



**AUDIT COMMITTEE  
14 JUNE 2021**

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

Councillors M G Allan (Vice-Chairman), S Bunney, P E Coupland, J L King, P A Skinner and A N Stokes

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

Councillors: attended the meeting as observers

Officers in attendance:-

Julie Castledine (Principal Auditor), Robert Close (Democratic Services Officer), Andrew Crookham (Executive Director Resources), James Drury (Executive Director Commercial), Michelle Grady (Assistant Director – Finance), Sue Maycock (Head of Finance (Corporate)), Andrew McLean (Assistant Director - Transformation), Lucy Pledge (Head of Internal Audit and Risk Management), John Pressley (Mazars) and Cameron Waddell (External Auditor, Mazars)

**1 APOLOGIES FOR ABSENCE**

Apologies for absence were received from Mr Ian Haldenby.

**2 DECLARATIONS OF MEMBERS' INTERESTS**

Mr Middleton took the opportunity to advise the committee that he had been appointed as an Independent Person for West Lindsey District Council, however, he agreed that he wouldn't involve himself in any investigations concerning members whom were also Lincolnshire County Councillors.

Councillor Bunny declared a personal interest in item seven as his wife worked in Children's Services as part of the Children in Care Team.

**3 MINUTES OF THE MEETING HELD ON 19TH MARCH 2021**

That the minutes of the meeting held on 19th March 2021 be confirmed and signed by the Chair as a correct record.

**4 EXTERNAL AUDIT STRATEGY THE LINCOLNSHIRE PENSION FUND 2020/21**

Michelle Grady (The Assistant Director – Finance) introduced a report that presented the external audit strategy for the Lincolnshire Pension Fund. John Pressley and Cameron Waddell – Mazars, the Council's external auditors, subsequently presented the strategy.

Noting the delay in the approval of the 2019/20 accounts, the Committee queried if the auditors anticipated a similar delay for the 2021/22 accounts. The external auditors advised that they were cautiously optimistic as some uncertainty had been removed, subject, of course, to accounts being received in a timely fashion. The deadline of September 2021 would likely be reached.

Acknowledging the importance of a wide range of investments, the Committee sought further detail on the investments in 'alternatives' that made up 50 per cent of the fund's net investment assets. Andrew Crookham (Executive Director - Resources) offered to provide a written explanation after the meeting, given the complexity of the answer.

Referencing the suggestion that the audit plan could be reassessed 'if necessary', the Committee asked if there had been, or would likely be, any need to revise the audit plan. The external auditors didn't see a reason why a reassessment would be required, although the calculated materiality may increase or decrease.

#### RESOLVED

That the External Audit Strategy for the Lincolnshire Pension Fund for 2020/21 be noted.

#### 5 ANNUAL AUDIT LETTERS FOR LINCOLNSHIRE COUNTY COUNCIL & LINCOLNSHIRE PENSION FUND FOR YEAR ENDING 31ST MARCH 2020

Head of Finance - Corporate introduced a report which presented the Annual Audit Letters from the Council's external auditors, Mazars, for Lincolnshire County Council and the Lincolnshire Pension Fund for the 2019/20 financial year. The main accounts for 2019/20 had been published and this report brought a close to the 2019/20 audit. In addition, the fees for Lincolnshire County Council and the Lincolnshire Pension Fund Audit Letters saw an increase of £19,304 and £6,000 respectively.

#### RESOLVED

That both, the Annual Audit Letter for Lincolnshire County Council for 2019/20, and the Annual Audit Letter for the Lincolnshire Pension Fund for 2019/20 be noted.

#### 6 INTERNAL AUDIT PLAN - 2021/22

Lucy Pledge (The Head of Internal Audit and Risk Management) introduced a report which provided the content of the Internal Audit Plan for 2021/22, and the reasoning for the areas chosen.

Appreciating the indication that further auditors would join the team, the Committee sought affirmation that the Internal Audit Plan was achievable. The Head of Internal Audit and Risk Management explained that she was confident that the areas within the plan, which were indicated as being 'fixed', were indeed deliverable. She added that this would be supported by an Audit Progress report to future meetings of the Audit Committee. Responding to the

comment regarding recruitment, she added apprenticeship schemes would be used to build capacity and help with employee retention.

Raising the issue of the Better Care Fund, the Committee sought clarity on how this, and any other joint funded activity, was audited and if it was in the audit plan. The Head of Internal Audit and Risk Management explained that, due to the Covid-19 Pandemic, the Better Care Fund audit was postponed, but course was currently in progress. Effective Partnership governance and oversight had highlighted the Annual Governance Statement. This would result in not only the Better Care Fund being examined, but also the Greater Lincolnshire Enterprise Partnership.

The Committee asked if project value for money assessments and benefit realisation were revisited to evaluate their accuracy in practice. The Head of Internal Audit and Risk Management stated that, part of the project life cycle included a benefit realisation process. However, the annual governance statement identified the benefit realisation process as being an area requiring improvement. This would be addressed within the transformation programme. In a follow up question, the Committee sought detail on how longer term project benefits were assessed. The Executive Director – Resources noted that members of the Overview and Scrutiny Management Board shared this interest. Advising that they could potentially explore the issue further in a forthcoming meeting, he offered to feedback any such developments to the Audit Committee.

Regarding the effective management of contracts, the Committee sought officers' opinion on how effective contract management was assessed. The Head of Internal Audit and Risk Management explained that the issue would be covered as part of the Internal Audit and the Counter Fraud Plan to consider how contracts were being delivered and managed.

Acknowledging the dramatic increase in working from home, the Committee asked, to what extent, assurances could be offered on the impact of the Council's working from home arrangements, performance and service delivery, and the control environment. The Executive Director – Resources agreed that, as the smart working agenda developed, it would be beneficial to undertake an audit then present the findings before the Committee. The Head of Internal Audit and Risk Management stated that a future report could be presented to the Audit Committee setting out the processes and controls in place over SMARTER working. This report would likely be received at the September 2021 meeting of the Audit Committee.

RESOLVED

That the 2021/22 Internal Audit Plan be approved as laid out within the report.

## 7 INTERNAL AUDIT PROGRESS REPORT

Julie Castledine (Principal Auditor) presented the Internal Audit Progress Report, which detailed the audit work completed up to 30th April 2021; and advised on the progress of the

2020/21 plan. Progress on the actions arising from all audit reports in the plan was also detailed.

The report referred to one item where assurance opinion was considered to be low, relating to the implementation of Mosaic Finance. James Drury (Executive Director – Commercial), Andrew Mclean (Assistant Director – Transformation), and Miles Winterburn (Head of Corporate Systems) were in attendance to respond to questions on this issue, however none were raised.

Assurance of the Business World Redesign project was also considered by the Committee. They recognised that that first payroll parallel run had been slower than anticipated, but reconciliation and investigation of issues coming from it were thorough. The Committee asked if there was still enough time available to facilitate parallel running checks. The Assistant Director – Transformation stressed the necessity of such reconciliation and checks to effectively ensure that payroll information will be accurate. The Committee asked if three parallel run checks were enough, however they were advised that three checks were sufficient for such complex payroll and had been reviewed with independent expert assurance.

Noting that issues were indicated to have affected Children's Services as a result of the Covid-19 Pandemic, the Committee sought clarification if these issues had since been addressed. The Principle Auditor advised that she would have to come back to members with an answer after seeking out further information.

Two high risk actions were still outstanding for the Cyber Security Audit, relating to access to the network and Disaster Recovery, the Committee asked if officers were comfortable with their completion dates of March 2022 and 2024 respectively. Although the completion dates seemed distant, the Executive Director – Commercial advised that the dates were appropriate and Internal Audit would provide assurance for those high and medium term actions. He added that cyber-attacks were constantly evolving and the Council's move to cloud based systems provided greater security against this than our own systems.

RESOLVED

That the outcomes of Internal Audit's work be noted.

## 8 CIPFA FINANCIAL MANAGEMENT (FM) CODE

The Assistant Director – Finance introduced the report that updated the Committee that the Chartered Institute of Public Finance and Accountancy (CIPFA) had published its Financial Management (FM) Code, which provided guidance for good practice in financial management and assisted local authorities in demonstrating their financial sustainability.

Registering their concern relating to the short term settlements from government, the Committee asked how the Council could balance long term financial planning - when it didn't

fully know what to expect from the future. The Assistant Director – Finance advised that, although the Council couldn't know with complete certainty what to expect from the future, it could however, make assumptions based on cost pressures, council tax funding, or the council tax base for example. A significant proportion of the Council's funding now came from local taxation rather than Government funding. The Council also had a medium term plan which was part of the budget set by Council in its February meeting.

Noting the Council's financial resilience during the Covid-19 pandemic as a result of its robust financial reserves, the Committee sought officers' agreement that the financial reserves were maintained at a suitable level. The Assistant Director – Finance agreed that, to ensure financial resilience, the maintenance of the Council's reserves must be treated with appropriate consideration. The Council did spend approximately £100 million through 2020/21; this however, was covered by grants from Central Government. She added that, unlike other local authorities, the Council didn't have any commercial activity that was commissioned purely to generate income.

**RESOLVED**

That the requirements set out in the CIPFA FM Code, and the assessment undertaken to evaluate the Council against the standards within the code, be noted.

**9      WORK PROGRAMME**

The Head of Internal Audit and Risk Management introduced the Work Programme which provided the Committee with core assurance activities currently scheduled for the 2021 work programme.

Observing the data security risks relating to mobile devices, the Committee asked if this issue could be addressed as part of the work plan. The Head of Internal Audit and Risk Management explained that this would be included in the next Internal Audit Progress report.

**RESOLVED**

That the Committee's work plan be noted.

The meeting closed at 11.51 am