

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
Also Present:	Mike Norman, KPMG
Apologies for Absence:	None.

20. Confirmation of Minutes - 19 September 2017

RESOLVED that the minutes of the meeting held on 19 September 2017 be confirmed.

21. Matters Arising

Councillor T Speakman, Chair, confirmed that following discussions held with the Chief Executive and Town Clerk regarding significant errors identified within the Audit of the 2016/17 financial accounts, he had received her assurance that should the issue arise in another year members of Audit Committee and the chair would be made aware of the problem by committee officers (Finance and Audit) as soon as possible after it had been identified and confirmed, and that adequate and appropriate resource would be available in Finance in future to prevent significant, reportable errors arising and their not being identified and corrected before the External Auditor was 'on the case'.

22. Declarations of Interest

No declarations of interest were received.

23. Annual Governance Statement Monitoring

Pat Jukes, Business Manager, Corporate Policy:

- a. presented an update on progress in 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 downgraded to amber risks with work ongoing to reach green status before the next meeting of Audit Committee, as detailed at paragraph 3.2 of the report
- d. updated members on two other areas, Partnership Companies and Loss of Compliance with the Lincoln Project Management Model, currently at green status however requiring a retained focus as detailed at paragraph 3.2 of the report

- e. requested that members of Audit Committee give consideration to the content of her report.

Members discussed the content of the report in further detail.

The Chair commended officers on good progress made in relation to addressing significant issues within the Annual Governance Statement which he hoped would further continue.

RESOLVED that the content of the report be noted and monitoring arrangements be continued.

24. External Audit - Annual Audit Letter

Rob Baxter, Interim Chief Finance Officer, presented a report for Audit Committee to receive and comment on the Annual Audit Letter provided by the Council's External Auditors (KPMG) from its 2016/17 audit of the Council (including audit of the 2016/17 financial statements and value for money conclusion), together with an external audit progress report.

Mike Norman, KPMG:

- a. presented the Annual Audit Letter 2016/17; although it was addressed to members of the authority, it was also intended to communicate issues to key external stakeholders including members of the public and would be placed on the Authority's website
- b. reported on the key headlines within the report
- c. confirmed that on 29 September 2017 an unqualified value for money conclusion had been issued for 2016/17, auditors were satisfied that the authority had appropriate arrangements in place for securing economy, efficiency and effectiveness in the use of its resources, looking at the Authority's arrangements for informed decision making, sustainable resource deployment and working with partners and third parties
- d. highlighted that the audit of the financial statements had identified material errors in the draft financial statements, which had been corrected in the published version
- e. acknowledged staffing difficulties faced by the finance team during the closedown process and in the first half of the financial year; management had agreed to the report recommendations aimed at ensuring the arrangements and working papers for the 2016/17 accounts were robust and effective and progress would be followed up on these matters as part of the 2017/18 Audit
- f. stated that a review of the authority's Annual Governance Statement and narrative report had concluded that they were consistent with the Auditor's understanding and did not identify any issues
- g. advised that the auditor's certificate issued on 29 September 2017 confirmed that their audit for 2016/17 was concluded in accordance with the requirements of the Local Authority and Accountability Act 2014 and the Code of Audit Practice

- h. reported on a final fee for the 2016/17 audit of £50,056 to include a fee variation to cover additional work required to complete the audit of Property Plant and Equipment (PPE) and the VFM conclusion as detailed within Appendix 2 of the report
- i. also presented an external audit progress report and technical update paper for members' information covering key messages centred on the following main areas:
 - Summary of work performed since September 2017
 - Summary of upcoming work
 - Audit planning
 - Technical update.

Members discussed the content of the report in further detail.

RESOLVED that the content of the Annual Audit Letter from KPMG be noted.

25. 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 September - November 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 public sector internal audit standards
- 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 audits carried out in the following areas given assurances as follows:
 - Housing Benefit (Key Controls): High Assurance
 - NNDR (Key Controls): High Assurance
 - Code of Corporate Governance: Substantial Assurance
 - IT Disaster Recovery: Substantial Assurance
 - Customer Experience Strategy: Substantial Assurance
 - IT - Applications: Substantial Assurance
 - Housing Repairs – Stores: Limited Assurance
- e. reported on other significant work ongoing in relation to:
 - County Council Elections – Claim for Expenses
 - Choice Based Lettings

- f. advised on audits currently in progress as detailed at Appendix 2 of the report and audit plan amendments approved by the Interim Chief Finance Officer at paragraph 8
- g. reported on high priority recommendations completed, due, overdue and not yet due at pages 54-55 of the report;
- h. provided performance information against targets for the 2017/18 audit year at 30 November 2017 as detailed at Appendix 4
- i. presented an updated version of outstanding recommendations due and not yet due as at 30 November 2017 at Appendix 5, including additional information showing further progress made since the previous committee meeting, as requested by members
- j. reported on other matters of interest including an update requested by the Chair at the previous Audit Committee meeting on resourcing issues within the Finance Team which now had a full key staffing compliment
- k. requested members' consideration on the content of the report.

Members discussed the content of the report in further detail.

Members queried what impact the General Data Protection Regulations (GDPR) recommendations would have on council services.

John Scott, Audit Manager, confirmed that GDPR would have a major impact on Council services. Action plans were in place to ensure everything was in order prior to its implementation in May 2018. Much work had already been completed, although further work would be carried out over the next few months. The Act was still in the process of evolving.

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

26. Appointment of External Auditors

Rob Baxter, Interim Chief Finance Officer:

- a. advised that the Council's contract with our current external auditors (KPMG) ran out on 31 March 2018, although KPMG would still undertake the audit of the 2017/18 Statement of Accounts during June-July 2018
- b. confirmed that as part of the process for appointing our future external auditors, Council had approved opt-in to the appointing person arrangements made by Public Sector Audit Appointments (PSAA) for the appointment of its external auditors
- c. reported that for audits of the accounts from 2018/19, PSAA was responsible for appointing an auditor to Council's that had chosen to opt-in to its national auditor appointment arrangements; this Council had accepted the proposal from PSAA for the appointment of Mazars LLP to audit the accounts

- d. requested that Audit Committee note the appointment of Mazars LLP to audit the authority's accounts for a period of 5 years from 2018/19 commencing on 1 April 2018, as further detailed at paragraph 4 of the report.

Members discussed the content of the report in further detail.

RESOLVED that the appointment of Mazars LLP as the Council's external auditor for a period of 5 years from 1 April 2018 be noted by Audit Committee.

27. Whistleblowing Policy and Guidance

John Scott, Audit Manager:

- a. presented an update to the Whistleblowing policy and guidance, part of a range of counter fraud policies reviewed every two years, or sooner if required
- b. defined a whistleblower as a person who worked for an organisation raising honest and reasonable concerns about a possible fraud, crime, danger or other serious risk that could threaten colleagues, service users, customers, members of the public or the success of an organisation, protected by UK law from dismissal, harassment or victimisation if such treatment occurred as a result of having made a whistle-blowing disclosure considered to be in the public interest
- c. advised that, although there were no material alterations to the Council's current whistleblowing policy it had been updated to reflect changes in personnel and other external links and reformatted to make presentation clearer
- d. invited Members comments on the revised Whistleblowing Policy as detailed at Appendix A to the report.

Members considered and commented on the content of the report.

RESOLVED that the updated Whistleblowing Policy be approved.

28. Fraud and Error Update Report (2017/18) 6 Months

John Scott, Audit Manager:

- a. presented the six monthly fraud and error report 2017/18 for members' consideration, which covered the following main areas:
 - Update: Lincolnshire Counter Fraud Partnership
 - Position Statement: National Fraud Initiative
 - Fraud Work Within Housing Benefits and Other Areas
 - Update: Counter Fraud Outcomes
- b. outlined the key messages in relation to counter fraud arrangements as detailed at paragraph 2 to 3 of his report

- c. highlighted that successful delivery of the Council Tax Reduction (CTR) exercise was now more likely be rolled out across the other districts by 2019/20; an update would be given to Audit Committee in due course.
- d. detailed operational outcomes to help evaluate effectiveness within the existing counter fraud strategy as detailed at paragraph 4 of the report
- e. referred to the Counter Fraud Strategy work plan 2017/18 as detailed at Appendix A of his report.

Jane Nellist, Independent Member, referred to income from fraud initiatives, querying whether there were any available comparatives in terms of performance indicators to show benefits from these initiatives as justification for not making future cuts in this area of work.

John Scott, Audit Manager, agreed to provide an overall yearly reflection on improved income resulting from counter fraud initiatives to the next meeting of Audit Committee.

RESOLVED that:

1. An overall yearly reflection on improved income resulting from counter fraud initiatives be provided to the next meeting of Audit Committee.
2. The content of the report be noted.

29. Information Management Update

John Scott, Audit Manager, on behalf of Becky Scott, Legal and Democratic Services Manager:

- a) presented an update in respect of the information management action plan in place in order to achieve compliance with the General Data Protection Regulation (GDPR) in force from 25 May 2018, including appointment to the new role of Data Protection Officer
- b) outlined progress in respect of the Data Protection training programme as follows:
 - Assistant Directors had agreed to monitor progress of the training programme and take responsibility through Service Managers Team for its implementation.
 - Take up for the DP e-learning training was improving, with managers working towards. 100% compliance.
- c) further outlined progress in relation to information management, now rated amber within the Annual Governance Statement, as detailed at paragraph 3 of the report
- d) outlined actions required within the Information Governance Training Needs Action Plan as detailed at Appendix A to the report, the GDPR Action Plan as detailed at Appendix B and the 6 month Communications Plan as detailed at Appendix C of the report

- e) advised that fees payable to the ICO would be in the region of £1,000 per year, an increase of £500, understood to assist the supervisory body to enforce the GDPR
- f) reported on a decrease in numbers of breaches reported, with no data breaches in this area since the Benefit notifications were outsourced in September 2017, and no complaints to the ICO or notifications by customers since the last report
- g) highlighted that funding would be made available to recruit to the Data Protection Officer role, once the post had been evaluated hopefully before Christmas 2017
- h) stated that the Information Governance Strategy and policies would be referred to Policy Scrutiny Committee on 20 March 2018 for comments prior to referral to Executive on 26 March 2018 in time for publication for the GDPR
- i) requested members' feedback on the content of the report.

Members discussed the content of the report in further detail.

The Chair recognised thanks given by the Legal and Democratic Services Manager to members of Audit Committee for their support in respect of arrangements being made ready for the implementation of GDPR. The chair thanked the officer for all her hard work in putting the council 'ahead of the game' in comparison to other district authorities in relation to GDPR.

RESOLVED that the content of the officer's report including progress with the Training Needs Plan, the GDPR Action Plan, the Communications Plan and action plans be noted.

30. Review of the Constitution- Financial Procedure Rules

Rob Baxter, Interim Chief Finance Officer:

- a. presented to Audit Committee the revised Financial Procedure Rules and associated amendments required to the Constitution, for consideration and recommendation for adoption by Council
- b. reported that the financial procedure rules provided a framework for officers to work within to ensure compliance with the need to secure proper administration of the Council's financial affairs as required by section 151 of the Local Government Act 1972
- c. stated that changes to Financial Procedure Rules were required to ensure that officers had the flexibility to respond to the changing environment in which the Council now operated
- d. reported on key changes to the existing Financial Procedure Rules as detailed within paragraph 4 and Appendix A of the report
- e. referred to a number of changes required to Part 2 and Part 3 of the Constitution in relation to the conduct of financial affairs of the Council to ensure consistency, which would be reported to Council together with other changes to the Constitution on 23 January 2018

f. requested members' consideration on the content of the report.

Members queried the proposed change to delegations and limits to allow the relevant Assistant Director the discretion to amend fees and charges by as much as +/- 50% for any individual fee subject to consultation with the relevant Portfolio Holder.

Rob Baxter, Interim Chief Finance Officer advised that this proposed change was important to allow flexibility in areas such as car parking charges in order to compete on pricing structure with the private sector and act quickly to avoid losing income.

RESOLVED that Audit Committee recommended that the revised Financial Procedural Rules and amendments to the Constitution be approved by Council.

31. Audit Committee Work Programme

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 an additional item 'Draft Internal Audit Plan' at the next meeting of Audit Committee to be held on 13 February 2018.