



**AUDIT COMMITTEE
28 SEPTEMBER 2020**

PRESENT: COUNCILLOR MRS S RAWLINS (CHAIRMAN)

Councillors P E Coupland, A P Maughan, R B Parker and P A Skinner.

Councillor M A Whittington was also in attendance.

Officers in attendance:-

Debbie Bowring (Principal Risk Officer), Julie Castledine (Principal Auditor), Matt Drury (Principal Investigator), Michelle Grady (Assistant Director for Strategic Finance), Mike Norman (External Auditor, Mazars), Lucy Pledge (Head of Internal Audit and Risk Management), Mark Surridge (External Auditor, Mazars), Jill Thomas (Principal Auditor) and Rachel Wilson (Democratic Services Officer).

11 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors P A Skinner and A N Stokes.

Apologies were also received from Andrew Crookham (Executive Director – Resources).

12 DECLARATION OF MEMBERS' INTERESTS

There were no declarations of interest at this point in the meeting.

13 MINUTES OF THE MEETING HELD ON 13 JULY 2020

RESOLVED

That the minutes of the meeting held on 13 July 2020 be signed by the Chairman as a correct record.

14 STATEMENT OF ACCOUNTS FOR LINCOLNSHIRE COUNTY COUNCIL & LINCOLNSHIRE PENSION FUND FOR THE YEAR ENDING 31 MARCH 2020

Consideration was given to a report by the Assistant Director – Strategic Finance which presented the Statement of Accounts for Lincolnshire County Council and the Lincolnshire Pension Fund for the financial year 2019/20.

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It was reported that the Committee had reviewed the Draft Accounts at its meeting on 13 July 2020 and the changes made since then were set out in Appendix D of the report. However, it was noted that none of these changes were considered to be material.

It had been highlighted at the meeting in July that there may be issues which were outside the control of the authority, but the Committee would be updated of any changes at its meeting in November 2020. Some things which had proven to be issues were around the valuations of property assets, and there had been some alterations to the valuation of assets in the Pension Fund accounts. There had also been changes following the outcome of the McLeod Review, however, these were not considered to be material.

Members were guided through the report and were provided with an opportunity to ask questions to the officers present in relation to the information contained within the report and some of the points raised during discussion included the following:

- The External Auditors thanked the officers for the help and support that they had received from the finance team throughout this period;
- Members thanked the auditors and the finance team for all their work carrying out an external audit which had been difficult under the current circumstances and were pleased to hear that there was a confidence that November's deadline would be met.
- Reference was made to p.18 of the agenda pack and the proposed increase in audit fees of 37%, and it was queried what the approval process from the public sector appointments company was and how was this agreed on the authority's behalf. Clarification was sought from the external auditors on how that figure was calculated. Members were advised that in terms of the process it had been highlighted that there would be some potential additional fees in the interest of transparency. It was noted that it would not be the full 37% increase as it would be tailored to the authority's needs. This would then be discussed and agreed with officers. It was highlighted that there was full engagement throughout this process, before being signed off by the public sector audit appointments. In terms of calculating the cost, it was noted that the amount of hours to do the work was predicted and there were set rates according to the grade of work.
- In relation to paragraph 1.19 regarding the recommendation from the Redmond Review that local authorities should appoint at least one independent member to audit committees, and it was noted that Lincolnshire was already meeting this requirement and had done for some time, however, not every authority currently had independent members.

RESOLVED

1. That the Audit Committee notes the Audit Completion reports and verbal updates of the External Auditor regarding their audit work on the draft Statement of Accounts;

2. That the Letters of Representation be approved on behalf of the Council to enable the Audit Opinion to be issued following the report of the External Auditor; and
3. That the Statement of Accounts for 2019/20 be approved taking into consideration that further changes may still take place that would be agreed between the External Auditor and Senior Officers to enable publication by this year's statutory deadline of 30 November 2020.

15 INTERNAL AUDIT PROGRESS REPORT

Consideration was given to a report which provided details of the audit work completed to August 2020; advised on progress on the 2020/21 plan and the impact of Covid-19; and presented the updated 2020/21 Audit plan. It was noted that the report covered the period 22 May 2020 to 31 August 2020 and reported on progress made against the audit plans.

It was reported that work had shown no significant governance issues with all assurance opinions given being high or substantial assurance.

Members were provided with the opportunity to ask questions to the officers present in relation to the information contained within the report and some of the points raised during discussion included the following points:

- In terms of the annual care assessments, which had received high assurance, it was noted that care assessments had been suspended since March 2020 and it was queried whether there was a potential financial risk from a back log of cases.
- In relation to the Accounts Payable audit, it was queried whether suppliers were being paid on time, this was particularly important for small businesses. It was noted that payment of invoices was included as part of the KPI information on a monthly basis and these targets were being met. Officers were not aware of issues which had arisen around the payment of invoices.
- It was highlighted that the audits were carried out in March and April 2020 and there were very strong monitoring controls in place, which means that any risk could be mitigated going forward.
- Reference was made to the appointment of a Senior Auditor to the team, and officers were congratulated on being able to recruit externally to this position.
- It was queried whether there were any particular areas of work which Covid-19 restrictions had impacted. It was reported that the commercial team had been working throughout the covid-19 pandemic with suppliers and supporting the supply chain. This included governance support and due diligence. The Counter Fraud team had also been providing assistance. There had been a continuous dialogue with suppliers.
- It was commented that it was good to see that flexibility was being shown in amending the audit plan where necessary.
- The Corporate Leadership Team (CLT) was aiming to have more accountability of risks for major projects, and the audit would be considered by CLT before coming to the Committee.

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- It was noted that there were specific actions around Carillion, and it was highlighted that one of the issues that was picked up was around time lag as the due diligence work was carried out at the beginning of the procurement process, as a result of this due diligence was now carried out throughout the procurement process, right up until the contract was let. It was commented that due diligence was particularly important at this time.
- Reference was made to p.309 of the report and the guide produced by Audit Scotland, which focussed on some of the new risks to public bodies in response to the Covid-19 pandemic. It was queried, in light of risks presented by Covid-19, what the process was for determining which work would be carried out. It was reported that officers used a risk based approach and if the risk profile changed then the work plan would be revised. The methodology was currently in the process of being updated. It was also highlighted that emerging risks were monitored and there was a lot of information sharing.
- It was queried to what extent had original risks been changed by the introduction of new risks from Covid-19. It was reported that the risk profile of risks had not changed significantly, however some of the control mitigations had been changed.
- Members were advised that the Commercial Team had weekly updates with suppliers and carried out financial viability work and officers would be aware if any of the suppliers were starting to struggle with financial pressures.

(NOTE: Councillor P A Skinner joined the meeting at 11.15am)

- Members commented that they felt reassured regarding risks and challenges around Covid-19, and that this was a very dynamic situation. However, it was queried whether there were any emerging risks around Brexit. Members were advised that there had been a Brexit Working Group, and the Head of Internal Audit advised that she would find out what the governance arrangements were and feed that information back to the Committee.
- It was highlighted that in relation to the Business World redesign project, there were still a number of red risks which were being reported to the Project Board. It was noted that there were a high number of super users, and they were used over to the Hoopla platform, there would be a review of what access people had.
- It was commented that the Covid-19 situation had presented an opportunity for those who wished to cheat the system, and it was queried whether there was any evidence that the small business grant funding had been mis-used. Officers advised that there was no intelligence indicating this was the case in Lincolnshire, however, it was on the work plan.

RESOLVED

1. That the Committee notes the outcome of Internal Audit's work; and
2. That the Committee approves the revised 2020/21 Internal Audit Plan

16 RISK MANAGEMENT PROGRESS REPORT - SEPTEMBER 2020

Consideration was given to a report which assisted the Committee in fulfilling its role in overseeing the effectiveness of the Council's risk management arrangements, challenging risk information and escalating issues to the executive.

The Committee was required to gain assurance that the systems and processes in place enabled decision makers to understand the level of risk that was being taken and that the Council was prepared to accept.

Members were guided through the report and provided with the opportunity to ask questions to the officers present in relation to the information contained within the report and some of the points raised during discussion included the following:

- It was highlighted that there was some work still to do with CLT to update the strategic risks
- It was noted that the risks had not really changed, but some of the mitigating actions had been given limited assurance where they had previously received substantial assurance.
- It was queried whether any research had been carried out on what similar authorities were doing in terms of their risk environment and whether they were seeing risks emerge which had not been previously seen. Members were advised that officers were members of several networks, and so were fully aware of any risks that were emerging from districts within Lincolnshire and in other counties. Usually on an annual basis, a compare and contract exercise would be carried out with other authorities. In addition to this, there was a group that looked at risks on a more regular basis to ensure that officers were kept up to date with the latest information as part of horizon scanning. It was noted that no risks were being identified which were not already on the county council's radar.
- It was noted that risks were very different at different councils, for example, districts were very operational and so would see different risks to the county council which was more strategic. Whilst no new risks were identified, it did highlight the differences between different organisations.
- In relation to the risk heat map on page 337 of the agenda pack, it was clarified that the use of dark amber and light amber indicated a change to the risks, but not enough to move it to either green or red, therefore it was an indicator of direction of travel.
- It was noted that on the heat map, risk 1 – safeguarding children and risk 9 - cyber security were both still red and it was queried whether there was any ongoing work on these risks to reduce the rating? In relation to Risk 1, this had gone from an amber rating to red, this was mainly due to the targets in relation to dental care and immunisations for children in care not being met which was due to the suspension of these services following the lockdown. In terms of Risk 9, this was a continuous risk and would be unlikely to be reduced from red as the level of cyber-attacks had increased. However, it was important to note the level of assurance for this risk and how the council would mitigate this risk. It was also highlighted that risk 10 – IT infrastructure had improved from dark amber to light amber, this was due to the implementation of Microsoft

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Teams which had now been rolled out throughout the organisation and general improvements to IT infrastructure since lockdown.

RESOLVED

That the Committee notes the current status of the strategic risks facing the Council.

17 WORK PLAN

Consideration was given to a report which provides the Committee with information on the core assurance activities currently scheduled for the 2020/21 work plan.

It was queried what plans there were for training for the Committee, and it was noted that there was a hope to hold a workshop with the Corporate Leadership Team. Members were also advised that the Corporate Leadership team would be attending the meeting in February 2021 to update on each directorate's combined assurance reports.

RESOLVED

1. That the Audit Committee's work plan be noted.
2. That the actions identified in the Action Plan be noted.

18 EXCLUSION OF PRESS AND PUBLIC

RESOLVED

That, in accordance with Section 100A of the Local Government Act 1972, the press and public be excluded from the meeting for the following item of business on the grounds that if they were present there could be a disclosure of exempt information as defined in paragraph 3 of Part 1 of Section 12A of the Local Government Act 1972, as amended.

19 FRAUD RISK REGISTER

Consideration was given to a report by the Head of Internal Audit in relation to the Fraud Risk Register.

A number of questions from members were asked and answered.

RESOLVED

That the recommendation as set out in the exempt report be noted.

The meeting closed at 12.17 pm.