



**AUDIT COMMITTEE  
18 NOVEMBER 2019**

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

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

Also in attendance: Mr I Haldenby (Independent Added Member) and Mr A Middleton (Independent Added Member)

Councillor B Young (Chairman of the Code of Conduct Working Group) was also in attendance.

Officers in attendance:-

Rachel Abbott (Audit Team Leader), David Coleman (Chief Legal Officer), Andrew Crookham (Executive Director Resources), Matt Drury (Principal Investigator), Cheryl Evans (Democratic Services Officer), Glen Garrod (Executive Director - Adult Care and Community Wellbeing), Michelle Grady (Assistant Director for Strategic Finance), Lucy Pledge (Head of Internal Audit and Risk Management) and Dave Simpson (Technical and Development Finance Manager).

**29      APOLOGIES FOR ABSENCE**

It was reported that the Team Leader – Audit would be leaving the Council for a new role in December. The Chairman thanked the Team Leader for all her work supporting the Committee.

Apologies for absence were received from Councillor A N Stokes.

**30      DECLARATIONS OF MEMBERS' INTERESTS**

There were no declarations.

**31      MINUTES OF THE MEETING HELD ON 23 SEPTEMBER 2019**

**RESOLVED**

That the minutes of the meeting held on 23 September 2019 be agreed as a correct record and signed by the Chairman.

**32      CODE OF CONDUCT WORKING GROUP REPORT**

Consideration was given to a report which presented the results of the deliberations of the Code of Conduct Working Group, which had been established by the Audit Committee on 25 March 2019.

The report recommended that the Audit Committee refer a number of amendments to Part 5 of the Council's Constitution, including the Member Code of Conduct and the Local Arrangements for Dealing with Standards Complaints, to the meeting of the County Council on 11 December 2019 for approval.

The Monitoring Officer presented the proposed changes to the Committee, which were described in Appendix 1 to the report. The following responses were given to questions from the Committee:

- The Monitoring Officer indicated that social media use had not been a significant issue in generating complaints in Lincolnshire. However, the Working Group had concluded that as social media was easy to use and publicly available it posed additional risks for Councillors. A paragraph reminding councillors of the heightened risk had been included in the draft amended Code of Conduct, as detailed in Appendix B to the report. The Committee suggested that the use of social media could be covered as part of Councillor Induction programme;
- It was confirmed that the Council maintained a central register of gifts, which could be published to the Council's website. It was also requested that the gifts and hospitality log form part of the Monitoring Officer's Annual Report, which would be presented to the Audit Committee.

**RESOLVED**

- (1) That the report of the Code of Conduct Working Group, as detailed at Appendix A to the report, be noted.
- (2) That the following changes to the Council's Constitution be recommended to the County Council for approval:
  - The amendments to the Code of Conduct, as shown in red in Appendix B to the Working Group report;
  - The inclusion in Part 5 of the Constitution of the Protocol on Gifts and Hospitality, as detailed at Appendix C to the Working Group report;
  - The replacement of the Local Arrangements, as set out in the Constitution with the Local Arrangements, as detailed at Appendix E to the Working Group report;
  - The amendments to the Protocol on Officer/Member Relationships, as shown in red in Appendix F to the working Group report;
  - The amendments to the Protocol on Councillor Involvement in Commercial Transactions, as shown in red in Appendix G to the working Group report; and

- The amendments to the Planning Development Control Process Document, as shown in red in Appendix H to the working Group report.
- (3) That the Annual Report of the Monitoring Officer be presented to the Audit Committee.

33     REVIEW OF AUDIT COMMITTEE TERMS OF REFERENCE AND INTERNAL AUDIT CHARTER

A report was considered which reviewed the Committee's terms of reference and the Internal Audit Charter, in the light of CIPFA's Practical Guidance for Audit Committees 2018.

The proposed changes to the Committee's terms of reference and internal audit charter had been detailed at Appendices A and B to the report and highlighted by way of tracked changes.

It was highlighted that the main thrust of the CIPFA's guidance was the enhancement of the role of audit committees in the ethical framework; and in risk and control.

It was suggested that the Committee's terms of reference and internal audit charter were reviewed annually, in consultation with the Chairman and Vice-Chairman, and be presented to the Committee when any changes might be required.

**RESOLVED**

- (1) That the new terms of reference be recommended to the Council for approval.
- (2) That the revised Council's Internal Audit Charter be approved.

34     COUNTER FRAUD PROGRESS REPORT TO 30 SEPTEMBER 2019

The Audit Committee considered a progress report to 30 September 2019 on the counter fraud work plan for 2019-20.

There had been fifteen referrals in 2019-20 to date, which represented an increase in 15% compared to the thirteen received at the same stage in 2018-19. The counter fraud team was currently dealing with eleven live cases. The cases which had been referred during 2019-20 tended to be lower level and there had been an increase in expenses and time sheet fraud recently. The volume of fraud remained very low given the number of council employees.

The Committee was provided with an opportunity to ask questions, during which the following points were made:

- There had been a total of six cases of time sheet fraud to date during 2019-20. It was suggested that an article be included in internal communications on the importance of keeping time sheets and claims for expenses accurate.

**AUDIT COMMITTEE  
18 NOVEMBER 2019**

- Procurement and social care were two key fraudulent areas in the upper tier of local government generally. The County Council compared well to its statistical peers, as it had its own counter fraud team as it was able to undertake proactive work.
- The County Council formed part of the Lincolnshire Counter Fraud Partnership, which had identified Council Tax fraud as a key priority area, particularly the 'single person discount'. In 2018-19 a review had concluded that £1.3 million of Council Tax had been claimed incorrectly or fraudulently, which had resulted 3,441 single person discounts being removed. It would continue to be reviewed in future years, and it was hoped that the media coverage would deter further fraudulent activity.
- Following a question, it was suggested that the progress report provide contextual information on investigations, for example the length of investigations.
- Extensive work had been undertaken to raise awareness of bank mandate fraud in recent years. In June 2019, a mandate fraud attempt had been prevented by a vigilant member of staff.

**RESOLVED**

That the progress report on counter fraud activity to 30 September 2019 be noted.

**35      WHISTLEBLOWING ANNUAL REPORT 2018-19**

Consideration was given to a report which presented an overview of the Council's whistleblowing arrangements throughout the year 2018-19.

There had been a total of 36 whistleblowing concerns, which remained consistent with previous years. The number of disclosures also remained stable with a slight increase in misconduct and policy breach referrals, and a minor reduction in the number of financial and safeguarding issues being reported. The proportion of concerns relating to schools and children's services remained high, continuing a pattern identified over several years, although the Committee was advised that this was being addressed by management in Children's Services.

Following a question, the Committee was assured that whistleblowers were protected by the policy, which permitted them to remain anonymous if they wished. However, 55% of whistleblowers in the last year had chosen to be identified, which demonstrated confidence in the policies and procedures.

Following a further question, the Committee was advised that some feedback was provided to whistleblowers on the ensuing investigation, but in certain circumstances the level of feedback would by necessity be limited.

**RESOLVED**

That the Whistleblowing Annual Report 2018-19 be noted.

**36      FINANCIAL REGULATIONS UPDATE**

Consideration was given to a report which provided information on feedback and comments received during consultation and the ensuing changes made to the Council's draft Financial Regulations.

The first draft of the updated Financial Regulations, prior to any consultation with services; the Corporate Leadership Team; and the Monitoring Officer, had been presented to the Audit Committee on 23 September 2019.

Feedback from the consultation and from the Audit Committee had been considered and the appropriate changes had been made to the draft Financial Regulations, which had been highlighted in yellow in Appendix A to the report.

A discussion took place relating to the responsibility for writing off debts. It was emphasised that the Council would exhaust all possibilities of recovering a debt, prior to it being written off. It was confirmed that this remained an area on the Council's Risk Register for Adult Care. It was suggested that consideration be given to how the debts that had been written off were presented in the annual accounts.

**RESOLVED**

That the final draft of the updated Financial Regulations be presented to the Council for approval.

**37      DEVELOPMENTS IN AUDIT AND GOVERNANCE**

Consideration was given to a report which informed the Audit Committee about the current and planned developments in Audit and Governance that related to the Committee's role and remit.

The report advised that a review was being undertaken by Sir Tony Redmond, a former president of CIPFA, to examine the purpose, scope and quality of statutory audits of local authorities in England, and the supporting regulatory framework.

The review would meet the Ministry of Housing, Communities and Local Government's commitment to undertake a review of the audit framework and financial reporting requirements of the Local Audit and Accountability Act 2014. The Executive Director – Resources would respond to the consultation and his response would be shared with the Committee.

The report also set out proposals from the National Audit Office for revisions of the England Code of Audit Practice and a response would be made to these proposals by the Executive Director – Resources.

**RESOLVED**

- (1) That the report be noted.

**AUDIT COMMITTEE  
18 NOVEMBER 2019**

- (2) That the responses of the Executive Director – Resources to the two consultations set out in the report be shared with all members of the Audit Committee.

**38      INTERNAL AUDIT PROGRESS REPORT**

Consideration was given to a report which provided detail of the audit work completed between 1 September and 28 October 2019; and advised on progress of the 2019/20 plan. The progress report was attached at Appendix A to the report.

It was advised that nine audits had been completed during the period of 1 September to 28 October 2019, which had included six school audits. Delivery of the revised audit plan was on schedule for the time of year at 26% complete. It was noted that the external work had been scheduled for the beginning of the year, with more Lincolnshire County Council audits scheduled between October and March 2020.

The follow up of outstanding actions had shown that nine high and 21 medium priority actions had remained unresolved after their agreed due date had passed. Revised completion dates had been given and it was confirmed that management were making progress on implementing improvements for all but one audit area – which had been paused owing to changes in personnel.

Changes to the Internal Audit Plan were detailed within the report, as detailed on pages 203 – 204 of the agenda pack, which were owing to a variety of reasons but these would not adversely affect the Head of Internal Audit's annual opinion for 2020. The plan, which had been approved by the Committee in March 2019, had set out a total of 1,075 audit days (excluding schools). However, this had reduced to 810 days in the current revised plan.

Reference was made to the Chairman's announcement that the Team Leader – Audit would be leaving the Council to start a new role and a discussion ensued regarding resources within the audit team. It was advised that two posts for qualified and experienced individuals would be advertised externally, together with temporary resources, which would increase resources in the team. The team also endorsed the 'grow your own' talent ethos by making use of the apprenticeship scheme. It was also advised that the finance team were currently undergoing CIPFA training so resource from this team could be used, if and when required.

The Committee was provided with an opportunity to ask questions and the following points were noted:

- The joining of East Lindsey District Council's audit team to the Council's audit team in December 2019 would increase the team's capacity.
- It was advised that consideration was currently being given to the next scrutiny review topic and it was suggested that the Highways 2020 contract, or another large contract, could be considered.
- It was suggested that consideration be given to how retrospective analysis of major projects could be undertaken jointly between the Audit Committee and the Overview and Scrutiny Management Board. For example, it was

suggested that the A1073 could be used as a case study to establish how it could have benefited from joint working between the Committee and the Board.

**RESOLVED**

That the report be noted.

**39     FINANCIAL ASSESSMENTS AND THE STRATEGIC RISK - MARKET SUPPLY**

(NOTE:     Mr Andrew Middleton wished it to be noted that he was a lay vice chairman of South West Lincolnshire Clinical Commissioning Group and lay member of a Care Quality Commission inspection team, but had not completed any inspections in Lincolnshire.)

Pursuant to Minutes 21 and 22 of the previous meeting, the Executive Director of Adult Care and Community Wellbeing provided an oral update on Financial Assessments; and Strategic Risk – Market Supply.

The Committee was advised that the Adult Care and Community Wellbeing directorate had a budget of £300 million, which included income of £40 million.

**Financial Assessments**

The Executive Director stated that financial assessments were a requirement for all local authorities with adult social care responsibilities. Approximately 300 people per month were in receipt of a financial assessment for both residential and non-residential services.

Reference was made to the performance indicator in the corporate support services contract between the County Council and Serco, who undertook the assessments on behalf of the County Council. This indicator penalised Serco for taking longer than fifteen days to complete an assessment, but rewarded Serco if assessments had been completed within fifteen days. The unintended outcome of the indicator had been that there was no incentive for Serco to prioritise and complete assessments once they had exceeded fifteen days, which had resulted in a significant backlog of financial assessments.

The Council's charging policy was also burdensome and included a requirement for hard copies of forms to be posted to the client for completion, via second class post, which had adversely affected the fifteen day deadline.

The Executive Director made reference to the following improvements:

- revisions had been made to the charging policy for both residential and non-residential clients, which had simplified the process and introduced electronic ways of working;

- revisions had been made to the performance indicator, which would ensure that all financial assessments were completed in an accurate and timely manner;
- the recent focus of the financial assessment team had been on the backlog which exceeded 28 days and in the first eight days, the backlog had been halved in number;
- the introduction and use of electronic systems once fully implemented was expected to significantly improve the time taken to complete a financial assessment. The electronic systems had also avoided postal delays, as previously within the fifteen days postage time had been included, and second class post had been used; and
- support had been provided to Serco in terms of staff resilience and capabilities, with staff turnover reducing significantly.

The Director assured the Committee that the backlog would be cleared by early January 2020. An update would be provided on the backlog as part of the combined assurance report on 10 February 2020.

#### Market Supply

The Executive Director referred to the Council's emphasis on the procurement of Adult Care and Public Health services through a total of 740 providers, largely through long term 'block-purchase' contracts, which provided stability to the market. Lincolnshire compared well to other local authorities, who had tended to rely on more expensive one-year 'spot-purchase' contracts, which did not necessarily allow providers to plan for the future and was deemed less stable. It was highlighted that the Council's residential care contract, one of the largest to be renewed, was due for re-procurement in 2020.

It was highlighted that there was considerable fragility in the market nationally as a number of suppliers had ceased to operate in recent years. However, Lincolnshire had not been affected as adversely as most other areas because of its procurement approach and the relationship it had with providers.

It was highlighted that the Care Quality Commission had rated 7% of the adult social care providers in Lincolnshire as 'outstanding'; 82% as 'good'; 9%-10% as 'requires improvement'; and 1%-2% 'inadequate'.

Approximately 60,000 home visits were carried out per week. A sample survey of 389 home care clients had scored the quality of care in Lincolnshire as, on average 4.5 out of 5. The survey had identified some issues with administration and communication and these were being addressed by managers.

#### Brexit

It was advised that in Lincolnshire, approximately 11% of the carers working in adult social care were EU nationals, compared to over 20% in London. Similarly, some 11% of NHS clinical staff were EU nationals.

It was highlighted that the supply of medication was not an area of concern, as preparations were being made nationally to ensure its supply via the NHS. However, adult care providers remained concerned about the supply of incontinence aids and machine parts, for example for washing machines, as these were vital for these services.

The following responses were given to questions from the Committee:

- It was acknowledged that the corporate support services contract, particularly the performance indicator for financial assessments, and the Council's charging policy should have been reviewed sooner.
- The review into financial assessments had been prompted by feedback from field work teams; and the complaints process. The review had been carried out over a period of 2-3 months with a further 18 months to implement the required changes, particularly the implementation of electronic working processes.
- The role of the audit team was discussed and it was clarified that it was important that the team remained independent and acted as the second line of assurance. The team had highlighted limited assurance for market supply adult care, which was discussed by the Committee at its previous meeting.
- It was recognised that for adult care services to compete for staffing, an increase in salary would be required to ensure the service could compete, for example with retail and the NHS.

#### **RESOLVED**

- (1) That the oral update be noted.
- (2) That a further update on the financial assessment backlog be provided as part of the combined assurance report update on 10 February 2020.

#### **40      FORWARD PLAN**

A report was considered which provided the Committee with information on the core assurance activities scheduled for 2020 forward plan.

It was advised that the report on *External Audit Strategies – Lincolnshire County Council and Pension Fund 2019/20* had been brought forward from the meeting scheduled for 30 March 2020 to 10 February 2020.

The Committee was reminded that the Head of Paid Service and all Executive Directors were scheduled to attend the meeting on 10 February 2020 to present the Combined Assurance Status reports.

Further to Minute 32, an item on *Monitoring Officer Annual Report* had been added to the Forward Plan for 13 July 2020.

**10**  
**AUDIT COMMITTEE**  
**18 NOVEMBER 2019**

**RESOLVED**

That the forward plan be approved, subject to the above amendments.

The meeting closed at 12.55 pm.