitted bodies auditors; and • revisiting our VFM conclusion risk assessment and forming our VFM conclusion for 2017/18. <p>The results of our audit will be reported to the July 2018 Audit Committee.</p>
Technical Update	<p>At Appendix 1 we have provided a technical update on a small number relevant reports and publications by the National Audit Office, CIPFA and other bodies which have been issued in recent months.</p>

Appendix 1 - Technical update - NAO publications

Area	Comments
<p>Financial sustainability of local authorities in 2018</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 26</p>	<p>This report reviews developments in the sector and examines whether The Ministry of Housing, Communities & Local Government (the Department) along with other departments with responsibility for local services, understands the impact of funding reductions on the financial and service sustainability of local authorities. NAO reported on the financial sustainability of local authorities in 2013 and 2014. This report updates and builds on that work and draws out the following main conclusions for the Department and Wider Government:</p> <p>The Department</p> <p>The NAO concluded that the sector has done well to manage substantial funding reductions since 2010-11, but financial pressure has increased:</p> <ul style="list-style-type: none"> • Services other than adult social care are continuing to face reducing funding despite anticipated increases in council tax. Local authorities face a range of new demand and cost pressures while their statutory obligations have not been reduced. Non-social-care budgets have already been reduced substantially, so many authorities have less room for manoeuvre in finding further savings. The scope for local discretion in service provision is also eroding even as local authorities strive to generate alternative income streams. • The current pattern of growing overspends on services and dwindling reserves exhibited by an increasing number of authorities is not sustainable over the medium term. The financial future for many authorities is less certain than in 2014. The financial uncertainty created by delayed reform to the local government financial system risks longer-term value for money. • The Department's performance had improved since the NAO's last study. However, conditions in the sector have worsened and the Department must continue to strengthen its oversight and assurance mechanisms to protect against risks to value for money from financial failure in the sector. It must also set out at the earliest opportunity a long-term financial plan for the sector that includes sufficient funding to address specific service pressures and secure the sector's future financial sustainability. <p>Wider government</p> <p>The NAO points out that the Department's capacity to secure the sector's financial sustainability in the context of limited resources is shaped by the priorities and agendas of other departments. The NAO concludes that the Department's improvements in understanding and oversight are necessary but not enough. Equally, because responsibility for services is dispersed across departments, each department has its own narrow view of performance within its own service responsibilities. There is no single central understanding of service delivery as a whole or of the interactions between service areas. The NAO points out that to date, the current spending review period has been characterised by one-off and short-term funding fixes. Where these fixes come with restrictions and conditions, this poses a risk of slowly centralising decision-making. This increasingly crisis-driven approach to managing local authority finances also risks value for money.</p> <p>NAO states that the current trajectory for local government is towards a narrow core offer increasingly centred on social care. This is the default outcome of sustained increases in demand for social care and of tightening resources. The implications for value for money to government from the resulting re-shaping of local government need to be considered alongside purely departmental interests. Departments need to build a consensus about the role and significance of local government as a whole in the context of the current funding climate, rather than engaging with authorities solely to deliver their individual service responsibilities.</p> <p>A copy of the report and other related publications can be found on the NAO website at https://www.nao.org.uk/report/financial-sustainability-of-local-authorities-2018/</p>

Appendix 1 - Technical update - NAO publications

Area	Comments
<p>Converting Maintained Schools to Academies (February 2018)</p>	<p>NAO assessed the Department's approach and the extent of academy conversion; the robustness, cost and speed of the conversion process; and the availability of sponsors and multi-academy trusts to support schools to convert to academies. The report states that:</p> <ul style="list-style-type: none"> by January 2018 the Department had converted nearly 7,000 maintained schools to academies, at an estimated cost of £745 million since 2010-11. Most of the academies had been performing well as maintained schools but it had taken longer than intended to convert a sizeable proportion of underperforming schools that it considers will benefit most from academy status. More recently the Department has started to be more rigorous in its scrutiny of applicants' financial sustainability and governance. Challenges are likely to increase in the future. The Department had not explicitly set out its current policy, but it was unclear how feasible it would be for it to continue to convert large numbers of schools. Most schools that are still maintained by local authorities are primary schools. These include small, sometimes remote, schools that tend to be less easy to integrate into multi-academy trusts. There is substantial variation across the country, in the relative proportions of maintained schools and academies and in the availability and capacity of sponsors to support schools most in need. This complicated position means that it is incumbent on the Department to clarify its policy and make sure that the school system is coherent with all of its parts working effectively together. This will be crucial to secure value for money and provide children with access to good end-to-end schooling <p>A copy of the report can be found on the NAO website at https://www.nao.org.uk/report/converting-maintained-schools-to-academies/</p>
<p>The Adult Social Care Workforce in England (February 2018)</p>	<p>In this report the NAO concludes that Department of Health and Social Care is not doing enough to support a sustainable social care workforce.</p> <ul style="list-style-type: none"> There is widespread agreement that workers feel undervalued and there are limited opportunities for career progression, particularly compared with similar roles in health. The turnover rate of care staff has been increasing since 2012-13 and in 2016-17 reached 27.8%. The vacancy rate in 2016-17 for jobs across social care was 6.6%, which was well above the national average of 2.5%-2.7%. Demographic trends suggest that demand for care will continue to increase and people's care needs will continue to become more complex. The Department estimates that the workforce will need to grow by 2.6% every year until 2035. The social care market is operating in challenging circumstances. Care providers struggle to recruit and retain workers and are incurring additional costs as a result. Local authorities spent 5.3% less on care in 2016-17 compared with 2010-11, and spending is to reduce further over the next two years. Uncertainty over funding is limiting local authorities' ability to plan spending on care. The Department cannot demonstrate that the sector is sustainably funded, which impacts workforce planning. Around 65% of independent providers' income comes from local authority-arranged care. Most local authorities are paying fees below the recommended minimum price for care, putting providers in financial difficulties. There is a risk providers will not continue to invest in areas where there are high proportions of people receiving local authority funded care. The Department has no national strategy to address this workforce challenge and key commitments it has made to help make the sector more attractive, through enhanced training and career development, have not been followed through. The NAO found no evidence that the Department is overseeing workforce planning by local authorities and local health and care partnerships, which commission care. <p>The NAO has recommended that the Department produces a robust national workforce strategy with the support of the Ministry of Housing, Communities and Local Government and that it encourages local and regional bodies to align their own plans to it. The Department also needs to invest more to enable commissioners to set appropriate fees for providers, so they can pay staff adequately and afford to offer career development and training opportunities.</p> <p>A copy of the report can be found on the NAO website at https://www.nao.org.uk/report/the-adult-social-care-workforce-in-england/</p>

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Appendix 1 - Technical update - NAO publications

Area	Comments
<p>Sustainability and transformation in the NHS</p> <p>and</p> <p>Reducing Emergency Admissions</p> <p>Page 28</p>	<p>Sustainability and transformation in the NHS (January 2018)</p> <p>The NAO found that additional funding (the £1.8 billion Sustainability and Transformation Fund in 2016-17) aimed at help the NHS get on a financially sustainable footing (with significantly less funding growth planned from 2017-18 onwards) has instead been spent on coping with existing pressures. The Fund has helped the NHS improve its financial position from a £1,848 million deficit in 2015-16 to a £111 million surplus in 2016-17. The NHS was struggling though to manage increased activity and demand within its budget and has not met NHS access targets.</p> <ul style="list-style-type: none"> • measures taken to rebalance its finances have restricted money available for longer-term transformation, which is essential for the NHS to meet demand, drive efficiencies and improve the service. The NHS transferred £1.2 billion of its £5.8 billion budget for capital projects to fund the day-to-day activities of NHS bodies. • Many trusts are receiving large levels of in-year cash injections, most of which are loans from the Department, which have worsened rather than improved their financial performance. Extra cash support increased from £2.4 billion in 2015-16 to £3.1 billion in 2016-17. • CCGs and trusts are reliant on one-off measures, rather than recurrent savings that are realised each year. Between 2014-15 and 2016-17 the percentage of savings that were non-recurrent increased from 14% to 17% for commissioners, and from 14% to 22% for trusts. This poses a significant risk to the financial sustainability of the NHS in the future. <p>The NAO concluded that progress had been made in setting up 44 new partnership arrangements across health and local government, for a more strategic approach to meeting the demand for health services within the resources available. Partnerships' effectiveness varies and their tight financial positions make it difficult for them to shift focus from short-term day-to-day pressures to delivering transformation of services.</p> <p>NAO made a number of recommendations to the Department, NHS England and NHS Improvement, which includes moving further and faster towards aligning nationwide incentives, regulation and processes, as well as reassessing how best to allocate the sustainability and transformation funding.</p> <p>Reducing Emergency Admissions (March 2018)</p> <p>This report examines progress that the Department, NHS England, NHS Improvement and other stakeholders are making in reducing the impact of emergency admissions on acute hospitals. The report looks at action across acute, primary, community and social care systems rather than focusing on A&E departments alone. It builds on the NAO's 2013 report on <i>Emergency admissions to hospital: managing the demand</i> and our 2016 report on <i>Discharging older patients from hospital</i>, which also examined the pressures on the whole health and social care system.</p> <p>The NAO concluded that the impact on hospitals of rising emergency admissions poses a serious challenge to both the service and financial position of the NHS. Over the last four years, the NHS has done well to reduce this impact despite admitting more people as emergency admissions, largely by reducing length of stay and growing daycase treatment. However, it cannot know if its approach is achieving enduring results until it understands whether reported increases in readmissions are a sign that some people admitted as an emergency are being discharged too soon. The NHS also still has too many avoidable admissions and too much unexplained variation. A lot of effort is being made and progress can be seen in some areas, but the challenge of managing emergency admissions is far from being under control.</p> <p>Copies of the reports can be found at https://www.nao.org.uk/report/sustainability-and-transformation-in-the-nhs/ and https://www.nao.org.uk/report/reducing-emergency-admissions/</p>

Appendix 1 - Technical update - NAO publications

Area	Comments
Round-up for Audit Committees	<p>This interactive round-up of NAO publications is intended to help Audit Committees, Boards and other users by outlining the latest NAO resources for governance and oversight, risk management and strategic management issues. It also sets out how to keep in touch with NAO insight on specific issues and/or sectors. It is published each autumn and spring, covering NAO publications over the previous six months.</p> <p>The March 2018 edition can be found at the following link: https://www.nao.org.uk/report/round-up-for-audit-committees/</p> <p>The publication includes useful articles on:</p> <ul style="list-style-type: none">• Cyber Security• Managing Conflicts of Interest• Contract and Programme Management, including insights and examples from NAO work relating to: managing contracted-out service delivery; commercial capability; and managing markets.

Appendix 1 - Technical update - CIPFA publications

Area	Comments
<p>CIPFA Statement on Northamptonshire County Council being the subject of a Section 114 Notice</p>	<p>In February 2018 the Council's S151 officer issued a 'section 114 notice' (under the Local Government Finance Act 1988) banning all new expenditure at Northamptonshire County Council, with the exception of statutory services for protecting vulnerable people. Further to this an advisory notice (under Section 29 of the Audit and Accountability Act 2014) was issued to the Council by its external auditor which highlighted concerns about the authority's proposed budget and what they claim was an over-reliance on the use of capital receipts.</p> <p>CIPFA's statement says that the news that Northamptonshire County Council is the subject of a Section 114 Notice is not surprising for three reasons.</p> <p><i>First, the local government sector is under enormous strain following significant resource reductions since 2010. CIPFA has advised both the Ministry of Housing, Communities and Local Government (MHCLG) and the LGA that we are likely to see other councils reach this point in the two to three years if the government does not provide a more sustainable framework for local government finances.</i></p> <p><i>Secondly, in the specific case of Northamptonshire, it is a council that has traditionally received tight resources and has generally been a low-cost authority. An adverse OFSTED report placed the corporate position under strain. At the same time the number of elderly people has risen, creating budget pressures.</i></p> <p><i>Thirdly, the county's transformation programme, though innovative, has not yielded sufficient savings and the council depleted its reserves in an unwise manner without alternative compensatory savings of the order needed. However, we have seen other councils suffering the same general and specific strains manage their budgets more effectively. With Northampton, it appears to have now deteriorated too far for the council to be able to manage its finances and government intervention is likely to be needed to set a path for the future.</i></p> <p>CIPFA's statement can be found at the following link: http://www.cipfa.org/about-cipfa/press-office/latest-press-releases/sustainability-of-the-nhs-is-reliant-on-upfront-investment,-robust-governance-and-awareness-of-risk</p> <p>In 2016 CIPFA issued a helpful briefing which looks at what it means to have a balanced budget, what factors have a negative impact on the finances, the impact of a spending freeze and what happens if a Section 114 notice is implemented. The briefing can be found at: http://www.cipfa.org/policy-and-guidance/reports/balancing-local-authority-budgets-and-section-114-notices</p>

Appendix 1 - Technical update - CIPFA and MHCLG publications

Area	Comments
<p>CIPFA Bulletin 01 Closure of the 2017/18 Financial Statements</p>	<p>This bulletin covers the closure of accounts for the 2017/18 year and provides further guidance and clarification to complement the 2017/18 Code of Practice on Local Authority Accounting in the United Kingdom: Guidance Notes for Practitioners (Code Guidance Notes). It addresses, where relevant, frequently asked questions and other issues that have arisen since the publication of the 2017/18 Code Guidance Notes.</p> <p>The Bulletin covers:</p> <ul style="list-style-type: none"> • Changes to the 2017/18 accounts closure timetable • Guidance relating to: <ul style="list-style-type: none"> • Accounting for the Apprenticeship Levy • Accounting standards that have been issued but have not yet been adopted • The item 8 debit/credit determination (housing authorities only) • 'Going Concern' basis of accounts • Other changes introduced by the 2017/18 Code <p>The Bulletin also provides a briefing on the anticipated changes to the 2018/19 Code and future years' Codes.</p> <p>http://www.cipfa.org/policy-and-guidance/cipfa-bulletins/cipfa-bulletin-01-closure-201718</p>
<p>Publication of Statutory Guidance for Local Authority Investments and the Minimum Revenue Provision</p>	<p>The Ministry of Housing, Communities and Local Government (MHCLG) published in February 2018 its summary of responses to the November 2017 consultation, alongside the updated Codes. The MRP guidance applies for accounting periods starting on or after 1 April 2019, with the exception of paragraphs 27-29 of this guidance "Changing methods for calculating MRP", which apply from accounting periods starting on or after 1 April 2018. The Investment guidance applies from accounting periods starting on or after 1 April 2018. None of the changes introduced by the new guidance are expected to have a significant impact on the Council.</p> <p>The new guidance can be found at the following link:</p> <p>https://www.gov.uk/government/consultations/proposed-changes-to-the-prudential-framework-of-capital-finance</p>



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Open Report on behalf of Pete Moore, Executive Director for Finance and Public Protection

Report to:	Audit Committee
Date:	26 March 2018
Subject:	Counter Fraud Work Plan

Summary:

This report provides the Committee with information on the proposed Counter Fraud activities for 2018/19 and draft Counter Fraud Work Plan.

Recommendation(s):

1. To review and approve the Counter fraud Work Plan for 2018/19.

Background

The Counter Fraud Plan for 2018/19 is designed to deliver a tough response to fraud committed against local authorities in Lincolnshire. The draft work plan (see Appendix A – work plan to 31 March 2019) follows best practice guidance and addresses priorities highlighted in the Councils fraud risk assessments.

Conclusion

The Audit Committee plays a key role in monitoring the effectiveness of Counter Fraud arrangements. In considering the proposed Counter Fraud work plan the Committee should be able to:

- Gain assurance that the Council has effective arrangements in place to fight fraud locally
- Confirm that counter fraud resources are targeted to the Council's key fraud risks.

Consultation

a) Have Risks and Impact Analysis been carried out??

No

b) Risks and Impact Analysis

Risk N/A

Appendices

These are listed below and attached at the back of the report	
Appendix A	Counter Fraud Work Plan to 31 March 2019
Appendix B	Counter fraud Staff Contacts
Appendix C	A Councillor's Workbook on Bribery and Fraud Prevention.

Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

This report was written by Lucy Pledge, who can be contacted on 01522 553692 or Lucy.pledge@lincolnshire.gov.uk.



Lincolnshire County Council Counter Fraud Plan 2018/19



March 2018



What we do best.....

Innovative assurance services

Specialists at internal audit

Comprehensive risk management

Experts in countering fraud

..... and what sets us apart

Unrivalled best value to our customers

Existing strong regional public sector partnership

**Auditors with the knowledge and expertise
to get the job done**

**Already working extensively with the not- for-profit
and third sector**

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A. Counter Fraud Plan 2018/19 –schedule	
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C. A Councillor's Workbook on Bribery and Fraud Prevention	



Introduction

1. This report summarises the proposed work of the Counter Fraud and Investigation Team for 2018/19. The aim is to give a high level overview of areas we are likely to cover during the year - giving you an opportunity to comment on the proposals.
2. The plan has been developed as a statement of intent to enable us to respond to changes during the year. Whilst every effort will be made to deliver the plan, we recognise that we need to be flexible and prepared to revise activity – responding to changing circumstances or emerging risks.
3. The Council's counter fraud arrangements demonstrate its continued commitment to strong governance and best use of resources. Our response to Central Government's expectations for tackling fraud and corruption is reflected in the plan. It is important that we maintain our counter fraud response and resilience as the changes to the Council's service delivery continue to evolve.
4. We have provided a copy of "*A councillor's workbook on bribery and fraud prevention*". (Appendix C). This publication was issued jointly in 2017 by Local Government Association (LGA) and Chartered Institute of Public Finance & Accountancy (CIPFA). The workbook supports members to understand how they can gain assurance on the effectiveness of arrangements in place to protect the public purse and fight fraud locally.



Background

5. The Counter Fraud and Investigations Team (CFIT) is well established and has a track record of delivering both proactive counter fraud work and responding to whistleblowing allegations and reports of suspected fraud.
6. The Audit Committee provides oversight on the effectiveness of the Council's counter fraud arrangements – including the progress and delivery of this work plan. We provide Progress Reports during the year and an Annual Report on the outcome of our work.
7. Lincolnshire Counter Fraud Partnership was established in 2015. This partnership is made up of all the local authorities and the Police in Lincolnshire and has during its operation so far:
 - secured fraud / error savings
 - raised awareness of fraud within the Community
 - managed resources more effectively by sharing resources and expertise
 - supported individual partner authorities to develop counter fraud practice
 - pooling intelligence in the fight against fraud
8. Following this success Lincolnshire Council's and Lincolnshire Police have agreed to continue fund this initiative for 2018/19. It is anticipated that savings generated from the work will, in the medium to long term, enable the partnership to become self-funding.
9. The Counter Fraud Plan 2018/19 has been developed to deliver a proportionate response to the risk of fraud for both Lincolnshire County Council and its partners in Lincolnshire Counter Fraud Partnership.



Counter Fraud Plan 2018/19

10. In April 2016, the Government launched the Local Government Counter Fraud and Corruption Strategy 2016-2019 - Fighting Fraud and Corruption Locally. The Strategy is supported by the CIPFA's Code of Practice, providing a blueprint for a tough response to fraud committed against local authorities.

11. The Council's counter fraud arrangements are designed to adhere to the principles and specific areas expected and identified in the CIPFA Code of Practice.

12. To ensure that the plan reflects key areas, we have aligned the 2018/19 Counter Fraud plan to the CIPFA Code's 5 key principles:

- Acknowledge responsibility
- Identify risks
- Develop Strategy
- Provide resources
- take action

13. Our Counter Fraud Plan and indicative scope have therefore been developed to:

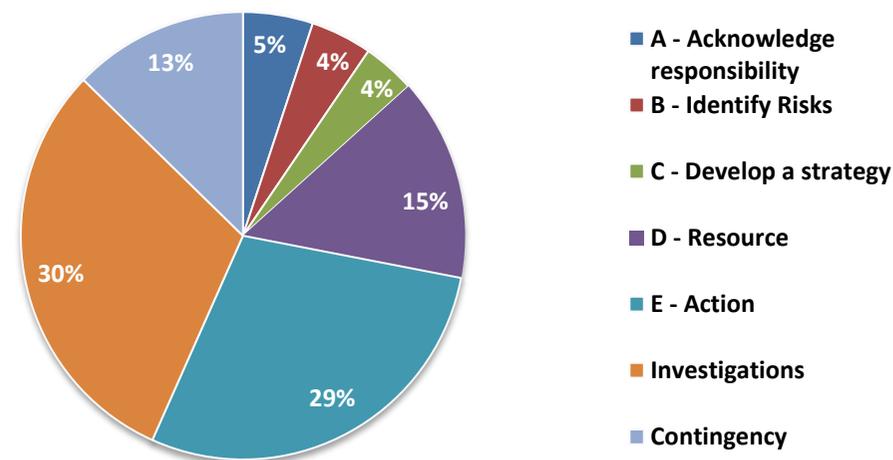
- ensure continuing good practice for fraud prevention and detection
- respond to higher risk areas identified in LCC's Fraud Risk Register
- tackle cross cutting themes identified by the

Lincolnshire Counter Fraud Partnership

- react to emerging fraud risks

14. We propose to allocate our Counter Fraud resource as shown in **Figure 1** - with the proposed counter fraud activities outlined at Appendix A. The plan identifies specific areas that will be delivered, but also some unallocated contingency. The contingency allows for greater flexibility to respond to emerging risks and larger scale investigations.

Figure 1: Allocation of counter fraud resource by activity.



15. During 2018/19 key areas of counter fraud activity will include:

- Communication to raise awareness of key fraud messages
- Procurement Fraud (proactive exercise targeted in higher risk areas)
- Cyber Fraud – 'deeper dive exercise' to follow up Audit ICT security audit
- continue to work closely with the Internal Audit Team and use our data analytic expertise to enhance our analysis of fraud and error testing across the key financial systems – this will use a continuous testing approach that will allow us to identify trends and patterns within transactions.

16. We will participate in the National Fraud Initiative data matching exercise 2018/19 and expect results of data matches to be provided early in 2019. We will review data matches provided in the reports to identify fraudulent transactions and errors requiring attention.

17. We will continue our whistleblowing and counter fraud awareness activity - raising awareness and understanding of corporate fraud at all levels.

18. Action plans will continue to be produced from our work on investigations and proactive counter fraud exercises to aid organisational learning and prevent issues reoccurring. We have included follow up work in this year's plan, to assess how effective these actions have been.

19. The Lincolnshire Counter Fraud Partnership will continue to co-ordinate the response of Lincolnshire local authorities in tackling high risk areas of corporate fraud. We aim to maximise recoveries for all partners where possible as well as building fraud awareness and sharing best practice.

20. A total of 785 days in the 2018/19 Counter Fraud Plan will include capacity to deliver the Lincolnshire Counter Fraud Partnership work plan. For comparison; in 2017/18 the Counter Fraud Plan was 805 days.



Staff Resource

21. The core team who will deliver the Counter Fraud Plan are:

Name	Grade
Dianne Downs	Audit Team Leader
Donald Adams	Principal Investigator
Matt Drury	Principal Investigator
Gillian Martin	Principal Investigator
TBC (mid-year vacancy)	Principal Investigator
Ashley Simons	Senior Investigator

Full contact details for the team can be found at Appendix B

22. The team will be supported by specialists from Assurance Lincolnshire and our wider audit frameworks as and when appropriate and by our pool of Relief Conduct Investigators.

23. An indicative staff mix delivering our Counter Fraud plan to you is shown below:

Grade	2018/19 plan (Average Days)	Grade Mix %
Head of Corporate Audit & Strategic Risk Management	40	5%
Audit Team Leader	90	11%
Principal Investigator	460	59%
Senior Investigator	195	25%



Appendix A – Counter Fraud Plan 2018/19

Specific step (from CIPFA Code of Practice)	Nature of work	Indicative Scope	Scheduling
CIPFA Code of Practice – Key Principle A : Acknowledge Responsibility			
A1 - Acknowledge the threat of fraud and corruption	<ul style="list-style-type: none"> Engagement and training Fraud awareness Website updates Response to the Home Office Report on Serious and Organised Crime Continued promotion of e-learning package (in conjunction with Lincolnshire Counter Fraud Partnership) 	Briefing sessions – training for members, management and staff (general and specific fraud areas).	Throughout 2018/19
A2 - Acknowledge the importance of a culture that is resilient to the threats of fraud and corruption		Annual Plan for Counter Fraud activity to Audit Committee	Quarter 1 (2018/19) & Quarter 4 - March 2018 (19/20 Plan)
A3 - Governing Body acknowledges its responsibility for the management of its fraud and corruption risks		Continued development of fraud resilience through the Lincolnshire Counter Fraud Partnership (LCFP).	Throughout 2018/19
A4 - Governing Body sets a specific goal of ensuring and maintaining its resilience to fraud and corruption		Roll out of fraud e-learning module for members	Quarter 1
		Updates, risks, results and information (various publications and channels)	Throughout 2018/19

Specific step (from CIPFA Code of Practice)	Nature of work	Indicative Scope	Scheduling
		Response to Serious Organised Crime Pilot Project across Lincolnshire	Ongoing – continued in 2018/19
40 Days (5%)			

Specific step (from CIPFA Code of Practice)	Nature of work	Indicative Scope	Scheduling
CIPFA Code of Practice – Key Principle B : Identify Risks			
B1 - Fraud risks are routinely considered as part of risk management arrangements	<ul style="list-style-type: none"> • Research and intelligence gathering to highlight emerging risks • Benchmarking activity • Update fraud risk profile • Analysis and publication of fraud losses 	Participation in Midlands Fraud Group, work with FFCL Board (Fighting Fraud & Corruption Locally), CIPFA Counter Fraud Centre, follow up of NAFN alerts and horizon scanning for relevant legislative changes Review and update of the Council's Fraud Risk register. Participation in CIPFA Fraud and Corruption Tracker (CFaCT) Annual Survey	Throughout 2018/19 Quarters 2 & 3 Quarter 1 (June submission)
B2 - The organisation identifies the risks of fraud and corruption			
B3 - The organisation publishes estimates of fraud loss to aid evaluation of fraud risk exposures			
B4 – The organisation evaluates the harm to its aims and objectives			

Specific step (from CIPFA Code of Practice)	Nature of work	Indicative Scope	Scheduling
		Annual and progress reports of counter fraud activity to Audit Committee Data analysis & risk assessment: <ul style="list-style-type: none"> • for counter fraud proactive exercises • to support key control and continuous testing 	Quarter 1 (for June 2018) Quarter 3 (for January 2019) Throughout 2018/19
35 Days (4%)			

Specific step (from CIPFA Code of Practice)	Nature of work	Indicative Scope	Scheduling
CIPFA Code of Practice – Key Principle C : Develop a Strategy			
C1 - Governing Body formally adopts a counter fraud and corruption strategy to address identified risks C2 - Strategy includes the organisation's use of joint working or partnership approaches C3 - The strategy includes both	<ul style="list-style-type: none"> • Counter Fraud Strategy • Review and refresh policy documents 	Refresh & promote Counter Fraud Strategy Review and updates of Policies including: <ul style="list-style-type: none"> • Counter Fraud Policy • Fraud Response Plan • Fraud Communication Strategy 	Quarter 1 Quarter 1 Quarter 1 Quarter 2

Specific step (from CIPFA Code of Practice)	Nature of work	Indicative Scope	Scheduling
<p>proactive and responsive approaches:</p> <p>Proactive action:</p> <ul style="list-style-type: none"> • Develop counter fraud culture • Prevent fraud through implementation of robust internal controls • Use of techniques such as data matching • Deterring fraud attempts by publicising the organisation's anti-fraud and corruption stance and the actions it takes against fraudsters <p>Responsive action:</p> <ul style="list-style-type: none"> • Detecting fraud through data and intelligence analysis • Implementing effective whistleblowing arrangements • Investigating fraud referrals <p>Applying sanctions and seeking redress</p>		<ul style="list-style-type: none"> • Money Laundering Policy (ML) <p>Activity planning of pro-active counter fraud work - response to risk assessment and data analytics.</p>	<p>Quarter 4</p> <p>Quarter 1</p>
<p>30 Days (4%)</p>			

Specific step (from CIPFA Code of Practice)	Nature of work	Indicative Scope	Scheduling
CIPFA Code of Practice – Key Principle D : Provide Resources			
D1 - Annual assessment whether level of resource invested to countering fraud and corruption is proportionate to the level of risk	<ul style="list-style-type: none"> Lincolnshire Counter Fraud Partnership Midlands Fraud Group Collaboration with and support to Internal Auditors at Assurance Lincolnshire Manage pool of Conduct Investigators 	Fraud advice across LCC services areas and to strategic partners.	Throughout 2018/19
D2 - The organisation utilises an appropriate mix of experienced and skilled staff		Management of Lincolnshire Authorities Whistleblowing Facility.	Throughout 2018/19
D3 - The organisation grants counter fraud staff unhindered access to its employees		Development of internal data analytics capability – system upgrade and training	Throughout 2018/19
D4 - The organisation has protocols in place to facilitate joint working and data and intelligence sharing		Response to Serious Organised Crime Pilot Project across Lincolnshire	Throughout 2018/19
		Use of pooled funding contributions from Lincolnshire's District Councils and Lincolnshire Police for provision of support to the Lincolnshire Counter Fraud Partnership	Throughout 2018/19
		Delivery of 3 Lincolnshire Counter Fraud Partnership meetings	Quarter 1, 3 & 4
		Training & induction of new staff to Counter Fraud & Investigations Team	Q1/2

Specific step (from CIPFA Code of Practice)	Nature of work	Indicative Scope	Scheduling
		Resource swap with North East Lincolnshire Council (to facilitate independent audit review of Counter Fraud Arrangements). Engagement with national and regional best practice groups including co-ordination of Midland Fraud Group meetings	Q3 Throughout 2018/19
115 Days (15%)			

Specific step (from CIPFA Code of Practice)	Nature of work	Indicative Scope	Scheduling
CIPFA Code of Practice – Key Principle E : Take Action			
E1 - The organisation has put in place a policy framework which supports the implementation of the Counter Fraud Strategy E2 - Plans and operations are aligned to the strategy E3 - Making effective use of initiatives to detect and prevent fraud, such as data matching or	<ul style="list-style-type: none"> • Participation in the National Fraud Initiative 2018/19 • Proactive counter fraud exercises • Data analysis • Investigations – whistleblowing referrals • Investigations – fraud • Applications of sanctions • Seeking redress 	Data provision & analysis of data matches identified through National Fraud Initiative 2018/19 Proactive counter fraud exercises: <ul style="list-style-type: none"> • Procurement fraud (specific areas) • Cyber risks (deeper dive exercise to follow up internal audit's review of ICT security arrangements). 	Q1 & 2 (data provision) Q4 - investigate Throughout 2018/19

Specific step (from CIPFA Code of Practice)	Nature of work	Indicative Scope	Scheduling
<p>intelligence sharing</p> <p>E4 - Providing for independent assurance over fraud risk management, strategy and activities</p> <p>E5 - Report to the Governing Body at least annually on performance against the counter fraud strategy and the effectiveness of the strategy. Conclusions are featured within the Annual Governance report</p> <p>* Note also Specific Step – C3</p>	<ul style="list-style-type: none"> • Advice • Promotion of counter fraud activity • Organisational learning • Reports to Audit Committee 	<ul style="list-style-type: none"> • Follow up of investigations recommendations • Adult Social care <p>Investigations arising from whistleblowing reports and frauds identified</p> <p>Production of management reports and action plans to aid organizational learning – investigation outcomes and learning points</p> <p>Applications of sanctions – civil, disciplinary and criminal</p> <p>Seeking redress where successful prosecutions are achieved</p> <p>Promotion and publicity work through various media channels including fraud prevention measures</p> <p>Provision of advice on fraud risks and mitigating controls</p>	<p>Throughout 2018/19</p> <p>Throughout 2018/19</p> <p>Throughout 2018/19</p> <p>Throughout 2018/9</p> <p>Throughout 2018/19</p> <p>Ongoing</p>
<p>465 Days (59%) - Including 240 days (30%) for investigations</p>			

Specific step (from CIPFA Code of Practice)	Nature of work	Indicative Scope	Scheduling
Contingency	Emerging risks		
161 Days (20%)			

Appendix B –STAFF CONTACTS

NAME	GRADE	TELEPHONE	EMAIL
Lucy Pledge	Audit and Risk Manager	01522 553692	Lucy.Pledge@lincolnshire.gov.uk
Dianne Downs	Team Leader- Audit	01522 553682	Dianne.Downs@lincolnshire.gov.uk
Donald Adams	Principal Investigator	01522 553689	Donald.Adams@lincolnshire.gov.uk
Matt Drury	Principal Investigator	01522 548867	Matt.Drury@lincolnshire.gov.uk
Gillian Martin	Principal Investigator	01522 676501	Gillian.Martin@lincolnshire.gov.uk
Ashley Simons	Senior Investigator	01522 552798	Ashley.Simons@lincolnshire.gov.uk

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A councillor's workbook on bribery and fraud prevention



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Foreword

This workbook has been designed as a learning aid for elected members. It makes no judgement about whether you have been a member for some time, or whether you have been elected more recently. If you fall into the former category the workbook should serve as a useful reminder of some of the key skills, approaches and tactics involved in neighbourhood and community engagement – it may even challenge you to reconsider how you have approached aspects of the role to date.

Those members who are new to local government will recognise that they have much to learn. The workbook will help you to get up to speed on the main areas of the neighbourhood and community engagement role that require focus and attention. In effect, it should provide you with some pointers on how to develop a style and approach that you are comfortable with, and that enables you to be most effective in your day to day duties.

The workbook offers few firm rules for ward members as it is recognised that each individual must decide how best to approach the role. This will be influenced by the other commitments in your life, the type of ward you represent and the methods and approaches that suit you best. There is no presumption about 'typical wards' or 'typical members' and the workbook should serve more as a direction marker rather than a road map.

In practical terms, the document will take between two to three hours to work through. You do not need to complete it all in one session and may prefer to work through the material at your own pace. The key requirement is to think about your own approach to neighbourhood and community engagement – how the material relates to your local situation, the people you serve and the council you represent.

In working through the material contained in this workbook you will encounter a number of features designed to help you think about the issues surrounding the development of neighbourhood and community engagement. These features are represented by the symbols shown below:



Guidance – this is used to indicate guidance, research, quotations, explanations and definitions that you may find helpful.



Challenges – these are questions or queries raised in the text which ask you to reflect on your role or approach – in essence, they are designed to be thought-provokers.



Case studies – these are 'pen pictures' of approaches used by councils elsewhere.



Hints and tips – a selection of good practices that you may find useful.



Useful links – these are signposts to sources of further information that may help with principles, processes, methods and approaches.

Bribery and fraud prevention

Every organisation whether large or small is at risk from fraud and councils are no exception to this.

All councils have a duty to protect the public purse and a major part of this is by limiting exposure to fraud and corruption and reducing risk through effective prevention and detection. Authorities, even the smallest, are constantly under threat from fraudsters whether that be single person discount fraud, reducing council revenue or a cyber-attack causing a major data loss, reputational damage and fines from the information commissioner.

Fraud is estimated to cost UK councils around £2.1 billion per year which is money that cannot be used to support local communities.

As an elected member you have a range of statutory and moral obligations to protect the assets of your authority and you also need to equip yourself with the knowledge to deal with enquiries and questions from residents.

Section 1 Fraud from a local authority perspective

The scale of fraud

The challenge presented by fraud to councils is significant. As stated in 'The Local Government Counter Fraud and Corruption Strategy 2016-2019' (usually known as Fighting Fraud and Corruption Locally), it is estimated that fraud costs councils around £2.1 billion each year and some reports produced by other organisations suggest that this figure could actually be higher.

The CIPFA (Chartered Institute of Public Finance and Accountancy) counter fraud and corruption tracker, known as CFaCT is an annual survey of fraud activity in councils (and some other public bodies) and measures detection rates across local government and across different types of fraud. Based on returns in 2016 CIPFA estimates that over £325 million worth of fraud was detected in the UK public sector in 2015/16, with the biggest fraud areas being council tax and housing tenancy fraud. In previous years housing benefit fraud will have figured highly on this list.

Whatever the stats and reports say, it is clear that every pound lost by councils to fraud is a pound that cannot be spent on supporting the community.



Useful links

The full CFaCT report for the UK can be found here:

www.cipfa.org/services/counter-fraud-centre/fraud-and-corruption-tracker

If your authority took part in the survey they will have received a free comparison report showing their counter fraud activity compared to other authorities in the same tier. See if you can obtain a copy from your fraud manager or head of internal audit.

If your council didn't take part in the survey perhaps you can encourage them to do so next year?

The Fighting Fraud and Corruption Locally strategy and companion documents can be found at:

www.cipfa.org/services/counter-fraud-centre/fighting-fraud-and-corruption-locally

The impact of fraud

The impact of fraud should never be underestimated. Fraud leaves the council with less to spend on services for residents and costs taxpayer's money. Fraud against a local council is not a victimless crime.

There's not only the lost/stolen money to consider but also the:

- loss of working time, with officers putting things right and liaising with police and lawyers
- cost of the investigation and any subsequent court costs
- increased insurance premiums.

There are also non-financial implications that are often forgotten. These will also, indirectly, have a financial impact, which is often difficult to qualify, such as:

- reduced or poor service for residents
- political impacts, eg government interventions, by-elections
- reputational damage for individuals or the council as a whole
- poor staff morale leading to poor performance and/or more fraud.

What is fraud?

‘Fraud is any intentional act or omission designed to deceive others, resulting in the victim suffering a loss and/or the perpetrator achieving a gain.’

‘Managing the business risk of fraud’

published by the Institute of Internal Auditors, et al

There are a number of definitions of fraud that are commonly used, however the majority of crimes committed that are considered to be fraud will be prosecuted under the Fraud Act 2006. Many activities that are carried out by councils are covered by specific legislation, for example, offences such as making false statements in order to obtain a council house or unlawful sub-letting of a council tenancy.

Fraud Act 2006

This legislation was introduced to make the law of fraud simpler and more readily understandable providing a clear understanding of the ways in which fraud can be committed. The Act gives us the provision for the general offence of fraud which is made up of three key sections:

- S2. Fraud by false representation
- S3. Fraud by failing to disclose information
- S4. Fraud by abuse of position.



Challenges

Think about the services that your council provides and identify some fraudulent activity that might occur within each of the categories.

Answers:

S2. Fraud by false representation

S3. Fraud by failing to disclose information

S4. Fraud by abuse of position

If you would like to know more about the Fraud Act 2006 the key provisions of the Act can be found here www.legislation.gov.uk/ukpga/2006/35/contents

There are many other 'activities' that may fall under the overarching definition of fraud and are indeed types of fraud, the most common of these include:

- corruption
- bribery
- theft
- money laundering.

To give a clearer understanding of these terms, they can be defined as:

- **Corruption:** The misuse of a person's position to commit offences, which can include theft, extortion and a number of other crimes, including the soliciting of bribes. The defining characteristic of corruption is that it involves collusion between two or more individuals and is often associated with those holding public office.
- **Bribery:** The offering, giving, receiving, or soliciting of any item of value, or an advantage to another person, to induce that person to improperly perform a relevant function or activity, or to reward them for improper performance.
- **Theft:** Dishonestly appropriating property belonging to another with the intention of permanently depriving that person of it.
- **Money laundering:** The process by which criminals attempt to disguise the original ownership and control of the proceeds of criminal activity by making such proceeds appear to have derived from a legitimate source.



Useful links

You can find out more about bribery and corruption by completing the CIPFA's Bribery and Corruption e-learning module, in partnership with the LGA. To access the site for the first time, please email: elearning@local.gov.uk
<http://lms.learningnexus.co.uk/LGA>

Areas of fraud risk for councils

The estimated annual loss to fraud in councils is £2.1 billion. According to the CIPFA Fraud and Corruption Tracker 2016, the areas posing the highest fraud risk were:

1. **Council tax fraud**
Fraud can occur when an individual intentionally gives incorrect or misleading information in order to pay less or no council tax. Examples include someone stating that they live alone when another adult also lives there or someone claiming to be a student when they aren't.
2. **Social housing/tenancy fraud**
The unlawful misuse of social housing. This can be broken down into two main areas; social housing fraud and Right to Buy fraud. The former includes offences such as unlawful subletting, false applications, non-residency and unauthorised tenancy succession and the latter includes fraudulent applications under the right to buy/acquire schemes.
3. **Procurement fraud**
This occurs in connection within the local authority supply chain. It can happen at any point throughout the procurement cycle but is particularly prevalent in the contract letting phase. It can also include tendering issues, split contracts and double invoicing.
4. **Adult social care and direct payments**
Includes overstatement of needs through false declarations, multiple claims across authorities, collusion with care agencies and posthumous continuation of claims.

Other high risk fraud areas for councils

Housing benefit fraud

Councils are no longer responsible for the investigation of this fraud but as administrators of this benefit there is a responsibility to actively prevent attempts of fraud and to notify the Department of Work and Pensions (DWP) of any suspected fraudulent activity including false applications and failing to declare changes in circumstances.

Business rates (NNDR) fraud

Offences include providing false details to obtain exemptions and reliefs and unlisted properties.

Blue Badge misuse

There are 2.39 million Blue Badges in issue in the UK and it is estimated that 20 per cent of these are subject to fraudulent misuse such as use of the badge when the holder is not present and the alteration of a badge.

Recruitment fraud

Includes false CVs, job histories, qualifications, references or referees.

Insurance fraud

False claims made against a council or their insurers such as 'trips and slips'.

Grant fraud

There are many different types of local authority grants paid out to individuals, businesses and charities. Fraud types include work not carried out, funds diverted, ineligibility not declared.

Cyber fraud

Such as phishing, allows a range of fraud types resulting in diversion of funds and the creation of false applications for services and payments.

Pension fraud

Occurs when the pension provider is not notified of changes in circumstances and payments continue to be cashed fraudulently. Examples include failure to notify the pension provider about the death of the recipient and failure to declare returning to work after retirement.

No recourse to public funds

Fraudulent claim of eligibility, usually by the provision of false papers or by overstaying.



Case study Dudley Metropolitan Borough Council's Code of Practice

Dudley Metropolitan Borough Council has codes of conduct for employees and councillors which set out the high standards expected of them. These are also intended to relay certain messages to all suppliers as there is a growing expectation that all service providers in local government should adhere to the same principles of being open and transparent when dealing with colleagues, residents and partners.

In developing its 'Suppliers' Code of Practice' Dudley aimed to reinforce good working practices and to stamp out fraud, bribery, corruption and unacceptable business practices.

Staff who buy in goods and services on behalf of the authority and all suppliers are required to work to the guidelines in this code of practice.

All active suppliers have received an email announcing the launch of the code and shown where the code is available on the council's website. The code includes useful contacts if people want to report problems to the council and reinforces the availability of a fraud hotline operated by Audit Services.

Audit Services also intends to approach key suppliers to obtain feedback and ask for written assurance that they comply with the code.

Dudley's leaflet 'Beating fraud is everyone's business', which sets out guidelines for employees, managers and councillors, is available on the CIPFA website.

www.cipfa.org/services/counter-fraud-centre

Reproduced from Fighting Fraud and Corruption Locally 2016-19

Section 2 Council and councillor responsibilities in relation to fraud prevention and detection

Well governed organisations have a range of policies, procedures and frameworks to support effective risk management, transparency, accountability, financial control and effective decision making, many of which relate directly or indirectly to fraud prevention. Applying these is not only the responsibility of the audit committee or cabinet.

As an elected member, you have an essential role to play in protecting the public purse, in particular within your council. You are responsible for ensuring that your authority adequately manages its risks and that local residents receive value for money. -You have a duty of trust to residents called the 'fiduciary duty' and a major part of this is ensuring that your council adequately controls its finances to reduce losses to fraud and corruption.

In addition to your fiduciary duty, as a councillor you are a public servant and are expected to uphold certain standards of conduct and behaviour in your public life. The Committee on Standards in Public Life calls these standards the 'Seven Principles of Public Life' (also known as the Nolan Principles).



Useful links

If you would like to read more the full report on the Seven Principles of Public Life can be found here:

www.gov.uk/government/uploads/system/uploads/attachment_data/file/543819/CSPL_Annual_Report_2015-2015.pdf

The seven principles of public life

The Seven Principles of Public Life apply to anyone who works as a public office-holder. This includes all those who are elected or appointed to public office, nationally and locally, and all people appointed to work in the civil service, local government, the police, courts and probation services, non-departmental public bodies (NDPBs), and in the health, education, social and care services. All public office-holders are both servants of the public and stewards of public resources. The principles also have application to all those in other sectors delivering public services.

1. Selflessness

Holders of public office should act solely in terms of the public interest.

2. Integrity

Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.

3. Objectivity

Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.

4. Accountability

Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.

5. Openness

Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.

6. Honesty

Holders of public office should be truthful.

7. Leadership

Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

As a councillor you are expected to adhere to a code of conduct. A similar code of conduct will also apply to officers of your council. However, the biggest threat is from external sources, whether that is residents who may lie or exaggerate their circumstances to defraud or steal from the council or large scale, organised fraudsters, attacking public sector organisations as they perceive them to be a 'soft target'.

As a councillor your role in protecting the public purse may take a number of guises depending on your role and the responsibilities of your council but they may include:

1. reporting suspicious activity in your locality to your audit or fraud team eg subletting or council tax evasion
2. scrutinising risk registers and challenging if the fraud risks appear to not be well managed
3. oversight and scrutiny of budgets, especially in high risk areas
4. ensuring you declare any interests if you sit on committees such as planning
5. monitoring performance of your audit or fraud team with regard to detection and prevention of fraud
6. supporting the principles of good governance, and supporting an anti-fraud culture across the council, including whistleblowing
7. supporting the publicising of successful prosecutions by your council to act as a deterrent and perhaps providing quotes to the press if appropriate.

Something to think about...

'Most public officials have probably never been offered a bribe and would feel pretty confident that they could spot the offer. If they don't necessarily think of themselves as totally incorruptible, they often think they can avoid getting entangled in situations where their conduct may be called into question. However, thinking you don't need help or guidance in knowing what is legal or illegal, or even what is right or wrong, in every circumstance is a risk – a risk that could and should be avoided by getting the most of what help and guidance is available.'

Prof Alan Doig

Visiting Professor, Newcastle Business School,
Northumbria University

Section 3 The fraud response

Councillors are not responsible for investigating fraud. If you become aware of fraud, or suspect it, you should immediately report it to the responsible officer in accordance with your authority's local procedures and policies. Do not be tempted to begin an investigation yourself, even if this appears to be helpful.

However, you should be aware of the arrangements your council has in place for responding to fraud and this is particularly important if you are given special responsibilities in this area, such as being a member of the audit and/or governance committee.



Activity

What are your council's procedures for councillors to report fraud or suspicions of fraud? If you do not know, check with your member support officer or your authority's monitoring officer.

A robust and strategic approach is required to effectively tackle fraud perpetrated against local government organisations.

In order to tackle fraud risk, councils should have in place a strategic response based upon three basic principles as detailed below:

Acknowledge	Prevent and Detect	Pursue
Acknowledging and understanding fraud risks	Preventing and detecting more fraud	Being stronger in punishing fraud/ recovering losses
↓	↓	↓
<ul style="list-style-type: none"> Assessing and understanding fraud risks Committing support and resource to tackling fraud Maintaining a robust anti-fraud response 	<ul style="list-style-type: none"> Making better use of information and technology Enhancing fraud controls and processes Developing a more effective anti-fraud culture 	<ul style="list-style-type: none"> Prioritising fraud recovery and the use of civil sanctions Developing capability and capacity to punish fraudsters Collaborating with law enforcement

Fighting Fraud and Corruption Locally 2016-19

Acknowledge

This is key and will underpin any anti-fraud strategy. If an organisation does not accept that they are at risk from fraud, then they will never be able to develop an effective anti-fraud response and ironically will leave themselves open to a higher likelihood of attack from fraudsters.

As a starting point a council should:

- make a proper and thorough assessment of its fraud and corruption risks that are specifically considered as part of the overall risk management process
- develop and implement an action plan in place to deal with the identified risks
- report regularly to its senior board eg audit committee, and its members

Prevent and detect

The old adage that 'prevention is better than cure' is never more appropriate than in dealing with fraud. The reason for many processes that appear annoying and bureaucratic is to introduce steps that make it harder for people to carry out fraud.

Active prevention and fraud risk management is the most cost-effective way to fight fraud, make savings and reduce risk.

Effective prevention should include:

- A robust programme of anti-fraud and corruption awareness training for councillors, senior managers and all staff.
- Standards of conduct and policies, that are well communicated, including:
 - officer and councillor codes of conduct
 - risk management policy
 - financial regulations and procurement policy
 - anti-fraud, corruption, money laundering and bribery policies
 - whistleblowing policy
 - register of interests
 - gifts and hospitality policy.

Use of technology and data sharing to enable thorough due diligence with regards to recruitment, applications for services, the Right to Buy scheme and procurement processes.

A well-publicised anti-fraud and corruption strategy and policy, and the publicising of successful investigations into cases of fraud and corruption, to build and develop a strong anti-fraud culture. Such a culture, when promoted from 'the top down', will encourage staff and service users to actively participate in fraud prevention through awareness and encouraging them to report any suspicions.

Effective and well operated controls within systems that are regularly audited to provide assurance that they are working.

Good networking by officers and sharing intelligence between authorities so that new types of fraud are picked up early.

Unfortunately, no matter how good prevention measures and controls are, there will still be occasions when your council suffers fraud losses. In these circumstances it is vital that there is the ability to call upon competent, professionally accredited counter fraud specialists trained to a professional standard to investigate the suspected fraud.

Councils need to ensure that evidence is lawfully gathered and professionally presented, irrespective of whether the anticipated outcome is a disciplinary hearing, civil action or criminal proceeding.

Pursue

Successful investigations will result in the identification of the fraudster and usually a financial figure representing the loss to the council. The authority will then have a number of options open to them regarding any course of action they may wish to take. This is a crucial part of the enforcement response and is needed to punish the fraudsters and act as a deterrent to others. Options available to councils include prosecution, cautions, fines and disciplinary action.

The recovery of any financial loss is also one of the most effective ways to deter offenders. It demonstrates that if caught, they will have to repay their 'ill-gotten gains'. It is important, therefore that there is a culture of rigorous pursuit of losses and that this is publicised.

Investigative approaches

Councils need to regularly review their approach to fraud investigation and adapt when necessary.

Some councils have dedicated corporate anti-fraud teams to deal with all types of fraud and corruption. Others rely on audit staff to conduct investigations and some bring in outside experts when the need arises. Some councils have merged their internal audit and fraud teams to reduce costs. None of these is necessarily better or worse; it depends upon the circumstances of the authority. However, fraud investigation is a specialist job so it is important that councils have access to such trained and experienced staff.



Case study Recovery of fraud losses

A council employee was illegally paid to provide confidential contract information.

The employees' responsibilities included awarding council contracts for ICT equipment. The employee introduced two new suppliers to the tender list, subsequently advising them of tender submissions by competing companies.

This enabled the two companies concerned to underbid competitive rivals to secure the contracts.

The fraud was identified as a result of information from an anonymous informant.

The employee was dismissed and subsequently found guilty under the Fraud Act and sentenced to two years' imprisonment.

The council successfully obtained a confiscation order under the Proceeds of Crime Act for £75,000 which was the amount the employee had illegally been paid.

Source: Audit Commission (2014)



Activity

What kind of anti-fraud and corruption approach does your council have? Ask your monitoring officer or head of audit/risk management. Do you think it is the right approach?

Irrespective of how any council decides to tackle its fraud and corruption risk, there are always two types of investigation that councils may be involved in; proactive and reactive.

Proactive investigations

These are intelligence led, making use of information from profiling or data-matching exercises.

A common example of this type of investigation would be where the authority was looking to identify people defrauding the council tax single person discount (SPD) scheme.

A household with only one adult is entitled to a 25 per cent discount on their council tax. Checking council tax records against the electoral role can identify cases where a person claims to be living alone is actually living with another adult. This type of data matching is legal and very effective in finding errors or frauds.

National Fraud Initiative (NFI)

The National Fraud Initiative (NFI), coordinated by the Cabinet Office matches electronic data within and between public and private sector bodies to help prevent and detect fraud. These bodies include police authorities, local probation boards, fire and rescue authorities as well as local councils and a number of private sector bodies.

Participation in the NFI is mandatory for councils who are required to submit data to the National Fraud Initiative on a regular basis.

Reactive investigations

These involve the search for and the gathering of evidence following an allegation or fraud referral, or the discovery of a set of circumstances which amount to an offence. In these cases, the offence is usually already being committed.

An example would be where a member of the public contacts a council to inform them that one of their council tenants is unlawfully sub-letting their council property.



Case study
London Borough of Harrow and
Luton Borough Council (NFI
2012/13 exercise)

A payroll-to-payroll match identified an employee who was working full-time in a middle management position, in addition to a part-time night care worker role dealing with vulnerable adults. During the investigation it was established that some weeks she worked in excess of 70 hours, potentially placing vulnerable adults at risk.

There was a suspicion that she had been able to work both shifts on a weekly basis by sleeping whilst at work and the information shared between councils showed that she regularly breached the Working Time Regulations.

After investigation, she was found guilty and dismissed for gross misconduct by one authority and subsequently disciplined by the other for breaching the Working Time Regulations, but later resigned from the role.

This case study comes from the official Cabinet Office NFI pages and is one of many case studies to be found there. They make interesting reading. You may very well find one from your council there. Take a look.

www.gov.uk/government/publications/national-fraud-initiative-case-studies/nfi-public-sector-case-studies

In these cases a professionally qualified investigator, will carry out an investigation that could have some or all of the following components:

- evidence gathering
- interviewing witnesses and taking statements
- interviewing the alleged perpetrator
- preparing the case for court
- giving evidence at court.

The challenges faced by councils in dealing with fraud and corruption

There are a number of challenges facing councils and their ability to effectively tackle fraud and corruption and to manage the risk it poses.

Public sector budget reductions

The impact of budget reductions has a three-fold effect:

- less resources to maintain administrative procedures that prevent fraud
- potentially reduced resources for investigating fraud
- the risk of greater fraud activity by professional criminals or opportunists who identify local authorities as more vulnerable.

These challenges have led to innovative thinking on ways of approaching the fraud and corruption risks such as joint working with other authorities or other public bodies and data sharing (such as the London Counter Fraud Hub). The best and most forward thinking councils use budget constraints as the impetus to drive forward the robust recovery of losses and other criminal assets which can and do lead to significant financial rewards.

Some councils who employ successful financial investigators generate income by charging other organisations such as housing associations for investigative services.



Case study
Example of joint working

The Metropolitan Police's Serious and Organised Crime Command has successfully collaborated with financial investigators from several London borough councils. There are currently nine Metropolitan Police Criminal Finance Teams set up as hubs – four in the north, four in the south and one central team – that are instrumental in training and mentoring several council investigators working together to tackle serious and organised acquisitive crime. The focus of this relationship is to recover assets and ensure that criminals do not benefit from criminal activities.

How innovative has your council been?

Is there scope for more?

Maintaining an anti-fraud culture

Councils need to develop and embed a culture with clear values and standards in which beating fraud and corruption is part of the daily business. The 'tone from the top' is crucial in this respect and councilors and senior leaders should be seen to 'walk the walk' in terms of their ethics, values and behaviours. The CIPFA Counter Fraud Centre has developed its 'top 10 tips' (see activity below) to support organisations in developing and maintaining an effective anti-fraud culture.



Activity

Review the Top 10 Tips, on the following page, and consider (find out if you don't already know) how good or bad your council is at each of these. Give a score from 1 – 5.

1. Set the tone at the top

Creating an anti-fraud culture is part of good governance and, led by a council's councillors and corporate directors, should start with a clear commitment to tackling fraud, corruption and other similarly delinquent behaviours. Ideally, zero tolerance to fraudsters (as opposed to fraud per se) should form the centre-piece of your organisation's anti-fraud strategy reinforcing expected standards in public service as set out in the 'Seven Nolan Principles of Public Life'. Having professionally qualified counter fraud staff in place can help to achieve this, as they have the credibility, standing and expertise to raise the profile of the anti-fraud agenda internally.

Score: 1...2...3...4...5

2. Know and prioritise your fraud risks

Knowing what the fraud and corruption risks are in an authority determines the type of framework you need to put in place and how your staff work within it. For example, if your risks include procurement fraud, those responsible for procuring contracts and services need to recognise fraud, bribery and corruption indicators when they see them. Professionally qualified counter fraud staff can assist with this process as they can assess risk and train operational staff in appropriate action. **Score: 1...2...3...4...5**

3. Scan the horizon

Fraud is constantly changing and fraudulent schemes often target frontline staff who are an organisation's first line of defence. What might seem a low fraud risk today might turn into a high one in the future. It is therefore vital that your organisation is up-to-date on the latest threats and risks and how to tackle them. Professionally qualified counter fraud staff can ensure that staff know who to come to if they suspect something amiss. As part of their continued professional development, counter fraud staff will also be 'plugged into' various anti-fraud networks which are vital sources of new information and threat alerts. **Score: 1...2...3...4...5**

4. Build fraud awareness

Creating an anti-fraud culture and beating fraud should be everyone's business within a council, from the dedicated counter fraud specialists through to the procurement team, HR, facilities staff and beyond. A qualified counter fraud practitioner will be fully trained in how to help mobilise the entire organisation in the fight against fraud. Whether using e-learning, staff briefings, training, posters or internal alerts – or a combination of all these – they will be best placed to define and execute awareness programmes. **Score: 1...2...3...4...5**

5. Ensure policies and procedures are in order

Professionally qualified counter fraud staff should be adept at finding the fraud gaps in existing organisational policies and procedures and determining what is required to plug those gaps in a cost-effective manner. For example, a general anti-fraud policy should include: guidelines on what to do when suspicions of fraud arise; a fraud response plan; processes for creating and implementing gifts and hospitality registers, declarations of interest registers and so on. An accessible and well-articulated whistleblowing policy should also be part of any effective anti-fraud culture. **Score: 1...2...3...4...5**

6. Create a dedicated anti-fraud team

Build capacity by creating a counter fraud team comprising of professionally qualified who are operationally independent from other teams. This will ensure their objectivity and impartiality. The team should be provided with the necessary resources required for their function, which would include an element of contingency or 'flex' to cater for unforeseen surges in work, such as large and complex investigations. With the necessary safeguards in place, the team should also have access to the information, data systems and senior personnel they need to effectively perform its function. **Score: 1...2...3...4...5**

7. Take action

Recovering money lost to fraud so it can be spent on key services is obviously vital. Professionally qualified counter fraud staff will be fully trained in conducting effective investigations and pursuing cases through the legal system, including the preparation of cases for prosecution. They will have the ability to give evidence in a court of law and take steps to recover lost funds. **Score: 1...2...3...4...5**

8. Measure success

Today's counter fraud specialists not only understand how to detect, prevent and recover fraud losses; they are also trained to measure and report on the effectiveness of the preventive measures they put in place. This forms a key part of an organisation's anti-fraud culture as it highlights to senior management the successes of counter fraud work. **Score: 1...2...3...4...5**

9. Publicise your success

Sharing the outcome of a successful investigation or how an anti-fraud measure has worked is a positive way to advertise the message that fraud doesn't pay. Professionally qualified counter fraud practitioners understand this and will want to publicise their successes both internally and externally, which should be encouraged. As well as being a deterrent, this can also lead to an increase in fraud referrals which is a good indicator that your anti-fraud culture is working. **Score: 1...2...3...4...5**

10. Never take your eye off the ball

Fraud is an ever-evolving threat and as the risk doesn't stand still, nor should your organisation's strategy to combat it. Professionally qualified counter fraud staff are trained to implement and manage prevention programmes to monitor the measurement and control strategies in place and make any necessary adjustments. They will also be able to recognise new threats and risks and the need for refresher training whenever this may arise. **Score: 1...2...3...4...5**

Total Score: Do you think this is good enough?

Abiding by the rules

In dealing with fraud, councils need to abide by the rules in order to ensure that frauds they detect and investigate can be pursued to the most appropriate conclusion. The rules protect the rights of individuals to privacy and the right to a fair trial. Although there are frequent stories in the press about councils 'snooping' on people, the rules are in fact very strict.

For example:

Regulation of Investigatory Powers Act (RIPA) 2000

This was brought in to regulate the powers of public bodies who carry out surveillance and investigation and also to cover the interception of communications. Councils have access to some of these powers for the purpose of prevention and detection of a crime.

Requesting information

Council investigators have certain 'authorised officers' powers to request information about individuals. For any other investigations, they are restricted to powers under Section 29 (3) of the Data Protection Act (DPA) 1998 which allow organisations to give such information to council investigators, assuming it is for the prevention and/or detection of a crime, but it does not compel them to do so. Consequently, some organisations choose not to give the requested information to a council.

The data matching approach described earlier is also regulated under the Data Protection Act.

More sophisticated frauds

The landscape of fraud and corruption is ever-changing, especially with the use of technology and the internet. Fraudsters never rest on their laurels and are always looking for new ways to defraud. This means council are constantly exposed to different threats and managing this risk can be extremely difficult so it's extremely important that the investigators keep abreast of emerging risks and trends and share this across the council, but in particular with key teams such as payments.

The advent of 'cyber crime', whether or not it involves fraud, is probably one of the biggest challenges facing public bodies today.

Publicising success

While it may be embarrassing for any organisation, especially a local council, to admit that it has been the victim of fraud, experts would say that publicising successful investigations, where possible, is much the best policy. When a case ends up in court it will in any case become public. Proactive publicity shows residents and taxpayers that you are taking active steps to protect their interests and it may deter future fraudsters. Press and media teams can help to make sure the message is seen in a positive light.

Section 4 Fraud risk management

Note: You should complete this section if you have special responsibility for audit, risk or governance. If not, you can move on to section 6.

Risk management is essential for good governance within any organisation and effective fraud risk management is a vital part of that.

If you have a special responsibility as a councillor for audit, risk or governance, you will need to ensure that your council has appropriate arrangements in place to manage the risk of fraud.

All councils have faced and are still dealing with increased pressure on their budgets meaning that the requirement to identify fraud and reduce risk is perhaps higher now than it's ever been.

The CIPFA code of practice on the management of fraud risk sets out the expected standard for public bodies in the management of fraud risk.

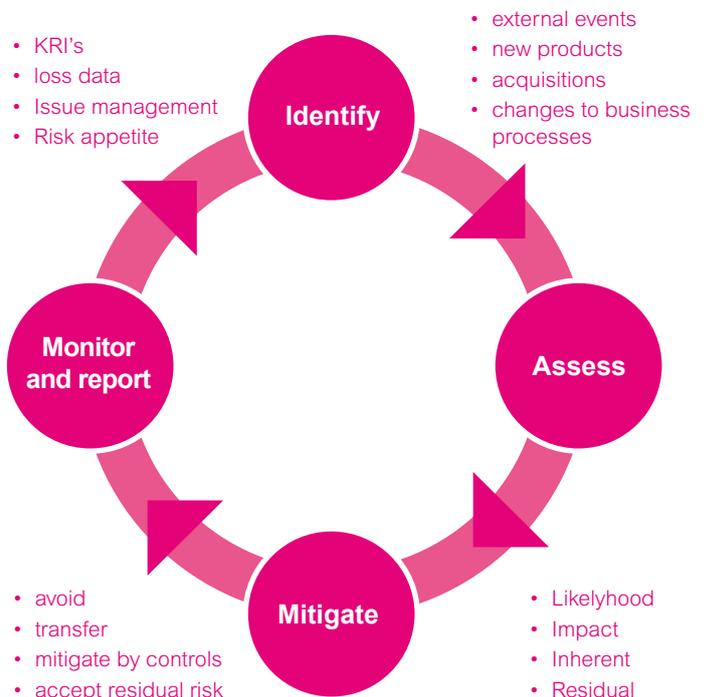
Implementing an effective fraud risk management framework, such as the CIPFA code of practice, will enable authorities to employ controls that help to prevent fraud from occurring in the first place, identify and detect fraud as soon as it occurs and enable a practical and efficient response to those fraud incidents. Fraud risks need to continually reviewed and managed, in the same way that other risks are managed within a council. The identification, assessment, mitigation and monitoring of risk (including fraud risks) is called the risk management lifecycle. The process works as such:



Hints and tips Code of practice principles

Leaders of public services organisations have a responsibility to embed effective standards for countering fraud and corruption in their organisations. This supports good governance and demonstrates effective financial stewardship and strong public financial management. The five key principles of the code are to:

- acknowledge the responsibility of the governing body for countering fraud and corruption
- identify the fraud and corruption risks
- develop an appropriate counter fraud and corruption strategy
- provide resources to implement the strategy
- take action in response to fraud and corruption.



To help ensure that the fraud risk management is effective, it's important that the roles and responsibilities of all employees, members and those who act on behalf of the council are understood by all. The list below is not exhaustive but the main roles can be summarised as follows:

Councillors

- ✓ Have and maintain an understanding of fraud risks
- ✓ Understand the key principles of risk management
- ✓ Consider fraud risk in relation to the decision making process

Directors

- ✓ Support the council's fraud risk management strategy
- ✓ Set the appropriate tone with regards to the council's anti-fraud and corruption approach
- ✓ Ensure that there is a coordinated and consistent approach to the identification and management of fraud risk

Senior managers/service heads

- Ensure that fraud risks are appropriately managed and implement effective review and monitoring arrangements
- Manage risk in their service areas in accordance with the fraud risk management strategy

Internal audit/corporate fraud team

- ✓ Consider the council's fraud risk assessment when developing the annual audit plan
- ✓ Audit the internal fraud control processes across the authority
- ✓ Coordinate and/or conduct fraud and corruption investigations
- ✓ Assess the effectiveness of fraud prevention and detection processes
- ✓ Provide assurance to councillors and senior management of the effectiveness of fraud risk management and controls

All staff

- ✓ Have a basic understanding of fraud risks and be aware of indicators
- ✓ Manage fraud risk in the course of their daily duties
- ✓ Read, understand and have access to fraud related policies and procedures
- ✓ Contribute towards the development of fraud control processes
- ✓ Report suspicions of fraud and corruption
- ✓ Cooperate with investigations

The development and implementation of a robust fraud risk management program will reduce the opportunities for fraudsters to exploit. This, coupled with encouraging employees to actively participate in the fight against fraud will contribute significantly to the creation of a strong anti-fraud culture; helping to change the attitude towards fraud so that it is not tolerated and therefore reducing the risk of fraud happening in the first place.

Fraud risk assessment

The basis of an effective fraud risk management program begins with a Fraud Risk Assessment (FRA).

Councils are likely to face a wide variety of fraud and corruption risks and so a FRA will help the council to understand and identify the risks that are specific to the organisation as a whole as well as those that relate to individual service areas. It will also highlight gaps or weaknesses in fraud controls allowing the council to implement a plan to ensure the best use of resources in order to tackle those risks.

When conducting a FRA the questions that should be considered are:

- How could a fraudster exploit weaknesses in the current system controls?
- How might those controls be over-ridden or by-passed?
- How could the fraudster conceal their activities?

Bearing the above in mind, an effective FRA should generally consist of three main elements:

- **Identification of the fraud risk**
This will involve the gathering of information to highlight the fraud risks that could affect the council.
- **Assess the likelihood and impact of the fraud risk**
This assessment is based on historical information, and discussions/interviews with heads of services and other relevant staff.
- **Develop a response to those that present the highest risk**
Decide how best to respond to the fraud risks.

Section 5 Assurance that fraud arrangements are effective

Note: You should complete this section if you have special responsibility for audit, risk or governance. If not, you can move on to section 6.

If you have special responsibility for audit, risk or governance you will wish to assure yourself that your council's fraud arrangements are effective.



Assurance is:

'Data or information provided to management/boards/committees to give comfort that risks are being properly managed and controls are adequate and working effectively'

Institute of Internal Auditors

Best practice dictates that governance, risk management and strong financial controls (called the system of internal control) are part of the daily and regular business of an organisation. The system of internal control is a key component in the prevention and detection of fraud and corruption.

What is internal control?

Any action taken by management, the board and other parties to manage risk. In other words, an action taken to ensure that risks do not materialise or get worse. Some examples might be:

- Expenses claims must be authorised by management before payment. This processes of checking the claim for accuracy prevents fraud or error and so controls the risk of overpayment.
- The housing department carry out regular tenancy audits of their properties. This process of checking acts a deterrent to subletting and a detection if it does happen and so controls the risk of subletting.

- The health and safety team carry out regular inspections of public buildings. These inspections highlight any existing problems for repair or any potential problems for signposting. In this way, the risk of slips, trips and other accidents are controlled.

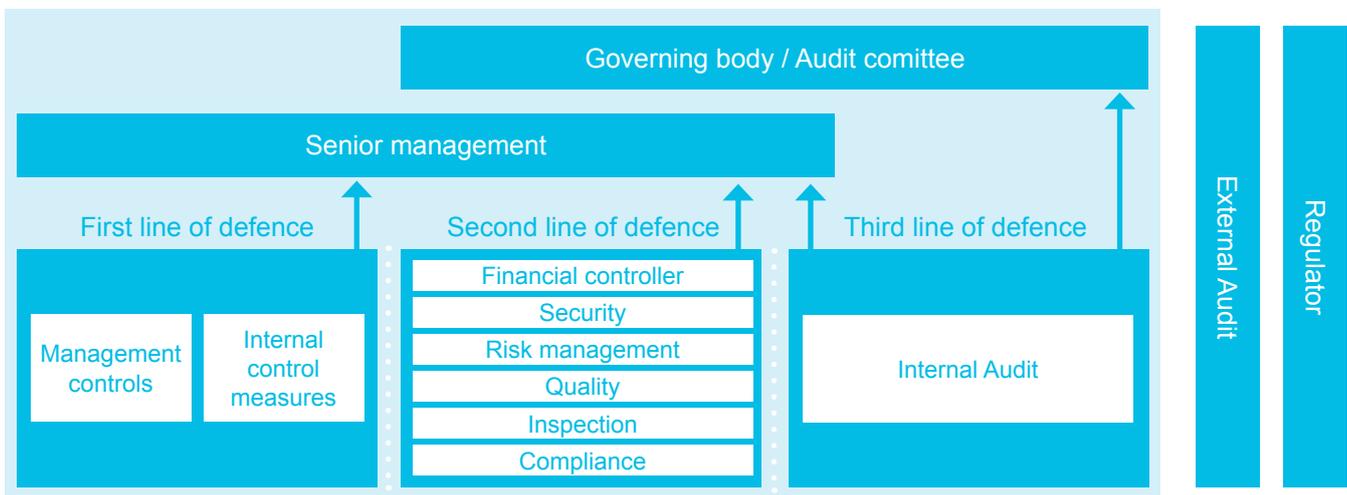
Councils must have a means of obtaining independent assurance that the system of internal control is adequate and working effectively. In local authorities there is usually an audit committee (sometimes called audit and risk committee) to carry out this role.

Usually there is also an overview and scrutiny committee to oversee the decision-making process, ensure that it is clear and that the people taking decisions are held accountable for those decisions.

The existence of an audit committee or scrutiny committee does not remove responsibility from individual members and senior managers, but provides the resource to focus on these issues. There is no 'one-size-fits-all' approach that must be applied to assurance and scrutiny in local government but council leaders and executives must ensure that the model they adopt is independent from the executive and other political influences.

Fraud prevention is heavily reliant on the system of internal control being adequate and working effectively.

Most councils rely on their internal and external auditors to provide these assurances but audit resources are limited and expensive and can never be relied upon to provide assurance across every activity that the local authority is responsible for.



Therefore all councillors and council officers have a role to play in seeking assurance that the controls are working. After the banking crisis a model was devised to try to capture and utilise the various levels of assurance that exist within organisations. This is called the three lines of defence

The majority of members will have little interaction with auditors other than when reading their report at the year-end but as the model shows, in reality the majority of assurance should come from within the organisation itself.

As a councillor you will receive and review a range of information and reports from within your authority or from external sources such as regulators or inspectors. These will often be related to your areas of expertise or committees that you sit on. It will be your responsibility to inspect and challenge the information you receive to assure yourself that it is accurate, credible and evidence based and that it tells you what you need to know.

When considering the fraud risks that your authority might be facing you need to consider whether the controls that you know exist are doing the job they are meant to be doing. If you have concerns that they are not then you need to raise that through the appropriate channels eg with the head of fraud, head of internal audit or through the chair of the audit committee.

Role of audit committees in anti-fraud and corruption activity

The purpose of an audit committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes. If you sit on an audit committee you may wish to read more on the role of audit committees in relation to fraud prevention.



Useful links

If you sit on an audit committee the following publication is recommended.

CIPFA audit committees: Practical guidance for local authorities and police
www.cipfa.org/policy-and-guidance/publications/a/audit-committees-practical-guidance-for-local-authorities-2013-edition-book

In relation to anti-fraud and corruption activities the audit committee will receive regular reports from officers and auditors on the following:

- fraud cases that have occurred within the authority and financial losses
- whistleblowing
- current and emerging fraud risks and how they are being managed
- KPIs relating to fraud prevention and detection performance
- sanctions (including prosecutions and disciplinaries) and recovery actions
- benchmarking data
- resources spent on these activities within the authority.



Activity

Find and obtain the latest fraud update provided to your audit committee and consider the following?

1. Is the reported fraud in line with what you would have expected for your council?
2. Are there any areas where you would have expected fraud that have not been reported on? If so why do you think that might be?
3. In your view is the reporting adequate? If not why not?
4. Has whistleblowing been reported on? Do you have a clear understanding of the whistleblowing arrangements in your authority? If you are unclear you should obtain a copy of your council's policy.

What good looks like – the Fighting Fraud and Corruption Locally Strategy



Turning strategy into action

The themes – Six Cs

Councils should consider their performance against each of the six themes that emerged from the research conducted.

Culture – creating a culture in which beating fraud and corruption is part of daily business.

Capability – ensuring that the range of counter fraud measures deployed is appropriate to the range of fraud risks.

Capacity – deploying the right level of resources to deal with the level of fraud risk.

Competence – having the right skills and standards.

Communication – raising awareness, deterring fraudsters, sharing information, celebrating successes.

Collaboration – working together across internal and external boundaries: with colleagues, with other local authorities, and with other agencies; sharing resources, skills and learning, good practice and innovation, and information.

In addition to the above, the CIPFA code of practice on managing the risk of fraud (see section 4) is there to support organisations putting in place counter fraud arrangements for the first time but will also be of benefit to those seeking to assess whether existing arrangements are adequate. Councillors may wish to ascertain whether the arrangements in their own council compare favourably with the recommended best practice approach.



Useful links

Managing the risk of fraud and corruption

www.cipfa.org/policy-and-guidance/publications/c/code-of-practice-on-managing-the-risk-of-fraud-and-corruption-guidance-notes-hard-copy

In addition to the Code of Practice the Fighting Fraud and Corruption section of the CIPFA website provides a range of free resources to support councils in their fight against fraud, such as leaflets and posters and a good practice bank:
www.cipfa.org/services/counter-fraud-centre/fighting-fraud-and-corruption-locally

Section 6 What you have learned and further reading

Now you have completed this workbook you have a good understanding of the fraud risks that affect councils and some of the methods that are used by authorities to prevent and detect fraud. You should now understand the scale of the problem and the impact that fraud can have on council finances. If you completed some of the activities, you will also have found out more about the arrangements that are in place in your own authority and assessed whether you think they are adequate.

If you completed sections 5 and 6 you will now hopefully feel better equipped to support your authority in the fight against fraud and also be clear on what assurances you should be receiving as committee members.

If you would like to explore this subject further there are a range of materials available for free to read on the CIPFA website:

www.cipfa.org/services/counter-fraud-centre

Other websites that you may find interesting and useful:

www.actionfraud.police.uk – a really useful site where fraud can be reported and also information on fraud scams found.

www.met.police.uk/docs/little_book_scam.pdf – an excellent and really useful publication to help individuals from being scammed; helpful to keep in GP's surgeries.

www.cityoflondon.police.uk/advice-and-support/fraud-and-economic-crime/Pages/default.aspx – the City of London Police Economic Crime Directorate is recognised as the national policing lead for fraud and is dedicated to preventing and investigating fraud at all levels.

Suggested answers for page 14 activity

1. Make a detailed note of everything the resident can tell you about the situation, names, addresses, etc. Take the contact details for the resident and pass everything to the fraud manager (if you have one) or the head of audit if not.
2. You should escalate your question to the appropriate corporate director, noting your concerns with regards to the current risk levels.
3. You should notify the councils monitoring officer
4. You should agree a project plan with the fraud manager or head of audit, with yourself as a figure head or spokesperson. You may wish to include a publicity campaign including posters and leaflets. If so, talk to your council's communications team. As a councillor, you will be in a good position to conduct radio and TV interviews, newspaper quotes and articles. You may wish to concentrate on a particular area of fraud that is particularly prevalent in your area.



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please contact us on 020 7664 3000.
We consider requests on an individual basis.

Regulatory and Other Committee

Open Report on behalf of Pete Moore, Executive Director Finance and Public Protection

Report to:	Audit Committee
Date:	26 March 2018
Subject:	Draft Internal Audit Plan 2018/19

Summary:

This report presents to the Committee the draft internal audit plan for 2018/19

Recommendation(s):

That the Committee agrees the audit plan for 2018/19 subject to any suggested changes the Committee wishes to make.

Background

1. The Internal Audit Section works to an annual plan which is agreed by the Audit Committee and Senior Management.
2. The plan has been developed using a combination of:
 - the Council's Combined Assurance Model - which is a record of all assurances against our critical activities and key risks.
 - an assessment of risk - based on the significance and sensitivity of key activities
 - consultation with Senior Management
 - issues raised by the Audit Committee
3. Using the Combined Assurance Model helps streamline and avoid duplication of effort where assurances can be drawn from other sources eg management – corporate functions - third parties. The Combined Assurance Model provides coverage of all assurance – not just those from Internal Audit and will enable the Head of Audit to produce the annual internal audit opinion for 2018/19.
4. Internal Audit continues to have the right to conduct its own assurance activity freely and independently to meet its role and remit – even if there appears to be a good level management or alternative assurance in place. However, the Map has enabled the reasons why we have included areas in our plan to be clearly understood by Management.

5. Our work tends to focus on where current assurances have been critically assessed as having a low or medium level of confidence on service delivery arrangements – management of risks – effective control environment or where more independent assurance is required - based on significance and risk of the activity. It also takes into account the relative risks of the activity which may result in some low risk areas not being audited.
6. Attached is the draft internal audit plan for 2018/19– **Appendix A**.
7. We have conducted meetings in January and February 2018 with each Executive Director to consult and agree the areas included in the plan.
8. CIPFA's Audit Committees practical Guidance for Local Authorities and Police - 2013 Edition includes the following core functions around Internal Audit relevant to the plan:
 - That the Internal Audit Plan focuses on the key risks facing the Council and is adequate to support the Head of Audit opinion.
 - Confirm that the plan achieves a balance between setting out the planned work for the year and retaining flexibility to changing risks and priorities during the year.
 - Ensure that the Internal Audit Resource has sufficient capacity and capability to deliver the plan.
 - Seek an understanding of what assurances Internal Audit will be providing the Committee to help it discharge its terms of reference.
 - Assess how the Committee may seek and obtain assurance from other sources during the year – e.g. management and corporate functions / third parties.

Conclusion

9. The Committee is asked to agree the draft plan, identifying any amendments which it considers appropriate.

Consultation

a) Policy Proofing Actions Required

n/a

Appendices

These are listed below and attached at the back of the report	
Appendix A	Draft Internal Audit Plan 2018/19

Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

This report was written by Lucy Pledge, who can be contacted on 01522 553692 or lucy.pledge@lincolnshire.gov.uk.

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Lincolnshire County Council Internal Audit Plan 2018/19



What we do best

Innovative assurance services

Specialists at internal audit

Comprehensive risk management

Experts in countering fraud

..... And what sets us apart

Unrivalled best value to our customers

Existing strong regional public sector partnership

Auditors with the knowledge and expertise to get the job done

Already working extensively with the not-for-profit and third sector

Contents



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Our Internal Audit Plan

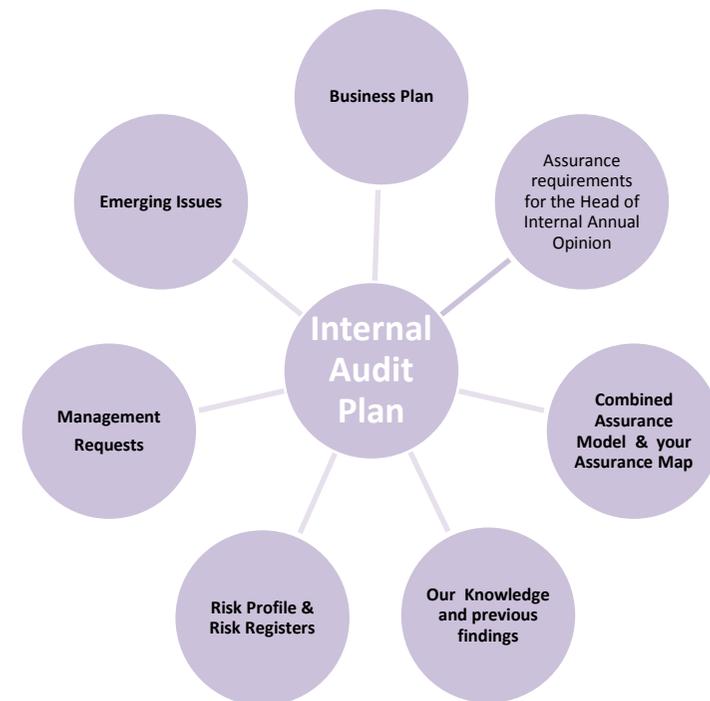
Introduction

1. This report sets out the Internal Audit Plan as at 1st April 2018. The plan details the activities to be audited and the indicative scope for each audit. The audits are listed in priority order. The draft plan gives you an opportunity to comment on the plan and the priorities that we have established.
2. The dynamic plan replaces the traditional fixed style of audit plan. Whereas the fixed plan details the audits to be undertaken in a financial year, with the number of audits in the plan being determined by the internal audit resource available, the dynamic plan details all the audits required to be undertaken at a given point in time. The plan is then amended on an on-going basis to reflect changing assurance needs.
3. Internal Audit is then able to use our audit planning tool to target our resources– working within agreed resources. This approach has the benefit of enabling greater flexibility and responsiveness – ensuring each piece of work is the right one, delivered at the right time. It also delivers greater productivity and efficiencies – reducing abortive planning and engagement time. The plan becomes more dynamic and responsive – essential for an effective Internal Audit service.
4. In Appendices A to E we provide for you information details of:
 - Auditable Activities
 - How the draft plan achieves the requirements of the Governance & Audit Committee and Head of Internal Audit
 - Our Working Protocols and Performance
 - Our Quality Assurance Framework
 - Your Internal Audit Team

Developing the plan

5. The internal audit plan has been developed from the Council's Assurance Map – which was updated in November 2017 and input from the Management Board. **Figure 1** below also shows other key sources of information that has help inform the plan.

Figure 1 – Sources of information considered when developing Internal Audit activity



Our Internal Audit Plan

6. We have prioritised our audit work taking account of the impact an activity will have on the Council if it fails. The criteria for determining priority are:

- **Significance** - how important is the activity to the Council in achieving its objectives, key plans and in managing its key risks. We look at both financial loss and strategic impact.
- **Sensitivity** - how much interest would there be if things went wrong and what would be the reputational and political impact.
- **Level of Assurance** – we assess the current level of assurance evaluating reliability and contribution to the Head of Internal Audit annual opinion on governance, risk and control.
- **Time**– when it will happen (this will determine when is the best time to do the Audit).

Updating the Plan

7. Through the year we will liaise with the Council and collect business intelligence that identifies emerging audits which will be included in the plan according to priority. The 2018 Assurance Map, to be undertaken in November 2018, will allow for a major annual review of the plan.
8. The primary source of business intelligence will be the regular liaison meetings between our team and the nominated liaison

contacts in each directorate, other sources of intelligence will include:

- Committee reports
- Investment and project proposals
- Project update reports
- Performance reports
- Key stakeholders

Delivering the Plan

9. The aim is to deliver the audits included in the plan in the order that they are listed, i.e. in accordance with their assessed priority. This will be modified in accordance with requests from management and practical considerations around the timing of audits. It may also be modified by the availability of specialised staff, in particular ICT audits, however we do not consider this will have a significant, if any, impact.
10. The Council's Internal Audit Plan is **1300 Days**, which is a reduction of 45 days compared to last year's plan. This resource should allow us to deliver approximately 55 general audits and 15 ICT Audits during the year.

Our Internal Audit Plan

Our Audit Focus for 2018/19

11. In the following table we provide information on key audit areas we have prioritized in our work programme and the rationale for their inclusion in the audit strategy and plan. Details of all key auditable areas can be found in Appendix A.

Area	Reason for inclusion in the Internal Audit Strategy and Plan
Financial Governance	<p>Providing assurance that key financial controls are in place and operating effectively during the year across all areas of the Council. This work provides the Section 151 Officer with a key element of his assurance that the Council has effective arrangements for the proper administration of its financial affairs.</p> <p>The areas of coverage during the year are:</p> <ul style="list-style-type: none"> ▪ Pension Fund Management ▪ Payroll ▪ Tax Compliance ▪ Debtors ▪ General Ledger <p>Key controls to be tested will be agreed the Section 151 officer.</p>

Area	Reason for inclusion in the Internal Audit Strategy and Plan Area
Critical Activities	<p>The combined assurance work undertaken in 2017/18 identified some critical activities where a potential audit would provide independent assurance over the effectiveness of risk management, control and governance processes. Working with management we will prioritise when audit work will be undertaken - potential areas for 2018/19 include:</p> <ul style="list-style-type: none"> ▪ Recommissioning of Domestic Abuse Support Service ▪ Property Company ▪ Strategic Workforce Planning ▪ Business World On Roadmap ▪ Mosaic

Our Internal Audit Plan

Area	Reason for inclusion in the Internal Audit Strategy and Plan
Governance & Risk	<p>Providing assurance that key governance controls are in place and are operating effectively. These cross cutting audits focus on the Council's second line of assurance - corporate rather than service level systems. The areas proposed to be included in the plan are:</p> <ul style="list-style-type: none"> ▪ Corporate Health and Safety ▪ Counter Fraud ▪ Records Management ▪ Corporate Governance ▪ Project Support Team
Project Assurance	<p>There have been a number of critical projects identified by the Council. We will seek to provide assurance around their successful delivery (on-time – within budget – deliverables achieved and benefits realised).</p> <ul style="list-style-type: none"> ▪ The Highways 2020 Project ▪ Corporate Support Services Contract
Follow Up	<p>Where an audit receives a Limited or Low Assurance level we may carry out a follow up audit to provide assurance that the identified control improvements have been effectively implemented and the risks mitigated.</p> <p>Working with management we also track the implementation of agreed management actions for all audit reports issued.</p>

Area	Reason for inclusion in the Internal Audit Strategy and Plan
IMT	<p>Technology and associated threats and opportunities continue to evolve at a pace. The effectiveness of IMT has a great impact on how well the Council works. We will seek to provide assurance that key controls comply with industry best practice and are operating effectively. Audits planned come from previous year assessments and our awareness of current IMT risks. We have included :</p> <ul style="list-style-type: none"> ▪ IMT Intelligent Client ▪ Cyber Security ▪ ICT Strategy ▪ Information Governance Cyclical Audits ▪ Schools Admissions Projects ▪ Payment Gateway ▪ Records Management ▪ Network infrastructure / security management ▪ Business Continuity Planning and Disaster Recovery ▪ Application Reviews ▪ Asset Management and Service Improvement follow up
Combined Assurance	<p>Working with management we co-ordinate the levels of assurance across the Council's critical activities, key risks, projects and partnerships – producing a Combined Assurance Status report in January 2019.</p>

Our Internal Audit Plan

Annual Internal Audit Opinion

12. We are satisfied that the level and mix of resources - together with the areas covered in the plan - will enable the Head of Internal Audit to provide their annual internal audit opinion.

Area	Reason for inclusion in the Internal Audit Strategy and Plan
Consultancy /No-Opinion Reviews	<p>At the request of management we undertake specific reviews where they may have some concern or are looking for some advice on a specific matter or around governance, risk and controls for a developing system. Such reviews are not normally given an audit opinion. During 2018/19 we plan to include:</p> <ul style="list-style-type: none"> ▪ Heritage New Delivery Model ▪ Various Grant Certifications

Appendix A – Audit Plan – Auditable Areas

Our current planned audits, in order of priority are listed below. Audits to be undertaken in priority order subject to agreement with the client over scheduling and where applicable availability of specialist staff e.g. ICT audits. Audit's marked as fixed plan will be completed during the financial year.

Audit Area	Assurances Being Sought	Audit Priority	Combined Assurance rating	Fixed Plan	Consultancy Assignment	Management Request
Decision on post April 2020 support services contract	To provide ongoing insight and advice around project management, governance, risk and control.	High	A	✓	✓	✓
Highways 2020 project	Support and advice on the project and procurement exercise for contracts that will form the new Highways Alliance from 1 st April 2020.	High	A	✓	✓	✓
Commissioned Services & Contract Management - Recommissioning of Domestic Abuse support service	To provide assurance around the commissioning and contract management of domestic abuse service for standard & medium risk victims and Independent Domestic Violence Advocates, including the approach to services for Domestic Abuse perpetrators.	High	A			
Property Company	To review & provide assurance around the set-up of the Property Company, including the business case, governance arrangements and fit with the Council's priorities. To include ongoing advice.	High	A	✓	✓	✓
Strategic Workforce Planning - General	Assurance of the adequacy of work that HR is doing around senior leadership succession planning within the Authority (excluding schools).	High	A			
Supplier Resilience	Lessons Learned review of the management of the impact on Lincoln East Bypass when contractor Carillion Collapsed	High			✓	
Delivery of the 'Roadmap' to develop Business World	To provide ongoing insight and advice around project management, governance, risk and control.	High	A	✓	✓	✓

Appendix A – Audit Plan – Auditable Areas

Audit Area	Assurances Being Sought	Audit Priority	Combined Assurance rating	Fixed Plan	Consultancy Assignment	Management Request
On following upgrade to Milestone 6						
Mosaic system	To review reliability of information held on Mosaic, usefulness of reporting, and impact on service provision - to include the work Children's are doing to ensure data quality and an assessment of the Council's capacity to design new reports within the system on a timely basis.	High	A			
Pension Fund	That fund management remains effective and efficient and has successfully implemented the changes necessary for Pension Fund Asset Pooling	Medium	G	✓		
Payroll	Key systems that support the running of the Council's business and ensure compliance with corporate policies and legal requirements. How often Internal Audit review these activities depends on previous assurance opinions, when we last examined the activity and if there has been any significant changes to the system or senior management. We also consider the requirements of External Audit.	Medium	A	✓		
Business Continuity	Business Continuity arrangements ensure the council is prepared for business interruption and can maintain and restore services promptly based on criticality.	Medium	A	✓		
Command structure in the Emergency Planning Centre	To provide assurance around the plans being put in place to address command resource and support availability for major Emergency Planning events.	Medium	A			
Commissioning Arrangements	That Governance and other Structural arrangements for Commissioning ensure a comprehensive, efficient and timely approach to commissioning services that align with corporate priorities. To	Medium	G	✓		

Appendix A – Audit Plan – Auditable Areas

Audit Area	Assurances Being Sought	Audit Priority	Combined Assurance rating	Fixed Plan	Consultancy Assignment	Management Request
	include review of the Commissioning Board and Commissioning Strategy.					
Heritage new delivery model	Support and advice on arrangements to move towards a self-sufficient Heritage Service to start transition in 2018/19. To include Strategic approach and business planning.	Medium	A	✓	✓	✓
Capital Contracts	That robust arrangement is in place to manage capital contracts. To include a sample of completed and projects in progress.	Medium	A	✓		
Local Enterprise Partnerships	Confirmation that the Council, as responsible body for the Local Enterprise Partnership are working towards meeting requirements and best practice of the responsible body, as set out in the October 2017 Government report into Local Enterprise Partnership transparency and governance.	Medium	A	✓		✓
Recruitment and Retention	Assurance that procedures in place for the recruitment of staff to the Authority maximise the chance of successful appointments. To include examination of initiatives set up to cover hard to recruit posts and retention.	Medium	A			
Financial Assessments Team	Assurance that the interventions for the Financial Assessment team have created a team which is robust and can deliver to timescales	Medium	A			
Special Schools Project	Assessment of capital project to increase provision of special needs places within mainstream schools. Project in early stages so focus will be on governance and management of grants to academy settings.	Medium	A			
Families Working Together	Audit sign off as per the requirements of the grant.	Medium	G	✓		✓
Cash management thematic review	That management arrangements for income and imprest at Council Establishments ensure risk of loss or misappropriation is adequately	Medium	G			

Appendix A – Audit Plan – Auditable Areas

Audit Area	Assurances Being Sought	Audit Priority	Combined Assurance rating	Fixed Plan	Consultancy Assignment	Management Request
	controlled					
TransportConnect Limited	Assurance that the company provides the Council Value for Money after two years of operation. Focus will be on value from both an owner and commissioner. Owner governance arrangements will be included.	Medium	A			
Strategic Workforce Planning - Apprenticeships	Assurance on the Council's approach to the integration and use of apprentices. To include confirmation that Lincolnshire County Council is meeting all Government requirements.	Medium	A			
Agresso Re-engagement	That communications have been developed to allow for the successful re-engagement of Agresso by Council staff and Schools	Medium	R			
Counter Fraud	The Council has adequate Counter Fraud arrangements in place to raise awareness, identify and fight fraud against the organisation.	Medium	G	✓		
Safer Recruitment in Schools thematic review	There is appropriate guidance to schools on safer recruitment and pre-employment checks that are consistently applied	Medium	G			✓
Nursing homes	Review risk management and monitoring of increased numbers of nursing homes moving to be residential homes resulting in a loss of nursing home beds.	Medium	A			
Domestic Homicide reviews	That processes for Domestic Homicide Reviews meet legislative requirements and reflect best practice. Follow up of published reviews to confirm that agreed actions relating to Lincolnshire County Council have been taken or are progressing and that lessons learnt are embedded.	Medium	A	✓		
Shared Prosperity Funding	Assurance that procedures developed ensure the Council can effectively bid for funding when the Government implement their	Medium	A			

Appendix A – Audit Plan – Auditable Areas

Audit Area	Assurances Being Sought	Audit Priority	Combined Assurance rating	Fixed Plan	Consultancy Assignment	Management Request
	decision to merge certain funding streams					
Operation Dovetail	Support and advice on the upcoming transfer of PREVENT activity from the police to the Local Authority to help ensure its success.	Medium	A		✓	
Tax Compliance	That the Council is consistently meeting Tax reporting requirements of HMRC, to include Real Time Information reporting and Construction Industry Scheme.	Medium	A	✓		
Schools	Periodic audits of maintained schools.	Medium	C	✓		
Health & Safety	That Health and Safety services at the Council meet legislative and operational needs.	Medium	C	✓		
Corporate Complaints	That the complaints process is fit for purpose and is meeting targets in resolving customer complaints at the earliest contact.	Medium	C	✓		
IR35	Assurance the Council has implemented and consistently applies IR35 correctly	Medium	C			✓
Wellbeing service contract management	Review the recent Wellbeing commissioning and procurement process and assess the effectiveness of the contract management process on service provision	Medium	A			
Special Educational Needs and Disability home tuition	Assurance on provision of temporary home tuition to Special Educational Needs and Disability children that require school places with a focus on provider monitoring including safer recruitment processes.	Medium	A			
Archives Building Project	Assurance over the project management's arrangements, to include the protection and safeguarding of the contents of the Archive. (Cannot be completed until a final decision has been made i.e. new build, renovation etc.)	Medium	A			

Appendix A – Audit Plan – Auditable Areas

Audit Area	Assurances Being Sought	Audit Priority	Combined Assurance rating	Fixed Plan	Consultancy Assignment	Management Request
Debtors	Key systems that support the running of the Council's business and ensure compliance with corporate policies and legal requirements. How often Internal Audit review these activities depends on previous assurance opinions, when we last examined the activity and if there has been any significant changes to the system or senior management. We also consider the requirements of External Audit.	Medium	G	✓		
Key Control Testing	Delivery of key control testing to enable the Head of Internal Audit to form an opinion on the Council's financial control environment.	Medium	G	✓		
Programme / Project Management Support	The programme / project support function is effective in supporting management on key programmes and projects.	Medium	G	✓		
LCC Website	Assurance that the new LCC public website meets current digital expectations, including a suitable online payment function that is integrated with Agresso.	Medium	R			
Emergency Duty Team	Assurance over robustness of risk processes in managing shortages of skilled / qualified staff.	Medium	A			
Records Management	Records Management processes are in place and consistently applied so as to ensure compliance with the General Data Protection Regulation. To include Value for Money in relation to recovery timescales and costs.	Medium	G	✓		
Direct payments	Confirm there are effective fraud and financial controls in place for validation and authorisation of Direct payments	Medium	A			
Delivery of Financial Savings by Business Support	To provide assurance around Business Support's cost recovery model and sustainability.	Medium	R			
Sexual Health	Review effectiveness of contract management processes following a	Medium	A			

Appendix A – Audit Plan – Auditable Areas

Audit Area	Assurances Being Sought	Audit Priority	Combined Assurance rating	Fixed Plan	Consultancy Assignment	Management Request
management contract	Lincolnshire Integrated Sexual Health Services contract variation and implementation of service credits.					
Integrated Community Equipment Services	Review how the impact of the Telecare Contract on the Integrated Community Equipment Services has been managed.	Medium	A			
0-19 Service	Review on how effective the integration of 0-19 Nurses has been one year after the transfer. This should include a review of current performance and monitoring.	Medium	A			
Upgrade to MIMS system	To provide assurance on the implementation of the MIMS upgrade.	Medium	A			
Income Gateway (Zipporah replacement & website improvements)	(once the system has been introduced) - To review the controls in place around income collection.	Medium	A			
General Ledger	Key systems that support the running of the Council's business and ensure compliance with corporate policies and legal requirements. How often Internal Audit review these activities depends on previous assurance opinions, when we last examined the activity and if there has been any significant changes to the system or senior management. We also consider the requirements of External Audit.	Medium	G	✓		
Disciplinary and Grievance	That policy in relation to suspension in disciplinary and grievance proceedings are robust consistently applied across the Council	Medium	G	✓		

Appendix A – Audit Plan – Auditable Areas

IMT Audit Priority List

Potential IMT audits are listed below. We expect the current Security Audit to identify additional activities for inclusion in the plan.

We are looking to identify the all the Council's ICT applications, and current system developments, and following a prioritisation exercise will include high priority applications and developments within the plan.

IMT Audit Area	Current Management Assurance Level	Audit Priority
ICT Governance		
ICT Intelligent Client / IMT Governance	Amber	High
Service Reviews and Improvement Plans	Amber	Medium
ICT Strategy	Amber	High
IMT project governance / Service improvement follow-up	Amber	Medium
ICT Projects		
IMT Project management & delivery	Amber	Medium
Information Assurance		
Information Governance (GDPR)	Green	Medium
Security Operation / Cyber Security	Red	High
Information security management system	Amber	Medium
Records management	Red	High
Payment Card Industry Data Security Standards	Unknown	Medium
Corporate policies and procedures	Green	Low
Service Operations		
Service level management	Green	Low
Availability management	Amber	Medium
Capacity management		

Appendix A – Audit Plan – Auditable Areas

IMT Audit Area	Current Management Assurance Level	Audit Priority
Business continuity plan and disaster management	Red	High
Life cycle management (IT Assets) - Asset Management Follow-Up	Red	Medium
Technical change management / Patch management	Green	Medium
Supplier management	Green	Medium
Service asset and configuration management	Amber	Medium
Service desk / Desktop support	Amber	Medium
Application management	Amber	Medium
Incident Management	Amber	Medium
Request fulfilment	Green	Low
Problem Management	Red	Medium
Other Auditable Areas		
• Network Infrastructure		High
• Back-up Arrangements		Medium
• Business WorldOn! Interfaces		Medium
• Application Reviews eg MOSIAC / Business WorldOn! (General IT Security - Input – Processing – Output controls)		Medium
• Access Controls and User Privileges including Starters Movers Leavers		Medium
• Information Governance – cyclical audits		High
• School Admission Project		High
• Payment Gateway		High

Appendix A – Audit Plan – Auditable Areas

Other Areas of Work	Details
Combined Assurance	Updating assurances on the Council's assurance map with senior managers and helping to inform planning and co-ordinate the annual status report.
Collaboration work	Time to work on developing a collaborative approach to working with the National Health Service' Internal Audit providers on areas such as joint working and the sustainable transformation plan.
Follow up of Recommendations	Audit Reports issued during 2017/18 where an audit opinion of Limited or Low may be followed to establish progress in implementing agreed management actions.
Advice & Liaison	Time for liaison with management to schedule audits and update the plan with emerging risks etc.
Annual Report	Collation of data and production of the Head of Audits annual opinion on the Council's Governance, Risk and Control framework
Annual Governance Statement	Support development of the AGS
Audit Committee	Production of reports to and attendance at Audit Committee

Appendix B – Head of Internal Audit Opinion

1. Our work is carried out in conformance with the UK Public Sector Internal Audit Standards. These require that the scope of Internal Audit covers the whole range of the Council activities – seeking to provide an annual internal audit opinion on the governance, risk and internal control environment of the Council which has been established to:
 - Achieve strategic objectives
 - Ensure effective and efficient operational systems and programmes.
 - Safeguard assets and interests of all kinds (including risks that relate to work it undertakes through partnerships)
 - Ensure the reliability and integrity of financial and operational information.
 - Ensure economic, efficient and effective use of council resources.
 - Ensure compliance with established policies, procedures, laws, regulations and contracts.
4. This approach has the benefit of enabling greater flexibility and responsiveness – ensuring each piece of work is the right one, delivered at the right time. It also delivers greater productivity and efficiencies – reducing abortive planning and engagement time. The plan becomes more dynamic and responsive – essential for an effective Internal Audit service.
5. Our internal audit activity and plan has been driven by the Council's key objectives within the corporate plan, your key risks and critical service areas identified as part of the Combined Assurance Map.
6. Our aim is to align our work with other assurance functions – seeking to look at different ways of leveraging assurance to help us to maximise the best use of the Internal Audit resource and other assurance functions in the Council.

Our Internal Audit Strategy

2. It is important that the Internal Audit function focusses its work on what matters most to you – providing insight, assurance and added value to the Council.
3. To help us do this we propose to change the way we prioritise and schedule our work –Working with you we intend to have a continuous rolling audit work plan – updated each quarter – responding to changing circumstances or emerging risks during the year.
7. By adopting this approach it is possible to give the Council comfort that there is a comprehensive risk and assurance framework with no potential gaps. Internal Audit are then able to use our audit planning tool to target resources. This will to minimise duplication of effort through sharing and coordinating activities with management and other management oversight functions.
8. We have identified the level of assurances in place by using the "Three lines of assurance" model – See **Figure 1**.

Appendix B – Head of Internal Audit Opinion

Figure 1 – Three Lines of Assurance Model

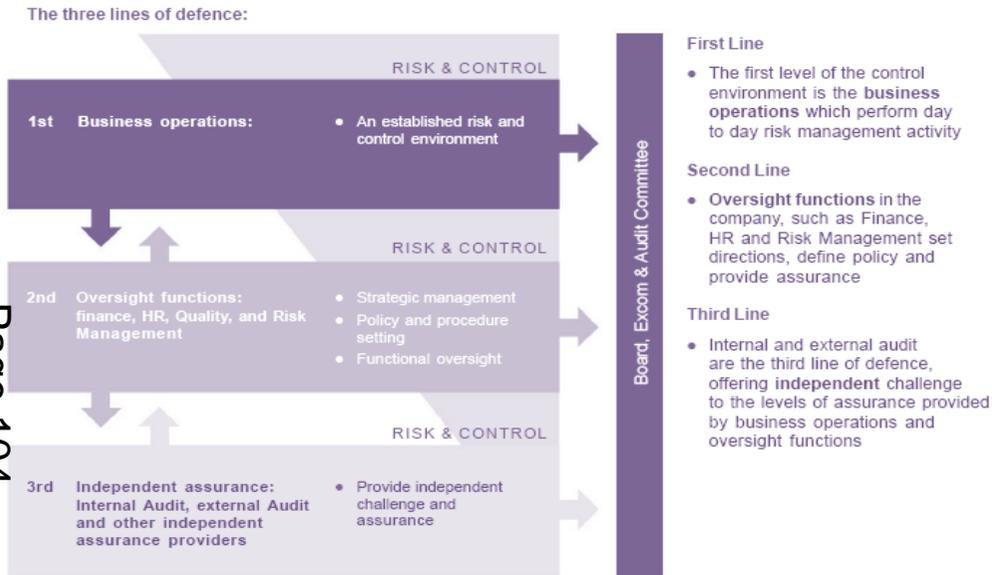
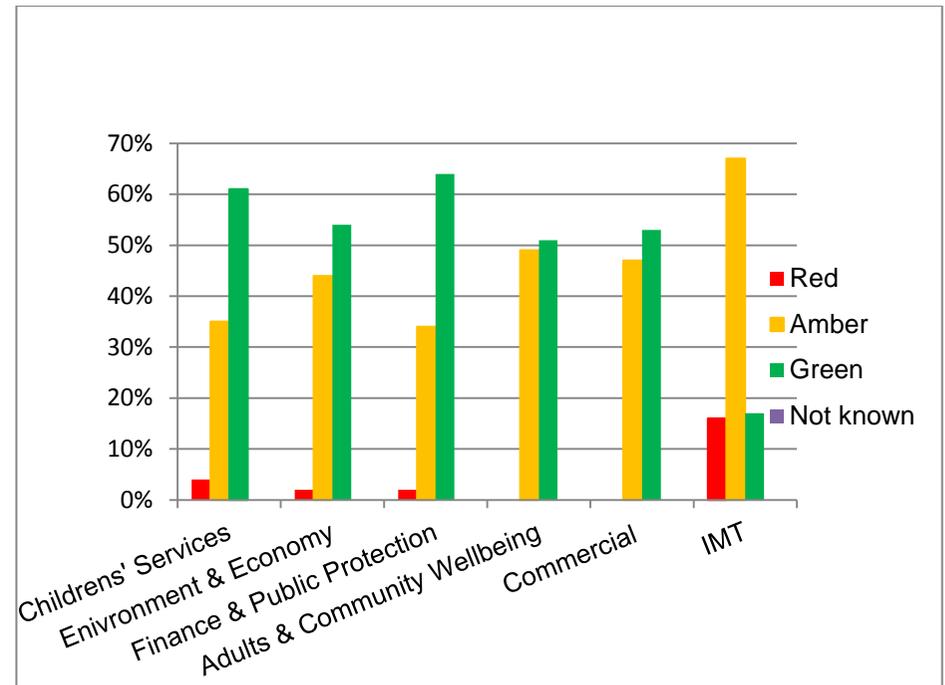


Figure 2 –Your Assurance Status



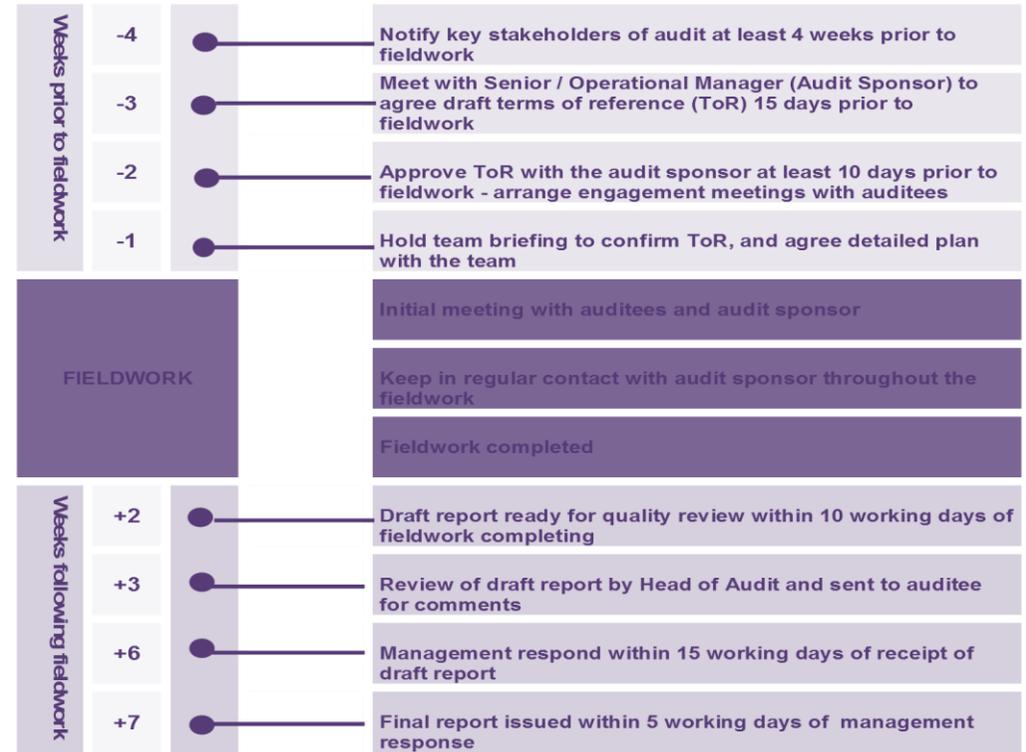
Red Low level of assurance
Amber Medium level of assurance
Green High level of assurance

9. **Figure 2** shows the overall assurance levels on the Council's critical activities as at November 2017.

10. Our Internal Audit Strategy also seeks to co-ordinate our work with other assurance providers where we can. In particular we liaise with External Audit to ensure the Council gets the most out of its combined audit resource – keeping audit fees low.

Appendix C – Working Protocols & Performance

1. Our approach to delivering of internal audit work is based on a clear protocol detailed in the Audit Charter. How this works in practice is set out opposite.
2. Our performance is monitored by the Section 151 Officer and the Audit Committee - measured against 3 key areas:
 - Delivery of planned work.
 - Timeliness (contemporary reporting).
 - Quality and Impact of work (communicating results / added value).
3. Strong communication is fundamental to quality delivery and maintaining trusting relationships. We keep management informed in accordance with agreed protocols including:
 - Agreeing potential audit work for the forthcoming year
 - Providing quarterly updates to evaluate progress and discuss activities and priorities for the next quarter.
 - For individual audit engagements we hold planning meetings in person (our preference) by phone or email to discuss and agree the terms of reference and scope of our work.
 - We keep you informed of key findings during the audit and upon conclusion we hold a debrief meeting in person to discuss our findings and any outstanding issues.

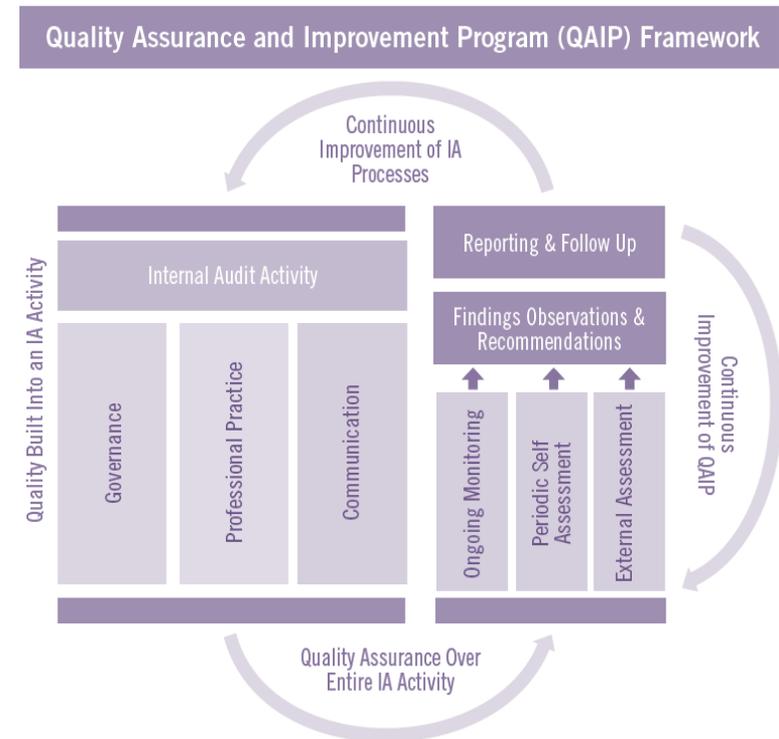


- We communicate the results of our audit work in a clear and concise way – securing management action where control improvements are needed.
4. We support Senior Management in attending the Audit Committee where a Limited or Low Assurance level has been given against the activity.

Appendix D – Our Quality Assurance Framework

5. Quality is built into the way we operate – we have designed our processes and procedures to conform to best practice applicable to Internal Audit – in particular the UK Public Sector Internal Audit Standards and the CIPFA Local Government Application Note.
6. Our audit team offers a wide depth of knowledge and experience gained across different organisations. We promote excellence and quality through our audit process, application of our Quality Assurance Framework and our training and development programme.
7. Our Quality Assurance Improvement Programme incorporates both the internal (self) and external assessments – this is a mandatory requirement and the Head of Audit reports annually on the results and areas for improvement. Our internal assessments must cover all aspects of internal audit activity – **Figure 1** shows how we structure our internal assessments to ensure appropriate coverage.
8. We use a number of ways to monitor our performance, respond to feedback and seek opportunities to improve. Evidence of the quality of our audits is gained through feedback from auditees and the results of supervision and quality assurance undertaken as part of our audit process.
9. Our Internal Audit Charter sets out the nature, role, responsibilities and authority of the Internal Audit service within the Council – this was approved by the Audit Committee and is due to be reviewed in 2018 following the planned revision of the CIPFA Local Government Application Note.

Figure 1 - Scope of Quality Assurance Improvement Programme



Appendix E – Your Internal Audit Team

Your Internal Audit Team

- Your Internal Audit Team will be led by Lucy Pledge (Head of Assurance Lincolnshire), supported by Rachel Abbott (Team Leader). Three Principal Auditors are responsible for delivery of the audit plan at a Directorate level, as follows:
 - Adult Care & Community Wellbeing Jill Thomas
 - Children's Services Alastair Simson
 - Environment & Economy Alastair Simson
 - Finance & Public Protection Julie Castledine
- The core team will be supported by specialists from Assurance Lincolnshire and our wider audit framework as and when appropriate.
- An indicative staff mix delivering our Internal Audit service to you is shown below:

Grade	2018/19 (days)	Grade Mix (%)
Head of Internal Audit	40	4%
Team Leader / Audit Manager	90	8%
Principle Auditor	420	38%
Senior Auditor	560	50%

Conflicts of Interest

- Internal Audit remains sufficiently independent of the activities that it audits to enable auditors to perform their duties in such a way that allows them to make impartial and effective professional judgements and recommendations.
- We are not aware of any relationships that may affect the independence and objectivity of the team and which are required to disclose under the internal auditing standards.

Counter fraud Plan

- The Council has strong counter fraud arrangements in place – supported by a Counter Fraud Team. The work of this team is contained in a separate work plan and will be presented to CMB and the Audit Committee during April and the June Committee.

Appendix F– Assurance Lincolnshire Partnership

1. The County Council works in partnership with the City of Lincoln for the provision of internal audit services to their own authorities and authorities with whom they have contractual or other agreements.

2. By working together the partnership aims to be:

‘the public sector assurance provider of choice for the region’

3. The partners deliver 6 of the 8 Lincolnshire Local Authority internal audit functions – plus Newark and Sherwood District Council. We have developed excellent relationships, demonstrating the relevant skills and expertise to deliver a comprehensive audit service to our clients. By working together we improve the overall quality of the service provided through:

- Sharing of knowledge and experience
- Adoption of leading audit techniques and methods
- Pooling / sharing resources where appropriate - streamlining our audit plans to audit/research specific areas of common interest.

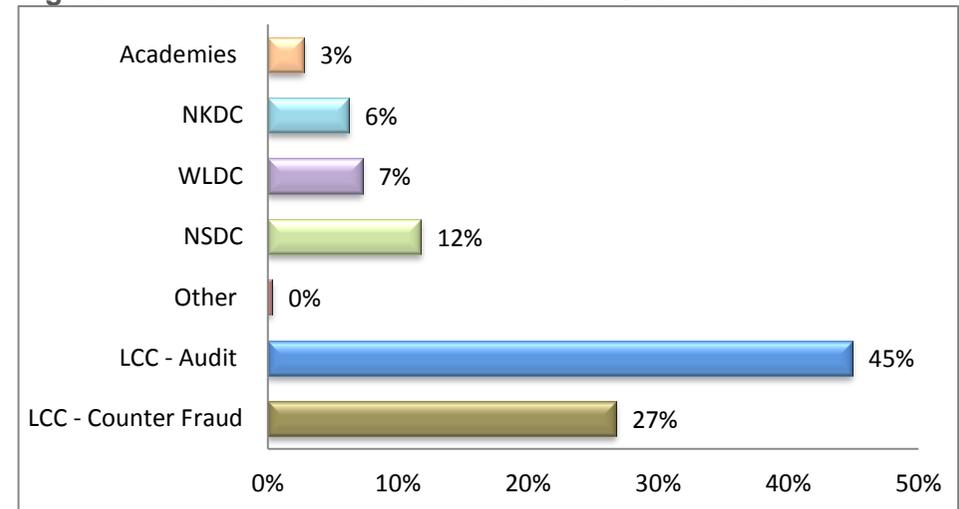
4. The County Council Internal Audit Team currently has four significant external clients:

- North Kesteven District Council
- West Lindsey District Council
- Newark and Sherwood District Council
- Lincolnshire Academies

5. The net income generated from this arrangement is **£33,795** - contributing **9%** to LCC Audit operating costs. **Figure 1** shows how our resources are distributed across our clients.

6. The delivery model for the Internal Audit Service is mixed – a combination of in-house staff and external resources. This enables the service to be responsive to changing demand and buy in specialist resources as required e.g. ICT Audit. We also have relief auditors to help us meet any peaks in demand.

Figure 1 – Resource Allocation across our Client Base



7. The net budget for the Internal Audit Service for 2018/19 is **£358,937**.

Open Report on behalf of Pete Moore, Executive Director for Finance and Public Protection

Report to:	Audit Committee
Date:	26 March 2018
Subject:	Internal Audit Progress Report

Summary:

The purpose of this report is to:

- Provide details of the audit work during the period 1st January to 11th March 2018
- Advise on the progress with the 2017/18 plan
- Raise any other matters that may be relevant to the Audit Committee role

Recommendation(s):

That the Committee note the outcomes of Internal Audit's work and identify any actions that need to be taken

Background

This paper covers the period 1st January to 11th March 2018 and reports on progress made against the 2017/18 audit plan

Conclusion

1. During the period we have completed 21 County audits, 9 to final report and 8 to draft report stage as well as finalising 4 school audits.
2. There are currently 7 further audits in progress.

Consultation

a) Have Risks and Impact Analysis been carried out??

No

b) Risks and Impact Analysis

N/A

Appendices

These are listed below and attached at the back of the report	
Appendix A	Internal Audit Progress Report

Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

This report was written by Lucy Pledge, who can be contacted on 01522 553692 or lucy.pledge@lincolnshire.gov.uk.

Internal Audit Progress Report

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Introduction

1. The purpose of this report is to:
 - Provide details of the audit work during the period 1st January 2018 to 11th March 2018
 - Advise on progress with the 2017/18 plan
 - Raise any other matters that may be relevant to the Audit Committee role

Key Messages

2. During the period we have completed 21 County audits, 9 to final report and 8 to draft report stage as well as finalising 4 school audits.
3. There are currently 7 further audits in progress.

Internal Audit work completed in the period 1st January to 11th March 2018

4. The following audit work has been completed and a final report issued:

High Assurance	Substantial Assurance	Limited Assurance	Consultancy Assignments
<ul style="list-style-type: none"> ■ Performance Management ■ Bank Reconciliation KC ■ Pension Admin ■ Emergency Planning ■ 30 Hours Childcare 	<ul style="list-style-type: none"> ■ Direct Payments – Provider Control Framework ■ Carbon Management Plan ■ Waste Management 	<ul style="list-style-type: none"> ■ Carers Workforce 	

Note: The assurance expressed is at the time of issue of the report but before the full implementation of the agreed management action plan. The definitions for each level are shown in Appendix 1.

5. Since our last progress report we have issued 8 final reports providing High or Substantial Assurance:

Performance Management

High Assurance

Our review confirmed that there are effective performance management arrangements in place around the data collection and reporting on corporate and service measures. The measures we examined were accurate and

complete, with sound sources of data. There is regular reporting to senior management and Members and the information is reported on a quarterly basis on the Lincolnshire Research Observatory website which is available to the public.

Bank Reconciliation – Key Controls

High Assurance

Our review found that the key controls around the bank reconciliations are working as intended.

Pension Admin

High Assurance

Our audit sought to assess how much reliance we could place on the work of the West Yorkshire Pension Fund Auditors work. We confirmed that the providers audit approach, sampling, coverage and quality assurance framework is robust. Recent pension admin audits are:

- Annual Benefit statements Audit Opinion - Excellent
- Death Benefits Audit Opinion - Excellent
- LGS Contributions Audit Opinion - Good
- Transfers In Audit Opinion - Good
- Transfers Out Audit Opinion – Effective

There are a further two audits currently in progress:

- New Pensions and Lump Sums – Deferred Pensions
- Reimbursement

Emergency Planning

High Assurance

The Council has a strong Emergency Planning Unit (EPU), and they champion and lead on many regional exercises that take place across UK regions. We found a robust and adequately tested Emergency Plan in place. The EPU fully exercises the 'Mutual aid agreement', by providing assistance on planned testing and actual live emergencies as and when they occur.

All staff within the Emergency Planning Unit have strong communication connections and the department works exceptional well with other Category 1 responders, who form part of the Lincolnshire Resilience Forum.

We confirmed the department continually looks to learn and develop from other Councils' experiences; ensuring that where applicable they enhance and strengthen their own planning & response arrangements, and plans are in place if a similar emergency incident was to occur.

30 Hours Childcare Provision**High Assurance**

We found that the Authority is fully aware of and compliant with key legislation and Department of Education guidance in respect of the extended free childcare provision. We identified clear reference to the legislation and guidance on the LCC website.

To ensure that implementation of the 30 hours childcare was fully prepared for, a comprehensive Project Plan was created, including responsibilities and timescales. We could clearly see that the project had been monitored and that progress was recorded.

Direct Payments – Provider Control Framework**Substantial Assurance**

Penderels Trust works in partnership with Lincolnshire County Council to support adults and children who receive a direct payment in the area to get the most out of their care money and to achieve their goals

Our testing identified that in general Penderel's Financial processes and controls for paying Direct Payments are working well and being managed effectively. We found strong governance procedures and controls in place. Processes comply with the Direct Payment policy guidance procedures. LCC funding to Penderels is held securely in a business bank account and reconciled on a monthly basis to the Individual service users holding accounts. There are robust monitoring reports in place that are reviewed regularly and cases are processed on a timely basis by Penderels. These findings were supported by our testing of service users which found that in general funding and expenditure was processed correctly and accurately.

Carbon Management Plan – Data Integrity**Substantial Assurance**

Our review was undertaken to provide assurance over the integrity of the data being used to produce the baseline for the new Carbon Management Plan and to look at the efficiency of the process of collecting, verifying and reporting that data.

We found that while there are no processes in place within the Sustainability Team to validate the accuracy and completeness of the data that they collect, the sources that provide the majority of the data do have appropriate processes to validate the data that they submit. Our testing of these processes enabled us to give substantial assurance to this audit.

Waste Management**Substantial Assurance**

We completed a follow up audit of last year's Lincolnshire Waste Partnership (LWP) as this gave limited assurance.

We confirmed that considerable progress has taken place by the LWP. While this is still at draft stage, the creation of a new Joint Municipal Waste Management Strategy has commenced through the use of a dedicated team and input from the LWP. We found that there is an agreed timeline in place with regular updates on progress to the Partnership as part of a set agenda.

The remaining report gives limited assurance. The management summary of this report can be found at appendix 2.

Audits in Progress

6. We have 8 audit's at draft report stage:

- ICT Asset Management
- ICT Service Improvement
- Capital Programme
- Fuel Cards
- Careers Advice
- Recruitment Processes
- Procurement Cards
- Total Transport Project

These will be reported to the committee in detail once finalised.

7. We currently have 7 Audits in progress. More details on audits in progress can be found at Appendix 3, which details the entire 2017/18 audit plan.

Other Key Work

8. Other key work undertaken during the period includes:

Agresso upgrade to Business World On!

The current version of the Council's ERP system Agresso is no longer supported by the provider, Unit 4. As a result, the Council and Serco have been working to upgrade from the current version (4.7) to Milestone 6—now known as Business World On! This upgrade has now gone live.

Corporate Management Board asked Internal Audit to provide independent assurance over the Agresso upgrade project - that the system is fit for purpose and ready to 'Go-Live' in the 1st March 2018. This assurance work is now complete.

Performance Information

9. Our performance against targets for 2017/18 is shown in the analysis below:

Performance Indicator	Annual Target	Profiled Target	Actual
Percentage of plan completed (based on revised plan)	100%	95%	86%
Percentage of recommendations agreed	100%	100%	100%
Percentage of recommendations implemented	100% or escalated	100% or escalated	100%
Timescales:			
Draft Report issued within 10 days of completion	100%	100%	84%
Final Report issued within 5 days of management response	100%	100%	97%
Draft Report issued within 3 months of fieldwork commencing	80%	80%	94%
Client Feedback on Audit (average)	Good to excellent	Good to excellent	Good to excellent

10. Our actual percentage of plan complete is 9% behind the profiled target of 95% at the end of February 2018. The delays to the ICT plan have had an impact on planned delivery. The adjusted percentage complete is 92% when the delayed ICT are removed from the statistics.

Appendix 1 - Assurance Definitions¹

<p>High</p>	<p>Our critical review or assessment on the activity gives us a high level of confidence on service delivery arrangements, management of risks, and the operation of controls and / or performance.</p> <p>The risk of the activity not achieving its objectives or outcomes is low. Controls have been evaluated as adequate, appropriate and are operating effectively.</p>
<p>Substantial</p>	<p>Our critical review or assessment on the activity gives us a substantial level of confidence (assurance) on service delivery arrangements, management of risks, and operation of controls and / or performance.</p> <p>There are some improvements needed in the application of controls to manage risks. However, the controls have been evaluated as adequate, appropriate and operating sufficiently so that the risk of the activity not achieving its objectives is medium to low.</p>
<p>Limited</p>	<p>Our critical review or assessment on the activity gives us a limited level of confidence on service delivery arrangements, management of risks, and operation of controls and / or performance.</p> <p>The controls to manage the key risks were found not always to be operating or are inadequate. Therefore, the controls evaluated are unlikely to give a reasonable level of confidence (assurance) that the risks are being managed effectively. It is unlikely that the activity will achieve its objectives.</p>
<p>Low</p>	<p>Our critical review or assessment on the activity identified significant concerns on service delivery arrangements, management of risks, and operation of controls and / or performance.</p> <p>There are either gaps in the control framework managing the key risks or the controls have been evaluated as not adequate, appropriate or are not being effectively operated. Therefore the risk of the activity not achieving its objectives is high.</p>

¹ These definitions are used as a means of measuring or judging the results and impact of matters identified in the audit. The assurance opinion is based on information and evidence which came to our attention during the audit. Our work cannot provide absolute assurance that material errors, loss or fraud do not exist.

Carers Workforce

Background and Context

Lincolnshire's Carers Service is delivered by two providers bringing together the prevention and the assessment and eligibility function. From April 2015 Serco has provided a telephone carers service as part of the commissioned Lincolnshire County Council customer service centre. Serco provides signposting, information & advice and statutory telephone assessment, plan and review services.

Carers FIRST provides a telephone carers service offering specialist and tailored information and advice for carers. They deliver services in communities and acute hospitals. They provide universal services for example benefits checks, support groups plus the statutory assessment and support planning. The contract commenced in June 2016.

The Care Act 2014 introduced new legal rights for carers for support. The Children and Families Act 2014 also entitles parent carers and young carers to an assessment of their needs. There is a shift to seeing carers as people with their own rights to lead a life with choice and control; achieving emotional and physical wellbeing, access to work, education and social activities.

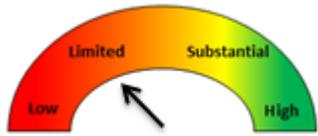
Carers have a legal entitlement for support that puts carers on the same footing as the people for whom they care.

Scope

Our review was to provide assurance around;

- The internal quality assurance framework process
- The Workforce Learning and Development Plan which will focus on the training of assessors.
- Supervision and monitoring of assessors

Executive Summary



Limited Assurance

Our critical review or assessment on the activity gives us a limited level of confidence on service delivery arrangements, management of risks, and operation of controls and / or performance.

The controls to manage the key risks were found not always to be operating or are inadequate. Therefore, the controls evaluated are unlikely to give a reasonable level of confidence (assurance) that the risks are being managed effectively. It is unlikely that the activity will achieve its objectives.

Risk	Rating (R-A-G)	Recommendations	
		High	Medium
Inefficient safeguarding training provided	Medium	0	1
Inefficient assessment training provided as detailed by Care Act	Medium	0	1
Inadequate supervision arrangements re verifying quality of work	Medium	0	1
Inadequate quality assurance process	Medium	1	0
TOTAL		1	3

Key Messages



Our review found inconsistencies between standards of practice and record keeping at the providers. As such assurance overall is limited. Our most significant findings are:

We established that while training and development had taken place it was difficult to evidence the actual attendance and completion by each employee, although this was better at one provider. There is an opportunity here for both providers to review and strengthen their current procedures and processes, to enable them to give the Council greater reassurance.

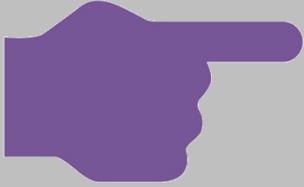
The Council has a quality assurance framework in place, however the framework needs to be extended and embedded into both providers, to ensure that the quality assurance framework works pro-actively. Both providers need to develop their current processes and procedures, this will then give the Council full assurance on the quality of the Carers Assessments they complete.

There was little evidence found on the supervision of assessments completed by assessors. We found no evidence to confirm that employees were being shadowed by a supervisor whilst completing the assessments to ensure assessors remain impartial. We would recommend that both Providers review their current supervisory procedures in documenting supervisory activity taking place.

We would like to acknowledge that following our testing and feedback work has already been carried out to address the above findings. A revised contract has been agreed with one provider, and is in place along with additional staff employed; Team Leaders and Locality Managers to implement supervisory and Quality Assurance checks. The Council are currently in the process of working with and revising the contract with other provider.

We would like to take this opportunity to thank all parties for the time and help they have afforded to us during the audit.

Areas of Good Practice



During the Audit, it was recognised there was a number of good practices taking place;

The Council, though its partnership with Lincolnshire Safeguarding Adults Boards (LSAB) provide safeguarding training to both providers - this is done via e-learning and face to face training. We found one of the providers has a detailed policy and procedures in place around safeguarding.

Both providers have an induction programme in place which is adequately detailed in meeting the requirement of introducing a new member of staff into the role of Carers Assessments.

The Council carry out monthly quality assurance meetings, where difficult cases are reviewed and discussed with both providers. An action plan is created and tracked through the monthly meeting. A review of the action plan confirmed that the Council is proactive in identifying issues and taking action.

Managing your risks



Good Risk Management, including maintaining risk registers, helps you identify, understand and reduce the chance of risks having a negative impact on achievement of your objectives.

We confirmed that the action plan tracking in the monthly QA meetings held by the Council demonstrates understanding and managing the chance of risks having a negative impact on the delivery of the service.

Management Response



Regular collaborative joint Quality Assurance monitoring identified the need for Providers to put in place processes for authorising and quality assuring assessments. A 'start-up' workforce learning & development plan was developed with Commissioners and delivered during 2016-17. Quality Practice Standards were also designed to support and encourage quality throughout the whole service. These provide a baseline against which practice and recording can be assessed and are available to Providers to support and inform their quality assurance framework.

Contracts have been reviewed and for one Provider the changes made have started to be implemented. The change notice is currently being finalised for the second Provider. The areas identified in this report reflect those that informed the content of variation to the contracts and present Provider's with the priorities for their implementation plan. Contract monitoring will track implementation, compliance and success.

The audit has also provided helpful advice on areas for improvement for the established joint quality assurance activity. Putting in place the recommendations will ensure patterns and themes inform each Provider's workforce learning & development plan. It also gives advice on how identified areas for development can be embedded into practice, promoting quality through everything that we do.

Culminatively this will develop practitioners and managers knowledge and skills, safeguard carers, contribute to positively transforming their lives, and support the Council and Providers deliver quality services and better outcomes.

Appendix 3 – Internal Audit Plan 2017/18

Audit	Scope of Work	Start Planned Date	Start Actual Date	End Actual Date	Audit State	Rating
LCC 2017/18-01 - Procurement & Contract Management - Housing Related Support	To confirm that the Housing Related Support management of the contract s is effective	18/05/2017	09/08/2017	28/10/2017	Complete	Limited Assurance
LCC 2017/18-02 - Procurement & Contract Management - Wellbeing	To confirm that the Wellbeing procurement exercise complied with procedures and adhered to legislation and that the subsequent management of the new contract s is effective	22/05/2017	15/06/2017	27/09/2017	Complete	Limited Assurance
REMOVED LCC 2017/18-03 - Procurement & Contract Management - Sexual Health	To confirm that the Sexual procurement exercise complied with procedures and adhered to legislation and that the subsequent management of the new contract s is effective	12/06/2017	N/A	N/A	Removed	N/A
LCC 2017/18-04 - Families Working Together	Audit sign off as per the requirements of the grant.	01/08/2017	17/10/17	29/10/17	Complete	N/A
LCC 2017/18-05 - Youth Offending Service Delivery	Assurance that stated improvements following the external review of YOS published December 2015 have been made and sustained. Focus to include: ·Assessment of the QA framework ·Performing of assessment after a significant	04/09/2017	25/08/2017	30/11/17	Complete	High Assurance

Audit	Scope of Work	Start Planned Date	Start Actual Date	End Actual Date	Audit State	Rating
	incident occurs					
LCC 2017/18-06 - Transfer of 0-19 Public Health Nurses	Assurance that the governance, risk and monitoring arrangements for this key project are sufficient to ensure delivery of key outcomes for all 8 work streams.	01/08/2017	01/09/2017	21/12/2017	Complete	High Assurance
LCC 2017/18-07 - School Admissions Software	Confirmation that the risks regarding implementation of the new admissions software have been managed to minimise the disruptions to schools.	01/08/2017	05/01/2018		In Progress	
LCC 2017/18-08 - Special Educational Needs and Disability Reform	Assurance on the embedding of the new SEND framework in key areas of the service. Main focus is data in Mosaic and reporting as this is currently an area of concern.	01/08/2017	25/07/2017	21/12/2017	Complete	Substantial Assurance
LCC 2017/18-09 - Careers Advice	Assurance that the alternative delivery model for careers advice to young people achieves required outcomes.	01/11/2017	27/02/2018		Draft Report	
LCC 2017/18-10 - Quality of Carers Workforce Learning & Development	Assurance that processes in place ensure that the carers support workforce are adequately trained and their quality of work is of the required standard.	16/10/2017	26/09/2017	19/02/2018	Complete	Limited Assurance

Audit	Scope of Work	Start Planned Date	Start Actual Date	End Actual Date	Audit State	Rating
LCC 2017/18-11 - Client Contributions Policy	Assurance that the new contributions policy has been fully implemented and is applied consistently to applicable Service Users.	17/07/2017	03/08/2017	03/11/17	Complete	Limited Assurance
REMOVED LCC 2017/18-12 - Integration with Health	Support and Advice on delivery of the plan to integrate Health and Social Care	16/01/2018	N/A	N/A	Removed	N/A
REMOVED LCC 2017/18-13 - BCF - Disabled Facilities Grants	assurance that adequate governance, monitoring and financial review controls are in place to ensure that District Council's make effective use of funding in line with DOH guidance.	18/12/2017	N/A	N/A	Removed	N/A
LCC 2017/18-14 - Information Systems Team	Assurance that the impact of the monitoring and adequacy of the information produced by Mosaic on Adult Care Services provided.	01/12/2017			Not Started	Not Started
LCC 2017/18-15 - Quality Assurance Framework	Assurance that the quality assurance framework for assessing provision both internally and commissioned is robust and aligned to statutory requirements - to include safeguarding.	26/06/2017	24/07/2017	07/08/2017	Complete	N/A Consultancy
LCC 2017/18-16 - Deprivation of Liberty Safeguards	Assurance that succession planning is sufficient to enable adequate numbers of capable and competent DOLs specialists to be available.	02/06/2017	02/06/2017	14/09/2017	Complete	Substantial Assurance

Audit	Scope of Work	Start Planned Date	Start Actual Date	End Actual Date	Audit State	Rating
LCC 2017/18-17 - ICT Intelligent Client	Evaluation of the IMT Team acting as an intelligent client in respect of: 1.Delivery of ICT 2.ICT Investment Decisions 3.Project Approval 4.Other critical ICT decision making	04/09/2017			Scoped	
LCC 2017/18-18 - Cyber Security	Assurance over the Council's arrangements for mitigating the latest cyber security threats. Internal Audit shall identify the latest cyber security threats and determine whether the arrangements to protect against them and recover from them are appropriate and adequate.				Not Started	
LCC 2017/18-19 - Information Governance	To provide assurance over the effectiveness of the Information Governance policies and procedures. To include follow up of Information Commissioners report and recommendations. (Requested by the Chairman of the Audit Committee).	04/09/2017	04/09/2017	04/12/2017	Complete	Substantial Assurance
LCC 2017/18-20 - ICO Cyclical Audit	Delivery of periodic Audits as recommended by the ICO	04/09/2017	04/09/2017		Complete	N/A
LCC 2017/18-21 - Security Management	The review will examine the operation of the Security Working Group in ensuring the implementation and operation of an effective security infrastructure (including access controls)	02/10/2017			Not Started	

Audit	Scope of Work	Start Planned Date	Start Actual Date	End Actual Date	Audit State	Rating
LCC 2017/18-22 - ICT Asset Management	Review of SERCO arrangements for the procurement, recording and disposal of ICT assets and their maintenance.	06/07/2017	06/06/2017		Draft Report	
LCC 2017/18-23 - ICT Service Improvement	Review of SERCO arrangements for the management of service improvement projects, and the resources, plans and processes in place to effect service improvement through new or improved deployment of ICT resources.	06/07/2017	06/06/2017		Draft Report	
LCC 2017/18-24 - ICT Infrastructure Security Deep Dive	Audit to comprise of initial review of the key elements of the ICT infrastructure to identify the areas to be subject to a deep dive. The key areas are: 1.Governance 2.Network 3.Operations 4.Removable Media 5.Applications Servers 6.Back ups 7.Laptops, tablets and smart phones 8.Security organisation				Not Started	
LCC 2017/18-25 - Emergency Planning Centre - ICT Infrastructure	Review of effectiveness of ICT arrangements and infrastructure within the county emergency centre.	Unknown			Not started	

Audit	Scope of Work	Start Planned Date	Start Actual Date	End Actual Date	Audit State	Rating
LCC 2017/18-26 - Good Governance Review - Phase 2	Assurance that governance arrangements are working effectively to manage Ethics, Partnerships and Transparency. To be conducted from a member perspective.	01/08/2017	01/08/2017	02/02/2018	Complete	N/A
LCC 2017/18-27 - Recruitment Processes	Re-scoped to focus on Social Worker recruitment processes only	01/11/2017	18/12/2017		Draft Report	
LCC 2017/18-28 - Agresso - Milestone 6	Consultancy assignment to support and advise on the Governance, Risk and Control during the project to upgrade to Agresso Milestone 6.	01/06/2017	05/07/2017	15/03/2018	Complete	N/A
LCC 2017/18-29 - Emergency Planning	Assurance that prevention and response arrangements are effective to minimise disruption in the event of an emergency, to include: 1.Capacity and capability 2.Collaboration and mutual aid 3.Planning and testing of plans	06/09/2017	06/09/2017	16/02/2018	Complete	Substantial Assurance
LCC 2017/18-30 - Establishments	Consultancy project to identify establishments within the LCC portfolio and how audit processes may be developed to provide assurance over these in future.	01/06/2017	04/07/2017	17/11/2017	Complete	N/A
REMOVED LCC 2017/18-31 - Workforce performance and reward	Assurance that there is a consistent and fair approach planned for linking employee increments to performance from 2018/19	01/11/2017	N/A	N/A	Removed	N/A

Audit	Scope of Work	Start Planned Date	Start Actual Date	End Actual Date	Audit State	Rating
LCC 2017/18-32 - Absence Management	Follow up audit to confirm that the actions of the previous audit have been implemented and absence management policy is now being consistently applied.	01/02/2018			In Progress	
LCC 2017/18-33 - Performance Management	Assurance over effectiveness of performance management in providing the 2nd line of assurance in the 3 lines model.	16/10/2017	06/10/2017	09/03/2018	Complete	High Assurance
LCC 2017/18-34 - Budget Management	Assurance that budget management and monitoring arrangements are effective and actioned in line with Council policy and procedures.	01/11/2017	03/02/2018		In Progress	
LCC 2017/18-35 - Medium Term Financial Planning	Assurance that financial plans are developed to plan future budgets to align to the 4 year funding deal agreed with Government.	01/08/2017	12/07/2017	17/11/2017	Complete	Substantial Assurance
LCC 2017/18-36 - Capital Programme	Assurance over the governance, decision making and contract management of Capital projects.	22/08/2017	12/07/2017		Draft report	
LCC 2017/18-37 - Interfaces with Agresso	Assurance over the interfaces and manual interventions required to load files from other council systems into Agresso, including Mosaic. That the security of files that are loaded into Agresso	02/01/2018			Not Started	

Audit	Scope of Work	Start Planned Date	Start Actual Date	End Actual Date	Audit State	Rating
	and that details posted are complete, accurate and timely.					
LCC 2017/18-38 - Payroll	Assurance over the entire payroll process and all the key controls within it. To include follow up of prior year agreed actions.	01/02/2018	13/02/2018		In Progress	
LCC 2017/18-39 - Accounts Payable		01/11/2017			In Progress	
LCC 2017/18-40 - Pension Administration	Assurance that revised processes since the implementation of Agresso adequately control pension administration.	02/10/2017	21/12/2017	20/02/2018	Complete	N/A
REMOVED LCC 2017/18-41 - Fire Pay and Pensions	Assurance that Serco has addressed and rectified the significant issues with Fire and Rescue pay and pension contributions that have occurred since April 2015.	15/06/2017	N/A	N/A	Removed	N/A
LCC 2017/18-42 - Financial Key Control Testing	Delivery of the key control testing to enable the Head of Internal Audit to form an opinion on the Council's financial control environment.	02/12/2017	15/01/2018		In progress	
LCC 2017/18-43 - Strategic Approach to charging for schools	Assurance that all services offered through the LA commercially to schools are delivered via EduLincs and:	26/06/2017	11/09/2017	21/12/2017	Complete	Substantial Assurance

Audit	Scope of Work	Start Planned Date	Start Actual Date	End Actual Date	Audit State	Rating
	1.that cost recovery follows all accounting rules 2.that services are costed appropriately 3.mechanisms to recover costs ensure that the service receives the income 4.that reporting arrangements enable decision making for the future					
LCC 2017/18-44 - Blue Light Collaboration	Assurance that effective programme management is in place to deliver new working arrangements that meet the Council's needs and will be delivered on time and within budget.	20/11/2017	23/02/2018		In Progress	
REMOVED LCC 2017/18-45 - Domestic Homicide Review	Assurance that processes for Domestic Homicide reviews meet legislative requirements and reflect best practice. Follow up of published reviews to confirm agreed actions relating to LCC have been taken or are progressing and that lesson learnt are embedded.	01/02/2018			Moved to 18/19 as DA Manager post vaccant	
LCC 2017/18-46 - Waste Strategy follow up	Follow up on the findings of the LWP 16/17 audit to examine progress made	01/03/2018	22/01/2018	15/03/2018	Complete	Substantial Assurance
LCC 2017/18-47 - New Highways Operating Model	Support and advice on the effectiveness of the restructure of the Highways Team in delivering the service.	01/06/2017	23/06/2017	23/10/2017	Complete	Substantial Assurance

Audit	Scope of Work	Start Planned Date	Start Actual Date	End Actual Date	Audit State	Rating
LCC 2017/18-48 - Transport IT and Telematics	Assurance that the process of updating transport IT systems and the real time tracking of Vehicles ensures they a fit for purpose.	02/10/2017			In progress	
LCC 2017/18-49 - Total Transport Project	Assurance that these projects are effectively managed to contribute to the Total Transport Project. Sample of the on-going projects may include Non-emergency passenger transport, market development and the procurement process.	01/11/2017			In progress	
LCC 2017/18-50 - Heritage (Phase 1)	Support and advice on arrangements to create a self-sufficient Heritage Service to start transition 2018/19. To include strategic approach and business planning.	01/06/2017	03/07/2017	07/08/2017	Complete	N/A
REMOVED LCC 2017/18-51 - Telecare Contract	Assurance over the adequacy of the tender processes followed in awarding the telecare contract	12/01/2018	N/A	N/A	Removed	N/A
LCC 2017/18-52 - Partnerships	Support and advice to the Council on developing a protocol for effective partnership management.	01/11/2017			Not Started	
REMOVED LCC 2017/18-53 - One Public Estate	Assurance that the governance, risk and collaboration within this key project are adequate to deliver the expected outcomes.	01/11/2017	N/A	N/A	Removed	N/A

Audit	Scope of Work	Start Planned Date	Start Actual Date	End Actual Date	Audit State	Rating
ADDED LCC 2017/18-54 - Single Local Growth Fund	Audit to validate all expenditure on the return has been spend on capital expenditure for approved LGF schemes. In preparation for sign off and return to the DCLG (grant making body).	26/06/2017	12/07/2017	08/08/2017	Complete	N/A
ADDED LCC 2017/18-55 - Telecare Contract Transition		21/08/2017	15/08/2017	17/11/2017	Complete	N/A
ADDED LCC 2017/18-56 - Bus Service Operators Grant 2015/16	Audit to validate all expenditure on the return has been spend on eligible schemes. In preparation for sign off and return to the DfT (grant making body).	29/08/2017	29/08/2017	25/09/2017	Complete	N/A
ADDED LCC 2017/18-57 - Bus Service Operators Grant 2016/17	Audit to validate all expenditure on the return has been spend on eligible schemes. In preparation for sign off and return to the DfT (grant making body).	29/08/2017	29/08/2017	25/09/2017	Complete	N/A
LCC 2017/18-58 - Heritage (Phase 2)	Support and advice on arrangements to create a self-sufficient Heritage Service to start transition by 2018/19. To include Strategic approach and business planning.	20/09/2017	07/09/2017	01/02/2018	Complete	N/A
REMOVED LCC 2017/18-59 - Heritage (Phase 3)	Support and advice on arrangements to create a self-sufficient Heritage Service to start transition by 2018/19. To include Strategic approach and business planning.	15/11/2017	N/A	N/A	Delayed into 2018/19	N/A

Audit	Scope of Work	Start Planned Date	Start Actual Date	End Actual Date	Audit State	Rating
ADDED LCC 2017/18-41 - Procurement Cards	Assurance that procurement card processes are adequate and consistently applied to ensure transactions are appropriate and correctly accounted for in Agresso	11/12/2017	16/01/2018		Draft Report	
ADDED LCC 2017/18-60 - Carbon Management Plan - Data Integrity	Assurance over the validity of the data collated to inform the CO2 emissions baseline that will be used to inform the Council's new Carbon Management Plan.	09/10/2017	30/10/2017	23/01/2018	Complete	Substantial Assurance
ADDED LCC 2017/18-61 - Direct payments - Penderels Contract	Review of processes and controls for managing direct payments within LCC's largest provider, Penderels	15/11/2017	20/11/2017	08/02/2018	Complete	Substantial Assurance
ADDED LCC 2017/18-63 - Fuel cards	Assurance that the process and controls for Fuel cards are adequate to ensure efficiency and minimise fraud risks	29/11/2017	05/12/2017		Draft report	

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Open Report on behalf of Pete Moore, Executive Director for Finance and Public Protection

Report to:	Audit Committee
Date:	26 March 2018
Subject:	Review of Governance Framework and development of the Annual Governance Statement 2017/18

Summary:

Each year the Council is required to reflect on how well the Council's governance framework has operated during the year and identify any governance issues that we need to draw to the attention of Lincolnshire's residents.

Good governance underpins everything we do as a Council and how we deliver services often comes under close scrutiny.

A 'good' Annual Governance Statement is an open and honest self-assessment of how well we have run our business across all activities - with a clear statement of the actions being taken or required to address any areas of concern.

The Audit Committee oversees the development of the Annual Governance Statement and recommends its adoption by the Council.

This paper provides the Committee with the opportunity to review the contents of the draft statement - ensuring that it accurately reflects the Committee's understanding of the Council's governance and assurance arrangements. This is a key activity in the Committee's terms of reference.

Recommendation(s):

That the Committee considers the contents of the draft Annual Governance Statement 2018 and:-

1. Agree that it accurately reflects how the Council is run.
2. That the Statement includes the significant governance issues/key risks it would have expected to be published.
3. Identify any changes it wishes to make to the statement

Background

What do we mean by Governance?

1. Good Governance can mean different things to people – in the public sector it means:

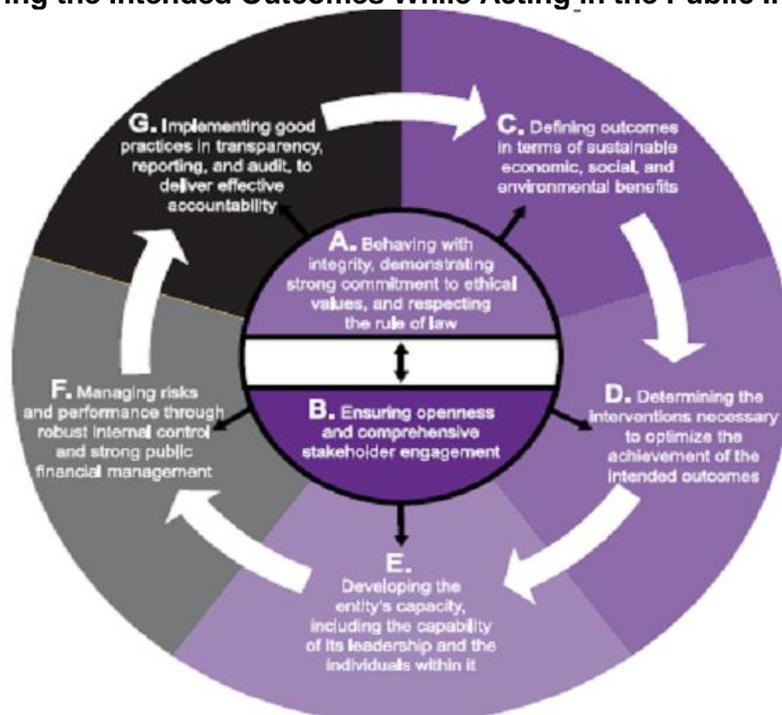
"Achieving the Intended Outcomes While Acting in the Public Interest at all Times"

2. It is comprised of systems, processes and culture and values, by which the Council is directed and controlled and through which they account to, engage with, and where appropriate, lead their communities.

What is the Governance Framework?

3. Our Governance Framework brings together an underlying set of legislative requirements, governance principles and management processes. It ensures that the Council's business is conducted in a legal and proper way – ensuring that public money is properly used - economically, efficiently and effectively.
4. In April 2016 CIPFA/SOLACE published an updated 'Delivering Good Governance in Local Government – Framework and Guidance'. This sets out the latest good practice operating in the current public sector environment. It defines six core principles by which a Council can test out their governance arrangements. These are shown in Figure 1.

Figure 1 – Achieving the Intended Outcomes While Acting in the Public Interest at all Times"



The international framework notes that:

Principles A and B permeate implementation of principles C to G. The diagram also illustrates that good governance is dynamic, and that an entity as a whole should be committed to improving governance on a continuing basis through a process of evaluation and review.

Annual Review of our Governance Framework

5. The annual review and development of the Annual Governance Statement is undertaken by the Governance Group in consultation with the Executive Directors. The Council's Governance Group comprises:-

- Monitoring Officer
- Section 151 Officer – Executive Director – Finance and Public Protection
- County Finance Officer
- Audit and Risk Manager (Head of Internal Audit)
- Chief Legal Officer
- Democratic Services Manager

6. The sources of information used to develop the Governance Statement include:

- The assurance arrangements of the Council, particularly each Directors Combined Assurance Status reports
- Head of Internal Audit annual audit opinion
- Council's Strategic Risk Register and risk management arrangements
- External Audit Annual Audit Letter
- Ombudsman investigations
- Complaints and lessons learnt
- Comments of the Corporate Management Board
- Outcome of Staff Survey
- Whistleblowing annual report
- Budget robustness statements
- Peer or external reviews

Governance Issues

7. As a result of our annual review we have identified the following areas where further work is required to improve systems or monitor how they key risks facing the Council are being managed. These are:

- IT Governance Arrangements
- Fairer funding – Financial Sustainability
- Financial Control Environment - Payroll – *this may be removed once the Head of Internal Audit opinion is received*
- Market Supply – Adult Care
- Collaborative working – governance

8. These areas are highlighted because of the need for the Council to be realistic and open about those functions and activities which require, or are likely to require, support (including but not limited to financial support) over the next year in order to ensure that they are working effectively and efficiently. This in turn should ensure that any future problems in those areas are averted or at the very least minimised.
9. During 2017/18 the Council agreed a Commercialism Strategy which outlines the Council's approach to commercialism. The Council also has a number of Trading Company's. Existing governance arrangements will be used so that early review and feedback will be received from Corporate Management Board and the Commissioning and Commercial Board prior to the Council's formal decision making being invoked. No significant governance issues have been identified with these entities during the assurance mapping process but the Governance Group will consider if additional assurance is required over the Governance, Risk and Control framework from the Directors / Board.
10. The draft Annual Governance Statement can be found in Appendix A. It is presented to the Committee for your consideration and 'challenge' of the contents e.g.
 - Does it accurately reflect the Committee's understanding of how the Council is run?
 - Reflecting on evidence presented to the Committee during the year and other relevant information. Are the significant governance/key risks those that the Committee expected to see published? Are there any surprises/gaps?

Note: Recognising that the statement is a reflective/backward look at the Council from April 2017 to March 2018 but does need to be contemporary at the time of publication.

11. Our governance framework and annual review covers all activities of the Council including Fire and Rescue and Pensions.

Conclusion

12. The Council has a strong control environment which is demonstrated by the realistic and open assessment of its functions and activities.
13. Officers have identified a number of governance issues to be included in the Annual Governance Statement. The Audit Committee is asked to independently review and approve these for 'realism'.

14. The final Annual Governance Statement will be presented to the Committee in June for approval.

Consultation

a) Have Risks and Impact Analysis been carried out??

No

b) Risks and Impact Analysis

Any changes to services, policies and projects are subject to an Equality Impact Analysis. The considerations of the contents and subsequent decisions are all taken with regard to existing policies.

Appendices

These are listed below and attached at the back of the report	
Appendix A	Lincolnshire County Council - Annual Governance Statement 2018

Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

This report was written by Lucy Pledge, who can be contacted on 01522 553692 or lucy.pledge@lincolnshire.gov.uk.

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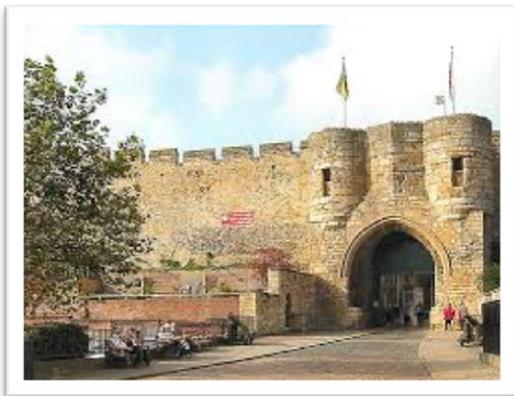


Lincolnshire County Council

Draft - Annual

Governance

Statement 2018



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Significant Governance Issue

What is Corporate Governance?

The Council – How it works

Outcomes and Value for money

How do we know our arrangements are working?

Our Strategic Risks

Looking Back on 2016/17

Executive Summary

The Leader of the Council (Cllr Martin Hill OBE) and Interim Chief Executive (Richard Wills) both recognise the importance of having good management, effective processes and other appropriate controls in place to have a well-run Council - delivering services to the communities of Lincolnshire.

Each year the Council is required to produce an Annual Governance Statement (AGS) which describes how its corporate governance arrangements have been working. To help us do this the Council's Audit Committee undertakes a review of our governance framework and the development of the AGS.

On the 26th March 2018 the Audit Committee considered and challenged the content and the significant governance issues identified in the Statement – ensuring that the Statement properly reflects how the Council is run – identifying any improvement actions.

The final statement was formally approved by the Audit Committee on the 25th June 2018 - where it was recommended for signing by the Leader of the Council, Interim Chief Executive and the Executive Director – Finance and Public Protection.

Significant Governance Issues

Overall we can confirm that the Council has the appropriate systems and processes in place to ensure good governance is maintained. Whilst we are satisfied that these generally work well our review has identified a number of areas for improvement or where governance oversight is needed.

Key improvement Area	Lead Officer	To be delivered by
IT Governance	Interim Chief Executive	TBC
Fairer Funding – Financial Sustainability	Executive Director – Finance and Public Protection	TBC
Market Supply - Adult Social Care	Executive Director – Adult Care	TBC
Collaborative Working – Governance Arrangements	Interim Chief Executive	TBC

Councillor Martin Hill OBE
Leader of the Council

Richard Wills
Interim Chief Executive

Pete Moore
Executive Director – Finance and Public
Protection

(oversight responsibility for Governance and the
Council's Section 151 Officer)

Signed on behalf of Lincolnshire County Council

DRAFT

What is Corporate Governance?

Good Governance can mean different things to people – in the public sector it means:

"Achieving the Intended Outcomes While Acting in the Public Interest at all Times"

Corporate governance generally refers to the processes by which an organisation is directed, controlled, led and held to account.

The Councils governance framework aims to ensure that in conducting its business it:

- operates in a lawful, open, inclusive and honest manner
- makes sure public money is safeguarded, properly accounted for and spent wisely
- has effective arrangements in place to manage risk
- meets the needs of Lincolnshire communities - secures continuous improvements in the way it operates.

Our governance framework comprises of the culture, values, systems and processes by which the Council is directed and controlled. It brings together an underlying set of legislative and regulatory requirements, good practice principles and management processes.

The Principles

A summary

Principle A	Principle B	Principle C
Integrity and Values	Openness & Engagement	Working Together
How we do this:	How we do this:	How we do this:
<p>Staying true to our strong ethical values and standards of conduct</p> <p>Respecting the rule of law</p> <p>Creating a culture where statutory officers and other key post holders are able to fulfil their responsibilities</p> <p>Ensuring fraud, corruption and abuse of position are dealt with effectively</p> <p>Ensuring a safe environment to raise concerns and learning from our mistakes</p>	<p>Keeping relevant information open to the public and continuing their involvement</p> <p>Consultation feedback from the public is used to support service and budget decisions</p> <p>Providing clear rationale for decision making – being explicit about risk, impact and benefits.</p> <p>Having effective scrutiny to constructively challenge what we do and the decisions made</p>	<p>Having a clear vision and strategy to achieve intended outcomes - making the best use of resources and providing value for money</p> <p>Being clear about expectations - working effectively together within the resources available</p> <p>Developing constructive relationships with stakeholders</p> <p>Having strong priority planning and performance management processes in place</p> <p>Taking an active and planned approach to consult with the public</p> <p>Regularly consult with employees and their representatives</p>

The Council aims to achieve good standards of governance by:

- A. behaving with integrity and in accordance with our core values
- B. being open and ensuring effective engagement takes place
- C. working together to achieve our intended outcomes
- D. setting goals for economic, social and environmental benefits and reaching them
- E. growing our capacity - including our leadership and the people who work with us
- F. managing risks and performance through robust internal control and strong financial management
- G. Implementing good practice in transparency, reporting and audit – delivering effective accountability

Principle D	Principle E	Principle F	Principle G
Making a Difference	Capability	Managing Risk & Performance	Transparency & Accountability
How we do this:	How we do this:	How we do this:	How we do this:
Having a clear vision and strategy setting out our intended outcome for citizens and service users	<p>Clear roles and responsibilities for Council leadership</p> <p>Maintaining a development programme that allows Councillors and Officers to gain the skills and knowledge they need to perform well in their roles.</p> <p>Evaluating Councillor and Officers' performance</p> <p>Regular oversight of performance, compliments and complaints to enable results (outcomes) to be measured and enable learning</p>	<p>Ensuring that effective risk management and performance systems are in place. That these are integrated in our business systems / service units</p> <p>Having well developed assurance arrangements in place – including any commercial activities</p> <p>Having an effective Audit Committee</p> <p>Effective counter fraud arrangements in place</p>	<p>Having rigorous and transparent decision making processes in place</p> <p>Maintaining and effective scrutiny process</p> <p>Publishing up to date and good quality information on our activities and decisions.</p> <p>Maintaining an effective internal and external audit function</p>

The Council – How it works

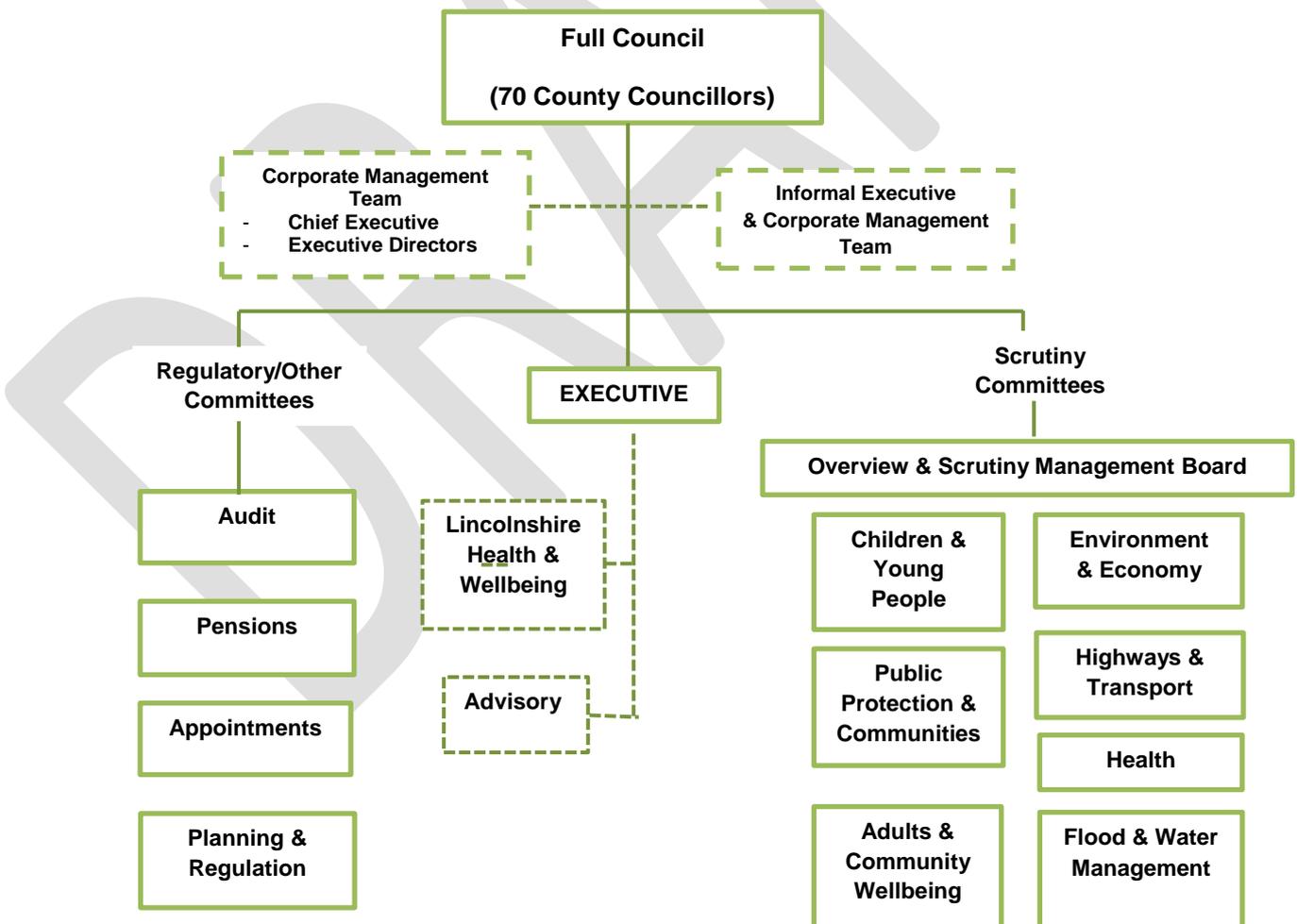
The Annual Governance Statement covers the period 1st April 2017 to 31st March 2018. The information below relates to this period. A new Executive and Scrutiny structure came into effect from May 2017.

The Council is made up of 70 Councillors and operates a Leader and Executive model of decision making.

All 70 Councillors meet at full Council to agree the budget and policy framework. In 2017/18 ten Councillors form the Executive. The Executive make the decisions that deliver the budget and policy framework of the Council.

The remaining 60 Councillors form scrutiny committees. These committees develop policy and scrutinise decisions made by the Executive and key decisions made by officers – holding them to account. A number of Committees deal with Regulatory issues.

Figure 2 – Council Committee Structure



Outcomes and Value for money

Our Plan and Performance Dashboard

We want to support a society where people contribute to their communities and are willing and able to look after themselves and others; a county where:



A link to the Performance Dashboard can be found [here](#). We achieved the majority of the targets we set out in our Council Business Plan 2017/18. A summary of our performance as a snap shot at the end of **March 2018 is** presented below. **This will be updated for Q4 information**

HOW THE 17 COMMISSIONING STRATEGIES PERFORMED ...

9 PERFORMED REALLY WELL (ALL MEASURES ACHIEVED)

2 PERFORMED WELL (ALL BUT 1 MEASURE ACHIEVED)

4 MIXED PERFORMANCE (A COMBINATION OF ACHIEVED & NOT ACHIEVED)

Performance Category	Percentage
Really well	60%
Well	13%
Mixed	27%

Performed really well (All measures achieved)

- Children are safe and healthy
- Safeguarding adults
- Community resilience & assets
- Readiness for adult life
- Readiness for school
- Specialist adult services
- Sustaining & growing business & the economy
- Sustaining & developing prosperity through infrastructure
- How we effectively target our resources (a combination of 3 commissioning strategies)

Performed well (All but 1 measure achieved)

- Adult frailty & long-term conditions
- Carers

Mixed performance (A combination of achieved and not achieved)

- Protecting the public
- Wellbeing
- Protecting & sustaining the environment
- Learn & achieve

Managing our resources (Value for Money)

The external auditors of the Council issued an unqualified Value for Money judgement for 2016/17 having issued a qualified opinion in the previous year reflecting the then inadequate budget monitoring information available from Agresso during that year. There have been no Agresso related issues in 2016/17 that have impacted upon the Value for Money judgement and none are anticipated during 2017/18.



The Council is generally in a sound financial position relative to other Council's over the short term. This is a consequence of implementation many savings initiatives in the earlier part of this decade. A strategy of combining both service efficiency savings and modest service reductions combined with the prudent use of reserves has been applied for a number of years now. The Council has set a two year budget up to March 2020 covering the remainder of the spending review period set by Government. This has maintained the previous strategy and would leave the Council with at least enough in reserves to cover an underlying deficit at April 2020 for a minimum of at least another year. As in previous years, there has been no general increase in public dissatisfaction across the board with the standard of services delivered. Specific changes have caused some public disquiet at and just after the point of their initiation.

The 2018/19 budget does not include any major service reductions or rationalisations. Public consultation on that budget has therefore not been as extensive as in some earlier years. Final budget proposals have been modified in two specific areas to reflect feedback from the public and other key stakeholders. Firstly, funding to Citizen Advice Bureau's has been partly reinstated rather than stopped completely to allow a core service still to be provided across the county. In addition, extra local funding has been allocated to highways maintenance to deal, in particular, with public concerns over the damage the winter weather has caused to the network.

The Council is constantly monitoring its long term financial position using a funding model which presently covers the next four financial years (i.e. up until March 2022), a period that includes the last two years covered by the four year funding deal agreed with Central Government in 2016. The model predicts the budget shortfall for future years taking into account known cost pressures and planned savings. The model is necessarily underpinned by a range of prudent assumptions. The partial localisation of business rates from April 2020 combined with the impact of the related Fair Funding Review being undertaken by Government will drive the Council's finances from April 2020 onwards. The Council will be actively planning for the potential consequences of the new regime during the 2018/19 financial year.

The longer term projected budget shortfall is periodically reported to the Corporate Management Board and forms a starting point for setting future budgets.

The Council has responded proactively in its role as accountable body for the [Greater Lincolnshire Enterprise Partnership](#) (GLEP) to enhanced accountability and governance requirements emanating from Central Government. The GLEP was recently assessed by Government as 'Good' for governance and strategy and has some 'areas for improvement' regarding delivery. Action is well in hand to mitigate the concerns that led to the latter conclusion.

How do we know our arrangements are working?

There are a number of ways we do this:-

The role of the Executive

The Leader of the Council, the Interim Chief Executive and Executive Director – Finance and Public Protection have overseen the review of and signed the Annual Governance Statement.

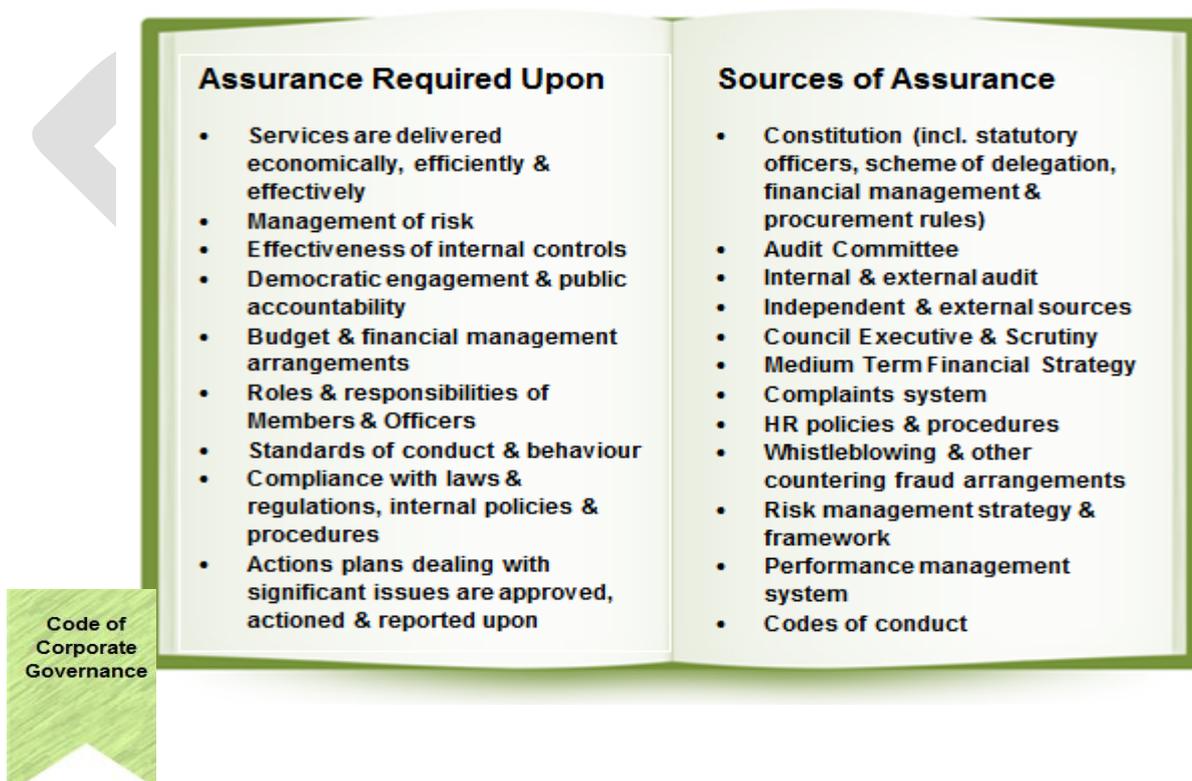
The Annual Governance Statement is brought to the attention of the Council.

The role of management

Our managers have the day to day responsibility for managing and controlling services - they are accountable for their successful delivery. They set 'the tone from the top' and develop and implement the policies, procedures, processes and controls – ensuring compliance.

Our Corporate Management Board and Governance Group oversee the review and the Council's governance arrangements and the development the Annual Governance Statement.

Our Governance Framework



The role of the Audit Committee

The Council's Audit Committee plays a vital role overseeing and promoting good governance, ensuring accountability and reviewing the ways things are done.

The Audit Committee provides an assurance role to the Council by examining areas such as audit, risk management, internal control, counter fraud and financial accountability. The Committee exists to challenge the way things are being done, making sure the right processes are in place. It works closely with both Internal Audit and senior management to continually improve the Council's governance, risk and control environment.

[Audit Committee Meetings and Minutes](#)

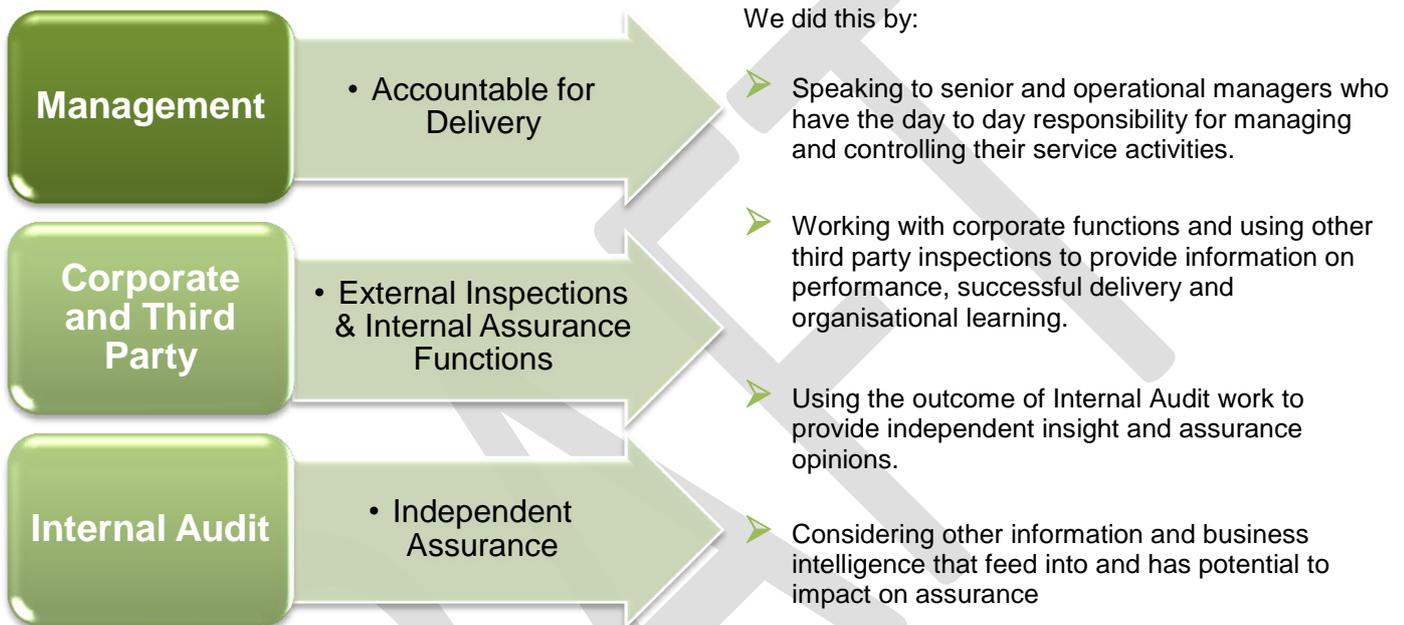
Our Governance Framework



Combined Assurance

A Combined Assurance Status report is produced by each Director on the level of confidence the Council can have on its service delivery arrangements, management of risks, operation of controls and performance for their area of responsibility. These reports were reviewed by the Audit Committee in January 2018.

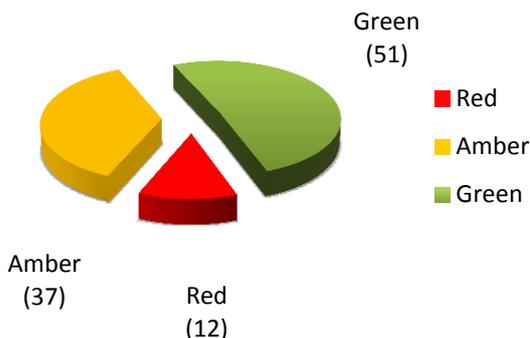
The Council adopts the 'three lines of assurance methodology';-



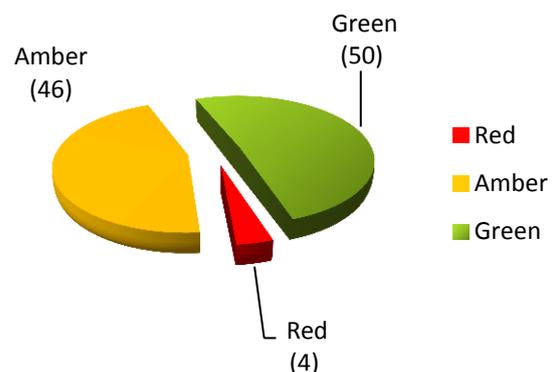
Overall it gives a positive assurance picture for the Council but does reflect the complex environment in which we operate. The future will mean that the Council will need to be comfortable with taking more high risk decisions and accepting that there may be service failures as a consequence of budget and service reductions

Our assurance levels

Overall Assurance Status 2016/17



Overall Assurance Status 2017/18



Key

Red

Amber

Green

Purple

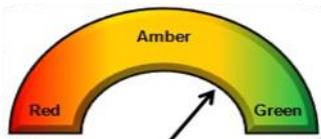
High impact on resources, significant costs likely, high impact on service delivery
Medium or short term impact on resources, costs covered within existing financial plans, low impact on service delivery
Monitor and be aware, activity to mitigate risk within existing service delivery plans
Not known

The role of the Head of Internal Audit

The Head of Internal Audit is required to provide an independent opinion on the overall adequacy of and effectiveness of the Council's governance, risk and control framework and therefore the extent to which the Council can rely on it. Their Annual Report and opinion has been considered in the development of the Annual Governance Statement and any significant governance issues incorporated as appropriate.

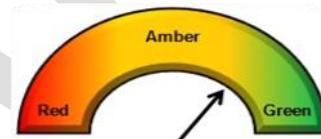
Head of Internal Audit opinion – twelve months to 31st March 2018

Governance



Performing Well – Some improvements identified over the Council's governance, risk and control framework or to manage medium risks across the Council

Risk



Performing Well – Some improvements identified over the Council's governance, risk and control framework or to manage medium risks across the Council

Internal Control

TBC

Financial control

TBC

Our Strategic Risks

Good risk management is part of the way we work. It is about taking the right risks when making decisions or where we need to encourage innovation in times of major change – balancing risk, quality, cost and affordability. This put us in a stronger position to deliver our goals and provide excellent services. Our risk management process is well established in the way we work. The Audit Committee is responsible for reviewing how effective our risk management procedures are.

Our Strategic Risk Register is regularly reviewed and our risks are being effectively managed.

Risk	Mitigating Actions	Risk Rating	Level of Assurance
Safeguarding Children	<i>Good and effective management arrangements in place with controls working effectively</i>	Amber	Substantial
Safeguarding Adults	<i>Ongoing work to implement the new case management system</i>	Amber	Substantial
Good Business Continuity and Resilience	<i>Programme in place to review and test continuity and recovery plans</i>	Amber	Limited
Funding and maintaining financial resilience	<i>Balanced budget and Medium Term Financial Strategy in place</i>	Amber	Substantial
Ability to deliver our programme of designated projects	<i>Project management arrangements in place</i>	Amber	Limited
Adequacy of market supply to meet eligible needs for adults	<i>Ongoing work with market and suppliers to stimulate market in target areas</i>	Amber	Limited
Ability to recruit and retain staff in high risk areas	<i>Proactive work continuing in this area</i>	Amber	Limited
Ensuring contracts are fit for purpose in the Commission Agenda / significant contracts	<i>Commercial team supports the business with ongoing work to strengthen contract management (intelligent client) and learning from procurement / existing contracts</i>	Amber	Limited
Cyber Security	<i>Ongoing work to identify and manage the ever changing risk presented by cyber threats. ISO/IEC 27001:13 accreditation attained</i>	Red	Limited
Key	Risk	Assurance	
Red =	High impact on resources, significant costs likely, high impact on service delivery	Low level of confidence over the design and operation of controls, performance or management of risk	
Amber =	Medium or short term impact on resources, cost covered within existing financial plans, low impact on service delivery	Medium level of confidence over the design and operation of controls, performance or management of risk	
Green =	Monitor and be aware, activity to mitigate the risk within existing service delivery plans / management arrangements	High level of confidence over the design and operation of controls, performance or management of risk	

Looking Back on 2016/17

A number of improvement actions were identified as part of the 2016/17 Annual Governance Statement. The table below shows progress with these actions:

Key improvement Area	To be delivered by	Progress
IT Governance	March 2018	Behind Plan
Financial Sustainability	February 2018	On track
Financial Control Environment	March 2018	Behind Plan
Market Supply	March 2018	On track
SERCO contract – Lessons Learnt (KPMG report).	March 2018	Completed
Delivery of Support Services and Improvement - SERCO	March 2018	On track
Collaborative Working - Governance Arrangements	March 2018	Behind Plan – Financial Procedure requires updating

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Open Report on behalf of Pete Moore, Executive Director of Finance and Public Protection

Report to:	Audit Committee
Date:	26 March 2018
Subject:	Statement of Accounts 2017/18

Summary:

This report summarises:

- Changes to the Code of Practice on Local Authority Accounting which will be incorporated into the 2017/18 Statement of Accounts;
- Changes resulting from the Accounts and Audit Regulations 2015 and the impact of this on the Council's Statement of Accounts; and
- The review of the Council's Accounting Policies.

Recommendation(s):

The Executive Director of Finance and Public Protection asks the Members of the Audit Committee to:

1. Note the changes required to our Statement of Accounts from the Code of Practice 2017/18;
2. Note the changes to the preparation and audit period for the 2017/18 Statement of Accounts as set out in the Accounts and Audit Regulations 2015; and
3. Approve the Statement of Accounting Policies (Appendix A) to use in preparing the Council's accounts for the financial year ending 31 March 2018.

Background

1.1 The Council is required to prepare its Statement of Accounts in accordance with the Code of Practice in Local Authority Accounting in United Kingdom 2017/18 (the Code). This ensures the accounts are prepared using "proper accounting practice".

Changes to the Code of Practice on Local Authority Accounting for 2017/18

1.2 The Code of Practice for 2017/18 has introduced a few revisions and clarifications to the accounts and accounting requirements for the 2017/18 Statement of Accounts. These include:

- Clarification on the contents of the Narrative Report. The Code has provided additional guidance on how the information about the financial performance and economy, efficiency and effectiveness in its use of resources for the financial year is prepared to be more user friendly manner;
- Additional guidance on how to treat the Apprenticeship Levy payment, which was introduced from 1 April 2017, and how to include the expenses claimed through the Digital Apprenticeship Service Account in the Council's account;
- The Code of Practice providing guidance on the on-going concern requirements reflecting the economic and statutory environment in which the Council operate. As the Council could not be created or dissolved without proper statutory prescription, the financial statement will be prepared in an on-going concern basis; and
- For the Pension Fund Accounts clarification of the amended disclosure requirements for the reporting of pension fund scheme transaction cost and reporting of investment concentration.

1.3 The following accounting standards will be implemented in 2018/19. These do not impact the Council in the 2017/18 accounts, but will be reported in a disclosure note.

- IFRS 9 – Financial Instruments – The way financial instruments are classified and measured will change in accordance with this accounting standard. Any changes in the previous carrying amount (2017/18) and the carrying amount at the beginning of 2018/19 financial year will be adjusted as an opening adjustment to the reserves. This will be presented in the Movement in Reserves Statement in 2018/19; and
- IFRS 15 Revenue from Contracts with Customers – This standard will require the Council to recognise revenue in such a way that it represents the transfer of the promised goods and services to the service recipients (customer) in an amount that reflects the consideration to which the authority expects to be entitled in exchange for goods or services. It is not expected that this will have a substantial effect as the Council has a predictable income streams.

Accounts and Audit Regulations 2015

1.4 Under the new regulations, the Council is now required to have draft Statement of Accounts produced by 31 May (previously 30 June) and audited, approved and published by 31 July (previously 30 September) following the end of the financial year. This will be the first year wherein this process is accelerated.

1.5 The revised timetable will present challenges to both the Council and External Auditors. The Council will have one month less in which to close the financial year and produce the annual Statement of Accounts, and External Auditors will be required to complete local government audits and issue opinions two months earlier than the current requirements.

1.6 Reporting to the Audit Committee has been amended to reflect these statutory changes. The Committee will be asked to agree the Council's Accounting Policies and altered to any significant changes to accounting regulations prior to the end of the financial year (for 2017/18 this meeting is 26 March). The Committee will then be presented with final, audited accounts and asked to approve these prior to the end of July (for 2017/18 this meeting is 23 July). This removes the training and scrutiny meeting (previously held in June/July). The finance team would be happy to provide individual training on the Financial Statements to any members of the Audit Committee..

Statement of Accounting Policies

1.7 An important section of the published Accounts is the statement of accounting policies. This summarises the rules and codes of practice used to prepare the Accounts, together with any estimation techniques adopted. The policies have been reviewed and are attached at **Appendix A** for consideration and approval by this Committee.

1.8 A small number of minor changes have been made to the accounting policies for 2017/18 which are marked in ***bold italics*** in **Appendix A**, these include:

- Increase of threshold limits for some items to reflect the materiality of these items that have to be included in the Council's account.
- Update on the use of capital receipts to reflect the authority's Flexible Use of Capital Receipts Strategy as a result of the provisional Local Government Finance Settlement for 2018/19; and
- Additional policy to provide explanation on how the Council deals with the assets that are valued using Fair Value Measurement.

Conclusion

2.1 The additional disclosures as required by the Code of Practice will be incorporated into the Statement of Accounts for 2017/18.

2.2 Changes set out in the Accounts and Audit Regulations 2015 will require the Council to prepare its annual Statement of Accounts from 2017/18 by 31 May and have them audited, approved and published by 31 July.

2.3 The Statement of Accounts will be prepared using the Accounting Policies approved by the Audit Committee at this meeting.

Consultation

a) Have Risks and Impact Analysis been carried out?

No

b) Risks and Impact Analysis

N/A

Appendices

These are listed below and attached at the back of the report	
Appendix A	Statement of Accounting Policies 2017/18

Background Papers

Document title	Where the document can be viewed
CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2017/18	Executive Director of Finance and Public Protection

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Statement of Accounting Policies

1. General Principles and Concepts

The Statement of Accounts summarises the Council's transactions for the financial year **2017-18** and the position at the year-end **31 March 2018**. The Statement of Accounts has been prepared in accordance with the Accounts and Audit Regulations 2015.

These regulations require the accounts to be prepared in accordance with proper accounting practice. These practices are set out in the Code of Practice on Local Authority Accounting in the United Kingdom **2017-18** and Service Reporting Code of Practice **2017-18**, supported by International Financial Reporting Standards and statutory guidance.

The accounting convention adopted in the Statement of Accounts is principally historical costs, modified by the revaluation of certain categories of non-current assets and financial instruments.

2. Changes in Accounting Policies

Changes in accounting policy may arise through changes to the Code or changes instigated by the Council. For changes brought in through the Code, the Council will disclose the information required by the Code. For other changes we will disclose: the nature of the change; the reasons why; report the changes to the current period and each prior period presented and the amount of the adjustment relating to periods before those presented. If retrospective application is impracticable for a particular prior period, we will disclose the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.

3. Prior period adjustments – estimates and errors

The Code requires prior period adjustments to be made when material omissions or misstatements are identified (by amending opening balances and comparative amounts for the prior period). Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

The following disclosures will be made:

- the nature of the prior period error;
- for each prior period presented, to the extent practicable, the amount of the correction for each Financial Statement line item affected; and
- the amount of the correction at the beginning of the earliest prior period presented.

Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change. They do not give rise to a prior period adjustment.

4. Non-Current Assets – Property, Plant and Equipment

Property, Plant and Equipment are assets that have a physical substance and are:

- held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and
- expected to be used during more than one period.

Classification

Property, Plant and Equipment is classified under the following headings in the Council's Balance Sheet:

Operational Assets:

- Land and Buildings;
- Vehicles, Plant, Furniture and Equipment;
- Infrastructure; and
- Community Assets.

Non-Operational Assets:

- Surplus Assets; and
- Assets Under Construction.

a) Initial Recognition

The cost of an item of Property, Plant and Equipment shall be recognised as an asset if, and only if:

- it is probable that future economic benefits associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

These costs include expenditure incurred to acquire or construct an item of Property, Plant and Equipment, costs associated with bringing an asset into use and costs incurred subsequently to add to, replace part of, or service it as long as the above criteria are met. All costs associated with a capital scheme will be settled on the asset created or enhanced. Initial recognition of Property, Plant and Equipment shall be at cost.

Further details relating to capital expenditure are set out in the Council's Capitalisation Policy.

De minimus level. The Council has set a de minimis level of £10k for recognising Property, Plant and Equipment. This means that any item or scheme costing more than £10k must be treated as capital if the above criteria are met. This relates to initial recognition and subsequent expenditure on assets.

De-recognition associated with asset enhancements. When capital expenditure occurs on an existing asset the element of the asset being replaced must be derecognised. Where the original value of the asset being replaced is not known the value of the replacement will be used as a

proxy, and indexed back to an original cost; with reference to the asset's remaining life. De-recognition costs will be charged to Other Operating Expenditure in the Comprehensive Income and Expenditure Statement (gain or loss on the disposal of non-current assets).

b) Measurement after Recognition – Valuation Approach

The Council value Property, Plant and Equipment using the basis recommended by CIPFA in the Code of Practice and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by The Royal Institution of Chartered Surveyors (RICS).

The code requires the following valuation approaches to be adopted:

Operational Assets

- Land and property assets shall be measured at current value **for their service potential**, which is determined as the amount that would be paid for the asset in its existing use (EUV). For assets where there is no market-based evidence of fair value because of the specialist nature of the asset and the asset is rarely sold, a Depreciated Replacement Cost (DRC) approach will be used (such specialised assets include schools);
- Non-property assets (including: vehicles, plant and equipment) shall be measured at current value. These are determined to have short asset lives and historic cost is used as a proxy for current value;
- Land, Property and Equipment associated with the Energy from Waste Plant shall be measured at current value on a Depreciated Replacement Cost (DRC) approach as it is a specialised asset; and
- Infrastructure assets (such as roads and bridges) and community assets are measured at historic cost. NB: where historic cost information is not known for community assets these have been included within the Balance Sheet at a nominal value.

Non-Operational Assets

- Surplus assets (i.e. assets which the Council no longer operates/are no longer used for service delivery, but are not Investment Properties or meet the definition for held for sale) have their current value measured at fair value which is estimated at the highest and best use from a market participant's perspective. ***This is the price that would be received to sell an asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date. The Council use the assumptions that the market participants, ie buyers and sellers in the principal or most advantageous market, would use when pricing an asset or liability under current market conditions, including assumption about risk. Therefore, the Council's reasons for holding a surplus asset are not relevant when measuring its fair value.***
- Surplus assets are depreciated in line with the operational asset class; and

- Assets under Construction are held at cost. When these assets are operationally complete, they are reclassified into the appropriate asset class and valued under the adopted approach.

Valuation Programme

Assets are included within the Balance Sheet at current value. The Council's land and property portfolio is revalued on a five year rolling programme. On an annual basis at year-end, all asset values are reviewed to ensure they are not carried at amounts materially different to current value.

c) Revaluation Gains and Losses

Movements in asset value arising from revaluation are reflected in the value of these assets held on the Balance Sheet.

If a revaluation increases an asset's carrying amount then this increase will be credited directly to the revaluation reserve to recognise the unrealised gain. In exceptional circumstances, gains might reverse a previous impairment or revaluation decrease charged to the Surplus or Deficit on provision of service.

If a revaluation decreases an asset's carrying amount, the decrease shall be charged initially against any surplus balance in the revaluation reserve in respect of the individual asset. Any additional decrease is recognised in the relevant service revenue account in the Comprehensive Income and Expenditure Statement.

The revaluation reserve only contains revaluation gains recognised since 1 April 2007, the date of its formal implementation. Any movements on revaluation arising before this date have been consolidated into the Capital Adjustment Account (CAA).

d) Depreciation

Depreciation is charged on all Property, Plant and Equipment assets with a finite life and is the systematic allocation of its worth over its useful life. This charge is made in line with the following policy:

- Operational buildings are depreciated over their useful life. For buildings which are held at existing use value a useful life of 40 years has been assumed. Asset lives for buildings held on a depreciated replacement cost basis are reviewed as part of the rolling programme of revaluations and the Valuer estimates the useful life. Depreciation is charged on a straight line basis;
- Infrastructure assets, primarily roads, are depreciated over their estimated useful lives, varying from 1-3 years (for capital pothole filling) to 120 years (for bridge structures), on a straight line basis;
- Furniture and non-specialist equipment is depreciated over a period of 5 years, on a straight line basis;

- Vehicles, plant and specialist equipment (including computing equipment) are depreciated over their estimated useful lives, varying between 3 and 15 years. For vehicles purchased after 1 April 2004, the reducing balance method of depreciation is used;
- Land, Property and Equipment associated with the Energy from Waste Plant are depreciated over their useful life. These range from 70 years for Civils (including Building Structures) to 10 years for Instrumentation, Control and Automation assets (ICA); and
- Surplus assets are depreciated in line with the operational asset class.

No depreciation is charged on: Heritage Assets, Investment Properties, Land, Assets Under Construction, and Assets Held for Sale.

Depreciation of an asset begins ***the year when*** the asset becomes available for use. ***The charge is for 6 months in the first year, for twelve months thereafter*** and ceases when the asset has been derecognised. ***There is full year's depreciation in the year of disposal.***

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Component Accounting for Property, Plant and Equipment

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. The Council has identified the following significant components within the property portfolio:

- DRC assets (including fire stations, schools, libraries and museums where the building is of a specialised nature): land, structures, services, roof and externals;
- Office Accommodation / Admin Buildings: land; structures, services, roof and externals;
- Other market value and existing use value assets (including economic regeneration units): land and buildings; and
- Energy from Waste Plant: Civils, Mechanicals and Instrumentation, Control and Automation (for each significant part of the plant).

e) Disposal of Property, Plant and Equipment

An item of Property, Plant and Equipment shall be derecognised on disposal, or when no future economic benefits are expected from its use or disposal.

The gain or loss arising from disposals is shown in the Comprehensive Income and Expenditure Statement, on the Other Operating Expenditure line. Receipts from disposals are credited to the same line in the Comprehensive Income and Expenditure Statement, netted off against the carrying value of the asset at the time of disposal. Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts in excess of £10k are categorised as capital receipts and can then only be used for new capital investment or to repay the principal of any amounts borrowed. It is Council policy to fully

utilise these receipts to fund the capital programme in the year they are received. These receipts are transferred from the General Fund Balance via the Movement in Reserves to be utilised to fund the capital programme. Sale proceeds below £10k are below the de-minimis and are credited to the Comprehensive Income and Expenditure Statement.

Under a Direction issued pursuant to sections 16 and 20 of the Local Government Act 2003 these receipts will be fully used to fund expenditure that is designed to generate ongoing revenue savings or transform services to reduce costs and is properly incurred for the financial years commencing on 1 April 2016, 2017 and 2018. ***The Local Government Finance Settlement for 2018/19 announced a continuation of these rules for a further 3 financial years that begin on 1 April 2019, 2020 and 2021.***

The written-off value of disposals is not charged against Council Tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund through the Movement in Reserves Statement.

f) Impairment of non-Current Assets

If an asset's carrying amount is more than its recoverable amount, the asset is described as impaired. Circumstances that indicate impairment may have occurred include:

- a significant decline in an asset's market value during the period;
- evidence of obsolescence or physical damage of an asset;
- a commitment by the Authority to undertake a significant reorganisation; or
- a significant change in the statutory environment in which the Authority operates.

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Impairment losses are initially recognised against any revaluation reserve for that asset up to the balance available. Any remaining loss is charged in the Surplus or Deficit on provision of services. This is then reversed through the Movement in Reserves Statement and charged to the Capital Adjustment Account.

5. Intangible Assets

Intangible assets are defined as identifiable non-financial (monetary) assets without physical substance, but are controllable by the Council and expected to provide future economic or service benefits. For the Council the most common classes of intangible assets are computer software and software licences.

a) Recognition and Measurement of assets that qualify as intangible assets, shall be measured and carried at cost, in the absence of an active market to determine fair value, as these are short life assets.

The Council has a set a de minimis level of £10k for recognising intangible assets. This means that any item or scheme costing more than £10k would be treated as capital if the above criteria are met.

b) Subsequent Expenditure. Costs associated with maintaining intangible assets are recognised as an expense when incurred in the Comprehensive Income and Expenditure Statement.

c) Amortisation. The carrying value of intangible assets with a finite life is amortised on a straight line basis over its useful life. Amortisation begins when the asset is available for use. **The charge is for 6 months in the first year, for twelve months thereafter** and ceases at the date that the asset is derecognised. **There is a full year's amortisation in the year of disposal**. Amortisation is charged to the relevant service area in the Comprehensive Income and Expenditure Statement. The useful lives for intangible assets are between 3 and 7 years. Useful asset lives are determined by the ICT budget holder and reviewed and updated annually.

d) Impairment. On an annual basis the ICT budget holder is asked to consider if any indicators of impairment exist for intangible assets held by the Council.

6. Investment Properties

An Investment Property is defined as a property that is solely held to earn rental income or for capital appreciation or both. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods, or is held for sale.

a) Initial Recognition. As with Property, Plant and Equipment, initial recognition is at the costs associated with the purchase.

b) Measurement after Recognition. Investment Properties will be measured at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, Investment Properties are measured at highest and best use. The fair value of Investment Property held under a lease, is the lease interest in the asset. Investment Properties are subject to annual revaluations.

The fair value measurement of the Council's Investment Properties is categorised as Level 2 on the fair value hierarchy. It uses the market value approach for the County Farms and the term and reversion for the other properties.

c) Revaluation Gains and Losses. A gain or loss arising from a change in the fair value of Investment Property shall be recognised in the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. These are not permitted by statute to impact on the General Fund Balance. Therefore these gains or losses are reversed out of the General Fund Balance in the Movement on Reserves and posted to the Capital Adjustment Account.

d) Depreciation is not charged on Investment Properties.

e) Disposal of Investment Properties. Gains or losses arising from the disposal of an Investment Property shall be recognised in the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. As with revaluation gains or losses, these do

not form part of the General Fund Balance and are transferred to fund the capital programme via the Movement in Reserves Statement.

f) Rental Income. Rentals received in relation to Investment Properties are credited to the Financing and Investment Income line and results in a gain for the General Fund Balance.

7. Heritage Assets

Heritage Assets are defined as assets that are held by the Council principally for their contribution to knowledge or culture. Heritage assets held by the Council include:

- Historic Buildings including: Lincoln Castle, Temple Bruer and four historic windmills in Lincolnshire; and
- Collections including: Fine Art Collection; the Tennyson Collection; Local Studies and Archive Collections; Lincolnshire Regiment, Militaria and Arms and Armour Collections; and Agriculture Collections.

Heritage assets are recognised and measured (including the treatment of revaluations gains and losses) in accordance with the Council's accounting policy on non-current assets - Property, Plant and Equipment (accounting policy 4, above). However, some of the measurement rules are relaxed in relation to Heritage Assets. Details of this are set out below:

a) Initial Recognition

- Collections: The collections are relatively static, acquisitions and donations rare. Where they do occur acquisitions will be measured at cost and donations will be recognised at a valuation determined in-house.

b) Measurement after recognition:

- Historic Buildings – Windmills: will be valued at existing use value by the Council's Valuer. These valuations will be included on the Council's rolling programme and will be valued every 5 years.
- Historic Buildings – Lincoln Castle and Temple Bruer: will continue to be carried at historic cost as the Council does not consider that a reliable valuation can be obtained for these assets. This is because of the nature of the assets held and the lack of comparable market values.
- Collections: will be valued based on the insurance valuations held by the Council. Insurance valuations will be reviewed and updated on an annual basis.

c) Impairment and Disposals are accounted for in line with the Council's policy on non-current assets – Property, Plant and Equipment (accounting policy 4: e) Disposal of Property, Plant and Equipment and f.) Impairment of non-current assets).

d) Depreciation is not charged on Heritage Assets.

8. Non-Current Assets Held for Sale

These are assets held by the Council which are planned to be disposed of. They meet the following criteria:

- The asset must be available for immediate sale in its present condition subject to terms that are usual and customary for sales of such assets;
- The sale must be highly probable (with management commitment to sell and active marketing of the asset initiated);
- It must be actively marketed for a sale at a price that is reasonable in relation to its current fair value; and
- The sale should be expected to qualify for recognition as a completed sale within one year.

a) Measurement. Non-Current Assets Held for Sale are revalued immediately before reclassification to Held for Sale and then measured at the lower of carrying value and fair value less costs to sell (fair value here is the amount that would be paid for the asset in its highest and best use, e.g. market value).

b) Depreciation. Is not charged on non-current assets held for sale.

c) Disposal. Receipts from disposals are recognised in the Surplus or Deficit on provision of services.

Amounts in excess of £10k are categorised as capital receipts and can then only be used for new capital investment or to repay the principal of any amounts borrowed. It is Council policy to fully utilise these receipts to fund the capital programme in the year they are received.

9. Donated Assets

Donated assets are non-current assets which are given to the Council at no cost or at below market value. These assets are initially recognised in the Balance Sheet at fair value. The difference between the fair value and any consideration paid is credited to the Taxation and Non-Specific grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally.

a) Where there are conditions associated with the asset which remain outstanding. The asset will be recognised in the Balance Sheet with a corresponding liability in the Donated Assets Accounts.

b) Where there are no conditions or the conditions have been met. The donated asset will be recognised in the Comprehensive Income and Expenditure Statement, then transferred to the Capital Adjustment Account through the Movement in Reserves Statement.

After initial recognition, donated assets are treated like all other non-current assets held by the Council and are subject to revaluation as part of the Council's rolling programme.

10. Charges to Revenue for the use of Non-Current Assets

Service accounts and central support services are charged with a capital charge for all non-current assets used in the provision of services to record the real cost of holding non-current assets during the year. The total charge covers:

- the annual provision for depreciation, attributed to the assets used by services;
- revaluation and impairment losses on assets used by services where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off; and
- amortisation of intangible assets attributable to services.

The Council is not required to raise Council Tax to cover depreciation, impairment losses or amortisation. However, it is required to make a prudent annual provision from revenue to contribute towards the reduction in its overall borrowing requirement. Depreciation, impairment losses and amortisation are therefore replaced by revenue provision in the Movement on Reserves Statement, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

11. Minimum Revenue Provision

The Council makes provision for the repayment of debt in accordance with the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008. This requires the Council to set a Minimum Revenue Provision (MRP) which it considers to be prudent. The approach adopted by the Council is to use the average life method (the average life of all the Council's assets) in calculating the MRP to be charged to revenue each year.

For pre 2008 debt this is based on a standard asset life of 50 years equating to a 2% flat charge. For 2009/10 debt onwards, asset life of differing categories of assets is estimated and a charge based on an annuity method is used for Infrastructure Assets, where the benefit of these assets are expected to increase in later years. A charge based on Equal Instalments of Principal is used for all other categories of assets. The Council does not charge MRP until assets become operational.

12. Revenue Expenditure Financed through Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions, but does not result in the creation of a non-current asset in the Balance Sheet; has been charged as expenditure to the relevant service revenue account in the year.

Statutory provision reverses these charges from the Surplus or Deficit on provision of services by debiting the Capital Adjustment Account and crediting the General Fund Balance via the Movement in Reserves Statement.

13. Service Concession Agreements (including Private Finance Initiative (PFI) and similar contracts)

Service Concession Agreements are agreements to receive services, where the responsibility for making available the Property, Plant and Equipment needed to provide the services passes to the contractor. As the Council is deemed to control the services that are provided under such schemes and as ownership of the assets will pass to the Council at the end of the contract for no additional charge, the Council carries these assets used under the contracts on the Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets is balanced by the recognition of a liability for amounts due to the scheme operator to pay for the assets. Assets recognised on the Balance Sheet are revalued and depreciated in the same way as Property, Plant and Equipment owned by the Council.

The amounts payable to the contractors each year are analysed into five elements:

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement;
- finance cost – an interest charge of 7.20% on the outstanding Balance Sheet liability, debited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement;
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement;
- payment towards liability – applied to write down the Balance Sheet liability towards the contractor; and
- lifecycle replacement costs – recognised as additions to Property, Plant and Equipment on the Balance Sheet.

The Council has one PFI scheme for the provision of seven separate schools across the county, which is classified as a Service Concession Arrangement.

14. Borrowing Costs

The Council has adopted the accounting policy of expensing borrowing costs of qualifying assets to the Comprehensive Income and Expenditure Statement (disclosed within Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement) in the year in which they are incurred.

This is current practice based on the fact that borrowing undertaken is not attributed to individual schemes making capitalisation of costs complex with marginal benefit.

15. Classification of Leases

Leases are classified as a finance lease or an operating lease depending on the extent to which risks and rewards of ownership of a leased Property, Plant and Equipment lie with the lessor (landlord) or the lessee (tenant).

IAS 17 'Leases' includes indicators for the classification of leases as a finance lease. Within these indicators the Council has set the following criteria: the 'major part' of the asset life is determined to be 75%; and 'substantially all' of the value is determined to be 75%.

- Finance Lease: A lease is classified as a finance lease when the lease arrangement transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee.
- Operating Lease: All other leases are determined to be operating leases.

Where a lease covers both land and buildings, these elements are considered separately.

This policy on accounting for leased assets also includes contractual arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment.

a) Finance Leases

i) Lessee – Vehicles, Plant & Equipment will be recognised on the Balance Sheet at cost and depreciated on a straight line basis over the term of the lease (in line with the Council's capitalisation and depreciation policy for vehicles, plant and equipment).

ii) Lessee – Property will be recognised on the Balance Sheet at an amount equal to the fair value of the property, or if lower, the present value of the minimum lease payments, determined at the inception of the lease.

The asset recognised is matched by a liability representing the obligation to pay the lessor. This is reduced as lease payments are made. Minimum lease payments are to be apportioned between the finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement) and the reduction of the deferred liability in the Balance Sheet.

Statutory provision reverses the finance charge, depreciation and any impairment or revaluation from the Comprehensive Income and Expenditure Statement to the Capital Adjustment Account through the Movement in Reserves statement. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements.

iii) Lessor – Property. When a finance lease is granted on a property, the relevant assets are written out of the Balance Sheet to gain or loss on disposal of assets in the Other Operating Expenditure line of the Comprehensive Income and Expenditure Statement. A gain is also recognised on the same line in the Comprehensive Income and Expenditure Statement to represent the Council's net investment in the lease. This is matched by a lease asset set up in long term debtors in the Balance Sheet. The lease payments are apportioned between repayment of principal written down against the lease debtor and finance income (credited to the Finance and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Initial direct costs are included in the initial measurement of the debtor and recognised as an expense over the lease term on the same basis as the income.

Rental income from finance leases entered into after 1 April 2010, will be treated as a capital receipt and removed from the General Fund Balance to capital receipts via the Movement in Reserves Statement.

The write off value of disposals is not a charge against council tax as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance via the Movement in Reserves Statement.

b) Operating Leases

i) Lessee – Property, Vehicles, Plant & Equipment will be treated as revenue expenditure in the service revenue accounts in the Comprehensive Income and Expenditure Statement on a straight line basis over the term of the lease.

ii) Lessor – Property, Vehicles, Plant & Equipment shall be retained as an asset on the Balance Sheet. Rental income is recognised on a straight line, basis over the lease term, credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

c) Investment Property Leases (Lessee). In line with IAS 49 'Investment Properties', any lease which is assessed to be an Investment Property will be treated as if it was a finance lease. The fair value of the lease interest is used for the asset recognised. Separate measurement of land and buildings elements is not required when the leases are classified as an Investment Property.

16. Government Grants and Contributions

Government grants and contributions may be received on account, by instalments or in arrears. However, they should be recognised in the Comprehensive Income and Expenditure Statement, as due to the Council when there is reasonable assurance that:

- The Council will comply with the conditions attached to the payments. Conditions are stipulations that specify how the future economic benefits or service potential embodied in the grant or contribution must be consumed, otherwise the grant or contribution will have to be returned to the awarding body; and
- The grant or contribution will be received.

Grants and contributions received where the conditions have not yet been satisfied, are carried in the Balance Sheet as creditors and not credited to the Comprehensive Income and Expenditure Statement until the conditions are met.

Capital Grants and Contributions (non-current assets)

Capital grants and contributions are used for the acquisition of non-current assets. The treatment of these grants is as follows:

a) Capital grants where there are no conditions attached to the grant and the expenditure has been incurred. The income will be recognised immediately in Comprehensive Income and Expenditure Statement, in the taxation and non-specific grant income line.

Capital grant income is not a proper charge to the General Fund. It is accounted for through the Capital Financing Requirement (set out in statute) and therefore it does not have an effect on council tax. To reflect this, the income is credited to the Capital Adjustment Account through the Movement in Reserves Statement.

b) Capital grants where the conditions have not been met at the Balance Sheet date. At the Balance Sheet date the grant will be recognised as a Capital Grant Receipt in Advance in the liabilities section of the Balance Sheet. When the conditions have been met, the grant will be recognised as income in the Comprehensive Income and Expenditure Statement and the appropriate statutory accounting requirements for capital grants applied.

c) Capital grants where no conditions remain outstanding at the Balance Sheet date, but expenditure has not been incurred. The income will be recognised immediately in the Taxation and Non Specific Grant Income line of the Comprehensive Income and Expenditure Statement. As the expenditure being financed from the grant has not been incurred at the Balance Sheet date, the grant will be transferred to the Capital Grants Unapplied Account (within usable reserves section of the Balance Sheet), through the Movement in Reserves Statement. When the expenditure is incurred, the grant shall be transferred from the Capital Grants Unapplied Account to the Capital Adjustment Account to reflect the application of capital resources to finance expenditure.

Revenue Government Grants and Contributions

Government grants and other contributions are accounted for on an accruals basis and recognised in the Comprehensive Income and Expenditure Statement when the conditions for their receipt have been complied with and there is reasonable assurance that the grant or contribution will be received. Where the conditions have not been met these grants will be held as creditors on the Balance Sheet.

Specific revenue grants are included in the specific service expenditure accounts together with the service expenditure to which they relate. Grants which cover general expenditure (e.g. Revenue Support Grant) are credited to the ~~foot of the~~ **Taxation and Non-specific Grant Income in the** Comprehensive Income and Expenditure Statement after Net Cost of Services.

17. Debtors

Debtors are recognised in the accounts when the ordered goods or services have been delivered or rendered by the Council in the financial year but the income has not yet been received. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risk and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council; and

- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

Debtors are recognised and measured at fair value in the accounts. When considering the fair value of long term debtors, the Council has set a £50k de minimis limit. Below this amount, the carrying value of the long term debtor will be used as a proxy for fair value.

For estimated manual debtors, a de-minimis level of ~~£10k~~ **£25k** for individual revenue items and ~~£25k~~ **£50k** for capital items is set.

18. Creditors

Creditors are recorded where goods or services have been supplied to the Council by 31 March but payment is not made until the following financial year.

Creditors are recognised and measured at fair value in the accounts. When considering the fair value of long term creditors, the Council has set a £50k de minimis limit. Below this amount, the carrying value of the long term creditors will be used as a proxy for fair value.

For estimated manual creditors, a de-minimis level of ~~£10k~~ **£25k** for individual revenue items and ~~£25k~~ **£50k** for capital items is set.

19. Provision for Bad and Doubtful Debt

Where there is evidence that the Council may not be able to collect all amounts due to it, a provision for impairment is established. The provision made is the difference between the current carrying value of the debt and the amount likely to be collected. At the end of the financial year, bad debt provisions will be made for debts that have been outstanding for more than twelve months. The Council's policy is:

- Adult Social Care debtors are grouped by type and provided for on this basis plus the age of the debt; and
- Other aged debtors over 12 months old. Significant debtors are reviewed on a case by case basis, all remaining debtors are 100% provided for.

The provision for impairment is recognised as a charge to the relevant revenue service account in the Comprehensive Income and Expenditure Statement for the income that might not be collected.

20. Inventories

Inventory assets include and will be carried at the following values:

- Materials or supplies to be consumed or distributed in the rendering of services (e.g. highways salt). These are carried at the lower of cost (calculated as an average price) or current replacement cost (at the Balance Sheet date for an equivalent quantity); and

- Held for sale or distribution in the ordinary course of operations, are carried at the lower of cost or net realisable value.

The Council has set a de-minimis level for recognising inventories of £100k. Inventory balances below this level are not recorded on the Balance Sheet.

21. Cash and Cash Equivalents

a) Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

b) Cash Equivalents are held for the purpose of meeting short term cash commitments rather than for investment or other purposes. The Council will classify these as follows:

- Instant Access Deposit Accounts or Overnight Bank Facilities set up for the purpose of meeting short term liquidity requirements and whose return (if any) does not make up the Average Yield Return on Investments, are to be classed as Cash Equivalents.
- Overnight Fixed Deposits, Deposit Based Bank Accounts and Net Asset Value Money Market Funds held for investment purposes for the returns offered, which make up the Councils Average Yield Return on its Investments, are to be classed as Short Term Investments.

c) Bank Overdrafts are to be shown separately from Cash and Cash Equivalents where they are not an integral part of an Authority's cash management. They are to be shown net of Cash and Cash Equivalents where they are an integral part of an Authority's cash management.

22. Provisions

The Council sets aside provisions for future expenses where: a past event has created a current obligation (legal or constructive) to transfer economic benefit; it is probable that an outflow of economic benefits or service potential will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

Provisions are charged to relevant revenue service account in the Comprehensive Income and Expenditure Statement in the year the Council becomes aware of the obligation. When the obligation is settled, the costs are charged to the provision set up in the Balance Sheet. When payments are eventually made, they are charged against the provision carried in the Balance Sheet.

The Council has set a de-minimis level for recognising provisions of ~~£100k~~ **£250k**.

Provisions contained within the Balance Sheet are split between current liabilities (those which are estimated to be settled within the next 12 months) and non-current liabilities (those which are estimated to be settled in a period greater than 12 months).

Provisions are recognised and measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When considering the valuation of long term provisions, the Council has set a £50k de minimis limit. Below this amount long term provisions are measured using carrying value.

23. Contingent Liabilities

A contingent liability is where there is a possible obligation to transfer economic benefit resulting from a past event, but the possible obligation will only be confirmed by the occurrence or non-occurrence of one or more events in the future. These events may not wholly be within the control of the Council. The Council discloses these obligations in the narrative notes to the accounts.

These amounts are not recorded in the Council's accounts because:

- it is not probable that an outflow of economic benefits or service potential will be required to settle the obligation; or
- the amount of the obligation cannot be measured with sufficient reliability at the year end.

The Council has set a de-minimis level for recognising Contingent Liabilities of £500k.

24. Contingent Assets

A contingent asset is where there is a possible transfer economic benefit to the Council from a past event, but the possible transfer will only be confirmed by the occurrence or non-occurrence of one or more events in the future. These events may not wholly be within the control of the Council. The Council discloses these rights in the narrative notes to the accounts.

The Council has set a de-minimis level for recognising Contingent Assets of £500k.

25. Events after the Reporting Date

These are events that occur between the end of the reporting period and the date when the Financial Statements are authorised for issue. The Council will report these in the following way if it is determined that the event has had a material effect on the Council's financial position.

- Events which provide evidence of conditions that existed at the end of the reporting period will be adjusted and included within the figures in the accounts; and
- Events that are indicative of conditions that arose after the reporting will be reported in the narrative notes to the accounts.

Events which take place after the authorised for issue date are not reflected in the Statement of Accounts.

26. Recognition of Revenue (Income)

Revenue shall be measured at the fair value of the consideration received or receivable.

Revenue is recognised only when it is probable that the economic benefits or service potential associated with the transaction will flow to the Council, with the exception of non-exchange transactions (such as Council Tax and general rate) where it is assumed there is no difference between the delivery and payment date.

27. Exceptional Items

Exceptional items are material amounts of income or expenditure which occur infrequently in the course of the Council's normal business and are not expected to arise at regular intervals. When these items of income or expense are material, their nature and amount will be disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts depending on how significant the items are to an understanding of the Council's financial performance.

28. Costs of Support Services

The costs of overheads and support services are charged to service segments in accordance with the authority's arrangements for accountability and financial performance.

29. Acquired and Discontinued Operations

Where the Council takes on new activities or ceases providing services, the costs relating to these activities will be identified in the Comprehensive Income and Expenditure Statement, on the surplus or deficit on **acquired and/or** discontinued operations line. These items will not form part of the net cost of services in the Comprehensive Income and Expenditure Statement in the year they occur.

30. Value Added Tax (VAT)

The Council's Comprehensive Income and Expenditure Statement excludes VAT. All VAT must be passed on (where output tax exceeds input tax) or repaid (where input tax exceeds output tax) to HM Revenue and Customs.

The net amount due to or from HM Revenue and Customs for VAT at the year-end shall be included as part of creditors or debtors balance.

31. Council Tax and Business Rates Income

The collection of Council Tax and Business Rates is in substance an agency arrangement with the seven Lincolnshire District Councils (billing Authorities) collecting Council Tax and Business Rates on behalf of the Council.

The Council Tax and Business Rates income is included in the Comprehensive Income and Expenditure Statement on an accruals basis and includes the precept for the year plus the Council's share of Collection Fund surpluses and deficits from the billing Authorities.

The difference between the income reported in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund, shall be taken to the Collection Fund Adjustment Account through the Movement in Reserves Statement.

The year-end Balance Sheet includes the Council's share of debtors (arrears and collection fund surpluses), creditors (prepayments, overpayments and collection fund deficits) and provisions (business rate appeals).

32. Reserves

a) Useable Reserves

The Council's general revenue balances are held in the General Fund. The Council also maintains a number of specific 'earmarked' reserves for future expenditure on either policy purposes or to cover contingencies. When expenditure is financed from an earmarked reserve, it is charged to the relevant revenue service account in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back to the General Fund Balance via the Movement in Reserves Statement, so that there is no net charge against council tax.

b) Unusable Reserves

Certain reserves are kept to maintain the accounting processes for non-current assets, financial instruments and employee benefits. These accounts do not represent usable resources for the Council. These include:

- Capital Adjustment Account;
- Revaluation Reserve;
- Financial Instruments Adjustment Account;
- Pension Reserve;
- Collection Fund Adjustment Account; and
- Accumulated Absences Reserve.

33. Employee Benefits – Benefits Payable during Employment

a) Benefits Payable During Employment – Short Term Benefits

These are amounts expected to be paid within 12 months of the Balance Sheet date. These include:

- Salaries, wages and expenses accrued up to the Balance Sheet date. These items are charged as an expense to the relevant service revenue account in the year the employees' services are rendered; and
- Annual leave and flexi hours earned, but not yet taken at the Balance Sheet date. An accrual is made for items at the wage and salary rate payable. The accrual is charged to the relevant service revenue account, but then reversed out through the Movement in

Reserves Statement to the Accumulated Absences Account, so this does not have an impact on council tax.

Teacher Leave Accrual

The accrual for short term benefits for teachers is calculated using a standard methodology, reflecting the fact that teachers across the Council are subject to standard terms and conditions of employment. This methodology is based on the number of days of the Spring Term (both term-time and holiday) that fall within the financial year and the leave entitlement of the teacher (which varies according to whether an individual has left the teaching profession at the end of the Spring term).

b) Long Term Benefits

These are amounts which are payable beyond 12 months. The Council does not have any material long term benefits to be declared within the Financial Statements.

34. Employee Benefits – Termination Benefits

Employee termination benefits arise from the Council's obligation to pay redundancy costs to employees. These costs will be recognised in the Council's Financial Statements at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises the costs for a restructuring. For example; when there is a formal plan for redundancies (including the location, function and approximate number of employees affected; the termination benefits offered, and the time of implementation).

These items will be accrued in the Balance Sheet at the year end and charged to the relevant service revenue account. If payments are likely to be payable in more than 12 months from the year end, then these costs will be discounted at the rate determined by reference to market yields.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

35. Employee Benefits – Post Employment Benefits (Pensions)

Lincolnshire County Council participates in four different pension schemes which provide scheme members with defined benefits related to pay and service. The schemes are as follows:

- Teachers' Pension Scheme: This is a notionally funded scheme administered nationally by Capita Teachers' Pensions on behalf of the Department for Education (DfE). The pension contributions to be paid by the Council are determined by the Government Actuary and reviewed periodically. The scheme is accounted for as if it were a defined contribution scheme. There is no liability for future payments of benefits recognised in the Balance

Sheet. All employer's contributions payable to teachers' pensions in the year are treated as expenditure on the Schools' service line in the Comprehensive Income and Expenditure Statement.

- National Health Service Pension Scheme (NHSPS): This is a notional funded scheme administered national by NHS Pensions on behalf of the Department of Health (DoH) The pension contributions to be paid by the Council are determined by the Government Actuary and reviewed periodically. The scheme is accounted for as if it were a defined contribution scheme. There is no liability for future payments of benefits recognised in the Balance Sheet. All **The** employer's contributions payable to the National Health Service Pension Scheme in the year are treated as expenditure in the Wellbeing **and Children's** service lines in the Comprehensive Income and Expenditure Statement.
- Uniformed Fire-fighters Pension Scheme (FPS): From 1 April 2015, a new pension fund for Fire-fighters was set up. This scheme replaced the 2006 & 1992 Fire-fighters schemes for new Fire-fighters. The 2015, 2006 and 1992 schemes remain unfunded but there are differences in the contributions payable into each scheme and the benefits paid to members. Both employee and employer contributions are paid into the three funds, against which pension payments are made. Each fund is topped up by additional government funding if contributions are insufficient to meet the cost of the pension payments. Any surplus in the funds at the end of each year will be repaid back to the Department for Communities and Local Government (DCLG). Contributions in respect of ill health retirements are still the responsibility of the Council.
- Local Government Pension Scheme (LGPS): Other employees are eligible to join the LGPS. The Council pays contributions to a funded pension scheme from which employee pension benefits are paid out.

The pension costs included in the Statement of Accounts in respect of both the LGPS and the FPS have been prepared in accordance with IAS 19 Employee Benefits. The pension costs in respect of both the LGPS and FPS have been estimated by the Pension Fund actuary adviser and have incorporated an actual valuation of the accrued pension liabilities attributable to the Council as the scheme employer.

The Local Government Pension Scheme (LGPS)

The LGPS is accounted for as a defined benefits scheme:

- The liabilities of the Lincolnshire Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of **2.7% - to be updated once information is available** (based on long term UK Government bonds greater than 15 years).

- The assets of Lincolnshire Pension Fund attributable to the Authority are included in the Balance Sheet at their fair value:
 - quoted securities – current bid or last traded price;
 - unquoted securities – professional estimates;
 - unitised securities – current bid price.

The change in net pensions liability is analysed into the following components:

- Service cost comprising:
 - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
 - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus of Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
 - net interest on the net defined benefit liability (asset), i.e. net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- Remeasurements comprising:
 - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure; **and**
 - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – ~~debit~~ **charged** to the Pensions Reserve as Other Comprehensive Income and Expenditure; ~~and~~
- contributions paid to the Lincolnshire Pension Fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

The Council also pays any costs arising in relation to unfunded elements of pensions, paid to certain employees that have retired early and have been awarded discretionary compensation under the provisions of the Council's early retirement policy. These costs are charged to Other Budgets in the Comprehensive Income and Expenditure Statement.

36. Accounting for Schools Income, Expenditure, Assets, Liabilities and Reserves

In Lincolnshire, Local Authority education is provided in: Foundation, Voluntary Aided, Voluntary Controlled and Community Schools (all known as 'maintained schools').

Income and Expenditure

All income and expenditure relating to maintained schools in Lincolnshire is shown in the Council's Comprehensive Income and Expenditure Statement.

Non-Current Assets

Schools non-current assets will be accounted for under IAS 16 Property, Plant and Equipment. The standard defines non-current assets as "a resource controlled by the Council as a result of a past event and from which future economic benefits or service potential are expected to flow".

If assets are owned by the Council or the governing body of the school, or the future economic benefits are identified to sit with the Council, then the non-current assets will be recorded in the Balance Sheet.

The exception to this is for any finance leases for IT equipment taken out by the Council on behalf of a school; these remain within the Council's Balance Sheet as the Council retains the liability.

Assets and Liabilities

All assets and liabilities, excluding non-current assets which are covered above, relating to maintained schools are included within the Council's Balance Sheet.

Reserves

The Council maintains specific earmarked reserves for schools balances. At year end balances from dedicated schools budgets, including those held by schools under a scheme of delegation, are transferred into the reserve to be carried forward for each school to use in the next financial year. This ensures that any unspent balances at the end of the financial year are earmarked for use by those schools as required by the Council's scheme for financing schools approved by the Secretary of State for Education.

37. Group Relationships

The Council assesses on an annual basis relationships with other bodies to identify the existence of any group relationships. A de-minimis level of ~~£1.000m~~ **£10.000m** has been set for considering bodies to be included within group accounts.

The Council has not identified, and does not in aggregate have any material interests in subsidiaries, associated companies or joint ventures and therefore is not required to prepare group accounts.

38. Financial Instruments

a) Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing & Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised. All the Council's borrowings are carried at amortised cost and the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and the interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

No repurchase has taken place as part of a restructuring of the loan portfolio that included the modification or exchange of existing instruments. Therefore gains and losses on the repurchase or early settlement of borrowing are credited and debited to Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement and spread over future years under statutory regulation.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain/loss over ten years or the term that was remaining on the loan if less than ten years. The reconciliation of premiums / discounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund is managed by a transfer to or from the Financial Instruments Adjustment Account through the Movement in Reserves Statement.

b) Financial Assets

Financial Assets are classified into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market; and
- Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

i) Loans and Receivables

Loans and Receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual credits to the Financing & Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For the majority of the loans that the Council has made, this means that the amount

presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

However, the Council has a number of loans at less than market rates (soft loans) for the purpose of service objectives. When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be forgone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing & Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account through the Movement in Reserves Statement.

The Council has set a £50k de minimis limit to the value of soft loans or the discounting of interest rates. Below this amount the above accounting treatment for soft loans is not applied and the soft loans are shown in the accounts at their carrying value.

Where assets are identified as impaired, because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Financing & Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement or the relevant service (for receivables specific to that service). The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the derecognition of the assets are credited/debited to the Financing & Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

ii) Available-for-sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing & Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- Instruments with quoted market prices – the market price;
 - Other instruments with fixed and determinable payments – discounted cash flow analysis;
- and

- Equity shares with no quoted market prices – independent appraisal of company valuations.

The comparative measures used in the valuation techniques for fair value are categorised in accordance with the following three levels:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.
- Level 2 – comparators other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 – unobservable comparators for the asset.

Where fair value cannot be measured reliably, the instrument is carried at cost (less impairment losses).

Changes in fair value are balanced by an entry in the Available-For-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on revaluation of Available-for-Sale Assets. The exception is where impairment losses have been incurred and these are debited to the Financing & Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-For-Sale Reserve.

Where assets are identified as impaired, because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing & Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-For-Sale Reserve.

38. Fair Value Measurement

Some of the Council's non-financial assets, such as surplus assets and investment properties and some of its financial instruments, are measured at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the following takes place either:

- ***In the principal market for the asset or liability, or***
- ***In the absence of a principal market, in the most advantageous market for the asset or liability.***

When measuring the fair value, the Council would use the assumptions of market participants when pricing the asset or liability whilst acting in their economic best interest.

On fair value measurement, the Council takes into account the market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses the appropriate valuation techniques appropriate for the asset, maximising the use of relevant observable inputs and minimising unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, as follows:

- ***Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date.***
- ***Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.***
- ***Level 3 - unobservable inputs for the asset or liability.***

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Open Report on behalf of Pete Moore, Executive Director for Finance and Public Protection

Report to:	Audit Committee
Date:	26 March 2018
Subject:	Update position on Risk Management

Summary:

This report provides the Committee with an update as to the progress made with the refresh of the Strategic risk register and an update on risk management generally.

Recommendation(s):

- 1) Note the contents contained within this report;
- 2) Consider how the Audit Committee would like to be involved with the refresh of the Strategic risk register.

Background

The strategic risk register was due for a refresh to ensure that it is fit for purpose, has current risks noted and agreed and has been consulted on.

The key areas to note are as follows;

- We have amended our risk appetite categories from 4 to 5. This now includes the category of 'Opportunist' which sits between 'Creative and Aware' and 'Hungry/Mature'. This is to take into account the Commercialism agenda. See Appendix A
- We have facilitated a session with the Senior Leadership Group (SLG) in updating
 - a) the appetite of the Council
 - b) whether current strategic risks are still valid
 - c) identify any new risks that should be considered.

The outcome of this work showed a disconnect between what we advocate – 'Creative and Aware' and the view of SLG which was 'Cautious'. We will explore further at a forthcoming SLG event.

- The key themes for new risks that have been identified are as follows;
 - a) Review of Serco contract
 - b) Loss of Key Corporate Management Board (CMB) members / Ageing workforce

- c) IT Infrastructure & hardware
- d) Brexit & (impact of Brexit, funding & legislation, access to labour)
- e) Supply chain shortage
- f) Future models of funding (Better Care Fund, Comprehensive Spending Review, Post 2020)
- The next step is to evaluate the risk themes with CMB and decide which ones should be contained and monitored within the strategic risk register.
- All other risks that are currently noted on the strategic risk register remain unaltered. These include:

Risk Area	Risk Rating	Assurance level
Safeguarding children	Green	Substantial
Safeguarding adults	Amber	Substantial
Business continuity	Amber	Limited
Funding and financial resilience	Amber	Substantial
Project delivery	Amber	Substantial
Recruitment & retention of staff in high risk areas	Amber	Limited
Maintenance of effective governance arrangements	Green	Substantial
Contracting – Significant Contracts	Amber	Limited
Cyber Security	Red	Limited

- We are working on further benchmarking with the Greater Lincolnshire Risk Management Group. This is invaluable to ensure that we are still consistent with our risk management approaches compared to other authorities.
- Following on from our risk appetite work over the years, we are pleased to confirm that we have been shortlisted as finalists for the Public Finance Innovation Awards for the category 'Innovation in Risk Management'. The winner will be announced at the awards ceremony on 25th April 2018.

Conclusion

We continue to provide risk management throughout the organisation and adhere to best practice. This helps the Audit Committee to have a level of assurance that risks are being managed effectively.

Consultation

a) Have Risks and Impact Analysis been carried out??

Yes

b) Risks and Impact Analysis

Any changes to services, policies and projects are subject to an Equality Impact Analysis. The considerations of the contents and subsequent decisions are all taken with regard to existing policies.

Appendices

These are listed below and attached at the back of the report	
Appendix A	Risk Appetite categories

Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

This report was written by Debbie Bowring, who can be contacted on 01522 553772 or debbie.bowring@lincolnshire.gov.uk.

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Averse

- Safe delivery options – not willing to accept risk in most circumstances – reluctant to take action given uncertainty – highly likely to be influenced by experience



Cautious

- Willing to accept some risk – but prefer safe options – minimising risk exposure with tight corporate controls over change



Creative and Aware

- Creative and open to considering all potential delivery options, with well measured risk taking whilst being aware of the impact of its key decisions. 'No surprises' risk culture.



Opportunist

- Collaborative approach to recognise and drive the opportunities that lead to the development of economic and business sustainability and improvement – not taking the tried and tested route – looking for upside risk



Mature (Hungry)

- Willing to accept opportunities and delivery options with high inherent risk. Recognise that not all risks will be known

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Open Report on behalf of Pete Moore, Executive Director for Finance and Public Protection

Report to:	Audit Committee
Date:	26 March 2018
Subject:	International Audit Standard - Response to Management Processes Questions

Summary:

This report provides the Committee with an assessment around whether the County Council and Pension Fund financial statements may be mis-stated due to fraud or error.

Recommendation(s):

To consider if the assessment accurately reflects the Council's management processes to minimise the risk of fraud or error in the County Council and Pension Fund financial statements.

Background

Each year the External Auditors are required to obtain an understanding of the Council's management processes in a number of areas. The International Auditing Standards specify the areas concerned and each one is listed below, together with the details of our current processes.

Note: A material mis-statement for the Authority's accounts in 2017/18 is around £12m and £19m for the Pension Fund accounts.

1. An assessment of the risk that financial statements may be materially mis-stated due to fraud

There are a variety of controls to ensure that the accounts are accurate and reflect properly authorised expenditure and income due to the Council.

Accounting – the form of the accounts is mainly prescriptive from the CIPFA code of practice and the accounting processes are determined by the Executive Director of Finance and Public Protection. There are regular reconciliations covering bank reconciliation, payments, payroll and suspense accounts. These have improved since 2016/17. Access to make

journal entries in the accounts is restricted and year end manual accruals in excess of £100k are subject to separate authorisation.

Orders and Payments – access is restricted through formal schemes of authorisation. Cheque payments in excess of £50k require release by senior finance staff. There are formal procurement and tendering rules for contracts.

There is segregation of duties between purchase and payment and appropriate levels of authorisation have been set.

Monitoring expenditure and income – every area of expenditure and income is the responsibility of a named budget holder. Throughout the year Budget Holders are required to regularly review the accuracy of payments and income. This activity has continued to improve.

Statement of accounts – there are a variety of year end reconciliations and checks. Line managers review officers' work, and the accounts are reviewed by the County Finance Officer.

2. An assessment of the risk that the Pension Fund statements may be materially mis-stated due to fraud

In addition to the arrangements described above, there are a number of specific controls and requirements which apply to the administration of the Lincolnshire Pension Fund. The fund is not subject directly to any laws and regulations that are any different to other bodies in the same sector:

- UK law which applies to pension schemes including Act of Parliament and regulations
- European law
- Case law which is relevant to pension schemes

The Local Government Pension schemes are regulated by a range of specific statutory requirements, the main ones being:

- Local Government Pension Fund (Management and Investment of Funds) Regulations 2016
- Local Government Pension Scheme Regulations 2013

The accounts format and content is covered by the Pensions SoRP and underpinned at a high level by the Accounts and Audit Regulations as well as the specific Codes published under statute such as the CIPFA Codes covering the accounts.

The Council employs external investment managers to make most investment decisions and a custodian holds the investment certificates which add further assurance to the overall control environment. The Council receives annual auditor assurance reports from these organisations.

The Pensions Committee approves the investment policy of the Fund and monitors its implementation during the year. The Committee meets, as a minimum, on a quarterly basis and special meetings are convened if considered necessary. The Committee membership includes representatives from the County Council, district councils, other employers and trade unions. The Council now has a Pensions Board in place which overviews the governance arrangements for management of the Fund as well as compliance with the requirements of the Pensions Regulator.

3. Identifying and responding to risks of fraud in the organisation

Our proactive counter fraud work and whistleblowing arrangements help us fight against fraud and reduce our exposure to the risk of fraud. Our annual report provides information on the outcomes of this work.

The Council has recognised the importance of protecting the public purse and has maintained a robust response through its dedicated Counter Fraud Team.

The risk of fraud is included in our risk management processes. We have developed a Fraud Risk Register; this is regularly updated and is reported to the Audit Committee.

We also work with other local authorities to share good practice and undertake joint work e.g. raise awareness. This is enhanced by the Lincolnshire Counter Fraud Partnership – reporting directly to the Chief Finance Officer Group and tasked with carrying out county-wide fraud proactive exercises in areas of high fraud risk. We also take account of best practice and emerging fraud issues published by the CIPFA Counter Fraud Centre.

Outcomes and progress of our proactive counter fraud work is monitored by our Audit Committee.

The difficulties experienced since the introduction of the Council's new financial system (Agresso) and the resulting impact on the Council's financial control environment may mean a higher risk of fraud or error.

Some progress has been made, but we do acknowledge these issues in the financial control environment. In response to these risks, Internal Audit have scheduled follow up testing in key control areas and continue to perform data analytical work.

Appendix A includes our response to a series of fraud related questions which will also help to inform External Audit's assessment of the risk of fraud and error within the Authority and Pension Fund financial statements.

4. Communication to employees of views on business practice and ethical behaviour

Employees are made aware of these via:

- The induction process
- The Code of Conduct for Employees
- The Councils value statement
- The Constitution, particularly Financial Regulations
- Internal communications through our intranet GEORGE
- Training courses

Responses to the 2017 Employee Survey confirmed that staff had been informed of core values and behaviours. The survey also showed that employees were aware of the whistleblowing policy and process.

5. Communication to those charged with governance of the processes for identifying and responding to fraud

The Audit Committee is informed by:

- The review of the Counter Fraud and Whistleblowing policies which are based on good practice
- Fraud Risk Register Reports
- Approval and progress reports on the delivery of our Counter Fraud Work Plan
- The Authority's Annual Governance Statement
- Internal and External Audit Plans and Reports
- The Final Accounts scrutiny and other External Audit Reports

6. Awareness of any actual or alleged instances of fraud

During the last 12 months, our counter fraud team has been involved in a number of investigations. The combined value does not represent any material effect on the financial statements. The Authority has also recovered fraud losses in year and has taken all reasonable action to seek redress, where possible.

7. Compliance with laws and regulations and the potential for litigation and claims that would affect the financial statements

The Authority's Constitution provides the framework for the Council's governance arrangements and, as well as this:

- The Monitoring Officer is responsible, after consultation, for reporting to full Council or Executive, if it is considered that any proposal, decision or omission would give rise to unlawfulness.
- Legal Comments are contained in reports to Council, the Executive and Committees to advise on compliance with the policy framework and the Constitution.
- The Executive Director – Finance and Public Protection has responsibility to highlight any proposal, decision or course of action which will involve any unlawful expenditure and the financial impact of any decision.
- The Council has a strong overall control environment which aims to reduce the risk of potential litigation and claims arising. Regular Internal Audit reviews occur to ensure compliance with established controls.
- A robust assurance framework underpins the Council's governance arrangements – it is regularly updated and periodically reviewed to ensure continued effectiveness.
- There are clear policies in place which are routinely updated and communicated throughout the Authority. The Council has strong, well established corporate functions which, along with the ongoing support from its legal advisors, help to minimise the risk of non-compliance with laws and regulations.
- The risk management process assesses the key risks facing the Council and takes measured risks that seek to minimise impact and maximise benefits / innovation.
- Our insurance cover helps us minimise our exposure to potentially large claims.
- Instances of potential claims will be acknowledged, if appropriate, as a contingent liability in the financial statements of the authority.

Conclusion

Given the above information the Council is assessed as **low risk** that the financial statements may be materially mis-stated due to fraud or error.

Consultation

a) Policy Proofing Actions Required

N/A

Appendices

These are listed below and attached at the back of the report	
Appendix A	Response to fraud and error questions

Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

This report was written by Lucy Pledge, who can be contacted on 01522-553692 or lucy.pledge@lincolnshire.gov.uk.

Response to fraud and error questionnaire- March 2018

No.	Questions for management	Managements response
1	<p>Are you aware of any instances of actual, suspected or alleged fraud, within the authority as a whole during the period 1 April 2017 – 31 March 2018?</p>	<p>Yes – these are received and investigated by our dedicated counter fraud & investigation team. Head of Audit provides fraud updates (esp. material cases) to S151 officer, EA liaison and Audit Committee. Refer to EA liaison fraud update for cases during 2017/18.</p>
2	<p>Do you suspect fraud may be occurring, within the authority?</p> <ul style="list-style-type: none"> ➤ Have you identified any specific fraud risks within the authority? ➤ Do you have any concerns that there are areas within the authority that are at risk of fraud? ➤ Are there particular locations within the authority where fraud is more likely to occur? 	<p>Yes – we acknowledge and understand our fraud risks – we have a dedicated counter fraud team to respond to these risks.</p> <p>Yes – see below</p> <p>In line with key fraud risks highlighted nationally & consideration of the Council's own fraud risk profile, we believe areas to focus on are:</p> <ul style="list-style-type: none"> ■ Procurement ■ Contracts ■ Schools ■ Adult Social Care ■ Cyber Risks ■ Payroll
3	<p>Are you satisfied that internal controls, including segregation of duties, exist and work effectively?</p> <ul style="list-style-type: none"> ➤ If not where are the risk areas? <p style="margin-left: 40px;"> Payroll } Schools and } Corporate AP </p> <p>Limited ability to audit throughout the year due to lack of system stability <input type="checkbox"/> system and control issues and high error rates have resulted in low assurance in the two areas.</p> <ul style="list-style-type: none"> ➤ What other controls are in place to help prevent, deter or detect fraud? 	<p>Improvement plan in place to strengthen the payroll control environment.</p> <p>We will continue to review the adequacy of the control framework to ensure compliance where issues such as segregation of duties may become an issue.</p> <ul style="list-style-type: none"> ■ Whistleblowing arrangements ■ Robust CF Policy and zero tolerance stance to fraud ■ Proactive work programme – delivered by CF team (deter/detect) / raise awareness ■ Use of data analytics ■ Due diligence activities in Q4.

No.	Questions for management	Managements response
		<ul style="list-style-type: none"> ■ Accredited counter fraud specialists ■ Deterrence - case summaries on website / successful prosecutions in Echo / results and work of CF team periodically published in Echo (from Audit Committee reporting) ■ Fraud Health Check – review Council's fraud response and map to best practice
4	<p>How do you encourage staff to report their concerns about fraud?</p> <p>➤ What concerns about fraud are staff expected to report?</p>	<ul style="list-style-type: none"> ■ Whistleblowing arrangements ■ Counter Fraud Policy / leaflets / Fraud Response Plan ■ Whistleblowing and Counter Fraud posters ■ Regular news bulletins ■ Code of Conduct – reporting expectations ■ Dedicated counter fraud team ■ Fraud awareness sessions ■ Assistant Directors and Heads of Service briefings ■ E-learning module under development to raise fraud awareness and direct to reporting routes. <p>All suspicions about fraud, corruption or theft.</p>
5	<p>From a fraud and corruption perspective, what are considered to be high risk posts within your area of responsibility?</p> <p>➤ How are the risks relating to these posts identified, assessed and managed?</p>	<ul style="list-style-type: none"> ■ Bank and authorised signatories ■ Treasury management e.g. borrowing <p>Policies, procedures – managed by established control framework, overall scheme of delegation, segregation of duties and IT Security processes.</p>
6	<p>Are you aware of any related party relationships or transactions that could give rise to instances of fraud?</p> <p>➤ How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>No.</p> <p>Requirement for officers to declare any interests / personal relationships (Code of Conduct / Personal Relationships at Work Policy). Management responsible for assessing the risk and taking any control actions i.e. transferring responsibilities / decision making, removing delegated authority, restricting access to information, meetings etc</p>
7	Are you aware of any entries made in the	Yes – Fraud Case

No.	Questions for management	Managements response
	<p>accounting records of the authority that you believe or suspect are false or intentionally misleading?</p> <ul style="list-style-type: none"> ➤ Are there particular balances where fraud is more likely to occur? ➤ Are you aware of any assets, liabilities or transactions that you believe were improperly included or omitted from the accounts of the authority? ➤ Could a false accounting entry escape detection? If so, how? ➤ Are there any external fraud risk factors which are high risk of fraud? 	<p>Investigation ongoing (not material value)</p> <p>Imprest (materiality low) Payroll entries & Procurement Card entries – lack of management information potentially increases the risk of fraud. Follow up payroll audit and data analytics work to scheduled Q4 to review risk.</p> <p>No</p> <p>No</p> <p>No</p>
8	<p>Are you aware of any organisational, or management pressure to meet financial or operating targets?</p> <ul style="list-style-type: none"> ➤ Are you aware of any inappropriate organisational or management pressure being applied, or incentives offered, to you or colleagues to meet financial or operating targets? 	<p>No</p> <p>No</p>

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Regulatory and Other Committee

Open Report on behalf of Pete Moore, Executive Director for Finance and Public Protection

Report to:	Audit Committee
Date:	26 March 2018
Subject:	Work Plan

<p>Summary:</p> <p>This report provides the Committee with information on the core assurance activities currently scheduled for the 2018/19 work plan.</p>

<p>Recommendation(s):</p> <ol style="list-style-type: none">1. Review and amend the Audit Committee's work plan ensuring it contains the assurance areas necessary to approve the Annual Governance Statement 20192. Consider the actions identified in the Action Plan

Background

The work plan has been compiled based on the core assurance activities of the Committee as set out in its terms of reference and best practice (see Appendix A – work plan to 31 March 2019).

Appendix B – keeps track of actions agreed by the Committee and future potential agenda items.

Conclusion

The work plan helps the Audit Committee effectively deliver its terms of reference and keeps track of areas where it requires further work and/or assurance.

Consultation

a) Have Risks and Impact Analysis been carried out??

No

b) Risks and Impact Analysis

Any changes to services, policies and projects are subject to an Equality Impact Analysis. The considerations of the contents and subsequent decisions are all taken with regard to existing policies

Appendices

These are listed below and attached at the back of the report	
Appendix A	Work plan
Appendix B	Action plan

Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

This report was written by Lucy Pledge, who can be contacted on 01522 553692 or lucy.pledge@lincolnshire.gov.uk.

Appendix A

Audit Committee Work Plan – 2018/19		
26 March 2018	Assurances Required/Being Sought	Relevancy – Terms of Reference
Core Business		
Internal Audit Progress Report	Gain an understanding of the level of assurances being provided by the Head of Internal Audit over the Council's governance, risk and internal control arrangements and why.	To consider reports from the head of internal audit on internal audit's performance during the year, including the performance of external providers of internal audit services. These will include: a) Updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work. b) Regular reports on the results of the Quality Assurance and Improvement Programme. c) Reports on instances where the internal audit function does not conform to the Public Sector Internal Audit Standards and Local Government Application Note, considering whether the non-conformance is significant enough that it must be included in the Annual Governance Statement. To consider summaries of specific internal audit reports as requested.
Draft Internal Audit Plan 2018/19	That the Internal Audit Plan focuses on the key risks facing the Council and is adequate to support the Head of Audit opinion. Confirm that the plan achieves a balance between setting out the planned work for the year and retaining flexibility to changing risks and priorities during the year.	To consider reports dealing with the management and performance of internal audit

Audit Committee Work Plan – 2018/19

	<p>Ensure that the Internal Audit Resource has sufficiently capacity and capability to deliver the plan.</p> <p>Seek an understanding of what assurances Internal Audit will be providing the Committee to help it discharge its terms of reference.</p>	
External Audit Progress Report	Seek assurance over progress and delivery of the external audit plan and that any risks to successful production of the financial statements and audit are being managed.	To comment on the scope and depth of external audit work and to ensure it gives value for money
Draft Annual Governance Statement 2018	<p>Confirm that the Annual Governance Statement reflects the Committee's understanding of how the Council is run and that any significant governance issues / risks have been identified / published.</p> <p>Constructively challenge the information and evidence being presented.</p> <p>Ensuring value for money assurance arrangements are reported on and assessing how this features in the Annual Governance Statement.</p> <p>Improving how the Council discharges its responsibilities for public reporting e.g. better targeting at the audience and plain English</p>	<p>To oversee the production of the Council's Annual Governance Statement and to recommend its adoption</p> <p>To consider the Council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice</p>
Draft Counter Fraud Plan 2018/19	Confirm that the Annual Governance Statement reflects the Committee's understanding of how the Council is run and that any significant governance issues / risks have been identified / published.	<p>To oversee the production of the Council's Annual Governance Statement and to recommend its adoption</p> <p>To consider the Council's arrangements for</p>

Audit Committee Work Plan – 2018/19

	<p>Constructively challenge the information and evidence being presented.</p> <p>Ensuring value for money assurance arrangements are reported on and assessing how this features in the Annual Governance Statement.</p> <p>Improving how the Council discharges its responsibilities for public reporting e.g. better targeting at the audience and plain English</p>	<p>corporate governance and agreeing necessary actions to ensure compliance with best practice</p>
<p>International Audit Standards – Report responding to External Audit management questions around fraud and error</p>	<p>Seek assurance that the statements made against the standard accurately reflect the Council's counter fraud arrangements.</p>	<p>To monitor Council policies on confidential reporting code, anti-fraud and anti-corruption policy and the Council's complaints process.</p>
<p>Risk Management update including progress update on Strategic Risk Register</p>	<p>Seek assurance that risk-related issues are being addressed.</p>	<p>To monitor the effective development and operation of risk management in the Council and</p>
<p>Statement of Accounts for Lincolnshire County Council for the year ended 31 March 2018 (including: Accounting Policies, Changes to the Code of Practice and Legislation)</p> <p>Statement of Accounts – Report providing information on accounting policies being applied.</p>	<p>Seek assurance that the Council has appropriate accounting policies in place to ensure that items are treated correctly in the accounts.</p>	<p>To review the annual statement of accounts. Specifically to consider whether appropriate accounting policies have been followed and whether there are any concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council</p>
<p>Update of Payroll System Control Environment</p>	<p>Seek assurance that payroll performance is satisfactory</p>	<p>To monitor the adequacy of the internal control environment to provide members with independent assurance.</p>
<p>Other Assurance</p>		
<p>Combined Assurance Status Report - IMT</p>	<p>Actions being taken to improve control regime and assurance levels</p>	<p>Role and governance</p>

Audit Committee Work Plan – 2018/19

25 June 2018	23 July 2018	September 2018
	Annual review of the effectiveness of the Council's Internal Audit Function	Internal Audit Progress Report
Internal Audit Progress Report	Review of Head of Internal Audit's Annual Report and Opinion 2016	External Audit Progress Report
External Audit Progress Report	External Audits ISA 260 Report to Those Charged with Governance on Lincolnshire County Council's Statement of Accounts and Lincolnshire County Council Pension Fund Accounts for 2017/18	
Review of draft Annual Report on the work of the Audit Committee	Final Statement of Accounts for Lincolnshire County Council for the year ended 31 March 2018	
Approval of the Annual Governance Statement	Business Continuity Management Update	
Other Assurance	Other Assurance	
November 2018		
Counter Fraud Progress Report		
Whistleblowing Annual Report		
Annual Report reviewing the effectiveness of the Council's complaints and compliments process, including how well the Council has dealt with complaints as demonstrated by the Local Government Ombudsman's Report.		

Appendix B

Audit Committee Action Plan 2017/18			
Action	Terms of Reference Outcome	Key Delivery Activities	When
1. 1. Clarify who should attend the Audit Committee and expectations on the information being presented.	<p>Ensure that relevant and focussed reports are presented. Provide more certainty that assurance is relevant and reliable</p> <p>Promote constructive challenge during meetings</p> <p>Strengthen accountability arrangements and the effectiveness of the Audit Committee</p>	Develop reporting protocol	May 2018
2. Develop Action plan following self-assessment workshop considering the following:	Improve effectiveness of the committee	Work with Councillor Development Group to develop a person spec with key attributes for people on an Audit Committee	Workshop planned 26 th March 2018
		New Committee members appointed – work with new Committee to draw up a training and development plan.	
		Recruit an additional 'independent' member	On hold
		Deliver risk management training and awareness for members and staff.	Delivered
		Ensure that there is a private meeting with External Auditor at least once a year.	Agreed will take place in March 2018

Audit Committee Action Plan 2017/18

		End of meeting debrief / lunch	Chairman to arrange as required
		Briefing / update on key risks between meetings	Noted
		Arrange informal meeting with CMB	Completed – formal meeting agreed Chairman – January 2018

Potential Agenda Items

Governance and Control of Trading Companies
Records Management – social care case files
County Farms
Joint Commissioning Board - Partnerships
Reviewing and encouraging transparency in partnership decision making
Understand and seek assurance over the governance and risks associated with our key partners -via Combined Assurance Status Reports
Compliance with the Transparency Code

Agenda Item 15

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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