



**AUDIT COMMITTEE  
27 SEPTEMBER 2021**

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

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

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

Councillors: M Whittington attended the meeting as and observer

Officers in attendance:-

Robert Close (Democratic Services Officer), Andrew Crookham (Executive Director Resources), Michelle Grady (Assistant Director – Finance), Lucy Pledge (Head of Internal Audit and Risk Management) and Matthew Waller (Internal Audit Manager)

The following officers joined the meeting remotely via Teams:-

Pam Clipson, Sue Maycock (Head of Finance – Corporate), Andrew Mclean (Assistant Director – Transformation), Alistair Simpson (Principal Auditor) and Tony Warcock (Operations and Financial Advice Manager)

**21 APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillors King and Stokes. Additional apologies were also received from Mr Halendby.

**22 DECLARATIONS OF MEMBERS' INTERESTS**

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

**23 MINUTES OF THE MEETING HELD ON 12 JULY 2021**

That the minutes of the meeting held on 12 July 2021 be confirmed and signed by the Chairman as a correct record.

**24 UPDATED DRAFT STATEMENT OF ACCOUNTS 2020/21**

Consideration was given to a report presented by the Head of Finance – Corporate which updated the Committee on the changes made so far to the Statement of Accounts for 2020/21.

The Committee asked if the Council had any statutory obligations to inform other stakeholders of the delay in the statement of accounts publication. It was advised that a notice, published on the Council's website, was the extent of publication required.

Noting in the abnormality of such a delay, Members asked if any changes in process could have contributed to the delay. It was stressed that the Council had executed their plan to the expected timeline and had provided any information to the external auditors when requested.

RESOLVED

That the comments of the Committee be noted.

25      UPDATE ON PROGRESS OF EXTERNAL AUDIT OF ACCOUNTS 2020/21

Consideration was given to a report presented by Mazars, External Auditors, which updated the Committee on the progress they had made on both the Lincolnshire County Council and Pension Fund audits. Mr Mark Surridge and Mr John Pressley, External Auditors, Mazars, delivered the updates for the Lincolnshire County Council and Lincolnshire Pension Fund audits respectively.

Observing that at the 14 June 2021 meeting of the Audit Committee assurance was given that no delay in the external audit for the 2020/21 accounts was expected, Members asked why they were now advised that the completion of the audits would be delayed until November 2021. The Committee was advised that there was a slight delay in receiving the financial statements for the Council and Pension Fund statements, exacerbated then, by a compound of Covid-19 implications and staffing disruption. A number of counties had only received notification of changes to pension fund accounts at the end of September as a result of recently introduced technical requirements.

In response to Mazars' explanation, Members asked if they could still be confident in future deadlines promised by the external auditors. In addition, they registered their surprise that a large firm, such as Mazars, didn't have the capacity cover staffing shortages. The external auditors noted that all timelines suffered from an inherent risk of unpredictability; however, support had been sought from Council officers to create a deliverable timeline which the external auditors could be confident with.

Noting the comment from Mazars that they'd received the financial statements late, Members sought further information from officers to detail the cause of the delay. The Committee were advised that the accounts had been provided to Mazars one week late, citing a significant loss of staff and experience from the team. In addition, extra external valuations had been requested which wouldn't have been prior to Covid-19. Property valuations were subject to the availability of external property analysts. Additional estimate examination was also required by Government.

Observing that the audit date had already changed due to Covid-19, Members sought clarity if the audit date reverted back to the original date. It was advised that this financial year would differ as the external auditors would have to produce an annual audit report in addition to a value for money conclusion as part of new code changes. For both, this and the next, financial year, the deadline had been set to September. In response, Members stressed their concern that the restricted deadline wouldn't allow sufficient time for planning and preparation.

Referencing the report's suggestion that there were audit risks that were discussed with managers but didn't need to be brought to the attention of members, the Committee asked who made that decision and what criteria was used to determine it. It was explained that the decision was made by Mr Mark Surridge and determined based on qualitative and quantitative factors such as final confirmations of payments. Any items that exceeded the trivial threshold, as set out in Mazars' audit plan, would be brought to the attention of the Audit Committee.

While appreciating the difficulties presented with succession planning, Members stressed their disappointment in the delay, particularly noting that the Council was able to backfill retirements and larger organisations should be able to attract skilled personally easier.

RESOLVED

That the comments of the Committee be noted.

## 26 INTERNAL AUDIT PROGRESS REPORT

Consideration was given to a report presented by Head of Internal Audit and Risk Management which updated the Committee with details of the audit work completed to 31 July 2021 and the progress of the audit plan.

Members observed the increase in debt from £9.4 million to £23 million from January 2018 to March 2021; in addition, concerns were raised regarding the disputed values of the debts and their decisions pending. It was clarified that debt in January 2018 was actually £11.6 million due to the additional £2.2 million debt carried on from the previous finance system. In addition, the figures over 2019/20 ranged from £25.5 million to £10.9 million, due to transactions between the Council and the CCG. However it was appreciated that £6.7 million of the £18.7 million of debt outstanding of August 2021 was over a year old, suggesting a problem with debt collection. This was registered as a key priority within the finance team in 2017/18, with system improvements made since that time. Some of the oldest debt had already been cleared despite impacts from Covid-19 and competing resource priorities from adult social care grants. Officers weren't complacent and resolved to improve the debt position further while acknowledging the uncertainty of improvement expectations. Adult social care made up over a third of the Council's debt while the nature of the services presented challenges to debt collection. Further, service users' financial positions needed to be considered as to not send them into financial distress. Members were advised that the targets set out in the plan, likely wouldn't be achieved for the next audit in spring 2022.

Recent new schemes, such as the social care levy, would add further challenges to the targets. Officer intended to be as open and transparent as possible, sharing the action plan with senior officers and publicising the key areas of activity. Within adult care, a monthly cash flow was agreed at the beginning of every financial year, with an agreed date, which was adjusted throughout the year. The Council's credit control function was carried out externally, through Serco, and measured by Key Performance Indicators (KPIs) which were subject to financial penalties. An increasing amount of debt was disputed, which was excluded from KPIs.

While appreciating the personal circumstances of some social care users, Members emphasised that debts did indeed need to be collected wherever possible to avoid worsening situations.

Members were advised that the Council was shifting from an arrangement of the care homes collecting contributions from residents with the Council paying the remaining balance, to the Council paying the full fees but collecting the contributions directly from service users later. Discussions had been undertaken with care homes to identify the level of service user debt. Proactive work was also proceeding to ensure service users could contribute in the most convenient ways possible. A project team, overseen by the Executive Director of Adult Social Care, sought to successfully embed the move to gross payments in 2022/23.

The Committee suggested that preventative measures were explored through appropriate and timely assessment, in addition to appropriate and rational conversations with service users and their families. It was advised that the contributions from service users were expected within a timely manner to avoid debt becoming more problematic. A close working relationship was essential with Serco to ensure adequate outstanding debt mitigation.

Councillor Whittington, Executive Support Councillor - Resources, Communications and Commissioning) observed that, given adult social care demographics, service users often passed away with outstanding debts to the Council. He asked if the Council make any claims against deceased service users' estates. Furthermore, if a service user had already passed away and their estate had been devolved, were debts written off given there would likely be little opportunity for recovery. It was advised that when a review into outstanding debt was undertaken, the oldest debt was considered first. Now however, outstanding debts were pursued within the 0 – 30 day period to avoid falling into older and more challenging debts in the future. Processes were being implemented including finance champions within Adult Social Care and a debt review group.

Members asked if care couldn't be afforded at the time of need, could potential service users take a charge put upon their property. It was advised that, where eligible, processes were in place to secure payments against properties. Where ineligible, instalment agreements were agreed.

Members asked if service directors and Serco should be available to answer the Committee's questions. The importance of financial assessments was agreed by officers. Members were advised that the strategic team would be meeting with the Executive Director of Resources and the Executive Director for Adult Care and Community Wellbeing to discuss the control actions surrounding this risk. A briefing paper would be subsequently brought to the Audit Committee.

RESOLVED

That the comments of the Committee be noted.

27      RISK MANAGEMENT PROGRESS REPORT

Consideration was given to a report presented by the Audit Manager which sought to provide the Committee with assurance on the systems and processes in place enabling decision makers to understand the level of risk being taken and the Council is prepared to accept.

Members sought further information on the impact of Covid-19 on children and young people and how it's risk was scored. It was advised that the detail of the work wasn't immediately available, however would be circulated outside of the meeting. The limited assurance score hadn't changed.

Members asked for further information on the Shark Cloud risk management software. It was advised that the officers sought to change reporting to be more dynamic and visual. Once prepared, it would be introduced the Members outside of the Committee.

Observing most limited assurances were static, Members asked for further detail on this. It was reminded to Members that if they felt that any risk in particular needed to be considered, they could request risk owners to come before the Committee. However, executive directors would be present at the 7 February 2022 meeting.

RESOLVED

That the current status of the strategic risks facing the Council be noted.

28      INTERNAL AUDIT – EXTERNAL QUALITY ASSESSMENT

Consideration was given to a report presented by Head of Internal Audit and Risk Management which invited the Committee to confirm conformance to the PSIAS, thus ensuring that the Council maintained an effective internal audit function, supporting continuous improvement.

Members suggested that officers may want to explore the option a mutual assessment between the Council and an alternative County Council, particularly with the capacity for remote working and meetings. It was advised that the option of a mutual assessment

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arrangement with an opposite number from an alternative County Council was considered, however officer capacity was too limited to successfully implement it.

RESOLVED

1. That the proposal to undertake a full external quality assessment of the Council's Internal Audit function be endorsed.
2. That the chairman of the Audit Committee and the Assistant Director - Financial Strategy to be project sponsors.

29 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.

It was advised that the Executive Director for Adult Care and Community Wellbeing and a representative from Serco would be invited to the 15 November 2021 meeting of the Audit Committee to discuss Adult Social Care debt recovery arrangements.

RESOLVED

That the work programme as amended above be approved.

The meeting closed at 11.45 am