



**AUDIT COMMITTEE
17 JUNE 2019**

PRESENT: COUNCILLOR MRS S RAWLINS (CHAIRMAN)

Councillors A J Spencer (Vice-Chairman), P E Coupland and P A Skinner

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

Officers in attendance:-

Steve Blagg (Democratic Services Officer), Michelle Grady (Assistant Director for Strategic Finance), David Hopkins (Group Manager), Sue Maycock (Head of Finance (Corporate)), Lucy Pledge (Audit and Risk Manager) and Alastair Simson (Principal Auditor)

1 NATIONAL AWARD - CULTURE AND ETHICS

The Chairman, on behalf of the Committee, congratulated Audit for receiving the National Award for Culture and Ethics by CIPFA. Officers stated that the work undertaken by the Council in this area was being followed by other audit teams in the country.

2 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors A P Maughan, R B Parker and A N Stokes.

3 DECLARATION OF MEMBERS' INTERESTS

Andrew Middleton declared an interest as a lay member and Vice-Chairman of South West Lincolnshire Clinical Commissioning Group governing body. The Clinical Commissioning Group had a joint interest in Public Health Lincolnshire and formed part of the pooled budget for the Better Care Fund.

4 MINUTES OF THE MEETING HELD ON 25 MARCH 2019

RESOLVED

That the minutes of the previous meeting held on 25 March 2019, be agreed as a correct record and signed by the Chairman.

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AUDIT COMMITTEE

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5 INTERNAL AUDIT ANNUAL REPORT

Consideration was given to a report by Lucy Pledge, Audit and Risk Manager, on the adequacy of the Council's governance, risk and control environment and delivery of the Internal Audit plan for 2018/19.

Officers stated that Governance was "performing well" and risk, internal control and financial control were "performing adequately".

Comments by members included the implications of having no Chief Executive; the provision of stability to the Council by long serving personnel; the leadership shown by Lucy Pledge and her team; increased medium risks being incurred by schools and ensuring that recommendations made by the Committee were implemented.

Officers stated that the County Council in reviewing its senior management team had agreed to have a "Head of Paid Service" which was statutory post and fulfilled the role of Chief Executive; Governing Bodies were responsible for schools' finances and the Council provided finance training courses for governors; the process of monitoring the implementation of recommendations was explained with those with limited assurance brought back to the Audit Committee and the improvements made to capital receipts was explained.

RESOLVED

That the outcomes of Internal Audit's work be noted.

6 APPROVAL OF THE COUNCIL'S ANNUAL GOVERNANCE STATEMENT
2018/19

Consideration was given to a report by Lucy Pledge, Head of Internal Audit and Risk Management, in connection with the Council's Annual Governance Statement 2018/19. The Audit Committee had responsibility for overseeing the development of the Statement and recommending its adoption by the Council.

A revised "Outcomes" page to replace page 62 in the report was tabled and noted.

Comments by members included the effects of cyber-attacks on the Council's services and the maintenance of financial resilience in the funding of the Council's services.

Officers stated that the effects of cyber-attacks were being considered by the Council in its development of Business Continuity Plans by each of the Council's Directorates. Officers stated that this area was also being examined nationally and would find out what information could be shared with the Committee from this source.

RESOLVED

(a) That the Annual Governance Statement 2018/19 accurately reflects how the Council is run.

- (b) That the Statement includes the significant governance issues/key risks it would have expected to be published.
- (c) That the Statement be approved and recommended for adoption by the Council.

7 DRAFT STATEMENT OF ACCOUNTS 2018/19

Consideration was given to a report by Sue Maycock, Head of Finance, Corporate, in connection with the draft Statement of Accounts for the Council for the financial year 2018/19. The draft Statement contained an amended accounting policy on the Expected Credit Loss Model for Assets Measured at Amortised Cost within Financial Instrument which the Committee was asked to approve. Officers added that the final Statements would be presented to the Committee on 22 July 2019.

Officers highlighted various issues, including comments from the previous year's audit in connection with members' declarations of interest which were being examined. Also highlighted was the role of the Overview and Scrutiny Management Board responsibility in reviewing the Statements; the revenue and capital underspends; the in liabilities on the balance sheet due to revaluation of pension liabilities with a requirement to show this in the accounts; matters had been put in place to review our notes on the 3rd party relationship with Eastern Shires Purchasing Organisation (ESPO) and a "watching brief" in connection with a possible "contingent liability" arising from two employment tribunal cases being brought against the Government in connection to possible age discrimination relating to pension schemes.

Members' comments included the role of the actuaries in the "contingent liability" case; the role and use of reserves; the lessons learnt from the Northamptonshire County Council case; funding of Social Care; the remuneration package for the previous Chief Executive; an enquiry about how remuneration and redundancy packages were used as a component of the Human Resources Strategy with the need for the Committee to examine this area and an enquiry in connection with how the Private Finance Initiative (PFI) was monitored.

Officers responded to members' comments as follows:

- Stated that one of the lessons learnt from the Northamptonshire County Council case was their financial problems followed on from their failings with service delivery. Lincolnshire County Council examined contractor accounts which enabled problems to be identified before work started.
- Explained the process of setting the Adult Care budget with the Council awaiting the green paper on Adult Care and the Fair Funding Review outcome.
- Explained the remuneration package for the previous Chief Executive which met the necessary legal and contractual arrangements.
- Stated that the Council's Human Resources Strategy was awaited and that this would, hopefully, address the redundancy packages. The Audit Committee would be given an opportunity to examine the Strategy.
- Explained the PFI process adding that many of the service charges were reviewed on a regular basis, were benchmarked and ran over many years.

RESOLVED

- (a) That the amendment made to the Council's Accounting Policy relating to Expected Credit Loss Mode for Assets Measured at Amortised Cost within Financial Instrument, be approved.
- (b) That the comments by Members on the draft Statement of Accounts 2018/19, be noted and that the Final Draft Statement of Accounts be submitted to the Committee on 22 July 2019.

8 INTERNAL AUDIT PROGRESS REPORT

Consideration was given to a report from Rachel Abbott, Team Leader, Audit, in connection with the outcomes of the Internal Audit's work and the conclusion of the 2018/19 plan and progress of the 2019/20 plan.

David Hopkins, from Lincolnshire Fire and Rescue Service, was in attendance to explain to members the limited assurance given to Fleet Management and to explain the measures being put in place to address this issue which were outlined in the report.

In response to comments from members, David Hopkins stated that Lincolnshire Fire & Rescue (LFR) currently stipulated that line managers checked driving licences of their staff using the DVLA's online system. Following the County Council Audit, the Service had collated 'hard copy' of these checks centrally, to provide assurance that all managers were completing the process in line with LFR Service Orders for all staff. The Service recognised the inefficiency of this remedy and the Fleet Manager would produce a Business Case within the next three months making recommendations based on commissioning an outsourced provider of an IT based licence check system verses the current Policy. LFR had currently collated 70% of drivers licence checks centrally and would complete the process for all drivers by the end of June 2019. Any drivers whose licences details were not submitted/recorded would have their permission to drive LFR vehicles revoked. The Fleet Manager had been instructed to engage with managers responsible for licence checks (particularly LGV drivers) due to a Coroner's recommendation following an accident on the A1, stating that all LGV drivers should have their licences checked at least four times per year. This was likely to add weight to the argument that an external specialist provider could provide a more cost effective, but suitably robust system that that currently used by both LFR and the County Council.

Officers stated:-

- Monitoring of this area would be placed on the Work Plan.
- The risk profiling of drivers would be investigated especially in view of the use of electronic recording.
- A progress report would be submitted to the Committee in a year's time.
- The outstanding 30% of drivers whose licences had not been checked needed to be examined as soon as possible.

- The Executive Councillor responsible for this area would be provided with an update on this matter.

RESOLVED

- (a) That the outcomes of the Internal Audit's work be noted.
- (b) That the actions identified by members be noted and that the Committee receive a progress report in a year's time.

9 COUNTER FRAUD ANNUAL REPORT 2018/2019

Consideration was given to a report by Lucy Pledge, Head of Internal Audit and Risk Management, in connection with the overall effectiveness of the Council's arrangements to counter fraud and corruption and reviewed the delivery of the 2018/19 counter fraud work plan.

Comments by members included an enquiry about the identification people who were no longer eligible for the Council Tax single person's discount; an enquiry whether there were any other areas coming up in addition to direct payments; ensuring that people were made aware of the Council's arrangements to counter fraud and corruption and the need to see value for money in the "Key Outcomes in 2018/19" of the report.

Officers stated that procedures were in place to identify people not eligible for the Council Tax single person's discount; that officers were working with the Midland's fraud team in connection with Direct Payments to ensure that co-ordination in identifying where issues were taking place in future; stated that the fraud and corruption policy had been widely circulated and publicised and agreed to work in conjunction with District Councils and other agencies to publicise the policy in the future; and agreed to make reference to value for money in future reports in connection with the "Key Outcomes".

RESOLVED

- (a) That the overall effectiveness of the Council's arrangements to counter fraud and corruption be noted and welcomed.
- (b) That the issues identified by members be noted and actioned accordingly.

10 WORK PLAN

Consideration was given to the Committee's Work Plan.

RESOLVED

That the Work Programme be noted and updated accordingly.

The meeting closed at 12.30 pm

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