

**PRESENT: COUNCILLOR**

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

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

Councillors: attended the meeting as observers

Officers in attendance:-

David Coleman (Chief Legal Officer), Dianne Downs (Team Leader - Counter Fraud and Investigations), Michelle Grady (Assistant Director – Finance), David Ingham (Head of Information Assurance), Sue Maycock (Head of Finance (Corporate)), Lucy Pledge (Head of Internal Audit and Risk Management) and Matthew Waller (Internal Audit Manager)

10 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors S Rawlins and J L King.

11 DECLARATIONS OF MEMBERS' INTERESTS

No declarations of interest were made with respect to any items on the agenda.

12 MINUTES OF THE MEETING HELD ON 28TH JUNE 2021

That the minutes of the meeting held on 28 June 2021 be confirmed and signed by the Chairman as a correct record.

13 INTERNAL AUDIT ANNUAL REPORT 2020/21

Lucy Pledge (Head of Internal Audit and Risk Management) introduced a report that presented the Internal Audit Annual Report which gave her opinion on the adequacy of the Council's Governance, Risk and Control environment and delivery of the Internal Audit plan for 2020/21.

The Committee asked what sort of efficiencies SMARTER working could result in. The Head of Internal Audit and Risk Management suggested that efficiencies came from time saved from travelling by using Microsoft Teams for meetings for example. However, she noted that face to face conversations still had a place within the process. In a follow up point, the Committee noted that the preservation of efficiencies hadn't get been proven. The Head of

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Internal Audit and Risk Management explained that at the 14th June meeting of the Audit Committee, she offered to bring forward a report on the control environments for smarter working, this was still the intention. However, she stated that the Council had been operating over the last year from home; the governance framework was considered to be robust enough to adapt.

Referring to the overdue actions, the Committee asked if some of these, dated back to January 2019, were any closer to being completed. The Head of Internal Audit and Risk Management explained that these were tracked every quarter with their continued relevance was being considered. The Audit Manager suggested that an update be given at the next progress report to give more of an overview with expected completion dates

The Committee noted that there seemed to be gaps in the delivery of the ICT Audit, they sought further explanation. The Head of Internal Audit and Risk Management explained that the majority of the audits were delivered. There were, however, some challenges in delivery when the IT service is provided by an external partner. The Audit Manager offered assurance that the Audit Team continually look forward and liaise on issues of ICT. The Committee appreciated that, particularly with IT, resources often had to be focused on delivery rather than assurance.

**RESOLVED**

That the Internal Audit Annual Report 2020/21 report be noted.

**14**      **REVIEW OF COUNCIL'S GOVERNANCE ARRANGEMENTS AND APPROVAL OF ANNUAL GOVERNANCE STATEMENT**

The Head of Internal Audit and Risk Management introduced a report that presented the Council's Annual Governance Statement and explained that the Council was required to reflect on how well its governance framework had operated during the year and to identify any governance issues that needed to be drawn to the attention of Lincolnshire's residents.

While appreciating the impact of Covid-19, the Committee were disappointed that the Council weren't assessed as performing well on all four key areas. They asked if officers have a plan, with time scales, as to how to address this. The Head of Internal Audit and Risk Management explained that the statement that the Council was performing adequately on these areas was her opinion, for which she received questions from senior officers. However, she stressed that her opinion was likely more cautious than other's. Action plans for improvement were identified through the performance framework; Corporate Leadership Team had separate action plans to address this. She expected some of these would be completed within 2021. In addition, she stressed that 'performing adequately' was in fact a reasonable technical term within assurance and audit language and meant that the Council was performing reasonably.

The Committee felt that direction of travel had differed significantly over the past year, thus, the Head of Internal Audit and Risk Management's suggestion of adequate assurance was

likely accurate, particularly that of financial and internal controls. They asked if any feedback had been received challenging the structure of this. The Head of Internal Audit and Risk Management explained that this statement had been endorsed by the Corporate Leadership Team who took full responsibility. The statement had also been shared with the Leader of the Council. In a follow up questions, the Committee asked if working from home resulted in reduced performance for staff. The Head of Internal Audit and Risk Management acknowledged the Council's delivery model had changed, resulting in both positivity and areas of improvement. Councillor Whittington, Executive Support Councillor for Resources, Communications and Commissioning, offered to pass the smarter working apprehensions onto the Leader of the Council.

Referencing a number of limited assurances identified within the report, the Committee sought assurance that the safeguards were sufficient. The Head of Internal Audit and Risk Management stressed assurance indicators had been put in place by accountable managers rather than herself as the Head of Audit and Assurance. She suggested the work programme be indicated to invite accountable managers to offer assurance to the Committee on those risks.

**RESOLVED**

1. That the Committee agree that the Annual Governance statement accurately reflects how the Council is run.
2. That the statement included the significant governance issues/key risks it would have expected to be published.
3. That the statement be approved by the Committee and its adoption is recommended for approval by Council.

**15     DRAFT STATEMENT OF ACCOUNTS 2020/21**

Michelle Grady (The Assistant Director – Finance) introduced the draft Statement of Accounts for 2020/21 financial year. The final Statement of Accounts for 2020/21 would be presented to the Audit Committee on 27<sup>th</sup> September 2021 following the external audit process.

The Committee asked how accurate the property asset values identified within the report were after the impact of the Covid-19 pandemic. The Assistant Director – Finance explained that the Council had a five year rolling programme to revalue all of the Council's assets. Last year, under the guidance of surveyors, the external auditors included a note of caution in the accounts. The Council's property assets had in fact increased in value over the past year. If there was a drop in value, it would be detailed in the unuseable reserves.

While appreciating why employee annual leave may have not been taken in the past year, the Committee asked for further detail on this. The Assistant Director – Finance explained that a survey was carried out across staff but would have increased during 2020/21 as staff possibly couldn't take leave due to increased Covid work demands. From 2020/21 to 2021/22 staff had temporarily been allowed to carry over additional leave to normal.

The Committee sought confirmation that controls for purchasing had been maintained throughout the past year. The Assistant Director – Finance stressed all standard controls continued throughout the Covid-19 pandemic. Some procurement had been delayed as it wasn't considered appropriate in the middle of the pandemic. All extensions or unexpected purchases had been carried out through the authority of the normal governance structure.

The pandemic had resulted in a decreased demand in services; the Committee asked how the Council intended to deal with a demand resurgence coming back in a future. The Assistant Director – Finance stated that some services hadn't been delivered, resulting in underspend. While such underspend would be reviewed, she noted that demand for services such as public health, would likely return in the future.

Other commercial organisations were considering less accommodation for staff to work in, the Committee asked if the Council were looking at redistributing resources to support a more digital way of working. The Assistant Director – Finance explained that, within the smarter working agenda, a reduction in the Council's property was expected.

Appreciating the risks and liabilities that could arise when operating trading companies, the Committee sought further clarity on their governance and intents. The Assistant Director – Finance gave an overview of the Council's current trading companies and offered assurance in their governance. Transport Connect was a passenger transport company which the Council took ownership of because of failure in the market. The intent behind the creation of Transport Connect was to provide a transportation service to residents rather than to make profit. Lincolnshire Future and Lincolnshire Property hadn't traded since their creation. Any decision to make them operational would have to go through the Executive. Legal Services offered a shared service with Lincolnshire's District Councils. In addition, the liabilities of these companies were detailed within their accounts.

The Committee noted that the Council's reserves were fairly similar to previous years'; they asked if they were still considered sufficient as the Council moved out of the pandemic. The Assistant Director – Finance explained that the Council had to complete a going concern statement which set out its financial position. This would be considered by the external auditors as part of the Council's accounts. The Council's reserves, which currently sat at just over 3 per cent, were within its policy of maintaining a level of 2.5 to 3.5 per cent.

The Committee noted that they would have preferred if the narrative report could include more detail for forward looking consideration. The Assistant Director – Finance understood their preference and agreed.

Making reference to the short and long term provisions detailed within the report, the Committee asked if the usage that hadn't been replenished, had been specifically depleted from a provision. The Assistant Director – Finance explained that the insurance claims provisions were based on claims that the Council already had in the system; the insurance reserves had in fact increased.

Referring to the increase in senior officers' remuneration, the Committee felt that further narrative explanation would be of benefit. The Assistant Director – Finance explained that this had been addressed in previous years. She added that narrative complied with the CIPFA code reporting requirements and the Council didn't typically have enquires about this. However, this approach would be revisited if more of an interest was taken. In a follow up question, the Committee asked if the Council had a maximum on staffing costs as they do in the NHS. The Assistant Director – Finance stated that there was nothing in particular detailing how the Council had to spend its budget; as this was a local decision for elected members.

The Committee noted that inflation had particularly hit the construction industry's material costs, how was the Council taking this into account. The Assistant Director – Finance explained that the Council were indeed seeing a growth in tender prices. The Capital Programme budget was set in January; prices had increased since then. This was be considered during the budget setting process when the whole programme needed to be reviewed.

The Committee sought clarity on the cause of the underspend for service areas. The Assistant Director – Finance explained that it resulted from a combination of reduced demand, resources being redirected into the Covid response which was covered by grant funding for example Adult Care and Community Wellbeing.

**RESOLVED**

That the comments of the Committee on the draft Statement of Accounts 2019/20 be noted.

**16      INFORMATION ASSURANCE ANNUAL REPORT 2020/21**

David Ingham (Head of Information Assurance) presented the Information Assurance Annual Report 2020/21. The report focused on data protection, records management and information security.

The Committee sought confirmation that officers working from home wouldn't result in any intentional, or unintentional, data breaches or fraud. The Head of Information Assurance explained that the Information Assurance team worked closely with colleagues to ensure adherence to data protection with clear policies and controls in place. He was confident that current arrangements were capable of reducing risk.

Making reference to the suggestion that the timeframe for the project to tackle legacy records would be extended, the Committee sought further detail to what extent this would be. The Head of Information Assurance confirmed the extension came within a new four year project which sought to address the displacement of records as working accommodation was rearranged, as well as tackling on going legacy records and offsite storage. Sensitive records were prioritised and addressed first.

Registering their concern of the reference to 'unknown historic records', the Committee sought assurance that this issue was being effectively managed. The Head of Information Assurance explained that as working accommodation was being rearranged, legacy records were being identified. When a building was identified for decommissioning, Information Assurance Officers worked with Property and the relevant service area to ensure records were recovered. While the project was large and challenging, the Head of Information Assurance assured the Committee that it was achievable and would reduce holdings. He offered to circulate a report which would set out the planned approach. . In a follow up question, the Committee sought confidence that buildings that had been historically decommissioned by the Council, had gone through the same rigorous decommissioning process. The Head of Information Assurance suggested a key indicator of such an issue would be breaches being highlighted by new occupants or members of the public. No such breaches were raised.

#### RESOLVED

1. That the Information Assurance activity for 2020/21 be noted.
2. That key activity demonstrating that the Information Assurance function remains effective and relevant to the council's needs be noted.
3. That the Committee receive a report providing them with further detail of data protection for decommissioned buildings.

#### 17 MONITORING OFFICER'S ANNUAL REPORT

David Coleman (Chief Legal and Monitoring Officer) presented the Monitoring Officer's Annual Report for 2020/21.

The Committee asked, for the areas identified as faults by the Local Government Ombudsman, for more detail about how internal processes had been changed in response to the Ombudsman's findings. The Monitoring Officer offered to circulate further detail to the Committee.

RESOLVED

That the Monitoring Officer's Annual Report 2020/21 be received.

**18**      COUNTER FRAUD ANNUAL REPORT 2021/22

Dianne Downs (Team Leader - Counter Fraud and Investigations) presented information on the overall effectiveness of the Council's arrangements for counter fraud and corruption.

Of the internal cases found and dismissed, the Committee asked if the opportunities for fraud been identified and addressed. The Team Leader – Audit stated that in larger corporate fraud cases, controls could effectively be looked at; this was more difficult in smaller and less resourced environments. She offered to circulate a detailed breakdown of the 2021/22 fraud cases to the Committee.

Referencing the bench marking undertaken with alternative authorities, the Committee sought further detail on the extent its effectiveness. The Team Leader – Audit noted that bench marking was particularly difficult to undertake because the data differed so significantly. Some County Councils undertook fraud investigations on behalf of District Councils, in addition, the nature of the fraudulent activity differed dependant on the local authority. The Lincolnshire County Council statistics presented within the report were solely LCC investigations; however, the costs also included the support offered to District Councils. The Head of Internal Audit and Risk Management stated that officers had been asked by the Committee previously to provide some benchmarking statistics. This was why the data had been included, even though it was difficult to make comparisons. She added the Council had invested in its county fraud services saving approximately £12.2 million in the last 10 years.

RESOLVED

That the Counter Fraud Annual Report for 2020/21 be noted.

**19**      ANNUAL WHISTLEBLOWING REPORT

The Team Leader - Counter Fraud and Investigations presented a report which gave an overview of the Council's whistleblowing arrangements.

RESOLVED

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That the Committee note the whistleblowing activity for 2020/21 and the on going work to raise awareness and provide assurance on the effectiveness of the Council's arrangements for whistleblowing.

**20**      **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.

She suggested that a deeper drive into some of the limited risks on the strategic risk register appeared to be to the interest of the Committee. In addition, a further update on paper records management and smart working control environments.

**RESOLVED**

That the Committee's work plan be noted.

The meeting closed at 1.39 pm