

Present:	Councillor Tony Speakman (<i>in the Chair</i>)
Councillors:	Thomas Dyer, Geoff Ellis, Jim Hanrahan, Gary Hewson, Ronald Hills and Jackie Kirk
Independent Member:	Jane Nellist
Apologies for Absence:	None.

1. **Confirmation of Minutes - 04 April 2017**

RESOLVED that the minutes of the meeting held on 4 April 2017 be confirmed.

2. **Declarations of Interest**

No declarations of interest were received.

3. **Annual Governance Statement Monitoring**

Martin Walmsley, Interim Assistant Director – Strategic Development:

- a. presented the Audit Committee with the 2016/17 Annual Governance Statement
- b. reported that the City of Lincoln Council had reviewed its governance framework to reflect the new CIPFA/SOLACE Framework ‘Delivering Good Governance in Local Government (2016)’ and updated its Code of Corporate Governance to show, in detail, how the authority was meeting these responsibilities
- c. highlighted that the Council had conducted a full assessment of how it performed against its new framework, which had found that the Council complied with all of the requirements
- d. explained that information management and IT disaster recovery were two defined issues outlined in the Annual Governance Statement carried over from the previous year that had not yet reached completely acceptable levels of performance
- e. outlined that the setting up of a new partnership company and project management monitoring arrangements would continue as areas to retain a focus on, but were not considered to be significant issues at this stage
- f. invited members’ questions and comments

The Chair reported that, in view of the recent work undertaken by the Council’s Information Governance team and Legal and Democratic Services Manager in response to the implementation of the General Data Protection Regulation in May 2018, he was content that the status of information management could be reduced from ‘red’ to ‘amber’ and was pleased with progress to date.

RESOLVED that the 2016/17 Annual Governance Statement be noted, with a view to monitoring progress on the significant issues over the coming year.

4. Draft Statement of Accounts 2016/17

Robert Baxter, Financial Services Manager:

- a. presented the draft Statement of Accounts to the Audit Committee for the financial year ending 31 March 2017, together with a short summary of the key issues reflected in the statutory financial statements
- b. took the Audit Committee through a summary of key issues in the financial statements, including:
 - general balances
 - earmarked reserves
 - liquidity
 - debtors
 - creditors
 - non-current assets
 - pensions
 - officer remuneration
 - borrowing
 - investments
- c. highlighted that the Statement of Accounts for 2016/17 were still subject to external audit, with the preliminary stages of the audit scheduled to commence later in July. Any material changes as a result of the external audit work would be reported to the meeting of the Audit Committee on 19 September 2017 when the audited Statement of Accounts would be presented for approval
- d. reported that the Council had to make the Statement of Accounts available for public inspection for 30 working days, which would run from 3 July 2017 to 11 August 2017 with the external auditor being available to answer questions during this period
- e. agreed to provide the Audit Committee with examples of other authority's Statement of Accounts and review the style and appearance of the City of Lincoln Council's document for future years, the aim of which being to make it more enticing to read in order to encourage further engagement and interest
- f. Invited members' questions and comments

In reviewing the Statement of Accounts document, the paragraph at the top right hand corner on page 3 appeared to be incomplete and did not make sense. It was agreed that this would be amended and that all members of the Audit Committee would be informed as to the corrected wording.

Reference was made to the inclusion of disclosures at the Statement of Accounts in the context of reacting to events such as the London Grenfell Tower fire in London and any costs incurred through the Council testing or upgrading its stock, if necessary. It was noted that any significant costs associated with such activities would need to be included in the document and could be done so through notes of accounts.

Responding to a query relating to underspends highlighted in the Statement of Accounts, the Audit Committee was reminded that it was normal practice as part of robust planning around the General Fund and Medium Term Financial Strategy to ensure that the Fund across the term of the five-year Strategy maintained a balance of £2.3 million. Balances were therefore transferred accordingly as and when necessary to support this.

Mr Baxter and his team were congratulated for their management of the Council's finances.

RESOLVED:

1. That the Statement of Accounts for the financial year ending 31 March 2017, prior to external audit review, be noted.
2. That the revised wording of the incomplete paragraph on page 3 of the Statement of Accounts be confirmed with all members of the Audit Committee.
3. That the final version of the Statement of Accounts scheduled for consideration by the Audit Committee on 19 September 2017 includes reference to any necessary disclosures.

5. Annual Internal Audit Report 2016/17

John Scott, Audit Manager:

- a. presented the Audit Committee with the Annual Internal Audit Report, which outlined the internal audit work undertaken during 2016/17 and, in particular:
 - included an opinion on the overall adequacy of and effectiveness of the governance framework and internal control system, together with the extent to which the Council could rely on it
 - informed how the plan was discharged and the overall outcomes of work undertaken
 - drew attention to any issues particularly relevant to the Annual Governance Statement
- b. reported that the Annual Internal Audit Report had assessed the Council as substantial in governance, risk, internal control and financial control, which indicated that the Council was performing well with no concerns that significantly affected the governance framework and successful delivery of the Council's priorities
- c. invited members' questions and comments

It was noted that the table under paragraph 24 of the Internal Audit Report should have referred to 2017 rather than 2016 with regard to actual performance.

The performance indicator for the period taken to complete an audit within two months, from fieldwork commencing to the issue of the draft report, was slightly underperforming at a rate of 69% compared to the target of 80%. Mr Scott explained that the nature of some of the audits undertaken did take them slightly over the two month period, which therefore impacted performance, but was content with the target of 80% being retained.

RESOLVED that the Annual Internal Audit Report be noted.

6. Internal Audit Progress Report

John Scott, Audit Manager:

- a. presented the Internal Audit progress report to the Audit Committee, which:
 - advised of progress made with the 2016/17 Audit Plan
 - provided details of the audit work undertaken since the last progress report
 - provided details of the current position with agreed management actions in respect of previously issued reports
 - raised any other matters that may be relevant to the Audit Committee's role

- b. outlined that:
 - the 2016/17 Audit Plan had been completed, which included the following final five audit summaries and associated recommendations as set out in the report:
 - Boutham Park Restoration
 - Risk Management
 - Housing Strategy
 - Responsive Repairs
 - Choice Based Lettings
 - the 2017/18 Audit Plan was in progress, with three pieces of work having almost been completed, four in progress and three currently being prepared. It was noted that, as at the end of June 2017, 22% of the Plan had been delivered

- c. presented an overview of the high priority recommendations overdue and not yet due, as at 30 June 2017

- d. highlighted that a draft IT Security and Disaster Recovery Plan had been produced, with an internal audit undertaken in July 2017. It was noted that this specific piece of work, in respect of the Plan, had been extended by a further three months

- e. invited members' questions and comments.

Discussion ensued on the three month extension attributed to the IT Security and Disaster Recovery Plan which prompted questions around how confident the Audit Committee could be that the required work would be delivered by the revised deadline, also putting into question confidence around timescales associated with other pieces of work. The Chair added that the Committee would rather receive realistic timeframes at the outset, rather than continue to receive requests for extensions. Officers accepted this point, which had also been raised at a recent meeting of the Senior Management Team. In relation to the draft IT Security and Disaster Recovery Plan, it was noted that significant progress had been made and this piece of work was largely complete. It needed to be formally signed off by the Council's Business Continuity Group which it was envisaged would take place in September.

The Chair highlighted the importance of audit recommendations, and respective updates, being reported into Executive Portfolio Holders and had taken this matter up with the Leader of the Council. It was noted that there would now be a standing item on all Portfolio Holder meeting agendas to facilitate the consideration of update reports on audit recommendations.

Karen Talbot, Assistant Director of Housing, provided an update on Choice Based Lettings which she said had been part of a range of measures to address underperformance in the housing service. She recognised that there had been problems with working procedures, as had been highlighted by staff and members, whereby delivery of the Choice Based Letting service was inconsistent. In addition, the IT system had been unreliable which led to problems and inconsistencies with bidding and the receipt, submission and processing of applications.

Since January 2017 the service had been working towards its improvement plan and subsequently completed a comprehensive review of its processes. This had resulted in the introduction of clear procedures to ensure that services were consistently delivered, together with significantly increased levels of training for staff. The allocation of applications had been reviewed due to this aspect of the service having been an issue in the past. The Assistant Director reported over the last six months that she had found staff in the team really cared about what they did, worked hard and genuinely wanted to improve the service. Applications were now being processed consistently and resources had been put in place to ensure that the service could be properly delivered. In addition, the Business Development team had been working with the service and a new IT system was currently in the process of being procured. It was noted that quarterly progress reports were being submitted to the Council's Corporate Management Team to ensure that the service continued to deliver these improvements. The Chair was pleased to see that the audit had been taken seriously and congratulated the service on its progress.

In terms of recommendations associated with specific audits, the Chair requested that for future audits each recommendation be allocated to a specific Executive Portfolio Holder in order that accountability was clear.

RESOLVED that the report be noted and arrangements continue to be monitored.

7. Fraud and Error Update Report (2016/17) 12 Months

John Scott, Audit Manager:

- a. presented a report which provided an update on counter fraud arrangements
- b. provided an update on the Lincolnshire Counter Fraud Partnership, which had been created following the successful application for Government Counter Fraud funding. It was noted that partnership working across all Lincolnshire Councils had been extended to 31 March 2018
- c. provided a position statement on the Council's involvement with the National Fraud Initiative, which consisted of data matching using a range of Council data sources including payroll, benefits, creditors, housing, licensing and insurance
- d. outlined fraud work undertaken within Housing Benefit, Housing Tenancy, Council Tax, Council Tax Support, Business Rates and other areas

- e. provided an update on counter fraud outcomes
- f. invited members' questions and comments

It was noted that reference to the year 2016/17 in paragraph 8.3 of the report actually related to 2017/18.

In response to a question about the size of the current team, it was noted that the Lincolnshire Counter Fraud Partnership was driven by Lincolnshire County Council, with the inclusion of Lincolnshire Police also bringing with it additional resources to support the County Council's delivery of the Partnership.

The Audit Committee recorded its thanks to Mr Scott and his team for the amount of work they undertook. Mr Scott responded by saying that much of the work was carried out by the relevant services.

RESOLVED that the report be noted.

8. Audit Committee Work Programme

John Scott, Audit Manager:

- a. presented the Audit Committee with its work programme.
- b. invited members' questions and comments.

RESOLVED that the work programme be noted.