

County Offices
Newland
Lincoln
LN1 1YL

6 November 2020

In accordance with the powers granted by the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020 this will be a virtual meeting.

Audit Committee

A meeting of the **Audit Committee** will be held on **Monday, 16 November 2020 at 10.00 am as a Virtual - Online Meeting via Microsoft Teams** for the transaction of the business set out on the attached Agenda.

Access to the meeting is as follows:

Members of the Audit Committee and officers of the County Council supporting the meeting will access the meeting via Microsoft Teams.

Members of the public and the press may access the meeting via the following link: <https://lincolnshire.moderngov.co.uk/ieListDocuments.aspx?CId=133&MId=5493&Ver=4> where a live feed will be made available on the day of the meeting.

Yours sincerely



Debbie Barnes OBE
Chief Executive

Membership of the Audit Committee

(7 Members of the Council and 2 Non-Voting Added Members)

Councillors Mrs S Rawlins (Chairman), A J Spencer (Vice-Chairman), P E Coupland, A P Maughan, R B Parker, P A Skinner and A N Stokes

Non-Voting Added Members

Mr I Haldenby, Independent Added Member
Mr A Middleton, Independent Added Member

**AUDIT COMMITTEE AGENDA
MONDAY, 16 NOVEMBER 2020**

Item	Title	Pages	Estimated Time
1	Apologies for Absence		
2	Declaration of Members' Interests		
3	Minutes of the meeting held on 28 September 2020	5 - 10	
4	Updated Audit Completion Report 2019/20 - Lincolnshire County Council <i>(To receive a report from Mike Norman (Mazars) which presents an updated Audit Completion Report for Mazars' audit of the 2019/20 Lincolnshire County Council Financial Statements)</i>	11 - 40	10.10 am
5	Counter Fraud Progress Report <i>(To receive a report from Matt Drury (Principal Investigator) which provides an update on fraud investigation activities and information on progress made against our Counter Fraud Work Plan 2020/21)</i>	41 - 70	10.25 am
6	Annual Whistleblowing Report <i>(To receive a report from Matt Drury (Principal Investigator) which provides an overview of the Council's whistleblowing arrangements throughout the year 2019/20)</i>	71 - 80	10.45 am
7	Internal Audit Progress Report <i>(To receive a report from Julie Castledine (Principal Auditor) which provides details of Audit work completed up until 12 October 2020; advises on progress on the revised 2020/21 plan; and highlights any other relevant issues)</i>	81 - 102	11.05 am
8	Draft Audit Committee Annual Report 2019/20 <i>(To receive a report from Councillor Mrs S Rawlins (Chairman of the Audit Committee) which seeks approval for the Chairman to present the Audit Committee Annual Report 2019/20 (subject to any amendments) to the meeting of the County Council in December 2020)</i>	103 - 126	11.25 am
9	Work Plan <i>(To receive a report by Lucy Pledge (Head of Internal Audit and Risk Management) which invites the Committee to consider its work plan for 2020/21)</i>	127 - 134	11.45 am

Democratic Services Officer Contact Details

Name: **Cheryl Evans**
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E Mail Address cheryl.evans@lincolnshire.gov.uk

Please Note: for more information about any of the following please contact the Democratic Services Officer responsible for servicing this meeting

- Business of the meeting
- Any special arrangements
- Copies of reports

Contact details set out above.

All papers for council meetings are available on:

<https://www.lincolnshire.gov.uk/council-business/search-committee-records>



**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.

**AUDIT COMMITTEE
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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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28 SEPTEMBER 2020**

- 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 Hoople 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.



Open Report on behalf of Andrew Crookham, Executive Director - Resources

Report to:	Audit Committee
Date:	16 November 2020
Subject:	Updated Audit Completion Report 2019/20 – Lincolnshire County Council

Summary:

Our external auditors, Mazars LLP, present an updated Audit Completion Report for their audit of the 2019/20 Lincolnshire County Council Financial Statements.

Recommendation(s):

It is recommended that the Audit Committee considers the updated Audit Completion Report and identifies any further information or actions that may be required.

Background

- 1.1 Our external auditors, Mazars LLP, have prepared an updated Audit Completion Report for their audit of the Lincolnshire County Council 2019/20 Financial Statements, which is Appendix A to this report. The Financial Statements were approved at the Audit Committee's 28 September 2020 meeting and Mazars' report provides updates on the matters communicated to the Committee at that meeting.
- 1.2 The updated document is substantially the same as the report considered by the Audit Committee at the 28 September 2020 meeting, with an unqualified audit opinion and Value for Money Conclusion still expected to be issued by the 30 November 2020 deadline. Appendix B to the report confirms the proposed Auditor's Report with the proposed Emphasis of Matter paragraph on the 'material valuation uncertainty' relating to the Council's land, buildings and Investment Properties having been updated to include the property investment assets covered by the proposed Auditor's Report on the Pension Fund Financial Statements.

1.3 The report also includes updates on:

- The range of fee variation estimates for the year (page 11); and
- The Management Representations Letter (Appendix A), with additional routine paragraphs added for completeness relating to Material Valuation Uncertainty (page 19), Going Concern (page 20), Narrative Report (page 20) and Annual Governance Statement (page 20).

1.4 The external auditors welcome the opportunity to interact with Members of the Audit Committee and will be presenting their report at the meeting.

Conclusion

This Audit Completion report draws to a close the audit of our accounts for this year. The Management Representations Letter has been amended and will need to be signed again. Once the audit opinion and value for money conclusion have been formally issued and included in our accounts, the financial statements can be signed by the Chair of the Audit Committee and published by 30 November 2020.

Consultation

There is no requirement to consult on the Council's financial statements, which present a record of the Council's financial transactions for the year 2019/20 and financial position at the year ended 31 March 2020.

a) Risks and Impact Analysis

A Risks and Impact Analysis has not been carried out as the Council's financial statements do not represent a change in policy.

Appendices

These are listed below and attached at the back of the report	
Appendix A	Mazars Audit Completion Report Lincolnshire County Council – Year ending 31 March 2020

Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

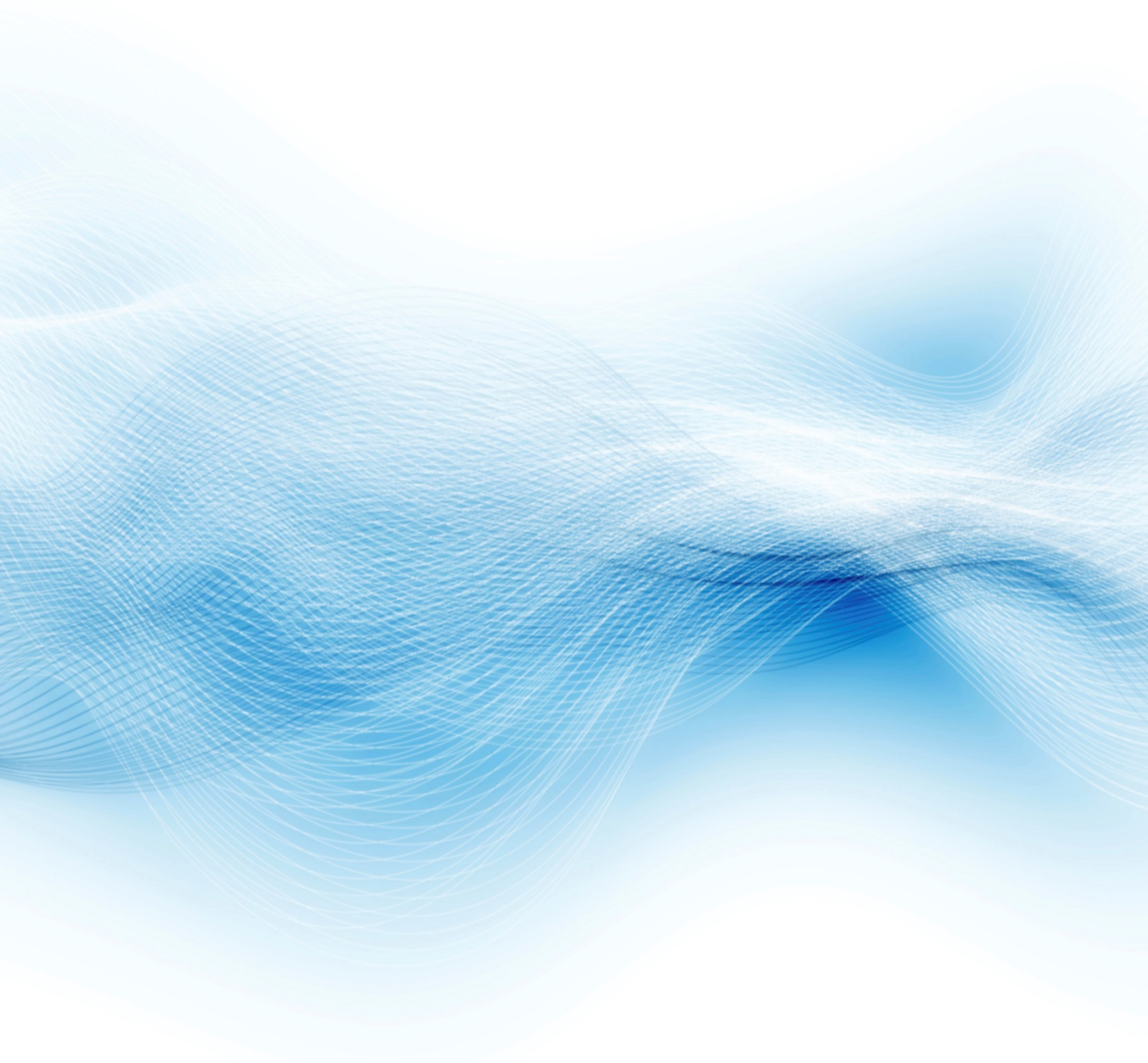
This report was written by Michelle Grady, who can be contacted on 01522 553235 or michelle.grady@lincolnshire.gov.uk .



Audit Completion Report

Lincolnshire County Council

Year ending 31 March 2020



CONTENTS

1. Executive summary
2. Significant findings
3. Internal control recommendations
4. Summary of misstatements
5. Value for Money conclusion

Appendix A – Draft management representation letter

Appendix B – Draft auditor’s report

Appendix C – Independence

Our reports are prepared in the context of the 'Statement of Responsibilities of auditors and audited bodies' and the 'Appointing Person Terms of Appointment' issued by Public Sector Audit Appointments Limited.

Reports and letters prepared by appointed auditors and addressed to the Council are prepared for the sole use of the Council and we take no responsibility to any member or officer in their individual capacity or to any third party.

Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.

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Audit Committee Members
Lincolnshire County Council
County Offices
Newland
Lincoln
Lincolnshire
LN1 1YL

4 November 2020

Dear Members

Audit Completion Report – Year ended 31 March 2020

We are pleased to present our Audit Completion Report for the year ended 31 March 2020. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we issued in March 2020. Since we issued our Audit Strategy Memorandum the UK has been subject to the challenges and restrictions of COVID-19. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

One implication of COVID-19 for the Council was that the deadlines for submission of the draft and audited financial statements were pushed back to 31 August and 30 November respectively. Despite the revised deadlines we acknowledge the difficulties encountered by your team during accounts preparation and audit, and would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 07875 974 291.

Yours faithfully

Mark Surridge
Mazars LLP

Mazars LLP – 45 Church Street, Birmingham, B3 2RT
www.mazars.co.uk

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We are registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at www.auditregister.org.uk under reference number C001139861.
VAT number: 839 8356 73



1. EXECUTIVE SUMMARY

Purpose of this report and principal conclusions

The Audit Completion Report sets out the findings from our audit of Lincolnshire County Council ('the Council') for the year ended 31 March 2020, and forms the basis for discussion at the Audit Committee meeting on 16 November 2020.

The detailed scope of our work as your appointed auditor for 2019/20 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards of Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

Sections 2 and 5 of this report outline the detailed findings from our work on the financial statements and our conclusion on the Council's arrangements to achieve economy, efficiency and effectiveness in its use of resources. Section 2 also includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum. The significant audit risks we identified were:

- Management override of control
- Revenue and Expenditure recognition
- Valuation of Property, Plant and Equipment and Investment Properties
- Valuation of the net pensions liability

Status of our work

As we outline on the following page, our work is substantially complete. Subject to the satisfactory completion of the outstanding work, at the time of issuing this report we have the following conclusions:

Opinion on the financial statements

We anticipate issuing an unqualified opinion on the financial statements. Our proposed audit opinion is included in the draft auditor's report in Appendix B.

Value for Money conclusion

We anticipate concluding that the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. Our draft auditor's report, including proposed conclusion, is provided in Appendix B.

Whole of Government Accounts (WGA)

This work cannot be completed as, at the date of this report, the NAO has not yet issued its Group Instructions regarding the audit work required and its timetable for audit reporting.




Wider powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and to consider any objection made to the accounts. We received no such objections or questions, although one matter was brought to our attention. Further details on the exercise of our wider powers are provided in section 2.




1. EXECUTIVE SUMMARY

Status of our audit work

We have substantially completed our work on the financial statements and Value for Money conclusion for the year ended 31 March 2020. The matters outstanding at the time of preparing this report, including the normal review and completion processes, are summarised below. We will provide the Audit Committee with an update in relation to these and any other matters in a follow-up letter, prior to signing the auditor's report.

Audit area	Status	Description of outstanding matters
Property, plant and equipment		We are clearing final queries in relation to the significant audit risk identified regarding valuations. No material issues have been identified from the work carried out to date. We are proposing an emphasis of matter paragraph in the audit opinion in response to the disclosed material uncertainty in property valuations caused by Covid19. We say more on this at page 8.
Pensions		No material issues have been identified from the work carried out to date. Part of our assurance over the net pensions liability is derived from specified procedures carried alongside the Lincolnshire Pension Fund audit, which has not yet been received. We anticipate this will include a disclosure of material valuation uncertainty on the Lincolnshire Pension Fund property assets that will be reflected in the Council's own financial statements.
Audit Quality Control Completion Procedures		Our audit work is undergoing final stages of review by the Engagement Lead and other internal consultation and we are addressing any remaining review points. In addition, there are residual procedures to complete, including updating post balance sheet event considerations to the point of issuing the opinion and obtaining final management representations.

Status

-  Likely to result in material adjustment or significant change to disclosures within the financial statements
-  Potential to result in material adjustment or significant change to disclosures within the financial statements
-  Not considered likely to result in material adjustment or change to disclosures within the financial statements

Whole of Government Accounts

There have been changes to the timetable to the national local authority Whole of Government Accounts (WGA) process, reflecting the changes to this year's accounts publication and audit deadlines. NAO Group Instructions for local authority 2019/20 audits have not been issued yet and the deadline for auditor reporting is expected to be in early December 2020. The WGA return and audit certificate cannot therefore be issued at the present time.



2. EXECUTIVE SUMMARY (CONTINUED)

Our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in March 2020. We have not made any changes to our audit approach since we issued our Audit Strategy Memorandum.

Materiality

We set materiality at the planning stage of the audit at £22.1m using a benchmark of 2% of Gross Operating Expenditure. Our final assessment of materiality, based on the final financial statements and qualitative factors is £22.8m using the same benchmark. We set our trivial threshold (the level under which individual errors are not communicated to the Audit Committee) at £685k based on 3% of overall materiality.

We also set a specific materiality on the following items of account:

- Note 35b Senior Officer Remuneration: £5k – on the basis this is a specific disclosure note that may attract public attention.
- Note 34 Members Allowances: £258k – on the basis this is a specific disclosure note that may attract public attention.
- Note 38 External Audit Costs: £17k – on the basis this is a specific disclosure note that may attract public attention.

Misstatements and internal control recommendations

Section 3 summarises any internal control recommendations we need to report to you.

Section 4 summarises the position in relation to any adjusted or unadjusted misstatements noted as part of our audit as at the time of issuing this report. If any additional misstatements are noted on completion of the outstanding work, these will be reported to the Audit Committee in a follow-up letter.

2. SIGNIFICANT FINDINGS

Set out below are the significant findings from our audit. These findings include:

- our audit conclusions regarding significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 11 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management; and
- any significant difficulties we experienced during the audit.

Significant risks and key areas of management judgement

As part of our planning procedures we considered the risks of material misstatement in the Council's financial statements that required special audit consideration. Although we report identified significant risks at the planning stage of the audit in our Audit Strategy Memorandum, our risk assessment is a continuous process and we regularly consider whether new significant risks have arisen and how we intend to respond to these risks. No new risks have been identified since we issued our Audit Strategy Memorandum.

Significant risk

Description of the risk

Management override of controls

Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.

How we addressed this risk

We addressed this risk through performing audit work over:

- Accounting estimates impacting on amounts included in the financial statements;
- Consideration of any identified significant transactions outside the normal course of business; and
- Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.

Audit Conclusion

Our audit procedures have not identified any material errors or uncertainties in the financial statements, or other matters that we wish to bring to Members' attention in relation to management override of controls.

2. SIGNIFICANT FINDINGS (CONTINUED)

Significant risk	Description of the risk
Revenue Recognition	<p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. Having considered the factors for revenue recognition, we believe the risk is focused on the year-end balance sheet and in particular the existence and accuracy of receivables and the cut-off of revenue.</p> <p>Relevant balances:</p> <ul style="list-style-type: none">Note 20: Short Term Debtors £65,501k <hr/> <p>How we addressed this risk</p> <p>We evaluated the design and implementation of controls to mitigate the risk of material receivables being recognised in the wrong period. We tested receivables to ensure that they are supported by sufficient and appropriate evidence and have been accounted for correctly.</p> <p>Our audit approach also incorporated a range of other substantive procedures, including, but not limited to the testing of receipts around the year-end to provide assurance that any material items had been recorded in the correct financial year.</p> <hr/> <p>Audit Conclusion</p> <p>Our audit procedures in relation to this risk have not identified any material errors or uncertainties in the financial statements, or other matters that we wish to bring to your attention.</p>

Significant risk	Description of the risk
Expenditure Recognition	<p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council (FRC), which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. Having considered the factors for expenditure recognition, we believe the risk is focused on the year-end balance sheet and in particular the existence and valuation of payables and the cut-off of revenue expenditure.</p> <p>Relevant balances:</p> <ul style="list-style-type: none">Note 23: Short Term Creditors £102,719k <hr/> <p>How we addressed this risk</p> <p>We evaluated the design and implementation of controls to mitigate the risk of material creditors being recognised in the wrong period. In addition, we tested such creditors to ensure that they are supported by sufficient and appropriate evidence and have been accounted for correctly.</p> <p>Our audit approach also incorporated a range of other substantive procedures, including, but not limited to the testing of payments around the year-end to provide assurance that there are no material unrecorded items in the 2019/20 accounts.</p> <hr/> <p>Audit Conclusion</p> <p>Our audit procedures in relation to this risk have not identified any material errors or uncertainties in the financial statements, or other matters that we wish to bring to your attention.</p>

2. SIGNIFICANT FINDINGS (CONTINUED)

Significant risk	Description of the risk
Valuation of Property, Plant and Equipment and Investment Properties	The Council's accounts contain material balances and disclosures relating to its holding of Property, Plant and Equipment, and Investment Properties with the majority of these assets required to be carried at valuation. Due to high degree of estimation uncertainty associated with those held at valuation, we have determined there is a significant risk in this area.

Relevant balances:

- Note 15: Property, Plant & Equipment – Land & Buildings £535,094k
- Note 17: Investment Properties £106,165k

How we addressed this risk

In relation to the valuation of property, plant & equipment and investment properties we:

- Critically assessed the Council's valuer's scope of work, qualifications, objectivity and independence to carry out the required programme of revaluations;
- Considered whether the overall revaluation methodologies used by the Council's valuer's were in line with industry practice, the CIPFA Code of Practice and the Council's accounting policies;
- Assessed whether valuation movements are in line with market expectations by using information available from other sources;
- Critically assessed the treatment of the upward and downward revaluations in the Council's financial statements with regards to the requirements of the CIPFA Code of Practice; and
- Critically assessed the approach that the Council adopted to ensure that any assets not subject to revaluation in 2019/20 were materially correct, including considering the robustness of that approach in light of the valuation information reported by the Council's valuers.

Audit Conclusion

Subject to adequate resolution of any residual queries, the work undertaken has not identified to date any material errors or uncertainties in the financial statements, or other matters that we wish to bring to Members' attention.

The Council's valuers have followed guidance issued by the Royal Institute of Chartered Surveyors and their valuation reports conclude that, due the impact of COVID-19 on the property market, there is "material uncertainty" over the valuation of land and buildings and investment properties at the balance sheet date. This has been properly disclosed at Note 3 to the Statement of Accounts.

The disclosure of this material valuation uncertainty at note 3 is in our view important to the users' understanding of the financial statements. As such we will be including an emphasis of matter paragraph on this matter in our audit report. Our draft Auditor's Report is included at Appendix B.

2. SIGNIFICANT FINDINGS (CONTINUED)

Significant risk

Description of the risk

Valuation of net pensions liability

The Council's accounts contain material liabilities relating to the local government pension scheme. The Council uses an actuary to provide an annual valuation of these liabilities in line with the requirements of IAS 19 Employee Benefits. Due to the high degree of estimation uncertainty associated with this valuation, we determined there is a significant risk in this area.

Relevant balances:

- Note 29: Net Pension Liability £816,544k

How we addressed this risk

In relation to the valuation of the Council's defined benefit pension liability we:

- Critically assessed the competency, objectivity and independence of the Lincolnshire Pension Fund's Actuary, Hymans Robertson;
- Liaised with the auditors of the Pension Fund to gain assurance that the controls in place at the Pension Fund which support the IAS 19 valuation process were operating effectively. This includes the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS 19 valuation is complete and accurate;
- Reviewed the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This included comparing them to expected ranges, utilising information provided by PWC, the consulting actuary engaged by the National Audit Office; and
- Agreed the data in the IAS 19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the Council's financial statements.

Audit Conclusion

The procedures we have undertaken to date have not identified any material errors or uncertainties in the financial statements.

The draft Financial Statements were prepared on the basis of the IAS19 actuarial valuation report received in May 2020. In July 2020, MHCLG consulted on the proposed remedy for the 'McCloud' case. This indicated that the approach adopted for 2018/19 and 2019/20 is likely to have led to an overstatement of the pension liability as at 31 March 2020. The Council obtained in September 2020 an updated actuarial valuation to take account of this matter and the change in the Pension Fund's year end assets valuation. The differences between the original and latest valuation reports are not material and management do not propose to amend the draft Financial Statements. We have included this in our summary of non-material unadjusted misstatements at page 15.

A second matters arising is the Goodwin case that was brought against the Secretary of State for Education earlier this year regarding discrimination owing to sexual orientation in the Teachers' Pension Scheme. Management have assessed the impact to be immaterial to the estimate of pension liabilities and no action has been taken for 2019/20. Our work does not contradict that assertion.

Part of our assurance over the net pensions liability is derived from specified procedures undertaken by the the Lincolnshire Pension Fund auditor. We will complete the remaining audit work in this area when the information required is available. Our expectation is that this assurance will also report material valuation uncertainty over property assets in the pension fund portfolio. This will also need to be disclosed in the Council's financial statements and referred to within the 'emphasis of matter' paragraph in our audit report. Our draft Auditor's Report is included at Appendix B.

2. SIGNIFICANT FINDINGS (CONTINUED)

Management judgement

Minimum Revenue Provision (MRP)

Description of the management judgement

Local authorities are normally required each year to set aside some of their revenues as provision for debt in respect of capital expenditure financed by borrowing or long term credit arrangements, by reference to the prior year's closing Capital Financing Requirement. The amount to be set aside each year is not prescribed although an overarching principle of prudence is expected to be adopted. This is supported by statutory guidance as to how this could be achieved and the Council is required to have regard to this in setting its MRP policy. Management judgement is therefore exercised in determining the level of its prudent provision.

How we addressed this judgement

We addressed this judgement by:

- reviewing the Council's MRP policy to ensure that it continues to have been developed with regard to the statutory guidance;
- assessing whether the provision had been calculated and recorded in accordance with the Council's policy; and
- assessing whether the amount provided for the period is appropriate, taking into account the Council's Capital Financing Requirement.

Audit conclusion

Our audit procedures have not identified any material errors or uncertainties in the 2019/20 financial statements in relation to the Council's MRP.

Management judgement

Accounting for the schools Private Finance Initiative and other school assets and liabilities

Description of the management judgement

The Council's financial statements set out its accounting policies in relation to these, and their inclusion on the balance sheet. These assets and liabilities are material and the accounting treatment is based on management judgement and interpretation of the relevant accounting standards.

How our audit addressed this area of management judgement

We addressed this by:

- challenging the reasonableness of judgments management has made; and
- Substantively testing the assets and liabilities as part of our planned testing programmes.

Audit conclusion

The procedures we have undertaken have not identified any material errors or uncertainties in the financial statements, or other matters that we wish to bring to Members' attention.

2. SIGNIFICANT FINDINGS (CONTINUED)

Qualitative aspects of the Council's accounting practices

We have reviewed the Council's accounting policies and disclosures. We have provided feedback on the draft financial statements and agreed amendments in any areas where disclosures could be strengthened. We have discussed with management specific accounting policies, for example the approach to debtors impairment under IFRS 9, and taken into account their assessment that the extent of any non compliance is immaterial. We are satisfied that the final statements comply with the requirements of the Code of Practice on Local Authority Accounting (the Code), appropriately tailored to the Council's circumstances. The national timetable for the accounts completion and audit this year was changed in response to the COVID-19 pandemic. The draft Statement of Accounts, including the Council's draft financial statements, were received on at the end of June 2020, well ahead of the 31 August 2020 deadline, and were of a good quality.

Significant matters discussed with management

Significant matters discussed with management during our audit and which had implications for our audit testing and reporting included:

- The impact of COVID-19 on the Council's business, including any potential impact on risks of material misstatement. This included the disclosures made regarding the key sources of estimation uncertainty that management has made in preparing the Statement of Accounts. The Council's valuers have followed RICS guidance and as expected their valuation report concludes that, due to the impact of COVID-19 on the property market, there is "material uncertainty" over the valuation of land and buildings and investment properties at the balance sheet date. This extends to property assets held by the Pension Fund. This has been disclosed in the notes to the Council's Financial Statements.
- The Council's adoption of the 'going concern' principle in preparing the Financial Statements and its consideration of any material uncertainties regarding events or conditions which may cast doubt over its ability to continue as a 'going concern' which need to be disclosed. The 'going concern' status is confirmed through the 2019/20 local government accounting code, and must also follow International Accounting Standard (IAS) 1: Presentation of Financial Statements. We must comply with a revised ISA (UK) 570 Going Concern, effective for periods commencing on or after 15 December 2019. The above, combined with the impact of COVID-19, meant an additional level of scrutiny was required over the going concern assertion in 2019/20.
- The Council's response to relevant legal cases which impact on the valuation of certain pension liabilities. These included:
 - the proposed remedy for the 'McCloud' case (which emerged initially in 2018/19 and was reported on in our previous Audit Completion Report) which is likely to have led to an overstatement of the original estimate of the Council's pension fund liability as at 31 March 2020. Management has requested an updated IAS19 valuation report from the Council's actuary for this matter and the impact is not regarded by management as material.
 - The 'Goodwin' case brought against the Secretary of State for Education earlier this year regarding discrimination owing to sexual orientation in the Teachers' Pension Scheme. The factors underpinning this case are likely to apply to the Local Government Pension Scheme and employers are being asked to determine whether there is a risk that their liabilities are materially misstated. Management has sought advice from its actuary in relation to this matter and concluded that the impact on this accounting estimate is not material and need not be included in the Council's pension liability estimates.
- Impact of changes in audit scope on the external audit fee. We have provided management with a fee estimate and final fees will be agreed with management prior to inclusion and cover the following matters identified to date:
 - We continually strive to maintain high standards of audit quality and consider the outcome of independent quality reviews, in particular by the Financial Reporting Council, of our audit work and that of other audit suppliers. We have increased the level of work we do on defined benefit pension schemes and valuation of property, plant and equipment. Alongside this, as the Council is designated as a 'Major Local Audit', we have also needed to include additional levels of supervision and review to meet regulators' expectations. These factors will lead to a permanent uplift to the audit fee and have provided management with an estimate, to be confirmed on completion of our work, of between £12,000 and £13,000.
 - Additional audit risks arising from COVID-19. We have discussed with management the additional audit testing and audit work required relating to pension assets and liabilities as well as adjustments for 'McCloud'; uncertainty in the valuation of land and buildings; going concern; and other areas. Our fee estimate given to management is between £6,750 and £9,000.

2. SIGNIFICANT FINDINGS (CONTINUED)

Significant difficulties during the audit

During the course of the audit we have had the full co-operation of management. Officers have been very helpful and responsive in addressing our audit queries. The changes to the Council's and Mazars' working arrangements' in response to COVID-19 and other pressures across the sector has lead to a number of challenges during the year-end accounts closedown and audit process. There have understandably been some difficulties in carrying out our normal audit procedures and obtaining the audit evidence required. We are grateful for the co-operation and support provided.

Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2019/20 audit.

The 2014 Act also requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and to consider any objection made to the accounts. We have received one item of correspondence that we have considered through the course of our audit. We issued a response on 15 September 2020 concluding that that no action is required of us at this time in our capacity as the Council's external auditor. Our response to the individual was shared with Council Officers.

Delay in Audit certificate

The issue of the Audit Certificate confirms that we have discharged all of our audit responsibilities and that the audit is formally 'closed'. The Audit Certificate would normally be published in our Auditor's Report on the Statement of Accounts alongside the accounts opinion and value for money conclusion. The NAO has not yet issued its Group Instructions for local authority audits. We therefore expect to issue the Auditor's Report, but without the Audit Certificate, shortly after the audited Statement of Accounts has been approved by the Audit Committee. We will then issue the Audit Certificate separately as soon as we are able to do so. We will update the Audit Committee when more information is known but at this stage the draft Auditor's Report at Appendix B states that we are unable to issue the Audit Certificate alongside the accounts audit opinion and value for money conclusion.



3. INTERNAL CONTROL RECOMMENDATIONS

The purpose of our audit is to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements. We do this in order to design audit procedures to allow us to express an opinion on the financial statement and not for the purpose of expressing an opinion on the effectiveness of internal control, nor to identify any significant deficiencies in their design or operation.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Our findings and recommendations are set out below. We assign priority rankings to each of them to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action. In summary, the matters arising fall into the following categories:

Priority ranking	Description	Number of issues
1 (high)	In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.	0
2 (medium)	In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.	1
3 (low)	In our view, internal control should be strengthened in these additional areas when practicable.	0

3. INTERNAL CONTROL RECOMMENDATIONS (CONTINUED)

Deficiencies in internal control – Level 2

Description of deficiency

Agresso Access Controls - As part of our testing of the operation of controls over user access we compared the details of Agresso users who had left the Council in the year to those listed in the latest 'Active Directory' of users to establish whether their user accounts had been disabled. We identified that 173 (out of the 624 tested) of these user accounts had not been disabled at the date of our review. Further testing identified that at the time of our assessment 7 of these 'live' exceptions had logged in after their leaving date. The specific user exceptions highlighted at our review have been followed up by management and addressed.

Potential effects

If former employees still have a Council IT asset and are set up on the Council's network with a valid active directory then they are able to continue to access the systems they formerly used in the course of their duties. It is acknowledged that the completeness and accuracy of active user accounts and ability to access the system is dependent on the timing and completeness of information provided by the HR provider and other 'leaver' actions required by line managers (for example the return of IT assets).

Recommendation

The Business World (BW) team should work with the Council's HR provider to ensure it has the appropriate information to enable the user accounts are accurate and up to date.

Management response

The BW team acknowledge that the information exchange process between the HR provider and managers can make it difficult to minimise any time lags in the disabling of user access. The Team is working as part of the BW ERP redesign with colleagues on other projects (specifically the introduction of Microsoft 365) on improving controls over identity management to strengthen the link between the setting up/deletion of User and Resource IDs. In the meantime the Team will continue to liaise with HR provider (including review of weekly 'leavers' reports) and other Council colleagues with a view to addressing any current issues.

4. SUMMARY OF MISSTATEMENTS

No material misstatements have been identified during our audit work to date.

A small number of disclosure amendments to the notes to the Statement of Accounts have been agreed with management to correct minor errors. There are no significant amendments that we are required to highlight in this report. The main audit adjustments relate to:

- Note 3 Assumptions Made About The Future And Other Major Sources Of Estimation Uncertainty: to reflect the material valuation uncertainty caused by Covid19 on the Council's land and buildings and investment properties and Council's share of pension fund property assets

Unadjusted misstatements

The unadjusted misstatements identified during the course of the audit work completed so far above the trivial reporting threshold of £685k are summarised below. Any unadjusted misstatements above the trivial threshold need to be included in the Management Letter of Representation (Appendix A).

	Draft Statements May 2020 IAS19 Report £000s	September 2020 IAS19 Report £000s	Difference £000s
1 Comprehensive Income and Expenditure Statement – Costs of Services (Past Service Cost element)	(74,491)	(72,025)	(2,466)
Comprehensive Income and Expenditure Statement – Other Comprehensive Income and Expenditure (Remeasurement of the Net Defined Benefit Liability/(Asset))	229,030	225,084	3,946
Comprehensive Income and Expenditure Statement – Total Comprehensive Income and Expenditure	177,695	179,175	1,480
Balance Sheet – Net Pension Liability	856,614	858,094	1,480
Balance Sheet - Pension Reserve	(856,614)	(858,094)	1,480

The draft Statements have been prepared based on the IAS19 actuarial valuation received in May 2020. Management has in September 2020 obtained a further valuation report from the Actuary, to take into account changes to the valuation approach for the McCloud liability and to the Pension Assets valuation.

The table above summarises the impact of differences between the two reports on the financial statements (for ease of presentation it does not identify all areas and notes affected). Management do not propose to amend the Financial Statements for these differences on the grounds of materiality.

5. VALUE FOR MONEY CONCLUSION

Introduction

We are required to form a conclusion as to whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our conclusion, and sets out the criterion and sub-criteria that we are required to consider.

The overall criterion is that, 'in all significant respects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.' To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

Our approach

Our overall approach is set out in our Audit Strategy Memorandum and involves a detailed risk assessment at the planning stage to identify whether or not a Value for Money (VFM) risk exists. Risk, in the context of our VFM work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Council being inadequate. As set out in our Audit Strategy Memorandum, for the 2019/20 financial year, we identified no significant audit risks. We did though identify the Council's medium term financial sustainability as a matter which we needed to keep under close review during our audit

Before drawing our conclusion we have:

- Reviewed the 2019/20 financial performance and forecasts during the year and considered the Council's financial outturn position as presented in the financial statements.
- Reviewed the 2020/21:
 - Revenue and Capital budgets and Medium Term Financial Plan
 - Treasury Management Strategy, incorporating the Minimum Revenue Provision Policy and Capital and Investment Strategies
- Considered the Council's latest financial monitoring information and its updated medium term outlook
- Updated our risk assessment for any new or emerging issues through discussions with management and updating our review of committee reports;
- Reviewed the Council's Annual Governance Statement for any significant issues; and
- Considered the general findings from our audit work in other areas

From the work performed, no new significant VFM risks were identified and we have no additional matters to report.

In April 2020 NAO issued an update to its VFM guidance to auditors which set out how local auditors should approach considering the impact of COVID-19 on their 2019/20 VFM arrangements conclusion risk assessment. The guidance states that auditors should generally consider local bodies' arrangements and their response to the pandemic as part of their 2020/21 work on VFM arrangements, and that only where there is a clear indication of a significant failure of arrangements during the 2019/20 financial year as a result of COVID-19 would it be appropriate to raise a 2019/20 significant risk. We have not identified any significant failures in the Council's arrangements during 2019/20 and are satisfied that no additional significant VFM risks have been identified in relation to these matters.



5. VALUE FOR MONEY CONCLUSION

The COVID-19 lockdown occurred in the final two weeks of the Council's financial year and the impact on the 2019/20 financial outturn was not significant. The Council reported a £15.1m underspend on non-school budgets (schools' budgets were £11.9m underspent) which was similar to earlier forecasts. The main areas of underspend were in capital financing charges where the net £5.1m underspend reflected changes to and an underspend against the schemes in the capital programme, and in the central contingency budget which was £2.3m underspent. Around £0.4m of Government's COVID-19 emergency support grant was used in 2019/20 to support additional costs and losses.

The full financial impact of COVID-19 is not yet certain and we recognise the Council is working through the implications and considerations through business planning and financial planning updates. In September 2020 the Council was forecasting a £3.5m overspend (excluding schools and capital financing charges) against the 2020/21 budget, with the variances largely attributable to the impact of Covid-19 and demand pressures in the budgets for looked after children, school transport and waste recycling. The total forecast Covid-19 expenditure and losses was £43.1m with £40.3m support grant received to date. The Council expected to be able to bridge this gap from further grant available to compensate for lost income. Management is carefully tracking and challenging budget variances and the demands being placed on the COVID-19 grants. The Council was forecasting that general reserves would still be at target levels at the end of the year and did expect to draw on the Financial Volatility Reserve (£52.6m), although this was available if needed. The approach to managing the capital financing charges budget (which was forecast to be £6.9m underspent) and funding is being revised to reflect updates to the capital spending plans and the Council's overall financial position.

The COVID-19 outbreak has impacted on the Council's ability to enact its original 2020/21 plans, including income generation and expenditure reductions and other developments. The Council is continuing to evaluate this impact and taking steps to update and revise its arrangements to ensure it has clear and robust plans to secure the Council's financial resilience over the medium term.

The Council's response to the pandemic will be a major focus of our 2020/21 audit and value for money assessment under the new Code of Audit Practice framework and supporting NAO guidance. We will continue to liaise with management and update our understanding of the Council's arrangements as part of risk assessment and reporting in the new financial year.

Overall Conclusion

Based on the work performed to date, and subject to our completion and review procedures, there are no matters arising that would prevent us from issuing an unqualified Value for Money conclusion for the 2019/20 financial year in line with the indicative wording included at Appendix B.



APPENDIX A

DRAFT MANAGEMENT REPRESENTATION LETTER

Mark Surridge

Mazars LLP

45 Church Street
Birmingham
B3 2RT

xx November 2020

Dear Sirs

Lincolnshire County Council - audit for year ended 31 March 2020

This representation letter is provided in connection with your audit of the financial statements of Lincolnshire County Council (the Council) for the year ended 31 March 2019 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code) and applicable law.

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

My responsibility for the financial statements and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code and applicable law.

My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Council you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Executive Director of Resources that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

Accounting records

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Council and committee meetings, have been made available to you.

Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with Code and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Council's financial position, financial performance and cash flows.

APPENDIX A

DRAFT MANAGEMENT REPRESENTATION LETTER

Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used by the Council in making accounting estimates, including those measured at current or fair value, are reasonable.

I confirm that I am satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities for IAS19 disclosures are consistent with my knowledge. I confirm that all settlements and curtailments have been identified and properly accounted for. I confirm that all significant retirement benefits have been identified and properly accounted for (including any arrangements that are statutory, contractual or implicit in the employer's actions, that arise in the UK or overseas, that are funded or unfunded).

Material Valuation Uncertainty

The outbreak of COVID-19, has impacted global financial markets and as such identified that less weight can be attached to the previous market evidence for comparison purposes and to inform opinions of value. The current response to COVID-19 has resulted in an unprecedented set of circumstances on which to base judgement, resulting in the valuations recognised within the Statement of Accounts being reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Given the unknown future impact that COVID-19 might have on the real estate market. I am satisfied that sufficient and appropriate disclosures have been made in the Statement of Accounts to reflect the impact of 'material valuation uncertainty' on the Council's assets.

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date. There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Council have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code and applicable law.

Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

The Council has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

Fraud and error

I acknowledge my responsibility as Executive Director of Resources for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Council involving:
- management and those charged with governance;
- employees who have significant roles in internal control; and
- others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, analysts, regulators or others.

APPENDIX A

DRAFT MANAGEMENT REPRESENTATION LETTER

Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the to you the requirements of the Code and applicable law. I have disclosed the identity of the Council's related parties and all related party relationships and transactions of which I am aware.

Impairment Review

To the best of my knowledge there is nothing to indicate that there is a permanent reduction in the recoverable amount of the plant, property, equipment and investment property balances below their carrying value at the balance sheet date.

Future commitments

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Service Concession Arrangements

I am not aware of any material contract variations, payment deductions or additional service charges in 2019/20 in relation to the Council or the Council's PFI schemes that you have not been made aware of.

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code and applicable law, require adjustment or disclosure have been adjusted or disclosed. Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

Other matters

I can confirm in relation to the following matters that:

- Brexit - we have assessed the potential impact of the United Kingdom leaving the European Union and that the disclosure in the Narrative Report and note 3 to the Statement of Accounts fairly reflects that assessment.
- COVID-19 - we have assessed the potential impact of the COVID-19 Virus pandemic on the Authority and the Statement of Accounts, including the impact of mitigation measures and uncertainties, and are satisfied that the Statement of Accounts and supporting notes fairly reflect that assessment.

Going concern

To the best of my knowledge there is nothing to indicate that the Council will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts. I have updated our going concern assessment in light of the Covid-19 pandemic. I continue to believe that the Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements

Annual Governance Statement

I am satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and I confirm that I am not aware of any significant risks that are not disclosed within the AGS

Narrative report

The disclosures within the Narrative Report fairly reflect my understanding of the Council's financial and operating performance over the period covered by the financial statements

Unadjusted misstatements

I confirm that the effects of any uncorrected misstatements (including those identified at the appendix to this letter are immaterial, both individually and in aggregate, to the financial statements as a whole.

This letter was tabled and agreed at the meeting of the Audit Committee on 16 November 2020.

Yours faithfully

Executive Director of Resources

Executive summary

Significant findings

Internal control
recommendations

Summary of
misstatements

Value for Money
conclusion

Appendices

APPENDIX B

DRAFT AUDITOR'S REPORT

TO BE UPDATED FOLLOWING CONSULTATION

Independent auditor's report to the members of Lincolnshire County Council Report on the financial statements

Opinion

We have audited the financial statements of Lincolnshire County Council for the year ended 31 March 2020, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial position of Lincolnshire County Council as at 31st March 2020 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Effect of the Covid-19 pandemic on the valuation of land, buildings and investment properties and Pension Fund property investment assets

We draw attention to Note 3 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Council's land, buildings and investment properties and the valuation of the Council's share of Lincolnshire Pension Fund's property assets. As disclosed in Note 3 of the financial statements, the Council's and Pension Fund's valuers included a 'material valuation uncertainty' declaration within their reports as a result of the Covid-19 pandemic creating a shortage of relevant market evidence on which to base their judgements. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Executive Director of Resources' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Executive Director of Resources has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

APPENDIX B

DRAFT AUDITOR'S REPORT

Other information

The Executive Director of Resources is responsible for the other information. The other information comprises the Annual Governance Statement and information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Executive Director of Resources for the financial statements

As explained more fully in the Statement of Responsibilities, the Executive Director of Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and for being satisfied that they give a true and fair view. The Executive Director of Resources is also responsible for such internal control as the Executive Director of Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Executive Director of Resources is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution without transfer of services or function to another entity. The Executive Director of Resources is responsible for assessing each year whether or not it is appropriate for the Council to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

APPENDIX B

DRAFT AUDITOR'S REPORT

Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Conclusion on Lincolnshire County Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, we are satisfied that, in all significant respects, Lincolnshire County Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Basis for conclusion

We have undertaken our review in accordance with the Code of Audit Practice issued by the Comptroller and Auditor General, having regard to the guidance on the specified criterion issued in April 2020, as to whether the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Responsibilities of the Council

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice requires us to report to you our conclusion relating to proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

APPENDIX B

DRAFT AUDITOR'S REPORT

Use of the audit report

This report is made solely to the members of Lincolnshire County Council, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack. We are satisfied that these matters do not have a material effect on the financial statements or on our conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

Mark Surridge
For and on behalf of Mazars LLP
45 Church Street
Birmingham
B3 2RT

Date

APPENDIX C INDEPENDENCE

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.

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Open Report on behalf of Andrew Crookham, Executive Director - Resources

Report to:	Audit Committee
Date:	16 November 2020
Subject:	Counter Fraud Progress Report

Summary:

This report provides an update on fraud investigation activities and information on progress made against our Counter Fraud Work Plan 2020/21.

Recommendation(s):

To note the outcomes of our counter fraud work and identify any actions required.

Background

1. This report provides an update on the progress made against the Counter Fraud Work Plan 2020/21, including our investigation activities. Details can be found in Appendix A, including:

- Key messages
- Investigation referrals and outcomes
- Proactive work
- Lincolnshire Counter Fraud Partnership update
- Revised planning
- Progress against plan

Conclusion

2. Despite the unprecedented pressures brought about by the current situation, we are making progress against the work plan for 2020/21. Key achievements include:

- We have completed our annual update of the Fraud Risk Register
- We have submitted the required datasets for National Fraud Initiative 2020/21.

- We responded rapidly to the changing circumstances to ensure raised awareness of fraud risks linked with the pandemic and fraudsters determination to exploit the resulting uncertainty and vulnerability
3. We have received 11 referrals in 2020/21 to date and have been able to close 9 cases since April 2020 – these were a mixture of cases brought forward from the previous year and new cases referred. We are currently dealing with 11 live investigations and 5 cases referred to Lincolnshire Police as part of our policy to ensure maximum sanctions are applied where relevant.
 4. Our proactive awareness work has continued where possible although has been adapted to ensure key messages have been released. Where we have identified or received fraud intelligence we have distributed details to allow service areas manage risks. We also have further awareness work lined up for delivery in the coming months.
 5. It has been necessary to adapt our plans to ensure an effective response to the dramatic changes in current circumstances. Our revised work plans cover several areas identified as key risks for 'post Covid19' review. These include work relating to:
 - Procurement fraud
 - Cyber fraud
 - Payroll and employee fraud
 - Payment and creditor fraud

Consultation

a) Risks and Impact Analysis

Risk and Impact analysis completed

Appendices

These are listed below and attached at the back of the report	
Appendix A	Counter Fraud Progress Report 2020/21
Appendix B	Counter Fraud Work Plan 2020/21
Appendix C	Fighting Fraud and Corruption Assessment Checklist - What should stakeholders do?
Appendix D	Fighting Fraud and Corruption Assessment Checklist - LCC Counter Fraud arrangements

Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

This report was written by Lucy Pledge, who can be contacted on 01522 553692 or lucy.pledge@lincolnshire.gov.uk .

COUNTER FRAUD

Progress Report



November 2020

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Appendix B - Counter Fraud Plan 2020/21
Appendix C & D - Fighting Fraud and Corruption Locally assessment checklist

Lucy Pledge - Head of Audit and Risk
Lucy.pledge@lincolnshire.gov.uk

Dianne Downs – Audit Team Leader
Dianne.downs@lincolnshire.gov.uk

This report has been prepared solely for the use of Members and Management of Lincolnshire County Council. Details may be made available to specified external organisations, including external auditors, but otherwise the report should not be used or referred to in whole or in part without prior consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended for any other purpose.

The matters raised in this report are only those that came to our attention during the course of our work – there may be weaknesses in governance, risk management and the system of internal control that we are not aware of because they did not form part of our work programme, were excluded from the scope of individual audit engagements or were not brought to our attention. The opinion is based solely the work undertaken as part of the agreed internal audit plan.

Introduction

Key Messages

We are making good progress despite the dramatic change in circumstances brought about by the Covid-19 pandemic. This has obviously brought about enormous change in everyday life and also raises the inherent risks of fraud so there has been impact on our work during 2020/21. We have had to make significant changes to our 2020/21 Counter Fraud Work Plan accordingly.

However, we have been able to readjust to plan and deliver several areas of proactive work including the submission of approximately 800,000 data records to the Cabinet Office to be matched and analysed within the 2020/21 National Fraud Initiative exercise. We have also successfully completed the annual review of the council's Fraud Risk Register taking into account the challenges and risks posed by Coronavirus.

We have continued to see high demand for fraud investigation work between April and September 2020 with 11 new fraud referrals made. 3 cases commenced in 2019/20 remain ongoing and 9 cases have been concluded during the 6 months to September 2020. Currently, we have 11 cases open at varying stages of completion.

Fraud recoveries have been limited to date although valuable work has been completed and is ongoing in several areas to be covered in the main body of this report. Our preventative work also identified and stopped a mandate fraud attempt valued at £60k.

11

**Fraud referrals
received
in 2020/21**

£3k

**Recovered from
investigation work
during 2020/21**

£60k

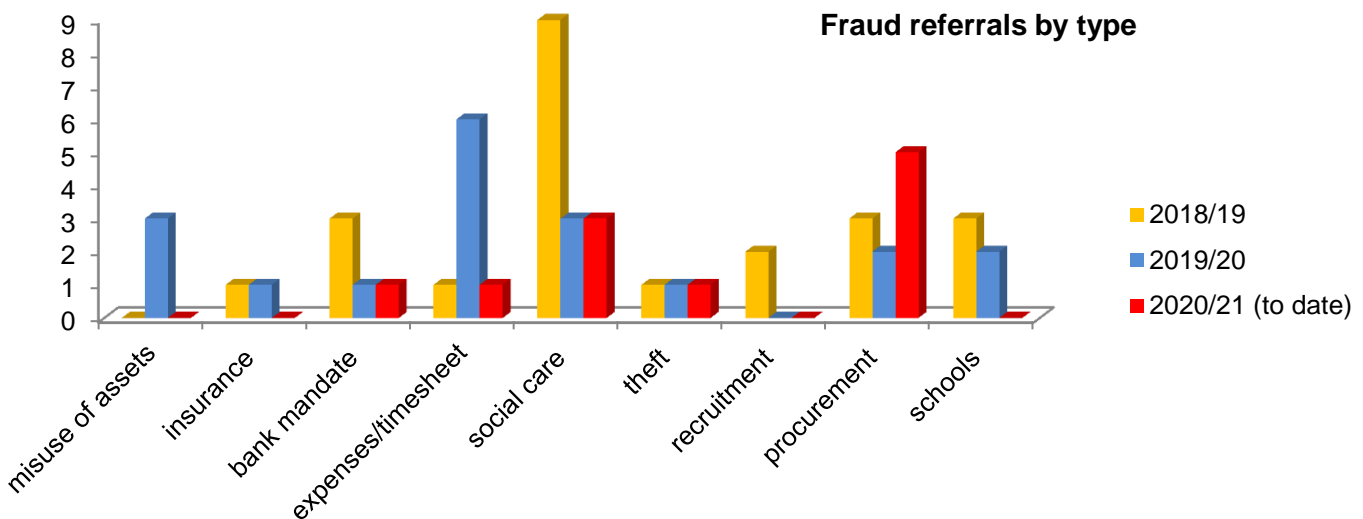
**Bank mandate fraud
stopped**

Fraud Referrals

We have received 11 fraud referrals in 2020/21 (6 months) so far in comparison to 15 reports at this stage in 2019/20. There has been a noticeable change in pattern from recent years in that while we have seen less cases referred, they are larger and more complex cases. The trend we had identified in 2018/19 and 2019/20 was there were higher numbers of less complicated cases. This is an interesting shift that we will continue to monitor and analyse.

The most prevalent fraud areas in 2020/21 so far have been Procurement – low level and high level cases being identified and also Social Care. These are both identified as Amber rated risks within the Fraud Risk Register.

Please see the analysis of referrals received in 2020/21 to date (by type).



Our long term and continued work to ensure awareness of mandate fraud has continued to help prevent the council becoming victim to fraud of this nature.

An approach was made by an alleged contractor requesting an early payment due to financial hardship. The Council's Finance team identified that the request seemed suspicious and the payment of £60k was consequently prevented.

We concluded an investigation in June 2020 relating to a timesheet fraud. The financial value involved prevented any police action being taken. However, we were able to pursue and secure the value of the fraud (£2.7k) through a deduction from their earnings.

This supports one of the main elements of LCC's Counter Fraud Policy in that we follow through maximum sanctions and pursue recovery of funds lost through fraud wherever possible.

Investigation Outcomes

We have been able to close down 9 cases during the year to date with 11 investigations currently ongoing. Where the circumstances warrant, we submit cases to Action Fraud (the UK's national reporting centre for fraud) or we refer them directly to Lincolnshire Police.

However, the value of loss or insufficient evidence can be a barrier to further action being taken. Sanctions and recoveries are key elements of the Council's Counter Fraud Policy so we do make all efforts to ensure we pursue fraudsters to ensure maximum sanctions are taken.

5

Cases with Police or Action Fraud

We currently have 5 cases at various stages of police investigation at this time.

2

Recoveries made

We have made 2 recoveries at value of £3k during 2020/21 to date.

1

Dismissal

1 employee has been dismissed following the disciplinary process so far this year. A further employee has received a Final Written Warning.

3

Management Action

1 employee was handed a warning following a case involving time recording irregularities.

3

Resignations

3 of our investigations resulted in the employee resigning. Depending on the issues involved we tend to continue investigations to ensure correct sanctions are applied.

Proactive Work

We have reviewed and re-prioritised our work plan to reflect revised risks, respond to pandemic circumstances and direct resources to complex investigations. This has allowed us to focus on emerging and high risk areas. However, we have been successful in completing some areas of work and will be continuing our 'post Covid-19' reviews during the remainder of 2020/21.

Fraud Risk Register

One of the key areas within our Work Plan is to complete the annual update of the Fraud Risk Register. Working closely with Risk Owners, we concluded that while inherent risks are definitely raised, the controls in place are mitigating the residual risks. To aid management of the fraud risks relating to Coronavirus, we have created a separate risk within the register to allow up to date intelligence to be gathered to ensure we can respond actively to the changing risks.

National Fraud Initiative 2020/21

We have submitted the necessary data to the Cabinet Office for the above exercise. This involved capture and preparation of over ¾ million records relating to pensions, payroll and creditors data to be used for data matching purposes. The reports will be released in January 2021 and these will be analysed at that time. This has proved a useful exercise in recent years with substantial overpayments identified and recovered.

Midland Fraud Group

We lead on this network of local authorities and it has been a valuable source of knowledge sharing and information during recent months. Group members have regularly updated throughout on relevant frauds and intelligence. We are hosting a virtual meeting of the group in November 2020.

Fighting Fraud Locally

The Local Government Fraud Strategy has been updated in 2020. Following on from our success in the 2019 Government Counter Fraud Awards, we were approached to develop material to be issued to schools to help them prevent and detect fraud. We have worked with Mazars to produce draft guidance. This is scheduled for national release later in 2020.

Data Analytics

In response to recent frauds involving the misuse of purchasing cards we now liaise with the Business Support Team to proactively review card transactions. This ongoing analysis has provided us with improved and knowledge in this area and has helped us identify a case that we are currently investigating.

Fraud Awareness

Fraudsters will seek to exploit the uncertainty created by major and unexpected events – the current Coronavirus issue is no exception. It is not surprising that much of our recent fraud awareness work has centred around Covid19. Obviously this was (and remains) an unprecedented and rapidly changing scenario. We received intelligence at the outset of lockdown, that scams and frauds around supply of PPE were prevalent – this enabled us to respond quickly and ensure Health and Wellbeing colleagues were aware of the potential risks.

As the pandemic progressed, there seemed to be a shift in focus towards cyber fraud as a prevalent fraud area including phishing attempts, spoofing and other forms of fraud based around use of technology. We liaised with Information Assurance colleagues to ensure that awareness of these frauds were heightened amongst employees and the public. We also ensured intelligence was forwarded to regional and Lincolnshire Counter Fraud Partnership (LCFP) colleagues.

Moving forwards, we have now updated our communications plan to ensure fraud messages continue to be disseminated to ensure a high level of awareness is maintained.

Key items within the plan are:

International Fraud Awareness Week

We have developed fraud messages and information to be promoted during IFAW (15-21 November 2020)

Targeted communications

We are working closely with specific services to develop key awareness relevant to their work. These include Children's Services and Business Support

Fraud Newsletter

We are working on a staff newsletter providing updates and information to staff to help promote awareness

Lincolnshire Counter Fraud Partnership

We continue to work with our partners to protect the Public Purse in Lincolnshire. The Partnership works to improve fraud resilience and fraud proofing across Lincolnshire by improving fraud intelligence, raising fraud awareness, sharing fraud intelligence, best practice and expertise. It does this by:

Sharing best practice for managing Covid 19 business grants to maximise fraud prevention and detection

Managing local and national intelligence sharing about emerging risks and threats

Refreshing the Fraud Awareness e-learning to reflect current fraud statistics and Covid-19 related fraud risks

Providing and managing a single point of contact across Lincolnshire for the Confidential Reporting Line

Raising fraud awareness by sharing pro-active fraud awareness campaigns: providing supplies of the updated fraud leaflet and poster and developing a Fraud Newsletter

Supporting District Councils to generate revenue from Council Tax fraud and error:

Due to unprecedented circumstances and other priorities (pandemic and devolution) it has been more difficult to progress proposals for generating revenue from Council Tax fraud and error - both the Single Person Discount [SPD] Bulk Review (scheduled April 2020) and the business case for a Continuous Rolling Review and referrals were placed on a temporary hold. Work is now on-going to re-schedule the planned work.

Planning

Key areas in the 2020/21 work plan

As reported to Committee within the update of the Fraud Risk Register, our planned work was understandably impacted by the pandemic. It was necessary to revise and review the priorities for our 2020/21.

The main areas identified for delivery during 2020/21 have been to ensure fraud awareness was promoted. Fraud risks are raised at this time and we have been required to respond quickly to ensure messages were issued to help understanding of potential frauds and scams. We have also been required to continue delivery of fraud investigations.

As we approach the second half of the year, we have adapted our plans to ensure 'post Covid-19 reviews' are carried out. The aim of these is to identify potential frauds and to provide assurance on controls. The main areas of focus are noted below.

**Procurement
Fraud**

**Payment &
Creditor
Fraud**

**Cyber
Fraud**

**Payroll &
Employee
Fraud**

The original Counter Fraud Work for 2020/21 Plan presented to the Audit Committee is included as Appendix to this report.

As noted above, it has not been possible to deliver work as originally planned. Where we have been able to make progress or complete against tasks these are endorsed within pages 9 to 15.

Strategic Response

A new national strategy: Fighting Fraud and Corruption Locally, A strategy for the 2020's, A response to economic crime and fraud.

(FFCL) (Published March 2020) <https://www.cipfa.org/services/counter-fraud-centre/fighting-fraud-and-corruption-locally>

The new national strategy is aimed at all those charged with governance in local authorities, including those on audit committees, council leaders, chief executives and finance directors and succeeds the previous strategies written in 2011 and 2016.

Key themes around 'Acknowledge', 'Prevent' and 'Pursue' have been continued, together with increased focus on arrangements to 'Govern' & 'Protect'.

The '**Govern**' strand recognises having a holistic approach to tackling fraud is part of good governance. It recommends having robust arrangements and executive support to ensure anti-fraud, bribery and corruption measures are embedded throughout the organisation.

The strategy provides self-assessment checklists for local authority Counter Fraud arrangements and recommended actions for senior stakeholders.

Our Response:

Compliance with the strategy and measurement against checklists are not mandatory, but FFCL provides a best practice framework for local authorities to deliver a robust response to threats of fraud and corruption.

Appendices 2 and 3 to this report reflect LCC's assessment against FFCL's expected roles and responsibilities and blueprint approach. We have recorded our current response and identified areas for future actions to be built into future Counter fraud work plans.

The assessment found that the council has many of the components for a strong counter fraud framework in place which already meets best practice. It has established essential elements of a strategic response to fraud in a policy framework which promotes a zero tolerance to fraud. The counter fraud strategy underpins the council's commitment to prevent and detect fraud.

Further consideration/ actions

The assessment identifies several suggestions for further improvements for LCC to be in line with current counter fraud best practice. Specific actions will enable the council to clearly define and embed its approach and improve its resilience to fraud and corruption. Key areas include:

- Governance and leadership
- Identifying fraud risks
- Counter fraud policy
- Partnership working and use of data

Specific step (from CIPFA Code of Practice)	Nature of work and Indicative Scope	Scheduling
CIPFA Code of Practice – Key Principle A : Acknowledge Responsibility		
A1 - Acknowledge the threat of fraud and corruption	Member Training and Audit Committee Support	Outstanding
A2 - Acknowledge the importance of a culture that is resilient to the threats of fraud and corruption	Counter Fraud Annual Plan and Progress Reports to Audit Committee	Completed – to date
A3 - Governing Body acknowledges its responsibility for the management of its fraud and corruption risks	Lincolnshire Counter Fraud Partnership Plan and Reports for Lincolnshire Finance Officers Group	Ongoing
A4 - Governing Body sets a specific goal of ensuring and maintaining its resilience to fraud and corruption	Corporate Leadership and Directorate Leadership Team training and liaison sessions	Outstanding
	Review of Terms of Reference for Lincolnshire Counter Fraud Partnership going forward	Outstanding
	<ul style="list-style-type: none"> • Training • Briefing Sessions • Engagement • Updates • Publications 	

25 Days (3%)

Specific step (from CIPFA Code of Practice)	Nature of work and Indicative Scope	Scheduling
CIPFA Code of Practice – Key Principle B : Identify Risks		
B1 - Fraud risks are routinely considered as part of risk management arrangements	Horizon Scanning Benchmarking Activity – CFACT Tracker (annual survey) and liaison with Midland Fraud Group colleagues	Ongoing Completed
B2 - The organisation identifies the risks of fraud and corruption	Review historic investigations – trend analysis purposes	Ongoing
B3 - The organisation publishes estimates of fraud loss to aid evaluation of fraud risk exposures	Research and develop fraud loss estimate system Assurance Mapping process - Counter Fraud and Investigations, Audit and Risk teams	Outstanding Ongoing
B4 – The organisation evaluates the harm to its aims and objectives	Update of Fraud Risk Registers	Completed
	Fraud Risk Register – present report to Audit Committee	Completed
	Identify priority service areas for awareness training	Completed
	Support for District partners on Fraud Risk Register update and development	Outstanding

32 Days (4%)

Specific step (from CIPFA Code of Practice)	Nature of work and Indicative Scope	Scheduling
CIPFA Code of Practice – Key Principle C : Develop a Strategy		
<p>C1 - Governing Body formally adopts a counter fraud and corruption strategy to address identified risks</p> <p>C2 - Strategy includes the organisation's use of joint working or partnership approaches</p> <p>C3 - The strategy includes both proactive and responsive approaches:</p>	<p>Annual Counter Fraud Work Plan</p> <p>Strategy: Refresh Counter Fraud Strategy Counter Fraud Policy Fraud Response Plan</p> <p>Whistleblowing Policy</p> <p>Money Laundering Policy</p> <p>Refresh investigation practice notes</p> <p>Refresh Communications Strategy</p> <p>Feasibility study for establishment of a County wide data hub</p> <p>General horizon scanning</p> <p>Fighting Fraud and Corruption Locally - response</p>	<p>Completed</p> <p>Counter fraud policies currently under review. Updates due for internal consultation ahead of presentation to February /March Audit Committee</p> <p>Outstanding</p> <p>Ongoing</p> <p>Outstanding</p> <p>Ongoing</p> <p>Ongoing</p>

Specific step (from CIPFA Code of Practice)	Nature of work and Indicative Scope	Scheduling
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CIPFA Code of Practice – Key Principle C : Develop a Strategy

Proactive action:

- Develop counter fraud culture
- Prevent fraud through implementation of robust internal controls
- Use of techniques such as data matching
- Deterring fraud attempts by publicising the organisation's anti-fraud and corruption stance and the actions it takes against fraudsters

Responsive action:

- Detecting fraud through data and intelligence analysis
- Implementing effective whistleblowing arrangements
- Investigating fraud referrals
- Applying sanctions and seeking redress

Specific step (from CIPFA Code of Practice)	Nature of work and Indicative Scope	Scheduling
CIPFA Code of Practice – Key Principle D : Provide Resources		
D1 - Annual assessment whether level of resource invested to countering fraud and corruption is proportionate to the level of risk	Lincolnshire Counter Fraud Partnership resource Cover the Whistleblowing facility – logging reports, referrals and follow up action LCC – Support and advice Engagement with national and regional best practice groups (including Midland Fraud Group) – sharing intelligence, CIPFA Standards and Fighting Fraud and Corruption Locally.	Completed Ongoing Ongoing Ongoing
D2 - The organisation utilises an appropriate mix of experienced and skilled staff	Enhance data analytic training and capability E-Learning	Outstanding Ongoing
D3 - The organisation grants counter fraud staff unhindered access to its employees		
D4 - The organisation has protocols in place to facilitate joint working and data and intelligence sharing		

100 Days (14%)

Specific step (from CIPFA Code of Practice)	Nature of work and Indicative Scope	Scheduling
CIPFA Code of Practice – Key Principle E : Take Action		
E1 - The organisation has put in place a policy framework which supports the implementation of the Counter Fraud Strategy	Promotion and Delivery of Communications Plan, Fraud Awareness sessions and Fraud Clinics Completion of work brought forward from 2019/20 plan National Fraud Initiative—Processing & Reporting	Ongoing Completed Completed
E2 - Plans and operations are aligned to the strategy	Proactive counter fraud exercises – driven by Fraud Risk Register priorities:	Counter Fraud Work Plan amended to reflect changed work priorities due to Covid-19
E3 - Making effective use of initiatives to detect and prevent fraud, such as data matching or intelligence sharing	<ul style="list-style-type: none"> • Support for due diligence audits • Social Care – Financial Abuse • Social Care – overstated care needs • Social Care – Financial Assessments • Schools and establishments • Cyber Fraud • Procurement and Contract Management • Payroll and Employees • Payments and Creditors 	
E4 - Providing for independent assurance over fraud risk management, strategy and activities	<ul style="list-style-type: none"> • False Accounting • Identity Fraud • Insurance 	
E5 - Report to the Governing Body at least annually on performance against the counter fraud strategy and the effectiveness of the strategy. Conclusions are featured within the Annual Governance report		

Specific step (from CIPFA Code of Practice)	Nature of work and Indicative Scope	Scheduling
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CIPFA Code of Practice – Key Principle E : Take Action

* Note also Specific Step – C3		
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164 Days (23%)

320 days for Investigations (45%)

Specific step (from CIPFA Code of Practice)	Nature of work and Indicative Scope	Scheduling
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Contingency	Emerging risks	
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73 Days (10%)

TOTAL – 726 DAYS

Appendix C – Fighting Fraud and Corruption Locally Assessment Checklist

What should senior stakeholders do?

Ref	FFCL 2020s strategy Requirements	Current response	Future plans/ further action required
Chief Exec	<ol style="list-style-type: none"> 1.Ensure that your authority is measuring itself against the checklist for FFCL 2. Is there a trained counter fraud resource in your organisation or do you have access to one? 3. Is the audit committee receiving regular reports on the work of those leading on fraud and is the external auditor aware of this? 	<p>Yes</p> <p>Yes – Counter Fraud & Investigations Team (CFIT)</p> <p>Yes – annual and interim Counter Fraud Progress reports to Audit Committee</p>	
S151	<ol style="list-style-type: none"> 1. Is there a portfolio holder who has fraud within their remit? 2. Is the head of internal audit or counter fraud assessing resources and capability? 3. Do they have sufficient internal unfettered access? 4. Do they produce a report on activity, success and future plans and are they measured on this? 	<p>Yes, named Counter Fraud Champion Cllr. Maughan</p> <p>Yes – dedicated Counter Fraud resources allocated to match risk areas, management monitoring in place</p> <p>Yes – right of access defined in Audit Charter Annual and interim Counter Fraud Reporting to Audit Committee</p>	
Monitoring Officer	<ol style="list-style-type: none"> 1. Are members, audit committees and portfolio leads aware of counter fraud activity and is training available to them? 2. Is the fraud team independent of process and does it produce reports to relevant committees that are scrutinised by members? 	<p>Yes – regular fraud training with Audit Committee. Fraud is covered in Members Handbook. Members induction arrangements to cover fraud (proposal in development)</p> <p>Yes – independence defined in Audit Charter. Annual and interim reporting of counter fraud</p>	<p>Develop the reporting of counter fraud arrangements to the Executive, Members and senior managers</p>
Audit Committee	<ol style="list-style-type: none"> 1.Should receive a report at least once a year on the counter fraud activity which includes proactive and reactive work 2. Should receive a report from the fraud leads on how resource is being allocated, whether it covers all areas of fraud risk and where those fraud risks are measured 3. Should be aware that the relevant portfolio holder is up to date and understands the activity being undertaken to counter fraud 4. Should support proactive counter fraud activity 5. Should challenge activity, be aware of what counter fraud activity can comprise and link with the various national reviews of public audit and accountability. 	<p>Receive annual and interim reports</p> <p>Annual Counter Fraud Work Plan and Fraud Risk Register update</p> <p>Yes – regular counter fraud liaison by CFIT Team Leader</p> <p>Yes</p> <p>Regular liaison</p>	
Portfolio Lead	<ol style="list-style-type: none"> 1. Receives a regular report that includes information, progress and barriers on: <ul style="list-style-type: none"> • The assessment against the FFCL • Fraud risk assessment and horizon scanning. 	<p>Covered in regular reporting to Audit Committee.</p>	

LCC Counter Fraud arrangements

Ref	FFCL 2020s strategy Requirements	Current response	Future plans/ further action required
	<p>The local authority has made a proper assessment of its fraud and corruption risks, has an action plan to deal with them and regularly reports to its senior Board and its members.</p>	<p>Fraud risks register reviewed annually and reported to Audit Committee. Counter fraud Work Plan is aligned to high fraud risk areas.</p>	
	<p>The local authority has undertaken a fraud risk assessment against the risks and has also undertaken horizon scanning of future potential fraud and corruption risks. This assessment includes the understanding of the harm that fraud may do in the community.</p>	<p>Regular horizon scanning performed. Safer Lincolnshire Partnership Strategic Plan covers fraud against the public. Fraud sub-group tackles highest risks - current focus is scams.</p>	
	<p>There is an annual report to the audit committee, or equivalent detailed assessment, to compare against FFCL 2020 and this checklist.</p>	<p>Annual and interim Counter Fraud reports taken to Audit Committee. FFCL comparison included in audit committee report.</p>	
	<p>The relevant portfolio holder has been briefed on the fraud risks and mitigation</p>	<p>Regular liaison with Fraud Champion</p>	
	<p>The audit committee supports counter fraud work and challenges the level of activity to ensure it is appropriate in terms of fraud risk and resources</p>	<p>Annual Counter Fraud Work Plan agreed with Audit Committee</p>	

LCC Counter Fraud arrangements

Ref	FFCL 2020s strategy Requirements	Current response	Future plans/ further action required
	There is a counter fraud and corruption strategy applying to all aspects of the local authority’s business which has been communicated throughout the local authority and acknowledged by those charged with governance.	There is a Counter Fraud Policy in place which is being updated to take account of the latest national guidance.	Update the Counter Fraud Policy to reflect national guidance. The policy review will include raising awareness of it with staff and Members.
	The local authority has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business.	Business arrangements are underpinned with internal control requirements. Regular liaison between Internal Audit and CFIT.	
	The risks of fraud and corruption are specifically considered in the local authority’s overall risk management process.	LCC's overall risk management process considers fraud risks	
	Counter fraud staff are consulted to fraud-proof new policies, strategies and initiatives across departments and this is reported upon to committee.	Counter fraud staff review key policies and initiatives for counter fraud arrangements	
	Successful cases of proven fraud/corruption are routinely publicised to raise awareness.	Annual Communication Plan includes publicising relevant fraud cases	

LCC Counter Fraud arrangements

Ref	FFCL 2020s strategy Requirements	Current response	Future plans/ further action required
	<p>The local authority has put in place arrangements to prevent and detect fraud and corruption and a mechanism for ensuring that this is effective and is reported to committee</p>	<p>Dedicated specialist Counter Fraud team. Regular reporting to Audit Committee of results and progress. Delivered 87% of tasks in 2019/20 Work Plan. £114k fraud recovery in 2019/20 £1.56m fraud stopped. Peer review report on LCC counter fraud arrangements issued March 2019 – substantial assurance. Pro-active fraud awareness campaigns and initiatives. The effectiveness of counter fraud arrangements are measured by a combination of regular reporting to Audit Committee, participating in the annual fraud survey and benchmarking against good practice. The overall feedback from the review conveyed confidence in the counter fraud arrangements being delivered by the Audit & Risk Team.</p>	
	<p>The local authority has put in place arrangements for monitoring compliance with standards of conduct across the local authority covering:</p> <ul style="list-style-type: none"> – codes of conduct including behaviour for counter fraud, anti-bribery and corruption – register of interests – register of gifts and hospitality. 	<p>Codes of conduct set out counter fraud requirements. Established procedures covering register of interests, gifts and hospitality. Regular fraud awareness messages.</p>	

LCC Counter Fraud arrangements

Ref	FFCL 2020s strategy Requirements	Current response	Future plans/ further action required
	Members and staff are aware of the need to make appropriate disclosures of gifts, hospitality and business. This is checked by auditors and reported to committee.	Procedures established for reporting of gifts and hospitality. Audit assurance rated limited (officers) and substantial (members).	
	There is a programme of work to ensure a strong counter fraud culture across all departments and delivery agents led by counter fraud experts.	Covered in annual Communications Plan and specific Campaign Plans to raise fraud awareness	
	There is an independent and up-to-date whistleblowing policy which is monitored for take-up and can show that suspicions have been acted upon without internal pressure.	Whistleblowing Policy in place (reviewed 2018). Publicises the Council's confidential Whistleblowing facility to encourage referral of suspicious activity. Referrals handled independently by CFIT. Annual whistleblowing report to audit committee.	
	Contractors and third parties sign up to the whistleblowing policy and there is evidence of this. There should be no discrimination against whistleblowers.	Contracts touch on responsibilities of contractors and third parties for fraud.	Review the arrangements established with contractors and third parties for raising awareness of whistleblowing arrangements

LCC Counter Fraud arrangements

Ref	FFCL 2020s strategy Requirements	Current response	Future plans/ further action required
	Fraud resources are assessed proportionately to the risk the local authority faces and are adequately resourced.	Annual review performed by Audit & Risk Manager	
	There is an annual fraud plan which is agreed by committee and reflects resources mapped to risks and arrangements for reporting outcomes. This plan covers all areas of the local authority's business and includes activities undertaken by contractors and third parties or voluntary sector activities.	Annual Counter Fraud Work Plan agreed by Audit Committee	
	Statistics are kept and reported by the fraud team which cover all areas of activity and outcomes.	Key counter fraud statistics maintained	
	Fraud officers have unfettered access to premises and documents for the purposes of counter fraud investigation.	Counter fraud staff have unrestricted access for the purpose of counter fraud investigation	
	The local authority undertakes recruitment vetting of staff prior to employment by risk assessing posts and undertaking the checks recommended in FFCL 2020 to prevent potentially dishonest employees from being appointed.	Recruitment checks established. Audit assurance rated as substantial. Identity fraud training delivered by the Police.	

LCC Counter Fraud arrangements

Ref	FFCL 2020s strategy Requirements	Current response	Future plans/ further action required
	There is a programme to publicise fraud and corruption cases internally and externally which is positive and endorsed by the council’s communications team.	Annual Counter Fraud Communication Plan covers key fraud cases. Communications team are involved with fraud campaigns	
	There is a programme to publicise fraud and corruption cases internally and externally which is positive and endorsed by the council’s communications team.	As above	
	All allegations of fraud and corruption are risk assessed	Strategy meeting considers risks and agrees the way forward for each case at the outset	
	The fraud and corruption response plan covers all areas of counter fraud work: prevention: detection: investigation: sanctions and redress.	Annual Counter Fraud Work Plan covers key areas	
	The fraud response plan is linked to the audit plan and is communicated to senior management and members.	Fraud Response Plan is based on regular liaison between audit and Counter Fraud teams. Audit planning documentation encourages auditors to liaise with CFIT on counter fraud. Audit process follows up implementation of management actions regularly	

LCC Counter Fraud arrangements

Ref	FFCL 2020s strategy Requirements	Current response	Future plans/ further action required
	Asset recovery and civil recovery are considered in all cases.	Sanctions consider recovery options	
	There is a zero tolerance approach to fraud and corruption that is defined and monitored and which is always reported to committee.	Counter Fraud Policy states a zero tolerance to fraud	
	There is a programme of proactive counter fraud work which covers risks identified in assessment.	Annual Counter Fraud Work Plan agreed with Audit Committee	
	The counter fraud team works jointly with other enforcement agencies and encourages a corporate approach and co-location of enforcement activity.	<p>Collaborative working with peers - (CFIT lead the Midland Fraud Group). Participate fully in the National Fraud Initiative and other relevant initiatives to detect fraud through data matching exercise. Referrals made to</p> <p>Action Fraud. Lincolnshire Counter Fraud Partnership provides a fraud focus with districts. Liaison with various groups: Safer Lincolnshire Partnership and represented on its fraud sub group. Represented on various multi-agency organisations focussed on organised crime. Part of FFCL working group.</p>	

LCC Counter Fraud arrangements

Ref	FFCL 2020s strategy Requirements	Current response	Future plans/ further action required
	The local authority shares data across its own departments and between other enforcement agencies.	Respond promptly to relevant alerts and issues and sharing information across the Council which relate to possible fraud / suspicious activity. Pro-active data reviews e.g. payroll. Established Lincolnshire Counter Fraud Partnership (LCFP) – promotes: raising awareness through various communications / counter fraud briefings fraud and leading on the development of fraud awareness e-learning	Work with relevant service areas to develop a more co-ordinated /joined up approach for collecting / sharing and responding to intelligence received across the council in response to the prevention and detection of crime e.g. scams.
	Prevention measures and projects are undertaken using data analytics where possible.	Internal Audit and CFIT carry out targeted analytical reviews of key systems and services using IDEA to identify indicators of fraudulent activity	
	The counter fraud team has registered with the Knowledge Hub so it has access to directories and other tools.	CFIT are registered and review information.	
	The counter fraud team has access to the FFCL regional network.	CFIT Team Leader on FFCL Board working group	

LCC Counter Fraud arrangements

Ref	FFCL 2020s strategy Requirements	Current response	Future plans/ further action required
	There are professionally trained and accredited staff for counter fraud work. If auditors undertake counter fraud work they too must be trained in this area.	LCC uses accredited counter fraud professionals. Regular training with auditors about counter fraud	
	The counter fraud team has adequate knowledge in all areas of the local authority or is trained in these areas.	Knowledgeable and experienced CFIT team	
	The counter fraud team has access (through partner-ship/ other local authorities/or funds to buy in) to specialist staff for: surveillance: computer forensics: asset recovery and financial investigations.	Depending on requirements	
	Weaknesses revealed by instances of proven fraud and corruption are scrutinised carefully and fed back to departments to fraud-proof systems.	Supplementary issues covered in investigation reports and shared with audit. Learning points from investigations are considered and communicated as required.	

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Open Report on behalf of Andrew Crookham, Executive Director - Resources

Report to:	Audit Committee
Date:	16 November 2020
Subject:	Annual Whistleblowing Report

Summary:

This report gives an overview of the Council's whistleblowing arrangements throughout the year 2019/20.

Recommendation(s):

Items to note:

- a) whistleblowing activity for 2019/20.
- b) ongoing work to raise awareness and provide assurance on the effectiveness of the Council's arrangements for whistleblowing.

Background

1. This report provides a summary and analysis of whistleblowing disclosures received by the Council during the period from April 2019 to March 2020. Details reported include:
 - Whistleblowing activity (and analysis of issues reported)
 - Disclosures made (analysed by type and Council director area) – to identify any trends emerging and to compare with activity from previous years
 - Resolution and outcomes from whistleblowing disclosures

Conclusion

2. The number of whistleblowing concerns (42) raised around Lincolnshire County Council activity in 2019/20 represents an increase on the previous year. The most prevalent areas of referrals made - financial (potential fraud) and policy breaches remained consistent although a small rise in safeguarding contacts was noted. Activity across all types of referral will continue to be monitored.

3. The proportion of concerns reported relating to Schools and Children's Services remains high (44% of calls). This continues an expected pattern identified over several years. We continue to work closely with management in that director area to proactively manage and address the issues that emerge.
4. The continued high level of disclosures made through the reporting line provides assurance that the Council's arrangements remain effective and that whistleblowers make disclosures to us knowing they will be dealt with fully, professionally and with sensitivity where required. We are encouraged that 66% of callers in 2019/20 waived their right to remain anonymous – this was a significant increase on previous periods. The level of activity (both for the Council and neighbouring councils) within Lincolnshire provides evidence that we are effective in encouraging whistleblowing and that supporting arrangements in place are operating well.
5. We have also continued to promote awareness of the Council's Whistleblowing arrangements. In a period of uncertainty and fundamental change in working arrangements created by the Covid19 outbreak, we felt it was key to ensure stakeholders know how to report any issues and concerns that they may hold.

Consultation

a) Risks and Impact Analysis

Risk and Impact analysis completed

Appendices

These are listed below and attached at the back of the report	
Appendix A	Whistleblowing Annual Report 2019/20

Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

This report was written by Lucy Pledge, who can be contacted on 01522 553692 or lucy.pledge@lincolnshire.gov.uk .

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WHISTLEBLOWING

2020 Annual Report



November 2020

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Lucy Pledge - Head of Audit and Risk
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Dianne Downs – Audit Team Leader
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This report has been prepared solely for the use of Members and Management of Lincolnshire County Council. Details may be made available to specified external organisations, including external auditors, but otherwise the report should not be used or referred to in whole or in part without prior consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended for any other purpose.

The matters raised in this report are only those that came to our attention during the course of our work – there may be weaknesses in governance, risk management and the system of internal control that we are not aware of because they did not form part of our work programme, were excluded from the scope of individual audit engagements or were not brought to our attention. The opinion is based solely the work undertaken as part of the agreed internal audit plan.

Introduction

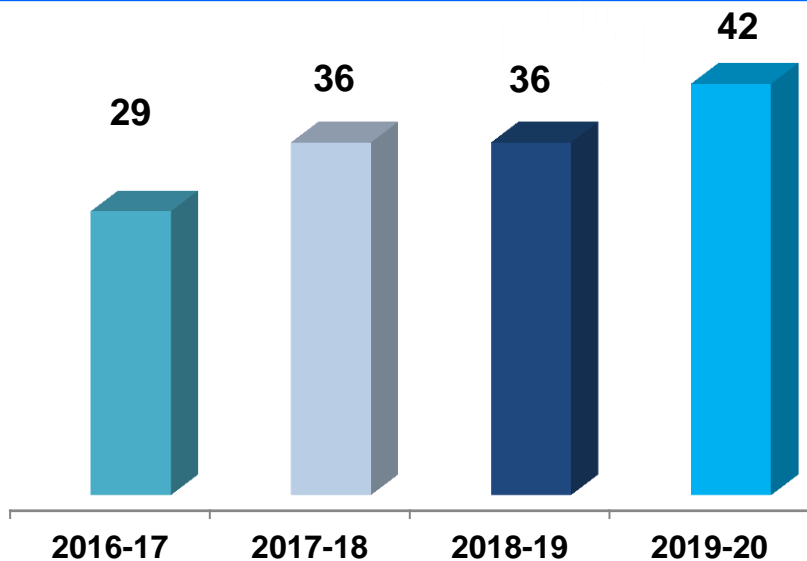
Key Messages

The Annual Whistleblowing Report provides assurance to the Audit Committee on the effectiveness of the Council's arrangements for whistleblowing. The report provides information and analysis of whistleblowing activity in 2019/20. Whistleblowing is a key element in the Council's governance arrangements and Lincolnshire County Council are committed to the principles of honesty, openness and accountability.

42

LCC Whistleblowing calls during 2019/20

This represents an increase of 16%



Whistleblowing calls received during the last 4 years show a clear upward trend. We are pleased to identify this as it demonstrates that callers have confidence in the process.

66%

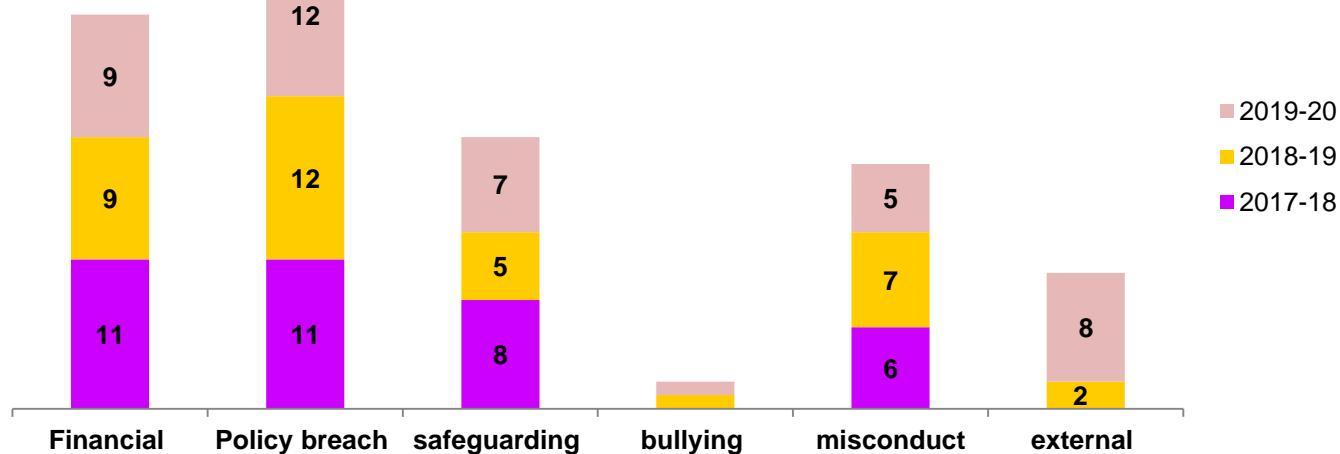
We are also pleased to report that 66% of those reporting whistleblowing concerns in 2019/20 waived their right to anonymity. The figure for 2018/19 was 55% so this shows a significant increase.

We believe this also demonstrates confidence as whistleblowers feel protected from reprisals and that their concerns will be dealt professionally and sensitively.

Disclosures

The nature of concerns reported have generally remained consistent during 2019/20. We have identified a small increase in safeguarding referrals although nothing too significant and no prevalent patterns to these reports. Fraud (financial) and policy breach referrals are unchanged on the previous years reports and we have noted a slight fall in misconduct reports. It is pleasing that bullying and harassment referrals remain low in keeping with cases recorded in the last few years. The number of external issues reported have increased although there is no pattern recognised and most resulted in no further action.

Type of concerns raised

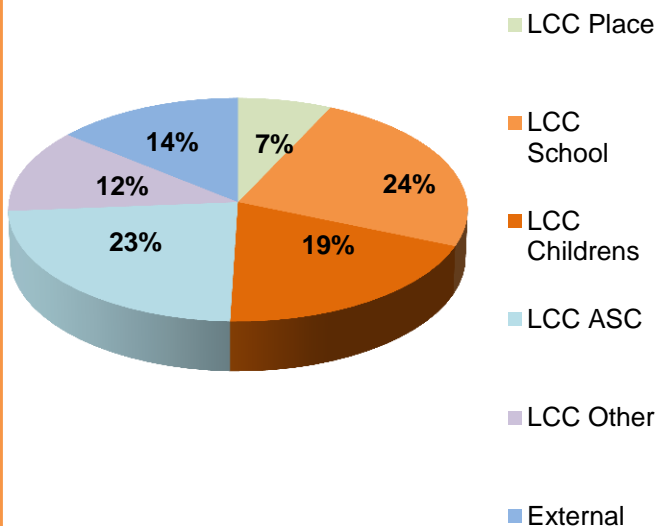


The Counter Fraud and Investigation Team operate the whistleblowing facility on behalf of all Lincolnshire councils and other external agencies.

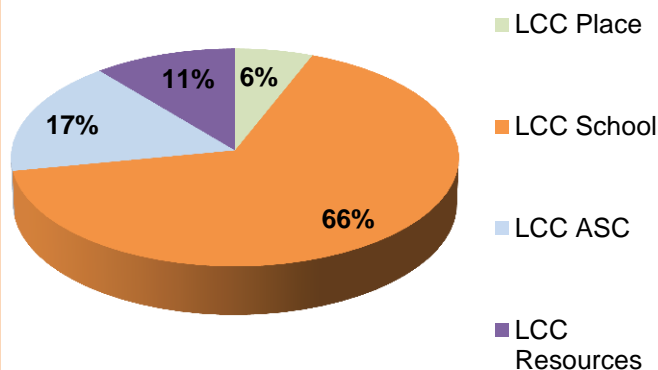
131 reports were made in 2019/20 in comparison with 113 (16% increase) in the previous year. This correlates with the LCC only contacts. Referral numbers remain high and we believe this demonstrates that our promotion of reporting methods is effective.

Disclosures

2019/20 LCC Disclosures by Director area



2018/19 LCC Disclosures by Director area



The charts show that the largest proportion of reports relate to Schools and the wider Children’s Services area – this trend has continued over several years and is not surprising given the number of schools within the county. The overall percentage has fallen quite markedly during the period – from 66% to 43% and we have a strong and proactive relationship with management in Children’s Services which allows these issues to be investigated and addressed.

Contacts regarding Adult Care continue to be the next most prevalent area – again this is expected and can relate to a range of different areas. There has been an increase in this director area from 6 to 10 so we will continue to monitor reports received accordingly and plan to work with Adult Care management to respond with organisational learning.

Other areas such as Place remained quite static in terms of reports received. As noted on Page 3, we received several reports regarding external parties and these were referred to the relevant agencies for follow up. We identified no concerning patterns or trends from these type of reports.

Resolutions

The majority of reports (22) were resolved through referral to management to address. Management are well placed to tackle minor issues and prompt action was taken without the need for formal investigation. There was a marked difference in outcomes and resolution of cases in 2019/20. A further 8 cases were resolved by other agencies (outside the council).

In the previous year, it was necessary to refer 22 (61%) reports to the Counter Fraud and Investigation Team for follow up. This fell to 12 referrals in the last year. The explanation for this could be that numerous calls were received on one case in 2018/19 and this may have skewed the results.

12 cases referred to CFIT

3 cases

Progressed to full investigations

9 cases

completed after preliminary enquiries

Outcomes

4

Management Action

3

Independent investigation

12

No further action

2

Advice given

Most of the cases referred required no further action. However, all referrals are treated seriously and work is always completed to find a resolution where required. Only 3 reached investigation with a further 4 cases being resolved through management action.

We have regularly promoted use of the whistleblowing line throughout the year and this was supported by a communication from the Chief Executive in March 2020 encouraging use where individuals had concerns to raise.



Open Report on behalf of Andrew Crookham, Executive Director - Resources

Report to:	Audit Committee
Date:	16 November 2020
Subject:	Internal Audit Progress Report

Summary:

The purpose of this report is to:

- Provide details of Audit work completed up until 12 October 2020.
- Advise on progress on the revised 20/21 plan.
- Raise any other matters that may be relevant to the Audit Committee role.

Recommendation(s):

That the Committee note the outcomes of Internal Audits work and identify any necessary actions that need to be taken.

Background

This paper covers the period 01 September 2020 to 12 October 2020 and reports on progress made in our audit plans.

Our progress report is attached in appendix A and shows:

- Reports issued
- Assurance opinions including a summary
- Benchmarking information in performance indicators
- Other matters of interest
- Outstanding audit recommendations
- Audit schedule

Conclusion

The outcome of our work shows no significant governance issues – with our assurance opinion being **high** (1) assurance. There was also one Consultancy report issued.

We have continued to work on the revised audit plan where we can and provided ad hoc support for the Council. We have been completing our work for local academies providing assurance on key finance and governance issues. We have developed our remote working systems to support our academy clients through the period of Covid-19 and restricted visits on site.

During the period we have started work on five audits including the ICT reviews and have a further three reviews at draft report stage.

Consultation

a) Risks and Impact Analysis

None

Appendices

These are listed below and attached at the back of the report	
Appendix A	Internal Audit Progress Report – November 2020

Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

This report was written by Lucy Pledge, who can be contacted on 01522 553692 or lucy.pledge@lincsire.gov.uk .

Internal Audit Progress Report



Images Courtesy of the Official UK Photo Club

Lincolnshire County Council November 2020

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Risk in 2021

Internal Audit in Lockdown

Guide for audit and risk committees on financial reporting and management during COVID-19

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1 Assurance Definitions

2 Tracker Report – all outstanding audit actions due 30/09/20

3 2020/21 Audits to date

Lucy Pledge CMIIA QIAL - Head of Internal Audit & Risk Management

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The matters raised in this report are only those that came to our attention during the course of our work – there may be weaknesses in governance, risk management and the system of internal control that we are not aware of because they did not form part of our work programme, were excluded from the scope of individual audit engagements or were not brought to our attention. The opinion is based solely the work undertaken as part of the agreed internal audit plan.

Introduction

The purpose of this report is to:

- Provide details of the audit work during the period 1st September to 12th October 2020
- Give an update on outstanding management actions from previous audits
- Raise any other matters that may be relevant to the Audit Committee role

Key Messages

Assurances

The following audit work has been completed

High Assurance:

- Treasury Management and Investment Strategy

Consultancy

- Temporary Mortuary Contract

Audit reports at draft

We have three pieces of audit work at draft report stage:

- Implementation of Mosaic Finance
- ICT Network Infrastructure
- Capital Contracts – contract register data analytics



Introduction

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Key Messages

The COVID-19 pandemic remains a key concern for the Council and its Directorates. Following the update to the plan presented at the last Audit Committee, we have worked to allocate all remaining work in Q3 and Q4 taking account of COVID risks and the impacts on services.

We continue to provide advice and insight on risk and controls to the Business World Re-design project. As highlighted in our previous progress report in September, the project was slightly behind schedule and the Shareholder Agreement with Hereford Council has not yet been signed. Due to unexpected challenges with the build and outstanding data issues, the project has slipped further behind its original planned dates. Given the impact this is likely to have on the later stages of project delivery, the Project Board has agreed that an alternative delivery plan be developed for a mid-year implementation in 2021.

Following regular reporting to senior management on reviewing the red risks and issues facing the Council, the risk management team continues to work with services throughout LCC in updating their risks and issues to ensure that these continue to be monitored. Risk management also continues to work with and support the audit planning and oversight on key risks facing the Council.

Combined Assurance

Internal Audit's annual Combined Assurance process has begun through discussions with key management and staff across all Directorates. Critical activities, key risks, key partnerships and key projects will be identified and assessed through our systematic risk scoring process and rated Red, Amber or Green (RAG) to create a clear visual map of assurances across the organisation. The results of this will be reported to senior management and the Audit Committee through the Combined Assurance Report. It will also support the Audit Team in planning next year's audit coverage based on key areas of risk and concern.

We will also continue to focus on how Covid-19 has impacted upon the control environment of the organisation, and the effect that this has had upon management assurance ratings.

Introduction

The purpose of this report is to:

- Provide details of the audit work during the period 1st September to 12th October 2020
- Give an update on outstanding management actions from previous audits
- Raise any other matters that may be relevant to the Audit Committee role

Outstanding Recommendations

As part of our regular follow up around implementation of recommendations from previous audits, we have used our audit tracker report to monitor progress at 30th September 2020. We found that 70% of the actions have been completed, with 9% not yet due at this date. Management responses established that the remaining 23% have been deferred to a later date. The Council's Covid 19 response and recovery plans continue to have an impact on the completion of management actions as staff concentrate on other priorities.

Only one area with outstanding actions was originally given a Limited Assurance opinion – our audit of IR35. The 4 actions due will all be addressed by issuing additional guidance to managers and schools which includes process maps linking in to arrangements for engaging consultants and agency staff. This has been delayed to ensure that guidance aligns with how the IR35 process works in the new version of Business World (BW). In the interim:

- review has been completed over LCC suppliers on BW that confirms IR35 status is recorded where appropriate
- processes for engaging consultants and agency staff have been strengthened and now include ensuring that IR35 status is considered
- HMRC has confirmed that further changes in IR35 requirements that were due in April 2020 have been delayed until April 2021

All outstanding actions will continue to be tracked and monitored with progress reported to the Audit Committee. Further details can be found in the tracker report attached as Appendix 2.

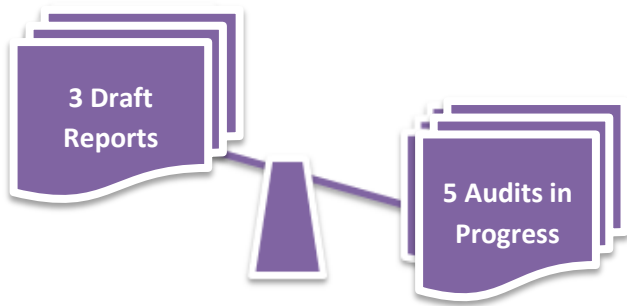
High Assurance

Treasury Management and Investment Strategy

This audit has been carried out at the time when the Council has introduced alternative working arrangements as a result of the Coronavirus pandemic. Staff have been working from home and have adapted their working practices to ensure controls in place remain appropriate and ensure transactions are secure. Through discussion, observation and testing we did not identify any areas of concern and therefore we are able to give a high level of assurance around processes, compliance and controls.

The pandemic did not impact on Treasury performance during 2019/20 because it started towards the end of the financial year. There is likely to be an impact on investments and performance during 2020/21 but this is difficult to predict.

The major risks currently affecting Treasury due to Coronavirus are cash flow and liquidity. A large proportion of cash has to remain in liquid investments as a result of receiving large amounts of funding from the Government to be passed onto the intended recipients in the future. As a result of this short term investment limits are close to maximum capacity whilst having lower yields. Cash flow has been disrupted and has been difficult to manage which means there is a risk that cash may not be available when required. These risks have been reported to Members and the Council are in the process of opening two more Money Market Funds.



Audits in Progress

We have 5 audits at fieldwork stage:

- Transport Providers
- Education Healthcare plans
- Capital Programme
- ICT Business Continuity and Disaster Recovery
- Business World Redesign Risk Register (Consultancy work)

Audits planned for Q3

We have delivered 32% of the revised audit plan to date. We have the following audits scheduled for Q3:

- Transport Connect
- Lincolnshire Fire & Rescue Training Records System
- Carers Follow up
- ICT Agile Working
- ICT Software Asset Management
- Families Working Together (grant claim)

Other Significant work

Project audit work

Transformation Programme

The Council's Transformation Programme sits alongside the new Corporate Plan and Success Framework. It supports the One Council approach and achievement of corporate plan goals and outcomes.

Working with the Programme, Internal Audit will provide independent advice and support on governance, risk management and controls on the effectiveness of the board and supporting work streams and projects.

We are preparing our first highlight report and a summary will be included in the next progress report to committee. Our initial report will focus on the governance structures in place to provide oversight of the Transformation Programme, looking at reports to the Corporate Leadership Team and the Governance Board down to individual project management progress reports.

We will also report on the management of risks through review of the programme and individual project risk registers to provide advice and support on the effective management and monitoring of key risks.

Business World Redesign

We continue to undertake assurance work with the BW project. Following consultation and advice from Information Assurance, the first 'cut' of Council data was securely shared with Hoople in mid-September to be loaded into the new system build. Business representatives are currently working to reconcile this data to our own system to confirm accuracy and completeness and we will undertake review to confirm this process is robust.

Business process review continues with a focus on the allocation of roles and access within the new system. We are involved in these discussions to confirm that appropriate segregation of duties remains in place to



protect the Council from the risk of fraud and error. Preparation is also underway for testing the new system with the development of a Testing Strategy and specific plans to complete thorough and quality payroll parallel runs.

ICT audit universe refresh

We are developing a refreshed ICT audit universe which will allow us to better assess the assurance we have in this area. This work will be completed alongside the Combined Assurance work and allow us create a cyclical audit plan for ICT going forwards that will ensure coverage on high risk areas. The meetings have been booked for this process across October and November.

The ICT Universe will also support Internal Audits strategic oversight on ICT coverage and resource needs, helping us create longer term plans to manage ICT coverage and assurance.

Grants

Grant audits are completed to ensure that funds have been used in line with grant conditions. Two grants (Bus Service Operators' grant and the Highways' grant for road maintenance) that were due for submission by the end of September 20 have been signed off.

At the request of the Executive Director of Resources we have also carried out a review on the new 'Loss of Income' grant. COVID-19 has impacted local authorities' ability to generate revenues in several service areas as a result of lockdown, government restrictions and social distancing measures, related to the pandemic. This new, one-off income loss grant scheme will compensate for irrecoverable and unavoidable losses from sales, fees and charges income generated in the delivery of services, in the financial year 2020/21.

We were asked to provide review and challenge on the appropriateness of the claim that was submitted in line with the grant guidance. Our work did not identify any issues. We will do a similar review on further grants submissions this year.

Consultancy Work

Temporary Mortuary Contract

Lincolnshire Resilience Forum's Mortality Cell asked Corporate Property to build temporary mortuary facilities as part of a multi-agency emergency response to the Covid-19 Pandemic. We were asked to provide an independent review of the contract award and project management arrangements for the project; this ran alongside a separate high level analytical review of recent contracts awarded to the main contractor.

Our review confirmed moral obligations and reputational risks were managed and urgent decision making processes were in line with the Council's constitution. £2m spend was properly approved, but actual spend to date is £2.015m with a final outturn forecast of £2.3m. We found cost variances were caused by unprecedented circumstances; with supply chain pressures, uncertain mortality data, and collective decisions taken by external partners in the mortality cell impacting costs. The key driver for the project was based around delivery pace to ensure completion by 30 April, to meet anticipated peaks in mortality and preserve dignity for the deceased; this was achieved.



We identified learning points and made recommendations to strengthen governance structures for emergency planning and communications so that LCC are properly briefed on decisions that will impact on LCC resources. The analytical review highlighted supplementary issues around Council processes for contract management, reporting / oversight and accuracy of the contracts register. Further follow up audit work is planned to address these issues.





Internal Audit's performance is measured against a range of indicators. The statistics below show our performance on key indicators year to date.

Performance on Key Indicators

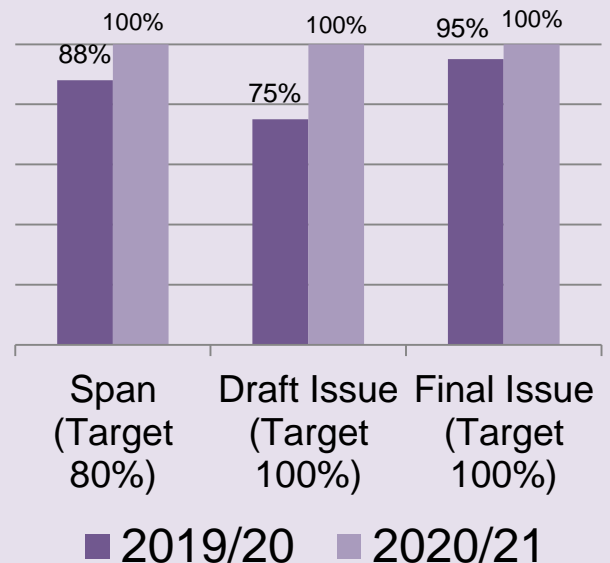
100%

Rated our service Good to Excellent

Audit KPI's to date

Updated plan delivered

32%





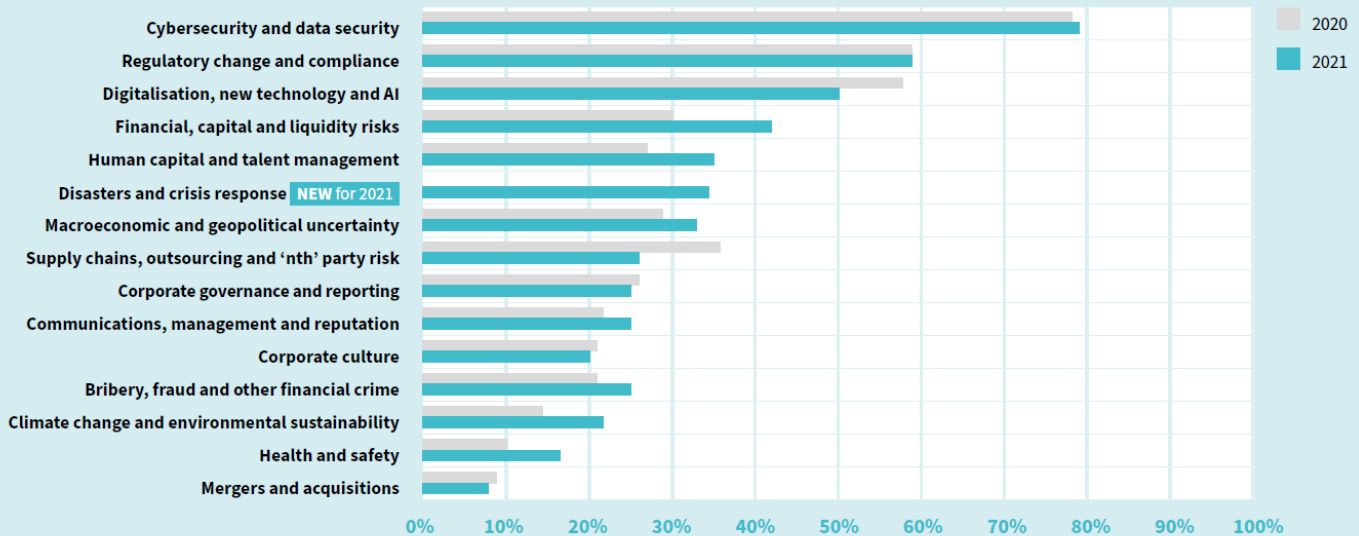
Other Matters of Interest

A summary of matters that will be of particular interest to Audit Committee Members

Risk in Focus 2021

This IIA document highlights key risks for organisations moving forward, and states that Covid-19 has shaped a number of the risk profiles:

What are the top five risks that your organisation faces?



As we can see there is only one new risk for 2021 – Disasters and Crisis Response. Several other established risks have also increased as result of the pandemic.

The top ten topics raised by this work can be seen to the right. This information may help to inform some areas of Audit Committee oversight.

We will use this information along with the Combined Assurance work to form next years Audit Plan. The document can be viewed in full as part of the information sharing section of the report pack.

The topics are as follows:

1. Information security in the expanded work environment
2. Regulatory forbearance and the return to normal
3. Strategic relevance and the digital imperative
4. Liquidity risk and cost-cutting amid depressed demand
5. Managing talent, staff wellbeing and diversity challenges
6. Disaster and crisis preparedness: lessons from the pandemic
7. Rising nationalism and social tensions amid unprecedented economic volatility
8. Supply chain disruption and vendor solvency
9. Fraud and the exploitation of operational and economic disruption
10. Climate change: the next crisis?



Other Matters of Interest

A summary of matters that will be of particular interest to Audit Committee Members

Internal Audit in Lockdown - The impact of the coronavirus pandemic on internal audit teams in the UK and Ireland

This IIA document provides an insight of how Chief Audit Executives are coping with working in the current environment, and their thoughts on the long term impacts. Data was gathered through surveys and interviews.

Key Findings

33%

A third of respondents have had their working hours increased.

15%

indicate all or part of the internal audit function has been put on furlough.

46%

say internal auditors have been redeployed to the first and second lines.

2%

2% of respondents say internal auditors have been made redundant.

43%

Where affected by redeployment furlough, or redundancy, 43% say their Audit Committee Chair has been consulted.

35%

of respondents said their Audit Committee Chair has not been consulted on the changed role of internal audit, whilst 22% said they did not know.

78%

of internal auditors are in touch with their Audit Committee Chair on either a daily, weekly or monthly basis, with over half (55%) indicating on a monthly basis.

63%

advise the coronavirus did not have any impact on regulatory requirements, with 20% saying they were unsure and 17% indicating they were having challenges meeting regulatory requirements.

61%

plan a lessons learned audit or specific audit on their organisation's response to coronavirus.

This differs from the situation with our team. We have continued to work in a responsive and supportive role throughout the Pandemic., adding value and providing assurance to Senior Management. The document can be viewed in full as part of the information sharing section of the report pack.



Other Matters of Interest

A summary of matters that will be of particular interest to Audit Committee Members

Guide for audit and risk committees on financial reporting and management during COVID-19

This best practice document was produced by the National Audit Office. It aims to help audit and risk committee members discharge their responsibilities and to examine the impacts on their organisations of the COVID-19 outbreak. This includes the key areas:

1. annual reports;
2. financial reporting;
3. the control environment
4. regularity of expenditure

It provides the audit committees with reasoning as to how Covid-19 may have affected certain procedures, how the Authorities may have adjusted their processes to mitigate these issues, and most importantly the key questions the Committee can ask to gain assurance in these areas.

The document can be viewed in full as part of the information sharing section of the report pack

Redmond Review

There has been an independent review into the oversight of Local Audit and the transparency of Local Authority financial reporting. This was published in September 2020. Key findings include:

- concerns expressed regarding the state of the local audit market and the ultimate effectiveness of the work undertaken by audit firms.
- the current fee structure does not enable auditors to fulfill the role in an entirely satisfactory way
- there is merit in authorities examining the composition of Audit Committees in order to ensure that the required knowledge and expertise are always present when considering reports, together with the requirement that at least an annual audit report to be submitted to Full Council.
- a key recommendation is to create a new regulatory body responsible for procurement, contract management, regulation, and oversight of local audit. It is recognised that the new body will liaise with the Financial Reporting Council (FRC) with regard to its role in setting auditing standards.

The document can be viewed in full as part of the information sharing section of the report pack

High

Our critical review or assessment on the activity gives us a high level of confidence on service delivery arrangements, management of risks, and the operation of controls and / or performance.

The risk of the activity not achieving its objectives or outcomes is low. Controls have been evaluated as adequate, appropriate and are operating effectively.

Substantial

Our critical review or assessment on the activity gives us a substantial level of confidence (assurance) on service delivery arrangements, management of risks, and operation of controls and / or performance.

There are some improvements needed in the application of controls to manage risks. However, the controls have been evaluated as adequate, appropriate and operating sufficiently so that the risk of the activity not achieving its objectives is medium to low.

Limited

Our critical review or assessment on the activity gives us a limited level of confidence on service delivery arrangements, management of risks, and operation of controls and / or performance.

The controls to manage the key risks were found not always to be operating or are inadequate. Therefore, the controls evaluated are unlikely to give a reasonable level of confidence (assurance) that the risks are being managed effectively. It is unlikely that the activity will achieve its objectives.

Low

Our critical review or assessment on the activity identified significant concerns on service delivery arrangements, management of risks, and operation of controls and / or performance.

There are either gaps in the control framework managing the key risks or the controls have been evaluated as not adequate, appropriate or are not being effectively operated. Therefore the risk of the activity not achieving its objectives is high.

Tracker Report – all outstanding audit actions due 30/09/20

Activity	Issue Date	Assurance	Total recs	Recs Imp	Priority of Overdue Recommendations			Recs not due
					High	Medium	Low	
Client Contributions Policy	Dec 17	Limited	5	5	0	0	0	0
	All outstanding actions have now been completed.							
Budget Management	April 19	Substantial	3	2	0	1	0	0
	The remaining action is to update the Budget Holder Handbook. Although this needs to be refreshed, key principles remain the same. Review was planned for the summer but has been delayed due to Covid-19 work pressures. We now plan to complete this task by January 2021 and tie in with other updates.							
IR35	May 20	Limited	7	3	2	2	0	0
	The 4 management actions outstanding are all addressed by issuing improved guidance to managers and schools, linking in with processes around use of consultants and agency staff. This has all been prepared and agreed. Communication has been delayed as IR35 processes are different in the new BW system and the impact of this is being assessed so managers are not confused by different versions of guidance.							
Commercial Property Portfolio	Jan 20	Substantial	6	2	0	1	0	3
	The outstanding action relates to undertaking a residents' survey and we felt it has not been appropriate to carry out at this time. Once things are more stable with Covid-19 this will be revisited and will include evaluation of how tenants feel they were supported during Covid. A provisional date of April 2021 has been set, which may be further delayed dependent upon a 2 nd wave of Covid-19.							
Recruitment and Selection Checks	March 20	Substantial	13	7	0	6	0	0
	Outstanding management actions relate to improvements to current procedures and mainly link to policies and training. The deadline for completion of some actions has been extended to 31/12/20 due to Covid-19 priorities. For others the extension is to March 2021 they will be considered as part of the review of mandatory training.							
LSAB peer review actions	Dec 19	High	2	0	0	2	0	0
	Neither action has been completed due to the impact of Covid-19 as other areas had to be prioritised. Both actions should be completed by April 2021.							
Vinci Contract Management	Aug 19	Substantial	2	2	0	0	0	0
	All outstanding actions have now been completed							

Tracker Report – all outstanding audit actions due 30/09/20

Activity	Issue Date	Assurance	Total recs	Recs Imp	Priority of Overdue Recommendations			Recs not due
					High	Medium	Low	
Financial Strategy and Budget Preparation	April 20	High	1	0	0	1	0	0
	The Budget Setting Framework document will be reviewed as part of the next round of budget setting – due for completion by the end of February 2021.							
Business Continuity	May 20	Substantial	2	2	0	0	0	0
	All outstanding actions have now been completed.							
Bank Rec	April 20	High	1	1	0	0	0	0
	All outstanding actions have now been completed.							
General Ledger	April 20	Substantial	4	3	0	0	0	1
	All outstanding actions have now been completed. One action is not yet due.							
Legionella	Feb 20	Substantial	9	9	0	0	0	0
	All outstanding actions have now been completed.							
Cyber Security	March 19	Limited	6	6	0	0	0	0
	All outstanding actions have now been completed.							
Patch Management	Aug 19	Substantial	2	2	0	0	0	0
	All outstanding actions have now been completed.							
Payroll	July 20	Substantial	22	18	0	0	0	4
	All actions due have been completed. The remainder have due dates of April 2021 and are linked to the implementation of the new BW system.							
Fuel Card Follow Up	Oct 19	Substantial	8	8	0	0	0	0
	All outstanding actions have now been completed.							

Audit	Scope of Work	Start Planned Date	Start Actual Date	End Actual Date	Rating
LCC 20/21-01 - Business World System Redesign Project	Providing independent assurance, advice and insight around the project implementing the Business World ERP system on the Hoople platform.	01/04/20	01/04/20		Ongoing work over the year
LCC 20/21-02 - Treasury Management and Investment Strategy	To give assurance that the Council's investment and borrowing is properly managed in accordance with corporate policies and legal requirements. The review will determine that approved Treasury Management and investment strategies are in place.	01/05/20	19/05/20	27/08/20	Completed High Assurance
LCC 20/21-03 - Transport Providers	Supporting commercial and transport during Covid19 to ensure that transport providers are paid 100% or 85% depending upon circumstances.	01/06/20	12/10/20		Fieldwork stage
LCC 20/21-05 - Better Care Fund	Assurance over the management of the fund, it's use and the appropriateness of expenditure as per the Section 75 and other agreements	02/01/21			Scheduled for Q4
LCC 20/21-06 - Transformation	Support and advice to the project overseeing the future Transformation developments	01/04/20	01/04/20		Ongoing work over the year
LCC 20/21-08 – Carers Follow up	Follow up of the Audit work completed in 19/20	01/10/20			Scheduled for Q3

Audit	Scope of Work	Start Planned Date	Start Actual Date	End Actual Date	Rating
LCC 20/21-09 – Blue Badge Grant	To ensure that Grant conditions have been met	01/04/20	28/04/20	25/06/20	Completed, confirmation letter sent to DfT
LCC 20/21-10 – Carers' Emergency Response Scheme	Support and advice to the project overseeing the future development in Carers Emergency Response system	26/04/20	03/06/20	18/06/20	Support and advice provided
LCC 20/21-11 – Public Health Personal Protective Equipment procurement	Consultancy work examining how the Council reacted and responded to the Government change in guidance around suitability of PPE in April.	18/05/20	18/05/20	01/06/20	Final consultancy report issued
LCC 20/21-12 – Bus Service Operators Grant	To confirm compliance with grant funding criteria	01/06/20	21/07/20	11/09/20	Completed and grant signed off
LCC 20/21-13 – Highways Grant	To confirm compliance with Grant funding criteria	01/06/20	01/08/20	28/09/20	Completed and grant signed off
LCC 20/21-14 – Troubled Families 1	Review and validation of periodic claims for the Troubled Families programme.	15/06/20	15/06/20	17/06/20	Completed. Highlight report issued.
LCC 20/21-16 – Implementation of Mosaic Finance	Review of the effectiveness of the Mosaic Finance System Project	24/06/20	24/06/20		Draft report stage
LCC 20/21-17 - Education Healthcare Plans	To assess the effectiveness of the processes and controls in place to support the councils completion of Education, Health and Care Needs Assessments.	12/08/20	12/08/20		Fieldwork stage

Audit	Scope of Work	Start Planned Date	Start Actual Date	End Actual Date	Rating
Troubled Families 2	Review and validation of periodic claims for the Troubled Families programme.	22/09/20	25/09/20	25/09/20	Completed. Highlight report issued.
Loss of Income Grant	Confirmation that the loss of income recorded by the Delta system in Q1-4 was correct.	14/09/20	14/09/20	30/09/20	Completed. Grant signed off.
Capital Programme	To provide assurance around the effectiveness of the governance and reporting arrangements for the Capital Programme to ensure that it delivers expected outcomes on time and within budget.	21/09/20	21/09/20		Fieldwork stage
BW Redesign Risk Register	Consultation examination of the BW Redesign Risk Register to confirm that key risks are appropriately managed, assessed and monitored	05/10/20	05/10/20		Fieldwork stage

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Open Report on behalf of Andrew Crookham, Executive Director - Resources

Report to:	Audit Committee
Date:	16 November 2020
Subject:	Draft Audit Committee Annual Report 2019/20

Summary:

This report presents the proposed annual report of the Audit Committee for 2019/20 and seeks approval for the Chairman to present this report to Council.

Recommendation(s):

That the Committee approve the Chairman to present the Audit Committee Annual Report 2019/20 (subject to any amendments) to the Council.

Background

1. Lincolnshire County Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. In discharging this overall responsibility, the council is responsible for putting in place the proper arrangements for the governance of its affairs.
2. A sound corporate governance framework involves accountability to service users, stakeholders and the wider community, within which the council takes decisions and leads and controls its functions to achieve stated objectives and priorities.
3. It thereby provides an opportunity to demonstrate the positive elements of the council's business and to promote public confidence.
4. Audit Committees are widely recognised as a core component of effective governance. Their key role is independently overseeing and assessing the internal control environment, comprising of governance, risk management and control and advising the Council on the adequacy and effectiveness of these arrangements.
5. In response to the above, the Audit Committee was established in 2006 in line with guidance issued by the Chartered Institute of Public Finance and

Accountancy (CIPFA). This guidance recommends that audit committees should prepare an annual report to the full Council, which sets out the Committee's work on how they have discharged their responsibilities.

6. The Committee undertakes a substantial range of activities and works closely with the Executive Director - Resources (Section 151 Officer) and both internal and external auditors, in achieving the Council's aims and objectives.
7. The Committee has developed and implemented a work plan for the year to enable key tasks to be considered, undertaken and delivered. To summarise, through the work plan the Committee has:
 - ✓ the council's financial reporting process.
 - ✓ internal and external audit arrangements and outcomes.
 - ✓ systems and processes for managing risk and internal control – particularly gaining assurance on how the changing service delivery models arising from the coronavirus pandemic impacts the council's governance, risk and control environment.
 - ✓ counter fraud arrangements.
 - ✓ the council's governance arrangements – supporting good governance and strong public financial management.

See Appendix A – Draft Audit Committee Annual Report 2019/20.

Consultation

a) Risks and Impact Analysis

Not applicable - Good practice in both private and public sector advocates that the Audit Committee should report directly to the governing body of the organisation. In the case of local authorities this is full Council.

Failure to deliver effective governance will negatively impact on the achievement of the council's objectives and priorities.

Appendices

These are listed below and attached at the back of the report	
Appendix A	Draft Audit Committee Annual Report 2019/20

Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

This report was written by Lucy Pledge, who can be contacted on 07557498932 or lucy.pledge@lincolnshire.gov.uk.

Audit Committee Annual Report 2020 Draft

“Audit Committees are a key component of corporate governance and are an important source of independent assurance about the Council’s arrangements for managing risk, maintaining an effective control environment, and reporting on financial and other performance”



The 10 General Principles of Public Life

<p>Selflessness Members should serve only the public interest and should never improperly confer an advantage or disadvantage on any person.</p>	<p>Personal Judgement Members may take account of the views of others, including their political groups, but should reach their own conclusions on the issues before them and act in accordance with those conclusions.</p>
<p>Honesty and Integrity Members should not place themselves in situations where their honesty and integrity may be questioned, should not behave improperly, and should on all occasions avoid the appearance of such behaviour.</p>	<p>Respect for Others Members should promote equality by not discriminating unlawfully against any person, and by treating people with respect, regardless of their race, age, religion, gender, sexual orientation or disability. They should respect the impartiality and integrity of the authority's statutory officers and its other employees.</p>
<p>Objectivity Members should make decisions on merit, including when making appointments, awarding contracts, or recommending individuals for rewards or benefit.</p>	<p>Duty to Uphold the Law Members should uphold the law and, on all occasions, act in accordance with the trust that the public is entitled to place in them.</p>
<p>Accountability Members should be accountable to the public for their actions and the manner in which they carry out their responsibilities, and should cooperate fully and honestly with any scrutiny appropriate to their particular office.</p>	<p>Stewardship Members should do whatever they are able to do to ensure that their authorities use their resources prudently, and in accordance with the law.</p>
<p>Openness Members should be as open as possible about their actions and those of their authority, and should be prepared to give reasons for those actions.</p>	<p>Leadership Members should promote and support these principles by leadership, and by example, and should act in a way that secures or preserves public confidence.</p>

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Appendix 1 - Composition and attendance

Appendix 2 - Audit Committee terms of reference

Appendix 3 - Audit Committee activities

This report has been prepared solely for the use of Members and Management of Lincolnshire County Council. Details may be made available to specified external organisations, including external auditors, but otherwise the report should not be used or referred to in whole or in part without prior consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended for any other purpose.

The matters raised in this report are only those that came to our attention during the course of our work – there may be weaknesses in governance, risk management and the system of internal control that we are not aware of because they did not form part of our work plan or not brought to our attention. The opinion is based solely on the work undertaken as part of the Audit Committee work plan.



The Audit Committee is the Council's vital "watchdog" promoting and ensuring good governance and accountability



I am pleased to present the Annual Report of the Audit Committee which describes our achievements, the issues handled and the focus of the Audit Committee during 2019/20.

The report helps to demonstrate the vital role that is carried out by the Audit Committee and the contribution that it makes to the how well the council is run – its governance arrangements.

It also aims to show how the Audit Committee continues to deliver the responsibilities delegated to it by the council - as set out in the Constitution and in line with guidance and best practice.

The Audit Committee has once again had a positive and productive year – delivering on a challenging program of work which has focussed on the oversight of:

- ✓ the council's financial reporting process.
- ✓ internal and external audit arrangements and outcomes.
- ✓ systems and processes for managing risk and internal control – particularly gaining assurance on how the changing service delivery models arising from the coronavirus pandemic impacts the council's governance, risk and control environment.
- ✓ counter fraud arrangements.
- ✓ the council's governance arrangements – supporting good governance and strong public financial management.

I wish to thank the members of the Committee for their hard work during the year. I also wish to record my thanks to the Executive Director – Resources, Assistant Director – Finance, Internal and External Auditors, Democratic Services and to Officers of the Council, for their help and support.

Cllr Sue Rawlins
Chairman of the Audit Committee
August 2020



Overall Opinion & Key Issues



Overall Opinion

The onset of Covid19 has had a significant impact on all areas of the public sector and peoples lives.

The council has had to respond swiftly to the ever changing environment to deliver new and existing operations. Whilst it is recognised that 2019/20 was largely unaffected by the pandemic the Audit Committee has sought assurance on how well the council's governance, risk and control mechanisms stood up to these rapid, exhaustive and dynamic changes.

Based on the information presented during 2019/20, it is the view of the Audit Committee that:

- ✓ the governance framework has adapted well and operated adequately in these challenging times.
- ✓ risk reporting was ramped up - with embedding of a more continuous risk sensing process and more frequent oversight being undertaken by the Corporate Leadership Team.
- ✓ Internal Audit responded appropriately by re-focussing it's assurance plans. They worked collaboratively with the risk function to provide assurance where it was needed most – particularly on emerging risk issues.
- ✓ The council expects to have positive financial and value for money opinions for 2019/20.
- ✓ The council's Annual Governance Statement provided an open and honest account on how well the council is being run – referencing the impact of Covid-19.

These assurances aim to give Lincolnshire residents confidence in how the council continues to deliver vital public services - demonstrating strong financial management of public funds.

As a result of our work, the Audit Committee would also like to draw to the attention of the Council the following governance issue:

Significant Governance Issue

Reviewing lessons learned from our response to Covid-19– implementing a re-set plan over the short, medium and longer term.

Transformation and recovery critical success factors will be monitored throughout the year by the Executive and Corporate Leadership Team.



Overall Opinion & Key Issues



Overall Opinion (continued)

Key Issues

During the year the Audit Committee, in addition to its core activities, assessed the following key issues and were satisfied that management were taking action to address the issue. As part of this assessment, the Audit Committee received reports, requested and received clarification from management and sought assurance from the internal and external auditors.

The Chairman briefed the Chief Executive and Leader of the Council as necessary.

IT Governance and Assurance (July 2020)

IT Governance and Cyber Security continues to be a key risk and issue for the council. We received assurances and information on how this high profile risk is being managed and the continued steps being taken to improve the Council's IMT arrangements.

Adult Care & Community Wellbeing – Financial Assessments (November 2019)

We received assurances from the Executive Director - Adult Care & Community Wellbeing on the improvements made to the financial assessment process – confirming that:

- ✓ revisions had been made to the charging policy for both residential and non-residential clients, which had simplified the process and introduced electronic ways of working.
- ✓ backlogs had reduced and will be cleared by January 2020.
- ✓ support had been provided to Serco in terms of staff resilience and capabilities, with staff turnover reducing significantly.

Strategic Risk – Adult Care - Market Supply (November 2019)

We received assurances from the Executive Director - Adult Care & Community Wellbeing on how this high risk was being managed and the continued steps being taken to strengthen the sector. The council has provided support and advice to its supply chain through the pandemic – ensuring that vital services continue to be delivered.

Moving forward to the 'new normal' will demand an adjustment to business processes, with technology and data at the centre of it. We will be seeking assurance on the impact of Covid-19. Evaluating the adequacy of the changing governance, risk and control environment emerging from new operating models and ways of working / delivering services. This will be a key focus for 2021.



Financial Reporting

The council has little discretion to influence the content of the statements as they are prepared in accordance with proper accounting practices.

The Statement of Accounts 2019/20 provides a summary of the council's financial transactions in the year, and a "snapshot" of the Council's financial position as at 31 March 2020. It is therefore a key document for the Council and the Audit Committee, with their responsibility for corporate governance.

We reviewed and had the opportunity to comment on the statements of accounts and the narrative that accompanies them during the drafting process to ensure that the key messages in the narrative clearly gave fair and balanced information so that people could understand the council's financial position.

The closedown timetable was achieved.

The coronavirus pandemic has resulted in the audit deadline being moved to 30th November 2020.

No material issues have been identified from the work carried out by External Audit to date. External Audit are proposing to issue unqualified opinions – with an **emphasis of matter*** paragraph in the audit opinion for both the Council and Pension fund in response to the disclosed material uncertainty in asset valuations caused by Covid19.

* This is a statement to a **matter** appropriately presented or disclosed in the financial statements that, in the auditor's judgment, is of such importance that it is fundamental to users' understanding of the financial statements.

We anticipate that the Council's External Auditors will report the following on our:

Financial statements	Issue an unqualified opinion on both the Council's and Pension Fund financial statements – 2019/20. An emphasis of matter paragraph will be included in the audit opinion for both the Council and Pension fund in response to the disclosed material uncertainty in asset valuations caused by Covid19.
Control Environment	Determined the overall control environment was adequate.
Accounts Production	Stated that they did not encounter any significant difficulties during the audit and had the full co-operation of management and staff. A major achievement during the coronavirus pandemic, the rapid change to remote working and is down to the hard work of the council's Finance Team.
Value for Money arrangements	That the Council has made proper arrangements to secure economy, efficiency and effective use of its resources. This is about the arrangements to ensure properly informed decisions are taken and resources are deployed to achieve planned and sustainable outcomes for the taxpayer and local people.



Counter Fraud

The council has a **zero tolerance** to fraud.

Any instances of fraud or misconduct reported through the council's whistleblowing arrangements should be reported to our Internal Audit function, who then evaluate each incident for action / investigation.

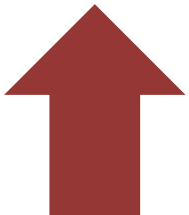
The Audit Committee plays a key role in monitoring the effectiveness of counter fraud and whistleblowing arrangements. We have assessed the overall effectiveness and the progress made to implement policy as **good**.

We received regular updates on performance against the 2019/20 Counter Fraud Work Plan and the outcomes of proactive fraud work and investigations.

Cllr A Maughan acts as our counter fraud champion.

During the year we received assurances on the effectiveness of the Counter Fraud arrangements by reviewing:

- ✓ details of counter fraud activities – ensuring that these arrangements continued to deliver a proportionate response to fraud. seeking appropriate sanctions and redress.
- ✓ the fraud risk register and associated mitigating actions.
- ✓ fraud awareness – promoting good practice in fighting fraud.



£114K - The increase in financial recoveries from fraud

£1.56m – Large fraud stopped



Governance & Risk



Governance

The Audit Committee reviewed and discussed regular reports on risk, controls and assurance, including the:

- Executive Directors annual assurance reports – reviewed in February 2020.
- The Head of Internal Audit Annual Report and Opinion on the council’s governance, risk and control environment – reviewed July 2020.
- Updates on outcomes from Internal Audit & External Audit work throughout the year
- Outcome of the peer review.

The council has responded swiftly to the ever changing environment to deliver new and existing operations during the pandemic. Appropriate governance, risk and control systems were put in place.

Corporate oversight and risk reporting was ramped up – with embedding of a more continuous risk sensing process and more frequent oversight being undertaken by the Corporate Leadership Team.

During the year council’s governance arrangements were assessed as **performing adequately – some improvements required.**

Risk & Internal Control

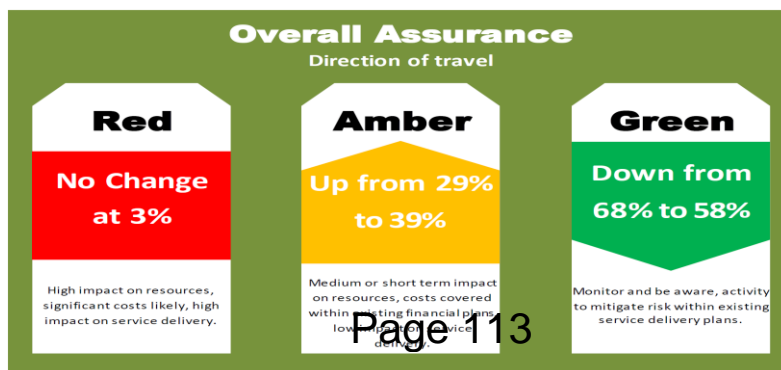
The role of the Audit Committee on risk management covers 3 key areas:

- Assurance over the governance of risk.
- Keeping up to date with the risk profile of the council and the effectiveness of risk management.
- Supporting the development and embedding of good practice in risk management.

The Audit Committee received the Combined Assurance Report produced by the Corporate Leadership Team - which provides insight of assurance levels over critical functions, key risks, projects and partnerships. Overall there is a positive assurance picture for the council but one that reflects the complex environment in which we operate – recognising that some areas will remain at Amber – see table below.

There continues to be **Limited Assurance** over some of the council’s Strategic Risks.

During the year the council’s risk and internal control arrangements were assessed as **performing adequately – some improvements required.**





External and Internal Audit



Audit quality is a key requirement

External Audit

The Audit Committee has responsibility for overseeing the council's relationship with the external auditor, including reviewing the quality of their performance, their external audit plan and process, their independence and fees.

One implication of COVID-19 for the Council was that the deadlines for submission of the draft and audited financial statements were pushed back to 31 August and 30 November respectively. The closedown deadline was met by the Finance Team – a great achievement given the challenges they faced. Our External Auditor expressed their thanks for the teams assistance during the audit.

The Audit Committee fully reviewed the draft financial statements in July & Sept 2020 Committee.

Prior to the statutory audit - Mazars presented their strategy, key risks and scope of the audit.

Our External Auditor, has substantially completed their work on the financial statements and value for money opinion for the year ended 31st March 2020.

On completion of their work they will provide an opinion on the council's financial statements and its arrangements for securing value for money.

They also provide an opinion on the Pension Fund financial statements.

We anticipate the final External Audit Report and Audit Letter in November / December 2020.

The Chairman of the Audit Committee and the Executive Director – Resources confirmed to the Auditors that:

- the financial statements give a true and fair view of the council's financial position. have been properly prepared on a going concern basis.
- all necessary information has been provided.

Internal Audit

The Audit Committee reviewed and agreed the internal audit plan, which we believe is appropriate for the Council - in terms of focus and resources. The internal audit plan is risk based and was rapidly updated to reflect the current risk and assurance environment resulting from Covid-19.

We reviewed reports from the Head of Internal Audit at our quarterly meetings. These reports enable us to monitor progress against the internal audit plan, discuss any key findings with the auditor and senior management - securing improvement actions.

The Audit Committee reviewed the effectiveness of the internal audit function and confirmed that its professional practice conforms to the Public Sector Internal Audit Standards. An External Quality Assessment is planned for late 2021.



Looking Ahead



In 2020/21 the Audit Committee aims to continue to build on its role and will set out to seek assurance on the following:

- we will meet with the Corporate Leadership Team to fully understand the updated accountability and assurance framework.
- moving forward to the 'new normal' will demand an adjustment to business processes, with technology and data at the centre of it. We will seek assurance around the transformation programme and its key projects – including the implementation of the council's ERP system (Business World On) and the SMARTER working operating model.
- the council's Strategic Risk Register is updated following the publication of the new Corporate Plan and its risk appetite is clearly understood and applied throughout the council.
- better governance and oversight of key projects – including benefit realisation
- review of contract management and associated commercial / third party risks.
- implementation of improvements over our risk management arrangements.

- reviewing the effectiveness of the decision making and scrutiny processes.
- Implementation of improvement actions arising from the Peer Review 2019 & Governance Review 2019 (where relevant in the current operating environment).
- Implementation of improvement actions arising from the Employee Survey 2019 (where relevant in the current operating environment).

We will continue to develop a strong relationship with Overview and Scrutiny Management Board – reinstating regular liaison meetings and sharing work plans as appropriate.



Your Audit Committee

The Audit Committee is a regulatory committee made up of 7 councillors and 2 independent members. The composition and attendance of the Committee during the year can be found in **Appendix 1**.

The importance of the Audit Committee remains vital in looking forward to 2019/20 and beyond – in the context of continued financial pressures, reshaping of services, new models of service delivery and the growing demand for public services. Our role is to increase public confidence about how well the Council is run – providing independent assurance and challenge to the Executive – over governance, risk management and control processes. Our terms of reference can be found in **Appendix 2**.

The Committee met 5 times up to 13th July 2020. Our March Committee was cancelled due to the pandemic lockdown.

Our work plan can be split into two areas - core items of business reviewed regularly and special interest areas where the Committee requires further assurance. The activities of the Audit Committee are noted in **Appendix 3**.

Effectiveness

In September 2020 the Committee completed a self assessment survey, where our performance was reviewed against a CIPFA best practice framework

Our self assessment provided a good level of assurance over the delivery of the Committees core role and function. It also identified some actions for us, namely:

- meeting with the Corporate Leadership Team to gain an understanding of the revised accountability and assurance framework – following the publications of the Corporate Plan, strategies etc.
- obtain feedback from other council members on our impact and how we can enhance our effectiveness.
- establish practical ways we can undertake post meeting reviews / debrief to help inform the Chairman's update to the Leader / Chief Executive.
- review and update our training programme – undertaking a blended approach with a combination of face to face and virtual training events.
- further risk management training – raising awareness and understanding on effective risk management in an uncertain and rapid changing environment.
- 'deeper dive' assurance into some of the key risks facing the council and mitigating control actions.



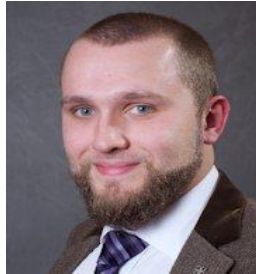
Appendix 1

Audit Committee Composition & Attendance



Chairman

**Councillor
Mrs S Rawlins**



Vice Chairman

**Councillor A
Spencer**

Name	Audit Committee Attendance (Out of 5 possible Meetings)
Councillor S Rawlins	5
Councillor A Spencer	4
Councillor P Coupland	4
Councillor A Maughan	5
Councillor P Skinner	5
Councillor R Parker	5
Councillor A Stokes	4
Mr Ian Haldenby	5
Mr A Middleton	5



**Councillor
P Coupland**



**Councillor
A Maughan**



**Councillor
P Skinner**



**Councillor
R Parker**



**Councillor
A Stokes**



**Mr A Middleton
(independent
Added Person)**



**Mr I Haldenby
(Independent
Added Person)**



Audit Committee Terms of Reference

There will be an Audit Committee consisting of nine members. Seven of the members will be Non-Executive Councillors and reflect the political balance overall. Two members shall be an independent person who is not a Councillor or Officer of the Council; or a former Officer of the Council if their departure was in the last five years.

Role

To fulfil the role of an Audit Committee in respect of the work of the Council.

- ❖ The Audit Committee is a key component of Lincolnshire County Council's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.
- ❖ The purpose of the Audit Committee is to provide independent assurance to the members of the adequacy of the risk management framework and the internal control environment. It provides independent review of Lincolnshire County Council's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

Functions

Internal Audit

- ❖ Approve the internal audit charter.
 - ❖ To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendation.
 - ❖ To consider the Head of Internal Audit's annual report and opinion.
- a) The statement of the level of conformance with the Public Sector Internal Audit Standards and Local Government Application Note and the results of the Quality Assurance and Improvement Programme that supports the statement – these will indicate the reliability of the conclusions of internal audit.



Audit Committee Terms of Reference

b) The opinion of the overall adequacy and effectiveness of the Council's framework of governance, risk management and control together with the summary of the work supporting the opinion – these will assist the committee in reviewing the Annual Governance Statement.

- ❖ To approve the risk-based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those sources.
- ❖ To approve significant interim changes to the risk-based internal audit plan and resource requirements.
- ❖ To make appropriate enquiries of both management and the Head of Internal Audit to determine if there are any inappropriate scope or resource limitations.
- ❖ To consider reports from the Head of Internal Audit on internal audit's performance during the year. These will include:-
 - a) Updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work.
 - b) Regular reports on the results of the Quality Assurance and Improvement Programme.
 - c) Reports on instances where the internal audit function does not conform to the Public Sector Internal Audit Standards and Local Government Application Note, considering whether the non-conformance is significant enough that it must be included in the Annual Governance Statement.
- ❖ To consider summaries of specific internal audit reports of significance or as requested
- ❖ To contribute to the Quality Assurance and Improvement Programme and in particular, to the external quality assessment of internal audit that takes place at least once every five years.
- ❖ To support the development of effective communication with the Head of Internal Audit.



Audit Committee Terms of Reference

External Audit

- ❖ To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.
- ❖ To consider specific reports as agreed with the external auditor.
- ❖ To comment on the scope and depth of external audit work and to ensure it gives value for money.
- ❖ To liaise with the appropriate body over the appointment of the Council's external auditor.
- ❖ To commission work from internal and external audit.
- ❖ To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.

Regulatory Framework – Governance, Risk and Control

- ❖ To maintain an overview of the Council's Constitution.
- ❖ To review any issues referred to it by the Chief Executive, Director or any Council body.
- ❖ To monitor the effective development and operation of risk management and corporate governance in the Council.
- ❖ To monitor progress in addressing risk-related issues reported to the committee.
- ❖ To review the assessment of fraud risks and potential harm to the council from fraud and corruption.



Audit Committee Terms of Reference

- ❖ To monitor the counter-fraud strategy, actions and resources.
- ❖ To review the Annual Governance Statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account internal audit's opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control.
- ❖ To review the Council's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances
- ❖ To consider the Council's framework of assurance and ensure that it adequately addresses the risks and priorities of the Council.
- ❖ To consider the Council's compliance with its own and other published standards and controls.
- ❖ To report to full council on a regular basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.

Accounts

- ❖ To review the annual statement of accounts. Specifically to consider whether appropriate accounting policies have been followed and whether there are any concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.
- ❖ To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.
- ❖ Duty of approve the authority's statement of accounts, income and expenditure and balance sheet.



Appendix 2

Audit Committee Terms of Reference

Standards

- ❖ Promoting and maintaining high ethical standards by Councillors and non-elected members.
- ❖ Assisting the Councillors and added members to observe the Members' Code of Conduct.
- ❖ Advising the Council on the adoption or revision of the Members' Code of Conduct.
- ❖ Monitoring the operation of the Members' Code of Conduct.
- ❖ Advising, training or arranging to train Councillors and added members on matters relating to the Members' Code of Conduct.
- ❖ Determining complaints of breaches of the Code of Conduct for Members referred for hearing by the Monitoring Officer.



Appendix 3

Audit Committee Activities

Audit Committee activities	Sept	Nov	Feb	March	June	July
Financial Reporting						
Financial Regulations Update	x	x				
Accounting Policies					x	
Draft/Approval Statement of Accounts for Lincolnshire County Council & Lincolnshire Pension Fund						x
External Auditors						
Annual Audit Letters for Lincolnshire County Council and Lincolnshire Pension Fund	x					
Progress Reports			x			
External Audit Strategies – Lincolnshire County Council and Lincolnshire Pension Fund					x	
Internal Audit						
Head of Internal Audit Opinion & Annual Report						x
Internal Audit Plan – revised & impact of Covid-19						x
Progress Reports	x	x	x		x	



Appendix 3

Audit Committee Activities

Audit Committee activities	Sept	Nov	Feb	March	June	July
Governance and Risk Management						
Risk Management update on Strategic Risk Register	x		x			
Draft/Approval of Annual Governance Statement					x	x
Report on Corporate and Statutory Complaints			x			
Governance Review – Culture and Values Report			x			
Code of Conduct – working group feedback on model code		x				x
Monitoring Officer’s Annual Report						x
Counter Fraud						
Annual Report on the Council’s Whistleblowing arrangements		x				
Counter Fraud Risk Register	x					
Counter Fraud Annual Report					x	
Counter Fraud Progress Report		x				



Appendix 3

Audit Committee Activities

Audit Committee activities	Sept	Nov	Feb	March	June	July
Special Interest Items						
Financial Assessments and the Strategic Risk – Market Supply		x				
Review of Audit Committee Terms of Reference and Internal Audit Charter		x				
Developments in Audit and Governance		x				
Combined Assurance Reports			x			
Information Assurance Annual Report						x
Audit Committee work plan	x	x	x		x	x
Audit Committee Annual Report	x					

This report has been prepared solely for the use of Members and Management of Lincolnshire County Council. Details may be made available to specified external organisations, including external auditors, but otherwise the report should not be used or referred to in whole or in part without prior consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended for any other purpose.

The matters raised in this report are only those that came to our attention during the course of our work – there may be weaknesses in governance, risk management and the system of internal control that we are not aware of because they did not form part of our work plan or not brought to our attention. The opinion is based solely on the work undertaken as part of the Audit Committee work plan.

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Open Report on behalf of Andrew Crookham, Executive Director - Resources

Report to:	Audit Committee
Date:	16 November 2020
Subject:	Work Plan

Summary:

This report provides the Committee with information on the core assurance activities currently scheduled for the 2020/21 work plan.

Recommendation(s):

- (1) Review and amend the Audit Committee's work plan ensuring it contains the assurance areas necessary to approve the Annual Governance Statement 2021.
- (2) Consider the actions identified in the Action Plan.

Background

The work plan, as attached at Appendix A, has been compiled based on the core assurance activities of the Committee as set out in its terms of reference and best practice.

Appendix B – keeps track of actions agreed by the Committee and future potential agenda items.

Conclusion

The work plan helps the Audit Committee effectively deliver its terms of reference and keeps track of areas where it requires further work and/or assurance.

Consultation

a) Have Risks and Impact Analysis been carried out?

No

b) Risks and Impact Analysis

N/A

Appendices

These are listed below and attached at the back of the report	
Appendix A	Work plan
Appendix B	Action plan

Background Papers

No Background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

This report was written by Lucy Pledge, who can be contacted on 01522 553692 or lucy.pledge@lincolnshire.gov.uk .

Audit Committee Work Plan 2020-21

16 November 2020 – 10 am – Virtual Meeting		
Item	Contributors	Assurances Required/ Sought
Updated Audit Completion Report 2019/20 – Lincolnshire County Council	Mike Norman (Senior Manager, Mazars)	Seek assurance over progress and delivery of the external audit plan and that any risks to successful production of the financial statements and audit are being managed.
Counter Fraud Progress Report	Matt Drury (Principal Investigator)	Gain assurance that the Council has effective arrangements in place to fight fraud locally. Ensure that counter fraud resources are effectively targeted to the Council's key fraud risks.
Annual Whistleblowing Report	Matt Drury (Principal Investigator)	That the Council's process and procedures for dealing with whistleblowing referrals is effective.
Internal Audit Progress Report	Julie Castledine (Principal Auditor) Lucy Pledge (Head of Internal Audit and Risk Management)	Gain an understanding of the level of assurances being provided by the Head of Internal Audit over the Council's governance, risk and internal control arrangements and why.
Draft Audit Committee Annual Report 2019/20	Lucy Pledge (Head of Internal Audit and Risk Management)	Provide assurance that the Committee has adequately discharged its terms of reference and has positively contributed to how well the Council is run.

08 February 2021 - 10 am		
Item	Contributors	Assurances Required/ Sought
Combined Assurance Status Reports – 2020/21	Chief Executive and Executive Directors	<p>Understand the level of assurances being provided on the Council's critical systems, key risks and projects and how they link to the Committees role and remit and the Annual Governance Statement.</p> <p>Seeking assurance that they are working well and that any significant risk and issues are being actively managed.</p>
<p>Items to be circulated for Information Only</p> <ul style="list-style-type: none"> - Internal Audit Progress Report - Annual Report on Corporate Compliments and Complaints - Annual Audit Letters for Lincolnshire County Council & Lincolnshire Pension Fund for the year ending 31 March 2020 		

29 March 2021 – 10.00 am		
Item	Contributors	Assurances Required/ Sought
Financial Management Code / Lessons Learnt from Northamptonshire County Council	Sue Maycock (Head of Finance – Corporate) Dave Simpson (Head of Technical and Development Finance)	
External Audit Strategies – Lincolnshire County Council and Pension Fund 2020/21	Mike Norman (Senior Manager, Mazars)	Seek assurance over progress and delivery of the external audit plan and that any risks to successful production of the financial statements and audit are being managed.
External Audit Progress Report – March 2021	Mike Norman (Senior Manager, Mazars)	Seek assurance over progress and delivery of the external audit plan and that any risks to successful production of the financial statements and audit are being managed.
Review of Governance Framework and Development of the Annual Governance Statement 2020/21	Lucy Pledge (Head of Internal Audit and Risk Management)	<p>Confirm that the Annual Governance Statement reflects the Committee's understanding of how the Council is run and that any significant governance issues / risks have been identified / published.</p> <p>Constructively challenge the information and evidence being presented.</p> <p>Ensuring value for money assurance arrangements are reported on and assessing how this features in the Annual Governance</p>

29 March 2021 – 10.00 am		
Item	Contributors	Assurances Required/ Sought
		Statement. Improving how the Council discharges its responsibilities for public reporting e.g. better targeting at the audience and plain English.
Draft Internal Audit Annual Plan 2021/22	Lucy Pledge (Head of Internal Audit and Risk Management)	That the Internal Audit Plan focuses on the key risks facing the Council and is adequate to support the Head of Audit opinion. Confirm that the plan achieves a balance between setting out the planned work for the year and retaining flexibility to changing risks and priorities during the year.
Counter Fraud Annual Report 2020/21	Dianne Downs (Team Leader – Counter Fraud & Investigations)	On the overall effectiveness of the Authority's arrangements to counter fraud and corruption.
Risk Management Progress Report	Debbie Bowring (Principal Risk Officer)	Seek assurance that risk-related issues are being addressed.

14 June 2021 – 10.00 am		
Item	Contributors	Assurances Required/ Sought
Internal Audit Progress Report	Lucy Pledge (Head of Internal Audit and Risk Management)	Gain an understanding of the level of assurances being provided by the Head of Internal Audit over the Council's governance, risk and internal control arrangements and why. The Internal Audit Plan focuses on the key risks facing the Council and is adequate to support the Head of Audit opinion. Confirm that the plan achieves a balance between setting out the planned work for the year and retaining flexibility to changing risks and priorities during the year.
Statement of Accounts 2020/21 – Accounting Policies	Sue Maycock (Head of Finance – Corporate)	Confirm that the appropriate accounting policies are being applied and understand the impact of any material changes that affect the Council's or Pension fund accounts.

12 July 2021 - 10.00 am

Item	Contributors	Assurances Required/ Sought
Internal Audit Annual Report 2020/21	Lucy Pledge (Head of Internal Audit and Risk Management)	<p>Gain an understanding of the level of assurances being provided by the Head of Internal Audit over the Council's governance, risk and internal control arrangements and why.</p> <p>To consider how well the Internal Audit Functions is performing:</p> <ul style="list-style-type: none"> • Is it what you want – independent, objective and provide a knowledgeable view of how well the Council is being run? • Conforms to the Public Sector Internal Audit Standards? • Has an effective Quality Assurance framework? • Successfully delivers results that make a difference in how well the Council is run?
Approval of the Council's Annual Governance Statement 2020/21	Lucy Pledge (Head of Internal Audit and Risk Management)	Confirm that the final Annual Governance Statement accurately reflects the Committees understanding of how the Council is run and any comments made on the draft have been acted upon.
Information Assurance Annual Report 2020/21	David Ingham (Head of Information Assurance)	Gain an understanding of the level of assurances being provided by the Head of Information Assurance over the Council's information governance arrangements and why.
Monitoring Officer's Annual Report	David Coleman (Monitoring Officer)	Confirm compliance with the Council's code of conduct and constitutional arrangements – ensuring the lawfulness of decisions and promoting / maintaining high standards of conduct by officers and members.
Draft Statement of Accounts 2020/21	Sue Maycock (Head of Finance – Corporate)	<p>By asking questions (supported by independent advisor), confirm the integrity of the Council's financial statements prior to audit/publication.</p> <p>Improving how the Council discharges its responsibilities for public reporting e.g. better targeting at the audience and plain English.</p>

27 September 2021 – 10 am

Item	Contributors	Assurances Required/ Sought
Statement of Accounts for Lincolnshire County Council & Lincolnshire Pension Fund for the year ending 31 March 2021	<p>Sue Maycock (Head of Finance – Corporate)</p> <p>Mike Norman (Senior Manager, Mazars)</p>	<p>Ensure that the explanatory forward to the accounts help the public understand the authority's financial management of public funds.</p> <p>Consider the outcome of the External Audit and the appropriateness of management responses.</p> <p>Consider any concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council</p> <p>Consider the proposed Value for Money Conclusion and any matters arising.</p>
Internal Audit Progress Report	Lucy Pledge (Head of Internal Audit and Risk Management)	Gain an understanding of the level of assurances being provided by the Head of Internal Audit over the Council's governance, risk and internal control arrangements and why.
Risk Management Progress Report – September 2021	Debbie Bowring (Principal Risk Officer)	Seek assurance that risk-related issues are being addressed.
Fraud Risk Register	Matt Drury (Principal Investigator)	<p>Confirm that the Council's counter fraud activity is targeted and effective.</p> <p>Ensure that appropriate progress is being made on the delivery of the Counter Fraud plan.</p> <p>Ensure that lessons have been learnt – understand fraud risks facing the Council and actions being taken to reduce the risk.</p>

Audit Committee Action Plan 2020			
Action	Terms of Reference Outcome	Key Delivery Activities	When
1. Develop Action plan following self-assessment workshop considering the following	Improve effectiveness of the committee	Improving Attendance – Chairman to meet with each member and obtain feedback	On-going
		Meeting with Corporate Leadership Team around new corporate plan, accountability and assurance framework	TBC
		Partnership assurance (combined assurance status reports)	TBC
		Integrated Assurance – PWC Better Care Fund report	In progress – new governance arrangements being developed
		Feedback the outcome of meetings: <ul style="list-style-type: none"> • End of meeting summary • Diarise meeting with CEX / Leader 	From September 2019
		Look at venue and time of meeting	