

Present:	Councillor Tony Speakman (<i>in the Chair</i>)
Councillors:	Thomas Dyer, Geoff Ellis, Jim Hanrahan, Gary Hewson, Jackie Kirk and Edmund Strengiel
Independent Member:	Jane Nellist
Also Present:	Mike Norman, Andy Bush, KPMG.
Apologies for Absence:	Councillor Ronald Hills

9. Confirmation of Minutes - 18 July 2017

RESOLVED that the minutes of the meeting held on 18 July 2017 be confirmed.

10. Declarations of Interest

Councillor Edmund Strengiel declared a Non Pecuniary Interest with regard to the agenda item titled 'External Audit Annual Governance Report 2016/17'.

Reason: Being a member of the Local Authority Pension Fund (LAPF), Chairman of Lincolnshire County Council Pension Committee, member of the Local Authority Pension Fund Forum (LAPFF), member of the Local Authority Pension Fund Investment Forum (LAPFIF), member of the Local Government Pension Investment Forum (LGPIF) and member of the Border to Coast Pension Partnership Committee (BCPPJC).

11. Change to Order of Business

RESOLVED that the order of business be amended as follows:

1. Annual Complaints Report 2016/17
2. Information Management Update
3. Annual Governance Statement Monitoring
4. Corporate Peer Challenge Update
5. External Audit Annual Governance Report 2016/17
6. Statement of Accounts 2016/17
7. Internal Audit Progress Report
8. Audit Committee Work Programme

12. Annual Complaints Report 2016/17

Joanne Crookes, Customer Services Manager:

- a. presented the annual complaints report which included reference to the Annual Review of Local Authority Complaints issued by the Local Government Ombudsman (LGO) together with details of the overall number of complaints received by the Council including response times on a directorate basis for the full year 2016-2017
- b. reported on the Council's internal formal complaints procedure noting that it was not possible to compare the trend on the number of complaints received

on a directorate basis due to changes in the number of directorates and service areas since the last report

- c. detailed further the breakdown of directorate complaints at paragraph 4 of the report
- d. highlighted that in 2016/17 the LGO considered 10 complaints about City of Lincoln Services, compared to 27 complaints the previous year with action taken as detailed within Section 5 of the report
- e. outlined the detail of the one complaint upheld as detailed at paragraph 6.1 of the report
- f. reported that four Housing Ombudsman Service complaints had been investigated during this period, of these two had been deemed as premature and dealt with under the internal complaints procedure and of the other two investigated, one of these decisions was upheld and the remaining not upheld.
- g. highlighted the trend in complaints as detailed at paragraph 8 of the report
- h. highlighted the number of compliments received from members of the public acknowledging professionalism of staff across all service areas
- i. invited members' questions and comments.

Members of Audit Committee discussed the content of the report in further detail raising the following questions:

- Question: Did the figures for complaints include those received by telephone as well as online? For instance would a phone call requesting a bin to be emptied be counted as a complaint?
- Officer Response: All cases counting as a complaint were logged as such. The instance of an unemptied bin would only be treated as a complaint if the request wasn't addressed, similar to other service requests. However, should customers request this to be treated as a complaint it would be logged as such.
- Question: Was it possible to include any financial implications resulting from complaints made within future annual reports?
- Officer Response: Yes this request could be taken on board.
- Question: Did service areas with escalating complaints need to be flagged up as a 'risk' issue?
- Officer Response: Each Directorate monitored complaints individually within service areas and reported back on those upheld/ lessons learnt. A template would be included on future complaints record forms to make sure risks were addressed going forward.

RESOLVED that:

1. Additional information recording financial implications/risks addressed be provided to members within future complaints monitoring reports.
2. The content of the 2016-2017 complaints report be noted.

13. Information Management Update

Becky Scott, Legal and Democratic Services Manager:

- a) presented an update regarding information management within the Council
- b) outlined progress in further detail in relation to information management covering the following main topic areas:
 - Training Programme
 - Information Governance Officer Progress
 - Information Governance Action Plan Progress
 - Information Governance Management Plan
 - Breaches
 - Information Asset Owner (IAO) Handbook
 - Strategy and Policies
 - Annual Governance Statement Status
 - Vision 2020
- c) highlighted that the roll-out of officer training was now 62% complete and hopefully would be fully implemented by December 2017 with an E-Learning module available for staff 'on-line'
- d) stated that an all member training session had taken place on 11 July 2017
- e) outlined actions required within the Information Governance Action Plan as detailed at Appendix A to the report
- f) confirmed that a Designated Data Protection Officer must be resourced by the authority and be in place by May 2018 to comply with the law
- g) requested members' feedback on the content of the report.

Members discussed the content of the report in further detail, raising concerns in relation to:

- The need for refresher training on information management.
- Officer Response: There was an aspiration for regular refresher tests to be conducted and monitored once training was fully completed.
- Checks required to ensure information passed on to third parties was deleted once finished with to avoid data protection leaks.
- Officer Response: Data Sharing Agreements were in place which incorporated processing/security checks to ensure data was dealt with properly. Contractual arrangements with third parties were subjected to strict control requirements in relation to compliance with General Data Protection Regulations.
- Whether follow-up checks were made with other organisations to ensure third party data was secure?
- Officer Response: Record retention and disposal was followed up through our IT officers. Further group discussions on this matter would be reinforced.
- Whether all officers should be asked to work from iPads to reduce the risk to data security for people working from home.

- Officer Response: There was an issue with costs for reliance on use of iPads. In addition, data removed from City Hall would need to be scanned and security coded. One of the major messages for information management in the Council was how to control data taken 'off site'.
- Why a full time Data Protection Officer was not already in place.
- Officer Response: This request had been forwarded to Assistant Director Group for consideration. Aspirations for a more rapid solution would be sought through discussions with the Chief Executive.

Members supported the work being completed by officers in relation to information governance, which was impacted upon by the General Data Protection Regulation coming into force in May 2018.

Members noted that a Data Protection Officer (DPO) must be resourced by the authority and be in place by May 2018 to comply with the law. Audit Committee must accept responsibility for having a robust solution in place to establish/recruit to this post by this date to lead on data protection matters.

RESOLVED that:

1. Members support to officers and recognition of the importance of information governance work/training ongoing in relation to forthcoming data protection legislation be noted.
2. A further update on progress be presented to Audit Committee at its meeting to be held on 12 December 2017, to incorporate an update on the DPO position.
3. The content of the officer's report including progress with training programmes and action plans be noted.

14. Annual Governance Statement Monitoring

Pat Jukes, Business Manager, Corporate Policy:

- a. presented a progress update on those areas identified as 'significant governance issues' as set out in the 2016/17 Annual Governance Statement (AGS), and detailed at Appendix A of the report
- b. advised that Audit Committee had a role to review the council's governance arrangements including the production of the AGS
- c. highlighted two significant issues, Information Management and IT Disaster Recovery, which were now both considered to be downgraded to amber risks with work ongoing to reach green status
- d. updated members on two other areas, Partnership Companies and loss of Compliance with the Lincoln Project Management Model currently at green status which required a retained focus
- e. requested that members of Audit Committee give consideration to the content of his report.

Members discussed the content of the report in further detail.

RESOLVED that:

1. The reduction of the significant issues in respect of Information Management and IT Disaster Recovery to amber status be agreed by Members.
2. The content of the report be noted and monitoring arrangements be continued.

15. Corporate Peer Challenge Update

Pat Jukes, Business Manager, Policy Unit:

- a) presented a report to update Audit Committee on the activities that were underway within the six recommendations made by the Corporate Peer Challenge Team
- b) confirmed that a final report had been received from the Local Government Association (LGA) Peer Challenge team on 11 April 2017, subsequently approved by Executive and published in full on the City of Lincoln website and on the appropriate section in the LGA website
- c) reported that the report was considered to be extremely positive, with many positive compliments paid to the council on its staff, relationships and processes
- d) outlined the peer team's six recommendations along with evidence of the work that was and would continue to be undertaken as part of business as usual activity at paragraph 4.3 of the officer's report
- e) requested member's feedback and comments.

Members emphasised the importance of letting the general public know how well we were achieving in addition to internal initiatives such as the Vision 2020 Engine Room to keep staff updated. Posters at the Tentercroft Street temporary bus station were suggested.

Pat Jukes, Business Manager, Policy Unit informed members that all the articles in 'Your Lincoln' sent to every household in the city were sifted and 'flagged up' in relation to Vision 2020. Information stands in the new bus station would be used to promote our own progress in addition to generating income to support the bus station. She would mention the suggestion to erect posters at the temporary bus station to the Communications team.

RESOLVED that the six LGA recommendations and the activity already underway and to be continued as part of our business as usual activity be noted by Audit Committee.

16. External Audit Annual Governance Report 2016/17

Rob Baxter, Financial Services Manager:

- a. introduced the Annual Governance Report from the councils external auditors, KPMG, summarising the findings from the 2016/17 audit which was substantially complete
- b. highlighted that the Annual Governance Report identified the key issues that members should consider before an opinion, conclusion and certificate were issued
- c. advised that the report included only matters of governance interest that had come to the council's external auditor's attention in performing the audit and was not designed to identify all matters that might be relevant to the authority
- d. highlighted that the council's financial statements were an important means by which the council accounted for its stewardship of public funds, council members held final responsibility for the financial statements; it was therefore important for the Audit Committee to consider KPMG's findings before recommending the adoption of the financial statements to Full Council.

Andy Bush and Mike Norman, representing the Council's external auditors, KMPG:

- a. presented the Annual Governance Report summarising the findings from the 2016/17 audit (Appendix A), which covered the following main areas:
 - Summary for Audit Committee
 - Financial Statements
 - Value for Money Conclusion
 - Appendix 1: Key Issues and Recommendations
 - Appendix 2 Audit Differences
 - Appendix 3: Materiality and Reporting of Audit Differences
 - Appendix 4: Declaration of Independence and Objectivity
 - Appendix 5: Audit Fees
- b. detailed the summary messages from the 2016/17 audit as defined at page 2 of the report
- c. advised that subject to the satisfactory conclusion of any outstanding work, KPMG proposed issuing an unqualified audit opinion by 30 September 2017
- d. highlighted the following findings arising from the KPMG audit:
 - Material adjustments which affected the Balance Sheet, the CIES and MiRS had been made to the Statement of Accounts following the audit by KPMG.
 - As detailed in the IAS 260 report the largest difference related to the omission of the 31/03/2017 Council Dwelling revaluations from the draft accounts.
 - The accounts had been adjusted to reflect this omission.
 - This adjustment has no impact on HRA or General Fund Balances.
 - A review of the year end revaluation process has been undertaken and additional controls identified for future years
- e. reported that in addition a small number of presentational changes were identified in the financial statements during the course of the audit for which amendments to the draft accounts would be made.

- f. reported in relation to value for money that the auditors had concluded that the authority had made adequate arrangements to secure economy, efficiency and effectiveness in its use of resources and anticipated issuing an unqualified VFM conclusion by 30 September 2017
- g. added that audit fees for additional works would be notified to Audit Committee
- h. requested Audit Committee's consideration of the report.

Jane Nellist, Independent Member, raised concerns in relation to:

- Whether adjustments identified within the accounts in respect of property, plant and equipment valuations had occurred due to staffing issues or a breakdown in updates made by the Finance Team.
- Inconsistencies in terminology within the Statement of Accounts.
- Whether further staff training/succession planning was required.

Rob Baxter, Financial Services Manager explained that since his return to this authority major personal circumstances had resulted in an unprecedented year and a huge gap in staff resources within the Finance Team. However, a new group accountant Sarah Hardy had since been appointed and more robust procedures put into place, together with further staff training to build resilience within the team. He was confident that the team would be back to full speed by next year.

The Chair requested that Audit Committee be updated on resourcing issues within the Finance Team as we progressed through the year.

Members thanked the Finance Team for their extra hard work within a small timescale in extremely difficult circumstances and also KPMG for producing an excellent report.

RESOLVED that:

1. The matters raised in the report be noted and the financial statements be submitted to Full Council for approval.
2. The draft letter of representation attached as Appendix B to the report, be approved by Audit Committee on behalf of the Council before KPMG issued an opinion, conclusion and certificate.
3. Any further amendments to the letter, should any additional issues be raised by KPMG prior to 30 September 2017, be delegated to the Chief Finance Officer and Chair of this Committee, with any changes reported back to this Committee.

17. Statement of Accounts 2016/17

Rob Baxter, Financial Services Manager:

- a. presented for consideration the Statement of Accounts (including the Annual Governance Statement) for the financial year ended 31 March 2017, (as summarised at Appendix A) together with a short summary of the key issues reflected in the statutory financial statements for scrutiny

- b. reported that the Statement of Accounts for 2016/17 provided a comprehensive picture of the council's financial circumstances, compiled to demonstrate probity and stewardship of public funds
- c. advised that the Council was statutorily required to publish its Statement of Accounts for 2016/17 with an audit opinion and certificate by no later than 30 September 2017
- d. highlighted that the Statement of Accounts for 2016/17 had been subject to external audit by the council's external auditors, KPMG; as reported to committee previously on tonight's agenda
- e. advised that the Council had made the Statement of Accounts available for public inspection for 30 working days which ran from 3 July 2017 until 11 August 2017 and the External Auditor had been available to answer questions during this period; no questions had been received
- f. highlighted that in 2016/17 the council was given high assurance following review of its governance framework to reflect the new CIPFA/SOLACE framework for Delivering Good Governance in Local Government
- g. reported on two defined significant issues carried over from the previous year that had not yet reached completely acceptable levels of performance and two further areas not considered significant, but areas on which to retain a focus for 2017/18 which would be regularly reported by management to the Audit Committee.
- h. summarised the key issues within the financial statements covering the following main areas:
 - Comprehensive income and expenditure statement
 - The balance sheet
 - Cross cutting key issues
- i. invited Member's scrutiny and comment on the Statement of Accounts, prior to approval by Council on 26 September 2017.

Members discussed the content of the report in further detail.

Jane Nellist, Independent Member referred to inconsistencies in presentational comparisons between the Statement of Accounts and the External Audit Report which may make it difficult for members of the public to understand.

Rob Baxter, Financial Services Manager agreed to take this comment on board to make it easier to follow through to reconciliation of the accounts. He emphasised the desire to make the accounts as navigable and readable as possible for the general public to understand.

RESOLVED that the Statement of Accounts 2016/17 be agreed and forwarded to Council on 26 September 2017 for approval.

18. Internal Audit Progress Report

John Scott, Audit Manager:

- a. presented the Internal Audit Progress Report to Audit Committee, incorporating the overall position reached so far and summaries of the outcome of audits completed during the period July - September 2017, as detailed at Appendix A
- b. highlighted that Audit Committee had the responsibility for receiving a regular progress report from Internal Audit on the delivery of the Internal Audit Plan as a key requirement of the Code of Practice for Internal Audit in Local Government
- c. advised that the report covered the following main areas:
 - Progress Against the Plan
 - Summary of Audit Work
 - Implementation of Audit Recommendations
 - Current Areas of Interest Relevant to the Audit Committee
- d. highlighted that that there were no limited/low assurance reports and detailed audits carried out in the following areas given substantial assurances:
 - Emerging Legislation
 - Sickness Absence
 - Public Conveniences-Income
- e. reported on other significant work ongoing in relation to:
 - Housing Benefit Subsidy Training
 - Housing Allocations-Additional Training
- f. advised on audits currently in progress as detailed at Appendix 2 of the report
- g. reported on high priority recommendations completed, due, overdue and not yet due at pages 259-260 of the report; further updates available would be sent out to members under separate cover following tonight's meeting
- h. provided performance information against targets for the 2017/18 audit year at 31 August 2017, as detailed at Appendix 4 of the report
- i. presented an updated version of outstanding recommendations due and not yet due as at 31 August 2017 at Appendix 5 including additional information showing further progress made since the previous committee meeting as requested by members
- j. requested members' consideration on the content of the report.

Members discussed the content of the report in further detail.

Jane Nellist, Independent Member queried whether changes would be made to the Internal Audit Plan to support issues on an ongoing basis including pressures identified within the Accountancy Team.

John Scott, Audit Manager advised that all recommendations would be tracked throughout the rest of the year and reported to each meeting of Audit Committee as normal including support to the Accountancy Team

Members queried another revised target for outstanding recommendations in respect of Vehicle Fuel Management with an original target date set for February 2013.

John Scott, Audit Manager, confirmed that the Code of Practice for Vehicle Fuel Management was drafted but still needed to be considered by Employee Joint Consultative Committee.

The Chair agreed to take up those outstanding recommendations overdue in respect of Vehicle Fuel Management and Empty Homes with the relevant portfolio holder on the committee's behalf, with the aspiration to get them finalised.

RESOLVED that the contents of the report and continuation of further monitoring arrangements be noted.

19. Audit Committee Work Programme

(Councillor Strengiel left the meeting at this point to attend another prior engagement.)

John Scott, Audit Manager presented a report to inform members of Audit Committee on the work programme for 2017/18 as detailed at Appendix A.

RESOLVED that that the contents of the Audit Committee work programme 2017/18 be noted subject to the inclusion of a further update on Information Governance at the next meeting of Audit Committee to be held on 12 December 2017.