

**PRESENT: COUNCILLOR MRS S RAWLINS (CHAIRMAN)**

Councillors M G Allan (Vice-Chairman) and A N Stokes

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

Officers in attendance:-

Andrew Crookham (Deputy Chief Executive & Executive Director - Resources), Claire Goodenough (Head of Audit and Risk Management), Kevin Lane (Principal Risk Officer), Many Knowlton-Rayner (Insurance and Risk Lead), Mark Harrison (Audit Manager - Counter Fraud), Michelle Grady (Assistant Director - Finance), Nicola Calver (Member Services Manager), Nigel West (Head of Democratic Services & Statutory Scrutiny Officer), Sara Jackson (Audit Manager), Sue Maycock (Strategic Finance Lead - Technical), Will Bell (Chief Legal Officer & Monitoring Officer) and Thomas Crofts (Democratic Services Officer)

Others in attendance:-

Rashpal Khangura (KPMG) and Sofie Kockelbergh (KPMG)

45 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors P Coupland, J King and S Bunney.

46 DECLARATIONS OF INTEREST

No declarations of interest were received at this point of the proceedings.

47 MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 5 FEBRUARY 2024

RESOLVED

That the minutes of the Audit Committee meeting held on 5 February 2024 be agreed and signed by the Chairman as a correct record.

48 REVIEW OF THE CONSTITUTION

Consideration was given to a report from the Monitoring Officer, which presented proposed changes to the Council's constitution for the Committee's consideration. The following changes were highlighted:

- The substitution scheme now codified custom and practice.
- Criteria for complaints and clarification of time limits regarding standards arrangements had been amended.
- New statutory Health Scrutiny arrangements had been incorporated to ensure the term of reference for this committee were up to date.
- The number of signatures and scope was clarified in relation the petition scheme.
- Officer gifts and hospitality practices had been harmonised with that of Members.
- The definition of a key decision had been altered to reflect the statutory definition.
- Terms of reference for the Corporate Parenting Panel would reflect Government guidance and best practice.
- Electronic seals were now defined as being permitted under the Council's common seal.

The Committee considered the report, and the following comments were raised:

- Changes to the standards arrangements were designed to be preventative rather than being made out of existing concern and were designed to help complainants better understand the process. The complaints process was to be made more prominent on the Council's website so complainants could more easily access the correct process.
- More amendments to the constitution were due to come forward and the constitution was to be reviewed by the Committee on an annual basis. However, assurance was given that the constitution was nonetheless fully compliant and legally sound.

#### RESOLVED

1. That the report and comments made be noted.
2. That the Committee endorse the proposals and recommend that full Council approve the amendments to the constitution as set out within the report.

#### 49 EXTERNAL AUDIT PLAN - LINCOLNSHIRE COUNTY COUNCIL & PENSION FUND 2023/24

Consideration was given to a report from the external auditor, KPMG, which presented their audit plan for the Council and the Pension Fund. The following matters were addressed:

- This was the first report of the audits for 2023/24 and included a draft plan with a handover from the previous auditor – Mazars.
- Key risks that the audit would focus on include the following:
  - Building portfolio valuations.
  - Investment properties assumptions.
  - Fraud risk relating to manager controls.
  - Pension obligation assumptions.
  - Capital expenditure and undue capitalisation.
  - Ledger migration.

- The audit would also give value for money commentary.
- There were declarations of interest to declare by the audit and the audit would be conducted completely independently.

The Committee considered the report, and the following comments were raised:

- Fees had increased substantial in comparison to previous audits – by approximately 150%. This was largely due to the market situation and a lack of auditors and because the expectations of the audit were more thoroughly detailed and required greater resourcing. It was clarified that the PSAA set the rates that auditors could charge.
- Additional audit work for one-off issues would have to be requested separately.
- Wording in relation to the risk of managers committing fraud was industry standard; however, further clarity would be added to the report to show this was only part of investigatory work.
- It was important to challenge the value for money aspects of the audit for taxpayers, as the Council had recently needed to substantially increased council tax.
- In part, audit fees had also risen in order to account for the growing number of Section 114 notices issued by authorities and had to reflect the national picture.
- It was clarified that the Council would have struggled to procure an external auditor if it had attempted to seek an auditor outside of the PSAA.
- Auditor fee increases had been well publicised, and the Council had budgeted accordingly.
- Regarding the Council's ledger migration, controls had been put in place to manage the risk of losing data. The legacy system had been recorded and would be decommissioned; however, the old data would be stored.
- It was clarified that the same arrangements that existed for the audit of the Councils accounts also applied to the audit of the Pension Fund's.
- It was anticipated that an audit opinion would be made by the autumn, subject to any further discussions.

The Committee requested that the PSAA's hourly rate charges be provided by officers. It was felt that councils that maintained balanced budgets, like Lincolnshire County Council, were subsidising audit work for councils that had encountered financial difficulty.

#### RESOLVED

1. That the report and comments made be noted.
2. That the PSAA's rates be circulated to members of the Committee.

#### 50      STATEMENT OF ACCOUNTS 2023/24 - ACCOUNTING POLICIES

Consideration was given to a report from the Strategic Finance Lead - Technical, which presented the statement of accounts' accounting policies report. The CIPFA Code of Practice and deadlines for the audits of the accounts were outlined, it was clarified that there were

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no changes to the accounting policies and that all accounts for previous years had been fully signed off. The final figures for the old audit contract with Mazars were also specified with the report.

The Committee considered the report, and it was noted that the Committee's training session ahead of its consideration of the statement of accounts was to be provided in house.

**RESOLVED**

1. That the report and comments made be noted.
2. That the Statement of Accounting Policies (Appendix A) be approved to use in preparing the Council's accounts for the financial year ending 31 March 2024.
3. That the Statement of Accounting Policies (Appendix B) be approved to use in preparing the Local Government Pension Scheme (LGPS) Pension Fund accounts for the financial year ending 31 March 2024.

**51      RISK MANAGEMENT ANNUAL REPORT**

Consideration was given to a report from the Principal Risk Officer, which presented the Risk Management Annual Report. An overview of the work completed this year was reported, as follows:

- A new risk matrix had been designed.
- Market supply risks now included child social care, which was assessed as limited assurance.
- Adult social care market supply risks were now assessed as adequate.
- Extreme weather events had been incorporated as a strategic key risk. This included the potential for resource pressures and reputation damage.
- Serco contract risk had been removed due to the merging of services and was to be monitored through operation risk registers.
- Inflationary risks had been removed due to deescalating pressures; however, this was being monitored within the service area as economic changes may present this as a problem again.

The Committee considered the report, and the following comments were raised:

- It was clarified that every service area had a risk register and a member of the Corporate Leadership team owned each of the corporate risks.
- Extreme weather, as a risk, helped determine areas that might be affected in the event of an extreme weather event and explore necessary controls. The risk was intended to manage responses to extreme weather rather than prevent it.

**RESOLVED**

That the report and comments made be noted.

52      COUNTER FRAUD ANNUAL REPORT (INCLUDING FRAUD RISK REPORT)

Consideration was given to a report from the Audit Manager - Counter Fraud, which presented the Counter Fraud Annual Report and fraud risk report. The following matters were highlighted:

- The team had successfully delivered the national fraud awareness week as a staff engagement event.
- There had been an uplift in the number of staff completing recommended online counter fraud training.
- The counter fraud team was now fully staffed and proactive counter fraud reviews were being fully conducted.
- The team continued to engage with colleagues at national, regional and local levels to gain intelligence and understand trends to help inform the service.

The Committee considered the report, and the following comments were raised:

- Regular communications regarding counter fraud awareness were sent out to staff across the Council, and a confidential reporting system was in place for all colleagues to report suspected instances of fraud.
- It was estimated that approximately £17,100 had been saved by investigating instances of fraud, in terms of prevention.
- It was clarified that blue badge misuse and fraud needed backing from central government to promote awareness and messaging in fighting the issue.
- It was noted that the court system faced delays in dealing with criminal charges of fraud and the Council needed to consider alternative means of recovery.

RESOLVED

That the report and comments made be noted.

53      COUNTER FRAUD PLAN FOR 2024/2025

Consideration was given to a report from the Audit Manager - Counter Fraud, which presented the Counter Fraud Plan for 2024/25. The overall formation of the plan and risk register was outlined, and assurance was given that officers were ready to implement at the start of the new financial year.

The Committee considered the report, and the following comments were raised:

- The plan needed to remain fluid to respond as necessary; however, its success would be measured by the delivery of actionable remedies to issues throughout its roll out. It was noted that another key feature of the plan was that it served as an

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educational piece for officers to raise awareness of counter fraud and review control effectiveness.

- Payroll was an area of focus within the plan, and further education of officers to understand their controls against fraud was a key piece of work.

RESOLVED

1. That the report and comments made be noted.
2. That the Counter Fraud Plan for 2024/2025 be approved.

54 INTERNAL AUDIT PLAN 2024/2025

Consideration was given to a report from the Head of Audit and Risk Management which presented the Internal Audit Plan for 2024/25. Assurance was given that all of the planned work had been fully resourced and was ready to deploy.

The Committee considered the report, and the following comments were raised:

- Mark supply relating to child social care presented a key risk and would be reported on a quarterly basis via risk reports. It was also noted that Childrens Services continued to deliver high levels of external assurance as a directorate.
- Contingencies were in place to accommodate urgent matters alongside the works planned.

RESOLVED

1. That the report and comments made be noted.
2. That the Internal Audit Plan 2024/2025 be approved.

55 AUDIT COMMITTEE WORK PROGRAMME

The Committee considered its work programme and noted that a new training programme and post-election Member training was to be scheduled. It was also noted that an update on Lincolnshire Fire & Rescue's reporting system migration and risk reports on Adult Social Care had been added to the list of items to be programmed, as requested at the previous meeting.

RESOLVED

That the work programme be agreed.

56 CONSIDERATION OF EXEMPT INFORMATION

RESOLVED

That under Section 100(A) of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business on the grounds that they are considered to contain exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended.

57      STRATEGIC RISK REGISTER

The Committee discussed Item 7 Appendix C – exempt appendix.

RESOLVED

That the discussion be noted.

58      COUNTER FRAUD RISK REPORT 2023/24

The Committee discussed Item 8 Appendix B – exempt appendix.

RESOLVED

That the discussion be noted.

The meeting closed at 11.55 am