

NORTH LINCOLNSHIRE COUNCIL

AUDIT COMMITTEE

EXTERNAL AUDIT RECOMMENDATIONS – PROGRESS REPORT

1. OBJECT AND KEY POINTS IN THIS REPORT

1.1 To report progress on the implementation of external audit recommendations.

1.2 Regular reporting on action taken to implement external audit recommendations is an important source of assurance for Members to fulfil their role and provides supporting evidence for the annual approval of the Governance Statement.

2. BACKGROUND INFORMATION

2.1 Progress on the implementation of external audit recommendations was last reported to Members in September 2010. Key annual reports were considered, namely:

- Annual Audit Letter
- Annual Governance Report
- VFM Opinion (Use of Resources evaluation is been abolished)
- Certification of Claims and Returns.

In addition an internal report on data quality progress was provided in January along with a one-off report by external audit entitled Information Flows with North Lincolnshire Council (East Riding Pension Fund Audit).

2.2 Annual Audit Letter

The Annual Audit Letter was reported to the audit committee in January 2011. The report contained some very positive messages such as; an unqualified audit opinion and an unqualified value for money conclusion were issued. The report did not include an action plan but incorporated areas for improvement for the council such as:

- Continue to raise public awareness of the local standards framework
- Ensure overall risks facing the council are more explicit

- Fully implement journal approval policies
- Ensure that strong controls are in place for all bank accounts including those held by the council on behalf of others
- Confirm signed agreements are in place for the major partnerships.

The Annual Audit Letter summarises issues highlighted as a result of audit work carried out throughout the year and therefore the implementation of these recommendations is monitored through report action plans are detailed in paragraphs 2.3 and 2.4.

2.3 Annual Governance Report

The report was considered by the Committee in September. It summarised findings from 2009/10 audit work including the audit of financial statements and the work undertaken to assess the council's arrangements to secure value for money. No significant issues were reported and an unqualified audit opinion was issued. Good progress has been made to implement the 4 recommendations made in the report. This is summarised in appendix A.

2.4 VFM Report

Although Use of Resources is no longer assessed several similar considerations are evaluated as part of the VFM opinion work. The VFM report was considered by the Committee in September. The report concludes there are no major weaknesses in the council's arrangements and there has been good progress in the improvement areas reported in 2009/10. All three recommendations have been addressed as summarised in appendix B.

2.5 Certification of Claims and Returns – Annual Report

The 2009/10 report was presented at the last meeting in January (appendix C). The overall assessment was that there were no significant weaknesses in the council's arrangements to prepare grant claims and the report identified some improvements in the handling of grant claims. All the grants recommendations implementation dates have been delayed as key staff were heavily involved in the 2011/12 budget setting process. This process was more challenging than prior years due to the constraints on central funding.

2.6 Information Flows with North Lincolnshire Council – East Riding Pension Fund Report

The report was presented to the Committee in September. The report's overall conclusion was that of the four main contributing authorities, North Lincolnshire Council provides the most accurate and timely data. Some areas for improvement were identified for this council and for the Pension Fund. North Lincolnshire's action plan progress is summarized in appendix D.

3 OPTIONS FOR CONSIDERATION

- 3.1 The Committee is asked to consider whether this update provides sufficient assurance on the progress made on external audit recommendations. The Committee is invited to consider the report and seek clarification on its contents as necessary.
- 3.2 The Committee may consider that the report does not provide sufficient assurance as a response to external audit recommendations and may require further work to be carried out.

4. ANALYSIS OF OPTIONS

- 4.1 The approach adopted was approved by the Audit Committee and complies with best practice identified through the former CPA Use of Resources regime that *'the council should develop a process for following up all external audit recommendations and include as a regular item on the Audit Committee agenda'*. The report sets out progress made on key recommendations, complies with professional guidance available and is designed to provide this Committee with the assurance required. Members should ask sufficient questions to ensure adequate assurance is provided.
- 4.2 The option set out in paragraph 3.2 represents an opportunity missed to receive an important source of assurance to assist the Committee to fulfil its role effectively if adequate clarification is not provided.

5. RESOURCE IMPLICATIONS (FINANCIAL, STAFFING, PROPERTY.IT)

- 5.1 There are no staffing, property or IT implications.

6. OTHER IMPLICATIONS (STATUTORY, ENVIRONMENTAL, DIVERSITY, SECTION 17 – CRIME AND DISORDER, RISK AND OTHER)

- 6.1 External Audit and inspection duties are statutory requirements under the provisions of the Audit Commission Act 1998, the Code of Audit Practice and the Local Government Act 1999.

The Chief Financial Officer has a statutory duty under the provisions of the Local Government Act 1972 to ensure the proper administration of the council's financial affairs and under the Accounts and Audit (England) Regulations 2011. The council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

- 6.2 Proper consideration and implementation of recommendations made by external audit promotes good internal control and governance arrangements.

7. **OUTCOMES OF CONSULTATION**

- 7.1 This report is the result of updates from all named officers and the approach adopted has been discussed and agreed with the council's external auditors.

8. **RECOMMENDATIONS**

- 8.1 The Audit Committee should consider whether the response to external audit recommendations as detailed in this report provides a sufficient level of assurance on action taken.

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Background Papers used in the preparation of this report

Annual Audit Letter January 2011
Annual Governance Report September 2010
VFM Report September 2010
Certification of Claims and Returns – Annual Report – January 2011
Information Flows with North Lincolnshire Council – East Riding Pension Fund Report – September 2010

Annual Governance Report Action Plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
	The Council needs to review accounts checking arrangements to reduce the number of errors in future draft accounts.	2	Corporate Accountant	Yes	Accounts checking procedures will be reviewed as part of the 2010/11 closedown process.	31 st March 2011
	Ensure that ledger journals are checked and authorised in accordance with your revised policies.	3	Corporate Accountant & Finance Managers	Yes	The policy was in place for the whole financial year and will be checked by Corporate Finance as part of the closedown process.	31 st December 2010
	Set a policy of write back after an agreed period.	1	Corporate Accountant & Revenues Manager	Yes	The write-back policy was documented and the policy will be applied from 2011/12.	31 st December 2010
	Review partnership agreements to ensure all major agreements are supported by signed agreements.	2	Corporate Accountant	Yes	All major partnership arrangements were reviewed and signed agreements were found to exist in all cases.	31 st March 2011

VFM Report Action Plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
	Consider the most effective way of raising public awareness of the local standards framework by explicit promotion of the Council's governance arrangements with members of the public and stakeholders.	2	Service Director Legal and Democratic Services	Yes	Best practice has been considered and a number of improvements are being introduced such as : -Enhanced website (including members' register of interests) -Annual report to Council and article for Direct -Discussions wiith the secretary of ERNLLCA (regional body for town/parish councils) regarding ways of working together to promote standards -Meetings to be arranged between the Chair of Standards and the Chief Executive and Party Leaders to again emphasise	Ongoing – although the current system will be abolished later this year when the council will have to decide on its replacement if any

App B

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
					commitment to the standards regime	
	In risk reporting to the audit committee the current traffic light system, control mechanisms are described as 'good' without any explanation or description of the control Risk. Providing clearer evidence of the control systems in place to support these conclusions would improve the level of assurance given to the Audit Committee.	2	Audit and Risk Manager	Yes	Improvements in Audit Committee reporting were introduced in September 2010	September 2010
	Consider introducing independent assessment of your risk management arrangements.	2	Audit and Risk Manager	Yes	Consideration in accordance with CIPFA guidance on the role of the chief internal auditor – suitable arrangements are in place.	Dec 2010

Appendix C - Certification of Claims and Returns – Annual Report 2009/10 Action Plan

Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date	Update
R1 - Contract Procedure Rules must be followed in all Directorates. Monitoring of compliance should be carried out.	3	Tracy Elliott, Finance Manager (CYP)	Yes	Finance Manager (CYP) will liaise with the Children's and Young Peoples Service to ensure that an independent check on the degree of compliance with the terms and conditions of the Sure Start Grant will take place.	April 2011	
R2 - Arrangements are put in place to ensure adequate asset records are held for grant funded assets.	3	Tracy Elliott, Finance Manager (CYP)	Yes	See above	April 2011	

Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date	Update
R3 - Quality control procedures for all grant claims be improved to ensure compliance with grant terms and conditions is upheld. This review process should be evidenced on the claim file.	3	Mark Kitching, Corporate Accountant	Yes	The grants return control sheet will be redesigned to include a requirement for the Manager responsible for the grant claim to confirm that all the terms and conditions of the grant have been complied with.	March 2011	

Information Flows with NLC – East Riding Pension Fund Action Plan

Page No	Recommendation	Priority 1 = Low 2 = Med 3 = high	Responsibility	Agreed	Comments	Date
7	R1 East Riding Pension Fund should consider additional visits to North Lincolnshire Council with a view to sharing the Council's good HR and payroll practices with other contributing authorities	1	Assistant Pensions Manager Pension Fund Training Manager	Yes	Good practice is already shared at quarterly meetings attended by all contributing authorities. In addition the Page Pension Fund Training Manager will undertake a review of how each contributing authority works with the Pension Fund, so that good practice can be identified and shared.	March 2011
8	R2 North Lincolnshire Council should consider whether it could use additional Pension Fund resources to benefit its employees	1	Assistant Director - HR	Yes	A Midlife Planning event was arranged for 3 November 2010, targeting those aged 55 but this was cancelled due to the lack of numbers. A further event is now being arranged for 18 February 2011 and invitations will be sent to staff aged 55/56 including those working in schools. Additional one off events have been held to support specialised groups of staff. For employees transferring from the Learning Skills Council staff to the council an event was held to	December 2010

					<p>provide the employees with information about the LGPS and the benefits that this offered in 5 October 2010. Also other special events have been arranged for those identified at risk of redundancy as a result of the removal of funding, these will be occurring in January 2011. NLC has now agreed to take part in the cross unitary provision which allow employees from one unitary to visit the training events at another unitary location to support access to such events. These events are publicised on the ERPF website. Additional presentations on planning your retirement are now being held in various locations across the authority. For example at the depot at Ealand and at Watersedge in Barton upon Humber outside of Scunthorpe and Brigg. Consideration was also given to the provision of holding 1:1 sessions and pension surgeries with two events taking place at Crowle and Barton to support staff.</p>	
9	R3 North Lincolnshire Council should investigate whether the	2	Assistant Director HR	Yes	Consideration has been given to a joint HR/Payroll system. No solution currently available meets	October 2010

	cost of further changes to make payroll processing more efficient would offer value for money in the long term				the full requirements of the council. Developments in the Arvato system will be kept under review.	
10	R4 North Lincolnshire Council should: <ul style="list-style-type: none"> • remind schools' management of their responsibilities to staff in the LGPS; and • ensure schools staff have access to information about the LGPS. 	3	Assistant Director - HR		Regular information publicising pension events is placed within the People magazine and also on payslips to raise awareness. These go to all employees of the council including schools. A poster advertising the pension events is also produced and circulated to all schools for the commencement of the spring term. A newsletter, HR Matters, has been designed specifically for schools. This is published each term and goes to all the authority's schools. Contact details of both the pension service and also the council's administrator are published. Work is still been undertaking to establish the introduction of the pension liaison officer into schools. The current events are accessed by employees from Schools and are available outside normal school hours and in school holidays.	March 2011
12	R5 North Lincolnshire	2	Assistant Director -	Yes	The pension service has been	March

	Council should actively target staff over 58 to receive information on pensions advice and courses available to them		HR		systematically writing to members at the age of 65 and then working backwards to the age of 55. Therefore as this work was being undertaken by the ERPF it was decided that the Midlife Planning event would target those reaching the age of 55. The event would cover other areas relating to health and well being, volunteering opportunities and activities for 50+. Also see R2 for further comments. The pension posters also publicise pension events that are available to staff to all staff including those over age 58.	2011
12	R6 East Riding Pension Fund should clarify the remit of new posts in the organisation	2	Assistant Pensions Manager	Yes	Those appointed to the new posts of Technical Officer and IT Officer are to be invited to one of the quarterly meetings between the contributing authorities and the pension fund, so that they can explain the remit of their post and their planned work programme	January 2011
13	R7 East Riding Pension Fund should remind staff to use plain English when explaining the technicalities of pensions administration	2	Pensions Manager	Yes	The Pension Fund will encourage staff to use plain English in communications. The technical language of new regulations is difficult to understand, and joint meetings to discuss a specific topic, such as protecting benefits,	September 2010

					could help to make the regulations	
13	R8 East Riding Pension Fund should consider allowing staff in Member Services to make a visit to a contributing authority	1	Head of Member Services	Yes	This is to be encouraged, particularly for members of Team 1, who deal with new starters and changes to member records.	September 2010