



County Offices
Newland
Lincoln
LN1 1YL

5 November 2021

Audit Committee

A meeting of the Audit Committee will be held on **Monday, 15 November 2021 at 10.00 am in the Council Chamber, County Offices, Newland, Lincoln LN1 1YL** for the transaction of the business set out on the attached agenda.

Yours sincerely

A handwritten signature in black ink that reads 'DBarnes'.

Debbie Barnes OBE
Chief Executive

Membership of the Audit Committee

(7 Members of the Council + 2 Voting Added Members)

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

Voting Added Members

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

**AUDIT COMMITTEE AGENDA
MONDAY, 15 NOVEMBER 2021**

Item	Title	Pages
1	Apologies for Absence	
2	Declarations of Members' Interests	
3	Minutes of the meeting held on 27 September 2021	5 - 10
4	Statement of Accounts 2020/21 – Lincolnshire County Council and Lincolnshire Pension Fund <i>(To receive a report from Michelle Grady, Assistant Director - Finance, which updates the Committee on the changes made so far to the draft Statement of Accounts 2020/21 and also seeks the approval of the Audit Committee to delegate its usual responsibilities for the Statement of Accounts to the Executive Director – Resources, in consultation with the Chairman of the Audit Committee)</i>	11 - 14
5	External Auditor's Annual Report and Audit Completion Reports 2020/21 <i>(To receive a report by Michelle Grady, Assistant Director – Finance, which presents the draft Auditor's Annual Report for Lincolnshire County Council and an Audit Completion Report for Lincolnshire Pension Fund, and a draft Audit Completion Report for Lincolnshire County Council)</i>	15 - 52
6	Auditor Appointment <i>(To receive a report by Michelle Grady, Assistant Director – Finance, which summarises the options available for procuring the next external auditor contract and includes background information to help inform the recommendation)</i>	53 - 64
7	Counter Fraud Progress Report 2021/2022 <i>(To receive a report by Matt Drury, Principal Investigator, which gives a summary on the overall effectiveness of the Council's arrangements to counter fraud and corruption and reviews the delivery of the 2021/22 counter fraud work plan during the year to date)</i>	65 - 82
8	Revised Audit Plan <i>(To receive a report by Lucy Pledge, Head of Internal Audit and Risk Management, which provides details of the revised audit plan for 2021/22 and seeks approval from the Committee)</i>	83 - 96
9	Smarter Working Policy <i>(To receive a report from Tony Kavanagh, Assistant Director- HR and Organisational Support and Karen Cassar, Assistant Director – Highways and Smarter Working lead, which provides the Committee the opportunity to raise questions about the smarter working policy)</i>	97 - 98

10 Work Programme

99 - 106

(To receive a report by Lucy Pledge, Head of Internal Audit and Risk Management, which invites the Committee to consider its work programme for the upcoming year)

Democratic Services Officer Contact Details

Name: **Rob Close**

Direct Dial **01522 552113**

E Mail Address robert.close@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
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)

Councillor: M Whittington attended the meeting via remotely via Teams as an 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 (Head of Finance, Adult Social Care & Wellbeing), Sue Maycock (Head of Finance – Corporate), Andrew Mclean (Assistant Director – Transformation), Alistair Simpson (Principal Auditor) and Tony Warnock (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.

**AUDIT COMMITTEE
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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 2017/18 ranged from £20.5 million to £10.9 million, largely 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 two thirds of the Council's debt while the nature of those services presented challenges to debt collection.

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27 SEPTEMBER 2021**

Further, service users' financial positions needed to be considered as to not send them into financial distress. Members were advised that all of the targets set out in the plan, probably 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, is seeking 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 services 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 of 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

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**AUDIT COMMITTEE
27 SEPTEMBER 2021**

remote working and meetings. It was advised that the option of a mutual assessment 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



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

Report to:	Audit Committee
Date:	15 September 2021
Subject:	Statement of Accounts 2020/21 – Lincolnshire County Council and Lincolnshire Pension Fund

Summary:

The Council's draft Statement of Accounts 2020/21 is still subject to some remaining external audit enquiries, which are nearing completion. The Audit Committee received an updated version of the accounts on 27 September, which included some changes made since the original draft accounts were produced. This report provides a further update and includes changes to the accounts since September.

This report also seeks the approval of the Audit Committee to delegate its usual responsibilities for the Statement of Accounts to the Executive Director – Resources, in consultation with the Chairman of the Audit Committee, so that these responsibilities can be carried out after this meeting

Also on the agenda for this Committee meeting is an update on audit progress from the external auditors, Mazars.

Recommendation(s):

Members of the Audit Committee are asked to:

- Note the changes made to the updated Statement of Accounts 2020/21 and provide comments or feedback.
- Delegate to the Executive Director – Resources, in consultation with the Chairman of the Audit Committee, the responsibility for:
 1. Considering the Audit Completion Report of the External Auditor for Lincolnshire County Council 2020/21 (a draft Audit Completion report is elsewhere on this meeting's agenda).
 2. Approving and signing the Letters of Representation on behalf of the Council to enable the Audit Opinion to be issued following the finalisation of the External Auditor's report.
 3. Approving the audited Statement of Accounts for 2020/21.

Background

- 1.1 The Audit Committee scrutinised the Council's draft statement of Accounts 2020/21 at its meeting held on 12 July 2021. Since that time the external audit process has been progressing and a number of changes have been made to the Accounts. At the Audit Committee meeting on 27 September 2021, an updated Statement of Accounts 2020/21 was presented, which included changes made up to that point in time. Further amendments have been made since then and these are summarised below.
- 1.2 An updated Statement of Accounts 2020/21 has been produced and is included as Appendix A to this report.

Amendments to the Lincolnshire Pension Fund Accounts 2020/21

- 1.3 The Pension Accounts presented to the Audit Committee in July included all 31 March asset valuation information received by the Fund to the end of June. Since then, Pension Fund Officers have proactively tracked updated asset information and, where amendments were received prior to the deadline for reports for the September Audit Committee, changes were incorporated into the accounts presented to that meeting. Following this, final asset values for unquoted holdings have been received and are now incorporated into the updated accounts at Appendix A. These valuation changes have impacted on the Fund Account, the Net Asset Statement and various disclosure notes within the Pension Fund Accounts.
- 1.4 In total, the 31 March 2021 value of the unquoted assets of the Pension Fund has increased by £33.948m since the first draft of the accounts was produced.
- 1.5 The Pension Fund value and disclosure has also been updated accordingly in the Annual Governance Statement and Narrative Report within the accounts.

Amendments to the Lincolnshire County Council Accounts 2020/21

- 1.6 An updated actuarial report was requested in respect of the Lincolnshire County Council's pension fund, to take account of the updated unquoted asset valuations referred to in the previous paragraphs. The impact of the updated valuations was an increase in the value of pension fund assets relating to Lincolnshire County Council's share of the pension fund of £27.823m. As this is above the audit materiality threshold of £22.817m, the accounts have been updated to reflect the later actuarial report.
- 1.7 This valuation change has impacted on a number of areas in the accounts, including the core statements: Balance Sheet; Comprehensive Income and Expenditure Statement; Movement in Reserves Statement. In addition, the Narrative Report has been amended for the change, as well as a number of disclosure notes. The overall impact is a reduction in the net pension liability on the Council's Balance Sheet, from £1,111.464m to £1,083.641m. This is still a large liability, although it does not represent a short-term requirement to call upon reserves as it is a long-term commitment.
- 1.8 The disclosure note for Audit Fees has been amended at the request of Mazars, to include the fee variations for the audit of the accounts within the "fees payable to

the appointed auditor for external audit services” line. These had been included in the “fees payable to the appointed auditor for other services” line in error.

Conclusion

- 2.1 Most of the changes made to the accounts since the first draft was produced have been relatively minor, although the updated unquoted asset valuations have required a material change to both the Pension Fund and Lincolnshire County Council accounts.
- 2.2 The Pension Fund audit is complete so no further changes will be made to this section of the accounts. The audit of the main accounts is not quite complete, so it is possible that further changes will be required. For this reason, the report recommends that the Audit Committee delegates responsibility for carrying out its remaining responsibilities in respect of the accounts and audit to the Executive Director – Resources, in consultation with the Chairman of the Audit Committee.

Consultation

a) Risks and Impact Analysis

N/A

Appendices

These are listed below and attached at the back of the report	
Appendix A	Updated Statement of Accounts 2020/21 (available at https://lincolnshire.moderngov.co.uk/ieListDocuments.aspx?CId=133&MId=5720&Ver=4)

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, Assistant Director - Finance, who can be contacted on 01522 553235 or michelle.grady@lincolnshire.gov.uk

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

Report to:	Audit Committee
Date:	15 November 2021
Subject:	External Auditor's Annual Report and Audit Completion Reports 2020/21

Summary:

The external audit of the Council's accounts by Mazars is nearing its conclusion, with the Pension Fund audit already complete.

The auditor has provided a draft Auditor's Annual Report for Lincolnshire County Council for the year ended 31 March 2021 and this is attached as Appendix A. It will not be finalised until after the audit has concluded (see paragraph 1.3 for further information).

The auditor has also provided an Audit Completion Report for Lincolnshire Pension Fund, and a draft Audit Completion Report for Lincolnshire County Council. These are attached as Appendices B and C respectively. A final Audit Completion Report for Lincolnshire County Council will be issued after the audit has concluded.

Mazars representatives will be in attendance at the meeting to present these reports. This covering report explains the broad content of the appended reports.

Recommendation:

It is recommended that the Audit Committee considers the draft Auditor's Annual Report and the Audit Completion Reports and identifies any further information or actions that may be required.

Background

- 1.1 The Auditor's Annual Report and two Audit Completion Reports provide updates on the findings of our external auditor arising from their audit work this year. Mazars representatives will be in attendance at this meeting to present their findings, allowing members of the Committee to ask questions and make comments following the presentation.

- 1.2 The Auditor's Annual Report (Appendix A) includes a summary of findings relating to the audit of the financial statements and commentary on their findings relating to the Council's value for money (VFM) arrangements.
- 1.3 The value for money section covers the Council's arrangements in respect of financial sustainability, governance and improving service delivery. Generally the VFM conclusions refer to no adverse indications, although there are some recommendations for improvement in a small number of areas. The Auditor's Annual Report is in draft format because a report from Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services is due to be published in December 2021 following their inspection of Lincolnshire Fire & Rescue Service this year. Mazars are awaiting the issuing of this inspection report to confirm whether or not it impacts on their VFM assessment.
- 1.4 The Audit Completion Report 2020/21 for Lincolnshire Pension Fund (Appendix B) is a final report, and it concludes that there are no significant control deficiencies and no unadjusted misstatements to be reported to the Audit Committee. An unqualified audit opinion is expected to be issued and the timing of this will be alongside the audit opinion on the Lincolnshire County Council accounts. The Summary of Misstatements section includes reference to the valuation updates for unquoted assets which have been adjusted for in the accounts.
- 1.5 The draft Audit Completion Report for Lincolnshire County Council (Appendix C) sets out the areas of the audit which are still in progress in section 2. The Summary of Misstatements section includes details of a number of misstatements. The most significant of these is the material adjustment to the Pension Liability following the receipt of a revised actuarial report which reflected the updated unquoted asset valuations. There are also some lower value misstatements reported which, when extrapolated, indicate a more significant level of misstatement. The report also includes four internal control recommendations in section 5. A management response to all reported items is in the process of being collated.
- 1.6 The two Audit Completion Reports include draft audit opinions and draft management representation letters. Once we are advised by Mazars that the audit opinions are almost ready to be issued, we will arrange for the management representation letters to be signed by the Executive Director of Resources.

Conclusion

- 2.2 The audit has not yet concluded for Lincolnshire County Council, which means that further changes may be required to the accounts, and final reports will need to be issued by Mazars. Any further changes will be notified to the Chairman of the Audit Committee and, if these are significant, they will be reported to a future meeting of the Committee.

Consultation

a) Risks and Impact Analysis

Appendices

These are listed below and attached at the back of the report	
Appendix A	Draft Auditor's Annual Report 2020/21
Appendix B	Audit Completion Report Lincolnshire Pension Fund 2020/21
Appendix C	Draft Audit Completion Report Lincolnshire County Council 2020/21

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.

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Audit Completion Report

Lincolnshire Pension Fund – Year ended
31 March 2021

October 2021
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02	Status of the audit
03	Audit approach
04	Significant findings
05	Internal control recommendations
06	Summary of misstatements

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Appendix A: Draft management representation letter

Appendix B: Draft audit report

Appendix C: Draft consistency report

Appendix D: Independence

Appendix E: Other communications

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 Pension Fund are prepared for the sole use of the Pension Fund 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.

Members of the Audit Committee
Lincolnshire County Council
County Offices
Newland, Lincoln
LN11YL

12 October 2021

Dear Committee Members

Audit Completion Report – Year ended 31 March 2021

We are pleased to present our Audit Completion Report for the year ended 31 March 2021. 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 presented on 14 June 2021. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

We 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 078 1375 2053 .

Yours faithfully

Signed: `{{_es_:signer1:signature}}`

Cameron Waddell (Key Audit Partner)

Mazars LLP

Mazars LLP
The Corner
Bank Chambers
26 Mosley Street
Newcastle upon Tyne
NE1 1DF

01

Section 01:

Executive summary

1. Executive summary

Principal conclusions and significant findings

The detailed scope of our work as your appointed auditor for 2020/21 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 on Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

In section 4 of this report we have set out our conclusions and significant findings from our audit. This section includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

- Management override of controls; and

Valuation of investments within level 3 of the fair value hierarchy.

Based on the audit work completed to date there are no identified significant control deficiencies and no unadjusted misstatements that we are required to report to the Audit Committee.

Status and audit opinion

We have substantially completed our audit in respect of the financial statements for the year ended 31 March 2021. At this present time we envisage giving our opinion in November 2021 alongside the opinion on Lincolnshire County Council's financial statements.

At the time of preparing this report, there are some matters outstanding as outlined in section 2. We will provide an update to you in relation to the matters outstanding through issuance of a follow up letter. Subject to the satisfactory conclusion of the remaining audit work, we have the following conclusions:



Audit opinion

We anticipate issuing an unqualified opinion, without modification, on the financial statements. Our proposed audit opinion is included in the draft auditor's report in Appendix B.



Consistency report

We anticipate concluding that the Pension Fund financial statements within the Pension Fund's Annual Report are consistent with the Pension Fund financial statements within the Statement of Accounts of Lincolnshire County Council. Our draft consistency report is provided in Appendix C.



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 Fund and to consider any objection made to the accounts. No objections or questions from local electors have been received.

Executive summary

Status of audit

Audit approach

Significant findings

Internal control recommendations

Summary of misstatements

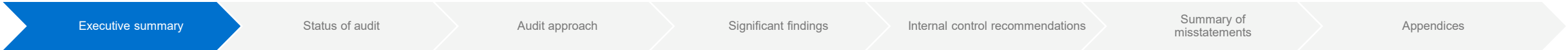
Appendices

1. Executive summary

COVID-19 impacts

The implications of the pandemic required remote working in relation to this audit. Whilst auditing on a remote basis was challenging, we have been able to work in liaison with the finance team to deliver the audit and wish to thank them for their support.

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02

Section 02: **Status of the audit**

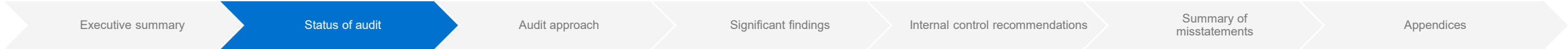
2. Status of the audit

Our work is substantially complete and there are currently no matters of which we are aware that would require modification of our audit opinion, subject to the outstanding matters detailed below.

Audit area	Status	Description of the outstanding matters
Finalised financial statements	●	The Pension Fund has revised its financial statements to reflect the updated valuations it has received from fund managers. We are completing our checks on the finalised financial statements before giving our opinion.
Audit Quality Control and Completion Procedures	●	Our audit work, including the specific procedures carried out in relation to the significant audit risks identified, is yet to undergo the final stages of review by the Engagement Lead. In addition, there are residual procedures to complete, including completing our internal technical consultations on the proposed audit opinion and the updated financial statements, updating post balance sheet event considerations to the point of issuing the opinion and obtaining final management representations.

- 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.

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03

Section 03: **Audit approach**

3. Audit approach

Changes to our audit approach

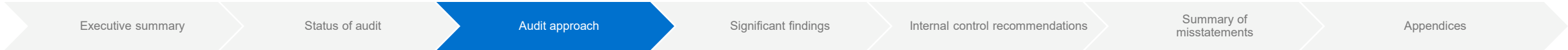
We provided details of our intended audit approach in our Audit Strategy Memorandum in May 2021. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum.

Materiality

Our provisional materiality at the planning stage of the audit was set at £26.6 million using a benchmark of 1% of net assets available to pay benefits. We set a provisional specific materiality for the fund account of £10.4 million at the planning stage of the audit using a benchmark of the higher of 10% of contributions receivable and 10% of benefits payable.

Our final assessment of materiality, based on the final financial statements and qualitative factors was set using the same benchmarks:

- Statement materiality £27.4 million.
- Fund account specific materiality £11.4 million.



04

Section 04: **Significant findings**

4. Significant findings

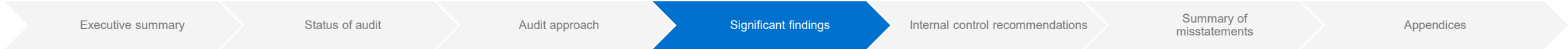
In this section we outline the significant findings from our audit. These findings include:

- our audit conclusions regarding other 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. We currently envisage concluding that the financial statements have been prepared in accordance with the financial reporting framework; and
- any significant difficulties we experienced during the audit.

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Significant risks

Management override of controls	Description of the risk
	In all entities, 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.
	<p>How we addressed this risk</p> <p>We addressed this risk through performing audit work over:</p> <ul style="list-style-type: none"> • Accounting estimates impacting amounts included in the financial statements; • Consideration of 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.
	<p>Audit conclusion</p> <p>Our work has provided the assurance we sought in each of these areas and has not highlighted any material issues to bring to your attention.</p>



4. Significant findings

Valuation of investments within level 3 of the fair value hierarchy	Description of the risk
	<p>At 31 March 2021 the Pension Fund held investments which were not quoted on an active market with a fair value of £344.0 million, accounting for 12.5 per cent of the Fund's net investment assets. This included: Alternatives (£274.3 million), Property (£6.9 million), Infrastructure (£50.4 million) and Private Equity (£12.4 million). Inherently these assets are harder to value, as they do not have publicly available quoted prices from a traded market, and as such they require professional judgement or assumptions to be made when valuing them at year end.</p> <p>As the pricing of these investment assets is subject to judgements, they may be susceptible to pricing variances for 2020/21 due to the assumptions underlying the valuation. We therefore consider that there is an increased risk of material misstatement.</p>

How we addressed this risk

We addressed this risk by completing the following additional procedures:

- agreeing the valuation included in the Pension Fund's underlying financial systems to supporting documentation including investment manager valuation statements and cash flows for any adjustments made to the investment manager valuation;
- agreeing holdings from fund manager reports to the custodian's report;
- agreeing the investment manager valuation to audited accounts or other independent supporting documentation, where available;
- reviewing the valuation methodologies through review of accounting policies within audited financial statements and challenge of the fund manager, where required;
- where audited accounts are available, check that they are supported by a clear opinion; and

Valuation of investments within level 3 of the fair value hierarchy (cont'd)	How we addressed this risk (continued)
	<ul style="list-style-type: none"> • where available, reviewing independent control assurance reports to identify any exceptions that could present a risk of material misstatement in the Pension Fund's financial statements.
	<h3>Audit conclusion</h3> <p>Our work has provided the assurance we sought in the above areas. It has however highlighted a material difference between the valuation of investments in the initial set of accounts prepared and the final version of the accounts on which we will be giving our opinion. This difference resulted from the timing of valuations received from fund managers. The adjusted misstatement involved is detailed on page 18 of this report.</p>

4. Significant findings

Qualitative aspects of the Trust's accounting practices

We have reviewed the Fund's accounting policies and disclosures and concluded they comply with the 2020/21 Code of Practice on Local Authority Accounting, appropriately tailored to the Fund's circumstances.

In line with our expectations, there have been no significant changes to accounting policies for the year ended 31 March 2021.

Draft accounts were received from the Fund on 22 June 2021 and were of a good quality.

Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management. It is however worth noting that our audit work has been completed through remote working arrangements as a result of the constraints imposed by the COVID-19 pandemic. Whilst challenging at times, through the effective use of technology and close liaison with finance and other officers of the Trust these challenges were overcome.

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 2020/21 audit.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. No such questions or objections have been raised.

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05

Section 05: **Internal control recommendations**

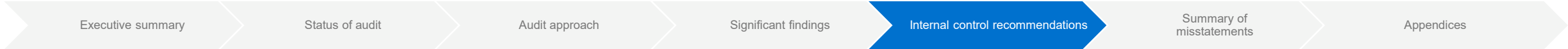
5. Internal control recommendations

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 in this section are limited to those deficiencies and other control recommendations that we 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. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Our work has not identified any internal control issues to bring to your attention.

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06

Section 06:

Summary of misstatements

6. Summary of misstatements

This section outlines the misstatements identified during the course of the audit to date, above the trivial threshold for adjustment of £0.8 million. Where the draft accounts are formally signed and published in accordance with the Regulations any subsequent amendments are referred to as misstatements. This is the case even if such amendments are inevitable and result from the timing of the information available from investment fund managers as is the case this year. The change to the accounts detailed below was identified and proposed by officers from proactively tracking the asset changes from the information received. Last year we did our audit on the basis of a later set of accounts which already incorporated such changes. This explains why these valuation changes are highlighted in our report this year. There are no unadjusted misstatements in relation to the Pension Fund's 2020/21 financial statements. The table below outlines the misstatements that have been adjusted by management.

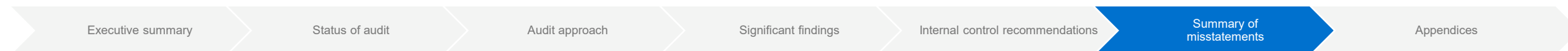
Adjusted misstatements

	Fund Account		Net Assets Statement	
	Dr (£m)	Cr (£m)	Dr (£m)	Cr (£m)
1	Dr: Investments – Managed Funds Cr: Change in Market Value Difference between valuation of unquoted investments per pension fund accounts and third party confirmations received after the year-end.	33.948	33.948	
Total adjusted misstatements		33.948	33.948	

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Disclosure amendments

A number of minor disclosure amendments were made in response to the review of the Pension Fund's financial statements by our technical team. All such matters have been addressed in the final version of the Pension Fund's financial statements.



Appendices

A: Draft management representation letter

B: Draft audit report

C: Draft consistency report

D: Independence

E: Other communications

Appendix A: Draft management representation letter

Mazars LLP
Salvus House
Aykley Head
Durham
DH1 5TS

XX November 2021

Dear Cameron

Lincolnshire Pension Fund - audit for year ended 31 March 2021

This representation letter is provided in connection with your audit of the financial statements of the Lincolnshire Pension Fund ('the Pension Fund') for the year ended 31 March 2021 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 2020/21 (the Code).

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.

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 Pension Fund 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 affect 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 Pension Fund and Committee meetings, have been made available to you.

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Appendix A: Draft management representation letter

Accounting policies

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

Accounting estimates, including those measured at fair value

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

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 Pension Fund 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.

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

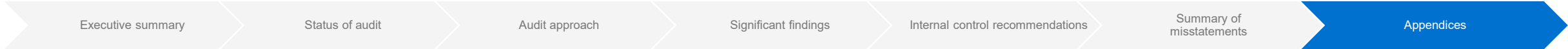
Fraud and error

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 Pension Fund 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 Pension Fund's statement of accounts communicated by employees, former employees, analysts, regulators or others.

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Appendix A: Draft management representation letter

Assets

I confirm that all assets held are free from liens, charges or any other encumbrance.

Related party transactions

I confirm that all related party relationships, transactions and balances have been appropriately accounted for and disclosed in accordance with the requirements of the Code.

I have disclosed to you the identity of the Pension Fund's related parties and all related party relationships and transactions of which I am aware.

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.

Specific representation on unquoted investments

Unquoted investments are included in the net assets statement at the value estimated by the general partner managing each fund in accordance with the guidelines used by the industry, and based on the latest information to hand at the time of the valuation. I am satisfied, based on the knowledge I have, with the valuations, and am not aware of any subsequent events that would have a material impact on the estimated value of the unquoted investments.

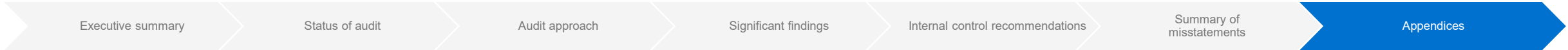
Unadjusted misstatements

I confirm that the effects of any uncorrected misstatements are immaterial, both individually and in aggregate, to the statement of accounts as a whole.

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code requires 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

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Appendix A: Draft management representation letter

Going concern

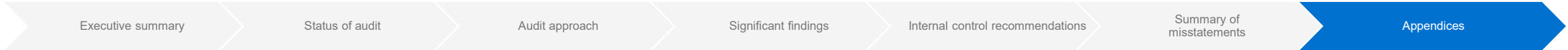
To the best of my knowledge there is nothing to indicate that the Pension Fund will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date 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 Pension Fund’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 Pension Fund’s needs. We believe that no further disclosures relating to the Pension Fund’s ability to continue as a going concern need to be made in the financial statements.

Yours sincerely

Executive Director of Resources

Date.....

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Appendix B: Draft audit report

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

Opinion on the financial statements of the Lincolnshire Pension Fund

We have audited the financial statements of Lincolnshire Pension Fund ('the Pension Fund') for the year ended 31 March 2021, which comprise the Fund Account, the Net Assets 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 2020/21.

In our opinion the financial statements:

- give a true and fair view of the financial transactions of Lincolnshire Pension Fund during the year ended 31 March 2021, and the amount and disposition of the Pension Fund's assets and liabilities as at 31 March 2021; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

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, as administering authority for the Pension Fund, 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Executive Director of Resources use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Pension Fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Executive Director of Resources with respect to going concern are described in the relevant sections of this report.

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Other information

The Executive Director of Resources is responsible for the other information. The other information comprises the 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.

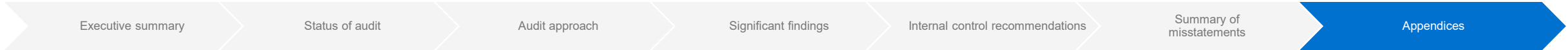
We have nothing to report in this regard.

Responsibilities of the Executive Director of Resources for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Executive Director of Resources is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund’s 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 2020/21, 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 2020/21 and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution of the Pension Fund 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 Pension Fund to prepare the accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

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Appendix B: Draft audit report

Auditor’s responsibilities for the audit of the financial statements

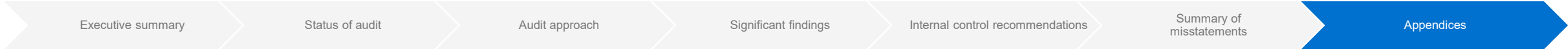
Our objectives are to obtain reasonable assurance about whether the Pension Fund’s financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Pension Fund, we identified that the principal risks of non-compliance with laws and regulations related to the Local Government Act 2003 (and associated regulations made under section 21) and the Local Audit and Accountability Act 2014 (and associated regulations made under section 32), and we considered the extent to which non-compliance might have a material effect on the financial statements.

We evaluated the Executive Director of Resources incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates and significant one-off or unusual transactions.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- the policies and procedures regarding compliance with laws and regulations;
- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- considering the risk of acts by the * discussing with management Pension Fund which were contrary to applicable laws and regulations, including fraud.



Appendix B: Draft audit report

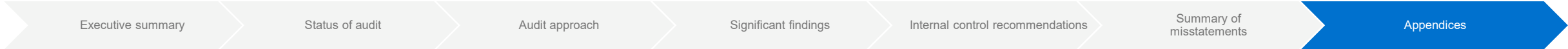
Our audit procedures in relation to fraud included but were not limited to:

- making enquiries of management on whether they had knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risks related to fraud;
- discussing amongst the engagement team the risks of fraud; and
- addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

We are also required to conclude on whether the Executive Director of Resources use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in April 2021.

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 audit 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.

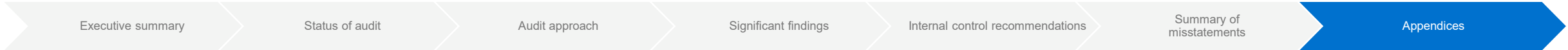
We have nothing to report in these respects.

Use of the audit report

This report is made solely to the members of Lincolnshire County Council, as a body and as administering authority for the Lincolnshire Pension Fund, 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.

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Ameron Waddell
 for and on behalf of Mazars LLP
 One Corner
 Bank Chambers
 26 Mosley Street
 Newcastle upon Tyne
 NE20 9NE
 XX November



Appendix C: Draft consistency report

Independent auditor's statement to the members of Lincolnshire County Council on the pension fund financial statements included within the Lincolnshire Pension Fund annual report

Report on the financial statements

Opinion

We have examined the Pension Fund financial statements for the year ended 31 March 2021 included within the Lincolnshire Pension Fund annual report, which comprise the Fund Account, the Net Assets Statement and the notes to the financial statements, including the summary of significant accounting policies.

In our opinion, the Pension Fund financial statements are consistent with the audited financial statements of Lincolnshire County Council for the year ended 31 March 2021 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

Respective responsibilities of the Executive Director of Resources and the auditor

As explained more fully in the Statement of the Executive Director of Resources' Responsibilities, the Executive Director of Resources is responsible for the preparation of the Pension Fund's financial statements in accordance with applicable United Kingdom law.

Our responsibility is to report to the Members of Lincolnshire County Council as a body, whether the Pension Fund financial statements within the Pension Fund annual report are consistent with the financial statements of Lincolnshire County Council. We conducted our work in accordance with Auditor Guidance Note 07 – Auditor Reporting, issued by the National Audit Office. Our report on the Pension Fund financial statements contained within the audited financial statements of Lincolnshire County Council describes the basis of our opinions on the financial statements.

Use of this auditor's statement

This report is made solely to the members of Lincolnshire County Council, as a body and as administering authority for the Lincolnshire Pension Fund, in accordance with Part 5 paragraph 20(5) of the Local Audit and Accountability Act 2014. Our work has been undertaken so that we might state to the members of Lincolnshire County Council those matters we are required to state to them and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Lincolnshire County Council and Lincolnshire County Council's members as a body, for our audit work, for this statement, or for the opinions we have formed.

Cameron Waddell
For and on behalf of Mazars LLP

The Corner
Bank Chambers
26 Mosley Street
Newcastle upon Tyne
NE1 1DF
XX November

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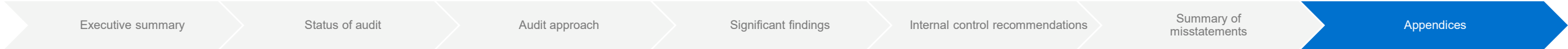
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Appendix D: Independence

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.

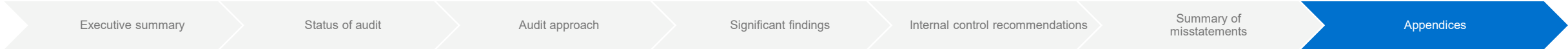
We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.



Appendix E: Other communications

Other communication	Response
Compliance with Laws and Regulations	<p>We have not identified any significant matters involving actual or suspected non-compliance with laws and regulations.</p> <p>We will obtain written representations from management that all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements have been disclosed.</p>
External confirmations	<p>We did not experience any issues with respect to obtaining external confirmations.</p>
Related parties	<p>We did not identify any significant matters relating to the audit of related parties.</p> <p>We will obtain written representations from management confirming that:</p> <ul style="list-style-type: none"> a. they have disclosed to us the identity of related parties and all the related party relationships and transactions of which they are aware; and b. they have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the applicable financial reporting framework.
Going Concern	<p>We have not identified any evidence to cause us to disagree with the view of the Executive Director of Resources that the Lincolnshire Pension Fund will be a going concern, and therefore we consider that the use of the going concern assumption is appropriate in the preparation of the financial statements.</p> <p>We will obtain written representations from management, confirming that all relevant information covering a period of at least 12 months from the date of approval of the financial statements has been taken into account in assessing the appropriateness of the going concern basis of preparation of the financial statements.</p>

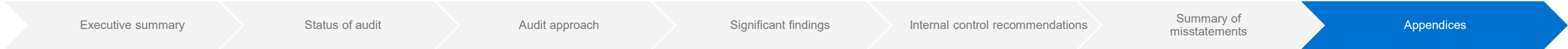
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Appendix E: Other communications

Other communication	Response
Subsequent events	<p>We are required to obtain evidence about whether events occurring between the date of the financial statements and the date of the auditor’s report that require adjustment of, or disclosure in, the financial statements are appropriately reflected in those financial statements in accordance with the applicable financial reporting framework.</p> <p>We will obtain written representations from management that all events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.</p>
Matters related to fraud	<p>We have designed our audit approach to obtain reasonable assurance whether the financial statements as a whole are free from material misstatement due to fraud. In addition to the work performed by us, we will obtain written representations from management, confirming that</p> <ul style="list-style-type: none"> a. they acknowledge their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud; b. they have disclosed to the auditor the results of management’s assessment of the risk that the financial statements may be materially misstated as a result of fraud; c. they have disclosed to the auditor their knowledge of fraud or suspected fraud affecting the entity involving: <ul style="list-style-type: none"> i. Management; ii. Employees who have significant roles in internal control; or iii. Others where the fraud could have a material effect on the financial statements; and d. they have disclosed to the auditor their knowledge of any allegations of fraud, or suspected fraud, affecting the entity’s financial statements communicated by employees, former employees, analysts, regulators or others.

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Cameron Waddell

Mazars

The Corner
Bank Chambers
6 Mosley Street
Newcastle upon Tyne
NE1 1DF

Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

*where permitted under applicable country laws.

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

Report to:	Audit Committee
Date:	15 November 2021
Subject:	Auditor Appointment

Summary:

The current contract with our external auditors ends on 31 March 2023. This report summarises the options available for procuring the next external auditor contract and includes background information to help inform the recommendation.

Recommendation:

It is recommended that the Audit Committee makes the following proposal to Council on 18 February 2022: that the Council opts into the national sector-led procurement and appointment of external auditors for the contract period of 1 April 2023 to 31 March 2028.

Background

The Legal Framework and Requirements

- 1.1 The Local Audit and Accountability Act 2014 sets out that the accounts of a relevant authority (Lincolnshire County Council is a relevant authority) must be audited in accordance with the provisions of the Act and by an auditor appointed in accordance with the Act and its provisions.
- 1.2 Under this Act, local authorities have three options with regards to the appointment of external auditors:
 - Option 1: to make a standalone appointment using an Auditor Panel as required by section 9 of the Act. The members of the panel must be wholly or a majority independent members as defined by the Act. Independent members for this purpose are independent appointees and this excludes current and former elected members (or officers) and their close families and friends. The decision to appoint remains with the Council but the Council must, under section 8 of the Act, consult and take into account the advice of the Auditor Panel on the selection and appointment of its auditor.

- Option 2: to set up joint procurement arrangements with other local authorities using a joint Auditor Panel in accordance with the Act as described under option 1.
- Option 3: to opt into the national auditor appointment arrangements whereby Public Sector Audit Appointments (PSAA) Limited undertakes the procurement and appoints external auditors to each participating authority. PSAA Limited is a not for profit company which was specified by the Secretary of State for Housing Communities and Local Government in 2016 as an “appointing person” for external audit services for local government bodies. This function arises from the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015.

1.3 The auditor appointment to an opted-in local authority includes the audit of the pension fund where the authority is the administering body.

1.4 If an authority would like to opt into the national auditor appointment arrangements, the decision to opt in must be made by full Council and the form of acceptance notice must be returned to PSAA Limited by 11 March 2022. The national procurement will result in a contract which runs for five years from 1 April 2023 to 31 March 2028.

The Advantages and Disadvantages of the National Auditor Appointment Arrangements

- 1.5 The main advantages of the national scheme are that:
- PSAA Limited has experience of doing this for the 2018 auditor appointments and can build on that experience. The PSAA is currently the appointing body for 98% of principal local authority audits ;
 - PSAA Limited has technical knowledge of the evolving local audit framework and regulations which will help to inform the procurement;
 - PSAA Limited has the stated aim of procuring an audit service of the required quality at a realistic market price, and to support the drive towards a long term competitive and more sustainable market;
 - PSAA limited will carry out on-going contract management activity including scrutiny of fee variation proposals;
 - Collective procurement is a more efficient solution which is less time consuming for both councils and auditors and creates economies of scale;
 - Economies of scale are likely to provide lower cost audit fees, although given the changes in requirements from the last procurement; it seems inevitable that there will be some cost increase;
 - There is minimal risk of no interest in the procurement and audit contract, which could be a risk of undertaking the procurement locally, with Audit Companies focusing on the larger contracting opportunity;
 - The government has committed to supporting PSAA in focusing on market development and sustainability of local audit going forward.

- 1.6 The main disadvantages of the national scheme are that:
- There is no opportunity for LCC to be directly involved in the appointment process, although the scope of local audit is fixed as it is defined by statute and accounting and auditing codes so there would be little scope for developing a bespoke contract. It should be noted that opting for a local appointment would mean that LCC would have to take account of the recommendation of the independent panel when making the appointment;
 - Once an authority has opted in it is committed to the arrangement without any knowledge of what the costs will be.

Current External Auditor Appointment

- 1.7 On 16 December 2016 this Council resolved to opt into the national auditor appointment arrangements and use PSAA Limited to procure and appoint the Council's external auditor. This was the first time this option under the Act had been exercised and the resulting appointment of Mazars Limited as the Council's external auditor runs from the 2018/19 financial year to the 2022/23 financial year. The vast majority of councils opted into the first national procurement.

Developments with regards to External Audit since 2018/19

- 1.8 As reported to this Committee on 19 March 2021, the external audit of public bodies has been under some scrutiny in recent years. There have been a number of reviews of external audit and one of these was the Redmond Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting. One of the key findings of this review was that the local audit market had become unstable and that there was a need to revise the current fee structure to ensure that adequate resources could be deployed to carry out audit work. The government accepted a recommendation to increase audit fees and has since consulted on this. Additional funding has been pledged to cover additional fees in 2021/22.
- 1.9 In May 2021 the government published a policy paper 'Local authority financial reporting and external audit: spring update' adding to their response to the recommendations made in the Redmond Review. Recognising the lack of coherence between the different functions within the existing local audit system, the government has committed to formalising a function to provide systems leadership in local audit.
- 1.10 The government has also committed to the continuation of the PSAA being the appointing body for the next procurement round, but will be updating the Memorandum of Understanding to undertake this role. The updated MOU will reflect the expectation that the next procurement exercise includes a strong focus on market development, to support the long-term competitiveness and sustainability of the market. The government will be providing additional support to PSAA to help with this and will expect PSAA to work closely with local bodies and audit firms to deliver a positive outcome for all parties

- 1.11 It is clear that external auditors now have to undertake additional work in the course of their audits. This is partly because the updated Audit Code of Practice requires this, but also because some key risks around issues like property and pensions valuations as well as local authority financial sustainability need to be examined in more detail.

Financial Information

- 1.12 Lincolnshire County Council's scale audit fee is £82,640. We received a fee variation charge in 2020/21 of £750 for the additional work carried out on the pension funds arising from the Guaranteed Minimum Pension issue and the McCloud legal case relating to the 2018/19 accounts.
- 1.13 We received a fee variation charge in 2021/22 of £19,293 which related to the audit of the 2019/20 accounts. This comprised £12,273 for additional work as a result of changes in regulatory audit quality expectations, £4,898 for scope changes caused by Covid-19, £1,246 for additional work on pensions due to the McCloud and Goodwin cases, and £876 for work on the Energy from Waste valuation. In total the fee in 2021/22 will therefore be £101,933.
- 1.14 It is likely that the £12,273 additional fee will continue into the remaining years of the current contract and it is assumed that the next contract will result in higher fees of a similar size. The budget for external audit fees already includes a contingency for fee variations so if our assumptions are correct then it is likely that the increased fees expected can mostly be managed without increasing the budget. If the fees increase to a higher level than this, it is likely to still be a relatively small cost in the context of the Council's overall budget.
- 1.15 Lincolnshire Pension Fund's scale audit fee is £18,750. We received a fee variation in 2019/20 of £9,000. £3,000 for additional testing in relation to the triennial valuation and £6,000 for additional work on unquoted investments in response to increased regulatory expectations. In 2020/21 we received an additional charge of £6,000, again, for additional work on unquoted investments. It is likely that the £6,000 additional fee will continue for the remaining years of the contract. These costs are charged directly to the pension fund.
- 1.16 Given the change in requirements of the work undertaken by the external auditors we are likely to see an increase in the fee charges at the end of the current arrangements. This will be regardless of the chosen option going forward, but undertaking the procurement locally increases the risk of the level of potential increase in cost.

Conclusion

- 2.1 There are more advantages than disadvantages to opting into the national arrangements and for this reason the Audit Committee is asked to recommend this as a proposal to full Council to consider at its meeting on 18 February 2022.

Consultation

a) Risks and Impact Analysis

The scope of the external audit contract is determined by statute and by accounting and auditing regulations, and PSAA Limited will consult with the sector on issues such as contract quality and tender evaluation. This will mitigate against any contract risk.

The timeliness of delivering audits to the statutory timescale has been a widespread issue over the last two years within the current contract, and PSAA Limited has said that it wants to see the earliest possible return to a position in which virtually all local bodies are able to publish their audited accounts by the target date specified in the Accounts and Audit Regulations.

Appendices

These are listed below and attached at the back of the report	
Appendix A	Invitation to opt into the national scheme for auditor appointments

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, Assistant Director – Finance, who can be contacted on 01522 553235 or michelle.grady@lincolnshire.gov.uk.

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22 September 2021

To: Ms Barnes, Chief Executive
Lincolnshire County Council

Copied to: Mr Crookham, S151 Officer
Cllr Mrs Rawlins, Chair of Audit Committee or equivalent

Dear Ms Barnes,

Invitation to opt into the national scheme for auditor appointments from April 2023

I want to ensure that you are aware the external auditor for the audit of your accounts for 2023/24 has to be appointed before the end of December 2022. That may seem a long way away but, as your organisation has a choice about how to make that appointment, your decision-making process needs to begin soon.

We are pleased that the Secretary of State has confirmed PSAA in the role of the appointing person for eligible principal bodies for the period commencing April 2023. Joining PSAA's national scheme for auditor appointments is one of the choices available to your organisation.

In June 2021 we issued a draft prospectus and invited your views and comments on our early thinking on the development of the national scheme for the next period. Feedback from the sector has been extremely helpful and has enabled us to refine our proposals which are now set out in the [scheme prospectus](#) and our [procurement strategy](#). Both documents can be downloaded from our website which also contains a range of useful information that you may find helpful.

The national scheme timetable for appointing auditors from 2023/24 means we now need to issue a formal invitation to you to opt into these arrangements. In order to meet the requirements of the relevant regulations, we also attach a form of acceptance of our invitation which you must use if your organisation decides to join the national scheme. We have specified the five consecutive financial years beginning 1 April 2023 as the compulsory appointing period for the purposes of the regulations which govern the national scheme.

Given the very challenging local audit market, we believe that eligible bodies will be best served by opting to join the scheme and have attached a short summary of why we believe that is the best solution both for individual bodies and the sector as a whole.

I would like to highlight three matters to you:

1. if you opt to join the national scheme, we need to receive your formal acceptance of this invitation by Friday 11 March 2022;

2. the relevant regulations require that, except for a body that is a corporation sole (e.g. a police and crime commissioner), the decision to accept our invitation and to opt in must be made by the members of the authority meeting as a whole e.g. Full Council or equivalent. We appreciate this will need to be built into your decision-making timetable. We have deliberately set a generous timescale for bodies to make opt in decisions (24 weeks compared to the statutory minimum of 8 weeks) to ensure that all eligible bodies have sufficient time to comply with this requirement; and
3. if you decide not to accept the invitation to opt in by the closing date, you may subsequently make a request to opt in, but only after 1 April 2023. We are required to consider such requests and agree to them unless there are reasonable grounds for their refusal. PSAA must consider a request as the appointing person in accordance with the Regulations. The Regulations allow us to recover our reasonable costs for making arrangements to appoint a local auditor in these circumstances, for example if we need to embark on a further procurement or enter into further discussions with our contracted firms.

If you have any other questions not covered by our information, do not hesitate to contact us by email at ap2@psaa.co.uk. We also publish answers to [frequently asked questions](#) on our website.

If you would like to discuss a particular issue with us, please send an email also to ap2@psaa.co.uk, and we will respond to you.

Yours sincerely

Tony Crawley
Chief Executive

Encl: Summary of the national scheme

Why accepting the national scheme opt-in invitation is the best solution

Public Sector Audit Appointments Limited (PSAA)

We are a not-for-profit, independent company limited by guarantee incorporated by the Local Government Association in August 2014.

We have the support of the LGA, which in 2014 worked to secure the option for principal local government and police bodies to appoint auditors through a dedicated sector-led national body.

We have the support of Government; MHCLG's Spring statement confirmed our appointment because of our "strong technical expertise and the proactive work they have done to help to identify improvements that can be made to the process".

We are an active member of the new Local Audit Liaison Committee, chaired by MHCLG and attended by key local audit stakeholders, enabling us to feed in body and audit perspectives to decisions about changes to the local audit framework, and the need to address timeliness through actions across the system.

We conduct research to raise awareness of local audit issues, and work with MHCLG and other stakeholders to enable changes arising from Sir Tony Redmond's review, such as more flexible fee setting and a timelier basis to set scale fees.

We have established an advisory panel, which meets three times per year. Its membership is drawn from relevant representative groups of local government and police bodies, to act as a sounding board for our scheme and to enable us to hear your views on the design and operation of the scheme.

The national scheme for appointing local auditors

In July 2016, the Secretary of State specified PSAA as an appointing person for principal local government and police bodies for audits from 2018/19, under the provisions of the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015. Acting in accordance with this role PSAA is responsible for appointing an auditor and setting scales of fees for relevant principal authorities that have chosen to opt into its national scheme. 98% of eligible bodies made the choice to opt-in for the five-year period commencing in April 2018.

We will appoint an auditor for all opted-in bodies for each of the five financial years beginning from 1 April 2023.

We aim for all opted-in bodies to receive an audit service of the required quality at a realistic market price and to support the drive towards a long term competitive and more sustainable market for local audit. The focus of our quality assessment will include resourcing capacity and capability including sector knowledge, and client relationship management and communication.

What the appointing person scheme from 2023 will offer

We believe that a sector-led, collaborative, national scheme stands out as the best option for all eligible bodies, offering the best value for money and assuring the independence of the auditor appointment.

The national scheme from 2023 will build on the range of benefits already available for members:

- transparent and independent auditor appointment via a third party;
- the best opportunity to secure the appointment of a qualified, registered auditor;
- appointment, if possible, of the same auditors to bodies involved in significant collaboration/joint working initiatives, if the parties believe that it will enhance efficiency;
- on-going management of any independence issues which may arise;
- access to a specialist PSAA team with significant experience of working within the context of the relevant regulations to appoint auditors, managing contracts with audit firms, and setting and determining audit fees;
- a value for money offer based on minimising PSAA costs and distribution of any surpluses to scheme members - in 2019 we returned a total £3.5million to relevant bodies and more recently we announced a further distribution of £5.6m in August 2021;
- collective efficiency savings for the sector through undertaking one major procurement as opposed to a multiplicity of smaller procurements;
- avoids the necessity for local bodies to establish an auditor panel and undertake an auditor procurement, enabling time and resources to be deployed on other pressing priorities;
- updates from PSAA to Section 151 officers and Audit Committee Chairs on a range of local audit related matters to inform and support effective auditor-audited body relationships; and
- concerted efforts to work with other stakeholders to develop a more sustainable local audit market.

We are committed to keep developing our scheme, taking into account feedback from scheme members, suppliers and other stakeholders, and learning from the collective post-2018 experience. This work is ongoing, and we have taken a number of initiatives to improve the operation of the scheme for the benefit of all parties.

Importantly we have listened to your feedback to our recent consultation, and our response is reflected in [the scheme prospectus](#).

Opting in

The closing date for opting in is 11 March 2022. We have allowed more than the minimum eight-week notice period required, because the formal approval process for most eligible bodies is a decision made by the members of the authority meeting as a whole [Full Council or equivalent], except police and crime commissioners who are able to make their own decision.

We will confirm receipt of all opt-in notices. A full list of eligible bodies that opt in will be published on our website. Once we have received an opt-in notice, we will write to you to request information on any joint working arrangements relevant to your auditor appointment, and any potential independence matters which may need to be taken into consideration when appointing your auditor.

Local Government Reorganisation

We are aware that reorganisations in the local government areas of Cumbria, Somerset, and North Yorkshire were announced in July 2021. Subject to parliamentary approval shadow elections will take place in May 2022 for the new Councils to become established from 1 April 2023. Newly established local government bodies have the right to opt into PSAA's scheme under Regulation 10 of the Appointing Person Regulations 2015. These Regulations also set out that a local government body that ceases to exist is automatically removed from the scheme.

If for any reason there is any uncertainty that reorganisations will take place or meet the current timetable, we would suggest that the current eligible bodies confirm their acceptance to opt in to avoid the requirement to have to make local arrangements should the reorganisation be delayed.

Next Steps

We expect to formally commence the procurement of audit services in early February 2022. At that time our procurement documentation will be available for opted-in bodies to view through our e-tendering platform.

Our recent webinars to support our consultation proved to be popular, and we will be running a series of webinars covering specific areas of our work and our progress to prepare for the second appointing period. Details can be found on [our website](#) and in [the scheme prospectus](#).

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

Report to:	Audit Committee
Date:	15 November 2021
Subject:	Counter Fraud Progress Report 2021/2022

Summary:

This report provides information on the overall effectiveness of the Authority's arrangements to counter fraud and corruption and reviews the delivery of the 2021/22 counter fraud work plan during the year to date.

Recommendation(s):

To assess the overall effectiveness of the Council's arrangements to counter fraud and corruption and the progress made to implement policy.

Background

The Counter Fraud Annual Report provides an overview of the investigation and proactive counter fraud work completed during the period April to September 2021.

This summary provides information to enable the Committee to review performance and the effectiveness of the Council's arrangements. The annual and progress reports are the key sources of assurance for the Committee on the adequacy of Council's counter fraud activities.

The report supports the Committee in discharging its duties around:

- To review the assessment of fraud risks and the potential harm to the council from the risk of fraud
- To monitor the counter fraud strategy, actions and resources.

Details included within Appendix A include information on:

- Fraud referrals received and subsequent investigations made
- Investigation outcomes

- Proactive work to detect and prevent fraud (including fraud awareness work and response to Covid-19 related fraud activity)
- Lincolnshire Counter Fraud Partnership and its delivery of work

Conclusion

The Covid-19 pandemic continues to affect working arrangements and this also applies to counter fraud. Fraud risks remain high and fraudsters can be highly adaptable so a robust and proactive response is key in preventing and detecting fraud. We have identified several cases related to Covid-19 in recent months and continue to investigate these.

The level of fraud referrals made continues to show a downward trend – this is a pattern noted on a national basis so not exclusive to Lincolnshire. However, the cases we are currently dealing with tend to be more complex and higher value – therefore requiring more time and resource to collate evidence for potential sanctions to be taken.

The Lincolnshire Counter Fraud Partnership has continued its successful collaboration with its partner authorities across the county. Key areas being:

- Improving fraud intelligence
- Raising fraud awareness
- Sharing intelligence and best practice
- A single point of contact for Whistleblowing

To ensure that a high level of awareness is maintained across Lincolnshire County Council, we have been working on refreshed methods of delivery. Our in house e-learning provision has been revamped and we are developing key fraud messages for International Fraud Awareness Week in November 2021. We have also updated our fraud policies so are involved in producing communications to coincide with the policy release.

Consultation

a) Risks and Impact Analysis

N/A

Appendices

These are listed below and attached at the back of the report	
Appendix A	Counter Fraud Annual Report

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, Head of Internal Audit and Risk Management,, who can be contacted on 01522 553692 or lucy.pledge@lincolnshire.gov.uk

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COUNTER FRAUD

Progress Report



November 2021

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

Matthew Waller – Audit Team Leader
Matthew.Waller@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

Despite the gradual easing of Covid-19 restrictions during 2021/22, the fraud landscape continues to be dominated by the pandemic and the changes it has brought about. The inherent risks of fraud remain high and we continue to promote vigilance on how fraud can occur and how the ongoing circumstances can change the methods by which fraudsters can seek to exploit weaknesses to commit wrongdoing.

Between April and September 2021, we have seen less referrals than in recent years – 5 cases have been referred to us. This compares to 11 fraud referrals at the same stage last year.

We are actively working on 8 cases currently, some of which are complex and take significant resources to gather evidence to prepare files to take forward for further sanctions including prosecution. During 2021/22 to date, we have also been able to close 10 cases – 7 that were brought forward from previous years and a further 3 referrals from the current year.

The reduced referral activity should be viewed in the context that whistleblowing cases, both locally and nationally, have fallen since the pandemic – this is a key route by which fraud cases are identified so could contribute to the decrease in fraud referrals passed to us.

However, we continue to work on some complex cases of significant value alongside Lincolnshire Police and other law enforcement agencies – these should lead to prosecutions and hopefully also some considerable recoveries.

We have continued our awareness work in 2021/22 to promote knowledge and understanding of fraud and have made progress with several new areas being developed to ensure our methods of raising awareness remain interesting and informative.

We have also updated our counter fraud policies and strategies to reflect current legislation and best practice – these are currently being finalised and will be presented to the Audit Committee at a later date.

5

Fraud referrals received in 2021/22

8

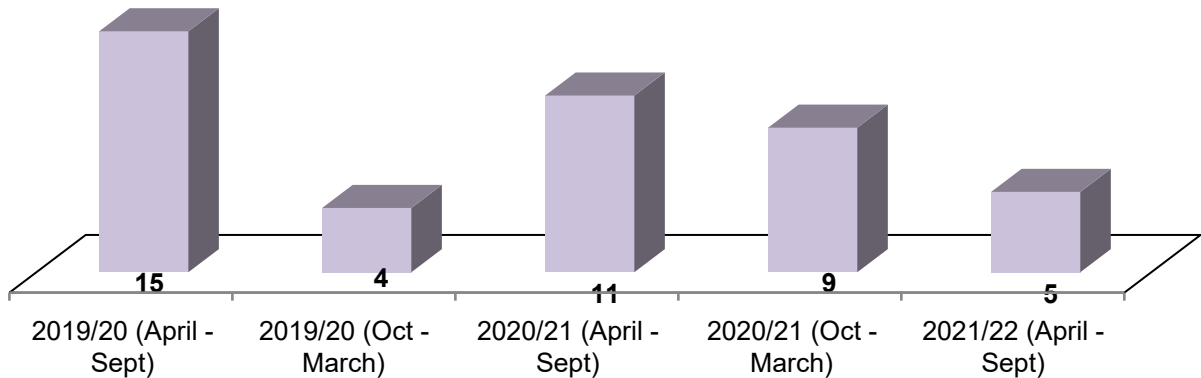
Active cases

10

Cases closed in 2021/22

Fraud Referrals

The fall in new referrals continues a general downwards trend noted in the last few years and also reinforces a recent pattern that although less fraud cases are being referred to us, they are tending to be larger and more complex cases.



Of the 5 referrals made, 4 relate to fraudulent claims for time or expenses. This is often a prevalent area – although generally low value so it is no surprise that cases of this nature tend to occur and be reported. Management oversight is key in preventing and identifying this type of fraud.

The remaining case relates to a grant fraud – the case is still ongoing but outcomes will be reported at a future meeting of the committee once finalised. Since the Covid-19 pandemic started, local authorities have been required to operate numerous grant schemes – again, there was an increased risk that some claims for grants will be fraudulent – especially in view of the requirements that it was necessary to issue grants promptly to ensure recipients received the financial support they required.

We have investigated and closed a case during 2021/22 where an employee claimed that they were attending out of work commitments (college) during work time. Our investigation identified that they were not attending as required and therefore this represented a misuse of work time.

The employee was summarily dismissed. This demonstrates a theme within the Counter Fraud Policy – that sanctions will be sought against those committing fraud.

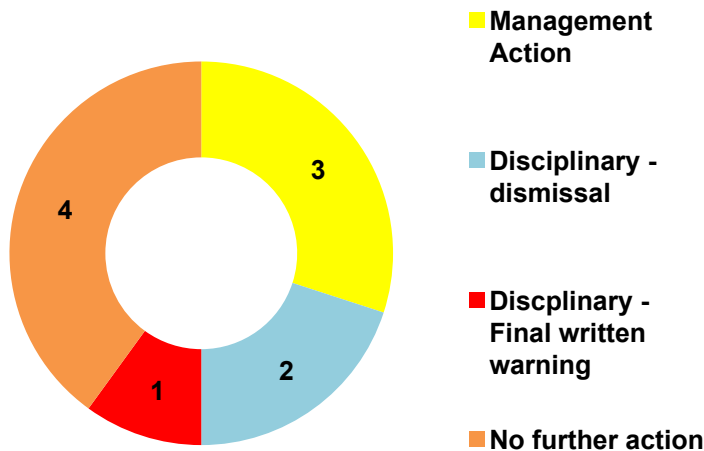
5

We have 5 cases currently with Lincolnshire Police with a view to taking criminal proceedings. All of these are high value cases and we hope will result in prosecution and recoveries of losses.

This further demonstrates our zero tolerance approach and desire to ensure that perpetrators of fraud receive the appropriate sanctions.

Investigation Outcomes

Case Outcomes - 2021/22



Management Action

3 cases resulted in management action being taken – in one of the cases, the employee subsequently resigned when the disciplinary process was completed

Dismissals

2 of the cases finalised in 2021/22 led to dismissals being made – 1 involved an external employee who attempted to defraud the council. We referred the matter to their employer (a contractor) who duly dismissed them. The other case involved a council employee that was dismissed following an investigation into time abuse.

4 of our cases recently resulted in **No Further Action** – these all related to referrals regarding the actions of external providers of services. In most of the cases, we were unable to substantiate the allegations made following our enquiries. In a further case we established evidence and passed the file to the police for consideration of criminal proceedings – however, it was deemed there was insufficient evidence for the level of proof required.

Recovery of Losses

We have not been able to make any recoveries of fraud losses so far in 2021/22. However, it is difficult to influence the timing of when recoveries are made – this is due to the many variable factors that can be involved in both disciplinary and criminal cases. However, we have several ongoing cases that are progressing well and likely to result in recoveries of monies to the Council (potentially up to £160k). This is a key strand of our Counter Fraud Policy and we seek to make these recoveries through several routes available to us.

Proactive Work

Our proactive work has been impacted by the pandemic as the service has had to align its resources to respond to critical areas. This has required us to review and re-prioritise our work plan across the service for 2021/22 and reduce time devoted to counter fraud – please see Appendix B. We have been able to deliver our continuous testing reviews of high risk transactional areas (purchasing cards and payroll claims) although much of our focus has been around Covid-19 grants work and developing fraud awareness and communications.

Fraud Risk Register

We continue to gather fraud intelligence and information to ensure details against our fraud risk categories are maintained up to date.

The review of the Fraud Risk Register has been removed from the current year's work plan – rescheduled to 2022.

National Fraud Initiative

We have now completed much of our review of the data matches provided by Cabinet Office. We have identified no duplicate, over payments or frauds that have required investigation – this provides assurance these areas are operating well.

Midland Fraud Group

We continue to lead on this group of fraud professionals and recently hosted another virtual meeting. This is a very useful forum for intelligence sharing on fraud trends and cases.

Small Business Grants

We have been heavily involved in designing fraud controls and undertaking pre-payment checks for the council's scheme to provide Business Recovery Grants. We used data analytic skills to identify potentially fraudulent applications – this directly led to the rejection of 15 grant applications. Our work also identified multiple applications that are now the subject of a criminal investigation. We are due to commence post grant payment checks to identify if businesses that were able to obtain grant funding have not used them for the correct specified purposes.

Fraud Awareness

E-Learning

Our in house fraud e-learning training has been developed to be launched in October 2021. It includes a 'tone from the top' video message from the Chief Executive which promotes our anti-fraud culture and zero tolerance approach to fraud.

Whistleblowing

The key theme of our recent communications has been to signpost the whistleblowing arrangements and encourage referrals. This is in response to the downward trend in whistleblowing contacts received since the pandemic started.

Further awareness work currently being developed includes communication plans to support International Fraud Awareness Week (14 – 21 November 2021) and a regular fraud newsletter to be issued to staff. We are also developing a Counter Fraud 'hub' that will consolidate fraud information and allow easier access to fraud materials. We are also in the early stages of forming fraud communications to be released in conjunction with the updated fraud policies in 2022.

Lincolnshire Counter Fraud Partnership

The Partnership continues to improve fraud resilience and fraud proofing across Lincolnshire by:

Improving fraud intelligence

Raising fraud awareness

Sharing fraud intelligence, best practice and expertise

Provides a single point of contact across Lincolnshire for the Confidential Reporting Line

2021/22 highlights include:

The final SPD bulk review is coming to a close in October 2021. The review is currently estimated to generate £1.2m additional council tax revenue with 3270 SPD removals. The final figures will be confirmed in December 2022.

The Lincolnshire Counter Fraud Partnership continues to support the districts in raising fraud awareness.

Examples include:

- a tailored fraud newsletter
- sharing our updated Counter Fraud Policies
- developing a tailored version of the fraud awareness e-learning
- on-going sharing of fraud intelligence.

Developing a business case to maximise our council tax approach across Lincolnshire and minimise loss through counter fraud and error. The Lincolnshire Finance Officers approved the business case for a Single Person Discount (SPD) Rolling Review and targeted referrals with delivery from May 2022.

The project is estimated to deliver revenue of £7m gross over a 5 year period, **£2m net more** over the same period compared to the current biennial approach. LCC's net revenue return is estimated at £4.5m.

The project is a collaboration between Lincolnshire County Council, the Lincolnshire districts and the Office of the Police and Crime Commissioner. It will strengthen the anti-fraud culture, proactively manage fraud risk and improve fraud resilience across Lincolnshire by keeping the council tax records accurate and up to date throughout the year.

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	Part Completed
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		

20 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 & Annual Self-assessment against Fighting Fraud and Corruption Locally. Benchmarking Activity – CFACT Tracker (annual survey), peer groups and trend analysis of LCC investigations	Outstanding Postponed
B2 - The organisation identifies the risks of fraud and corruption	Collaboration in assurance mapping process - Counter Fraud and Investigations, Audit and Risk teams	Ongoing
B3 - The organisation publishes estimates of fraud loss to aid evaluation of fraud risk exposures	Update of Fraud Risk Registers Fraud Risk Register – present report to Audit Committee	Ongoing Deferred to 2022/23
B4 – The organisation evaluates the harm to its aims and objectives	Identify priority service areas for awareness training	Ongoing

20 Days (3%)

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

<p>C1 - Governing Body formally adopts a counter fraud and corruption strategy to address identified risks</p>	<p>Annual Counter Fraud Work Plan</p>	<p>Completed</p>
<p>C2 - Strategy includes the organisation's use of joint working or partnership approaches</p>	<p>Strategy and Policy review/refresh</p>	<p>Ongoing</p>
<p>C3 - The strategy includes both proactive and responsive approaches:</p>	<p>Update investigation practice notes</p>	<p>Ongoing</p>
	<p>Refresh Communications Strategy</p>	<p>Ongoing</p>
	<p>Feasibility study for establishment of a County wide data hub</p>	<p>Postponed</p>

10 Days (1%)

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	Ongoing
D2 - The organisation utilises an appropriate mix of experienced and skilled staff	Whistleblowing facility – logging reports, referrals and follow up action	Ongoing
	LCC – Support and advice	Ongoing
D3 - The organisation grants counter fraud staff unhindered access to its employees	Engagement with national and regional best practice groups (including Midland Fraud Group) – sharing intelligence, CIPFA Standards and Fighting Fraud and Corruption Locally.	Ongoing
	Enhance data analytic training and capability	Postponed
D4 - The organisation has protocols in place to facilitate joint working and data and intelligence sharing	E-Learning	Ongoing

70 Days (9%)

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	<p>Completion of work in progress from 2020/21 Counter Fraud Plan</p> <p>National Fraud Initiative–Processing & Reporting</p> <p>Promotion and Delivery of Communications Plan, targeted fraud awareness sessions and Fraud Clinics (Virtual delivery)</p>	<p>Completed</p> <p>Part Completed</p> <p>Outstanding</p>
E2 - Plans and operations are aligned to the strategy	Pro-active reviews on higher risk areas – linked to fraud risk assessment. Key priorities for 2021/22 are currently:	
E3 - Making effective use of initiatives to detect and prevent fraud, such as data matching or intelligence sharing	<ul style="list-style-type: none"> • Covid grants and support schemes • Procurement and contracts • Adult Social Care 	<p>Part Completed</p> <p>Ongoing</p> <p>Deferred to 2022/23</p>
E4 - Providing for independent assurance over fraud risk management, strategy and activities	<ul style="list-style-type: none"> • Support for Internal Audit due diligence and key control testing. (Payroll & employees/ payments & creditors) 	Ongoing
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	<ul style="list-style-type: none"> • Liaison and intelligence sharing meetings with Information Assurance Teams (Cyber risks) 	Ongoing

170 Days (23%)**365 days for investigations (49%)****Additional work****Nature of Work and Indicative Scope****Contingency**

Other emerging risks and expansion of planned work

90 Days (12%)**TOTAL – 745 Days**

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

Report to:	Audit Committee
Date:	15 November 2021
Subject:	Revised Audit Plan

Summary:

The purpose of this report is to:

- Provide details of the revised audit plan for 2021/22 and seek approval from the Audit Committee

Recommendation(s):

That the Committee review and approve the revised audit plan for 2021/22

Background

This paper provides details of the LCC revised audit plan for 2021/22. The report is split as follows:

The revised plan is reported within Appendix 1 and shows:

- A list of scheduled audits by directorate, including details of the assurance sought and risk rating
- A list of further audits which will be carried out should further resource become available
- Other work being completed by the Audit Team

A list of audits removed from the original plan, along with rationale for their removal are reported within Appendix 2.

As in previous years we have paused at the mid-year point to review and re-set the Audit Plan to better align with resources available, ensure that the work completed will sufficiently support the annual audit opinion and remain focused in areas which will add the greatest value. This process has included an assessment of risks, both financial and non-financial, including governance arrangements and has drawn on business intelligence

from across the council as well as discussion with our colleagues in Risk. Due to the pace of change and the changing risk environment it is vital that our planning remains dynamic and relevant so although we have re-set the plan we will continue to constantly review risk levels and respond accordingly.

This has resulted in 9 audits being removed from the plan, where risk in those areas was deemed to be low and 4 audits have been added following our review of the strategic risk register and discussions with the Principal Risk Officer.

We have prioritised audits across the authority dependent on risk and coverage of assurance, therefore in producing the plan we have provided a list of audits to be delivered and additional audits which will be completed if further resources become available (Appendix 1).

In order to finalise the audit plan for the remainder of the year, we ask that the committee review and approve the attached plans.

Consultation

- a) **Risks and Impact Analysis**
N/A

Appendices

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

This report was written by Lucy Pledge, Head of Internal Audit and Risk Management, who can be contacted on 01522 553692 or lucy.pledge@lincolnshire.gov.uk.

Internal Audit

Revised Plan - 2021/22



Lincolnshire County Council
November 2021



Introduction

As in previous years we have paused at the mid-year point to review and re-set the Audit Plan to better align with resources available, ensure that the work completed will sufficiently support the annual audit opinion and remain focussed in areas which will add the greatest value. This process has included an assessment of risks, both financial and non-financial, including governance arrangements and has drawn on business intelligence from across the council as well as discussion with our colleagues in Risk. Due to the pace of change and the changing risk environment it is vital that our planning remains dynamic and relevant so although we have re-set the plan we will continue to constantly review risk levels and respond accordingly.

Below is a list of all audits included within the proposed plan. This will be further expanded upon if additional resource becomes available – a list of the additional audits to be completed is included at the end of Appendix 1. Please note that audits already completed or in progress are highlighted in blue italics.

Our discussions highlighted a number of areas where risk has increased since the original plan was set, we have therefore added a small number of new audits which are highlighted in red italics. In addition, our review process identified areas where risk has reduced, so a number of audits have also been removed. These audits and the rationale for their removal have been provided within Appendix 2.

DIRECTORATE	AUDIT TITLE	ASSURANCE BEING SOUGHT	INTERNAL AUDIT RISK ASSESSMENT	ASSURANCE MAP RAG RATING	INDEPENDENT ASSURANCE	LINK TO SRR	LINK TO CORPORATE PLAN	MANAGEMENT REQUEST
Cross Cutting	Contract Management	Working with the counter fraud team to confirm that contracts are being effectively managed to ensure that projects are delivered to specification, on time	72%	A	✓		✓	

Appendix 1 – Revised Audit Plan

		and within budget.						
Cross Cutting	Transformation Programme	<i>Continue to act as critical friend and provide on-going advice and assurance to the programme.</i>	67%	G	✓		✓	✓
Cross Cutting	Governance Review	Review recent Public Interest Reports from Liverpool City Council and York Council to consider lessons learned and governance and controls assurance.	69%		✓		✓	
Cross Cutting	Business World Redesign project	<i>Providing on-going advice and independent assurance around project management, process, risk and control.</i>	67%	A	✓		✓	✓
Cross Cutting	Transformation Programme Project Review	To provide assurance around the governance and delivery of key transformation projects including SMARTER Working and the Green Master Plan.	67%	A	✓		✓	✓

Appendix 1 – Revised Audit Plan

Cross Cutting	Follow Up Reviews	To follow up progress with management actions from Low or Limited audits completed in 2020/21			✓		✓	
Adults	Financial assessments	Confirm improvements have been made in the Financial assessments process following the implementation of the new policy and management actions.	69%	A	✓		✓	✓
Adults	Better Care Fund	<i>Assurance over the management of the fund, it's use and the appropriateness of expenditure as per the Section 75 and other agreements</i>	69%	A	✓		✓	
Adults	Safeguarding	<i>Provide assurance that the Council has maintained robust safeguarding arrangements through the Covid-19 pandemic.</i>	67%	G	✓	✓	✓	
Commercial and IT	IMT - Network Access Controls: Internal (S/M/L)	Provide assurance that the authority has appropriate arrangements in place to ensure that only authorised users are enrolled promptly onto	64%	R	✓	✓	✓	✓

Appendix 1 – Revised Audit Plan

		the network and the removal of access is promptly actioned when no longer required.						
Commercial and IT	IMT - Privileged Account Management	Assurance that privileged accounts are suitably controlled.	64%	A	✓	✓	✓	
Commercial and IT	IMT - Virus Protection / Malware	Provide assurance that the risks associated with malware and viruses are mitigated through the use of appropriate security measures.	72%	G	✓	✓	✓	
Commercial and IT	IMT - Cloud/Hosted Services	Review recent instances of cloud/hosted services to establish the due diligence undertaken and the security deployed through that arrangement.	69%	G	✓		✓	
Commercial and IT	Property – capital repairs and maintenance	To follow up and confirm that the recommendations from the previous capital contract report have been implemented, and to review and provide support and advice on the Repairs &	50%	A	✓		✓	✓

Appendix 1 – Revised Audit Plan

		<i>Maintenance budget setting process.</i>						
Children's	Supporting Families Grant	<i>Audit sign off as per the requirements of the grant.</i>	58%	G	✓		✓	
Children's	Foster Carers	To confirm that there are robust processes / checks over the recruitment of foster carers and that these processes are followed in practice.	47%				✓	✓
Children's	Maintained Schools	Delivery of internal audit to maintained schools that 'buy-back' our services. This covers key areas of governance and financial control.	36%	G	✓		✓	✓
Fire and Rescue	Governance Review	Seeking assurance around the governance roles and processes in place within the Directorate.	69%		✓		✓	
Place	Economic Development	Review looking at the decision making around business loans and regeneration projects to ensure that the Council is not impacted by	64%	G	✓		✓	

Appendix 1 – Revised Audit Plan

		reputational damage.						
Place	Transport Connect	<i>Review of the Governance and oversight processes that are in place within Transport Connect to confirm that Members and Senior Management are aware of issues that may impact the Council and the company.</i>	69%	A	✓		✓	✓
Resources	Financial Resilience	Assurance that the medium term financial strategy supports financial resilience as the Council moves from pandemic arrangements to recovery and business as usual.	58%	G	✓	✓	✓	
Resources	Payroll	Key financial system – testing and analytical review required to provide assurance that appropriate controls are working effectively and compliance with policy and legislation is maintained.	64%	G	✓		✓	
Resources	Debtors	Review the debtors' process, including any changes in the new	61%	A	✓		✓	

Appendix 1 – Revised Audit Plan

		finance system. To assess debt reporting governance and senior management oversight on debt levels and write offs. Coverage will include the impact of gross social care payments & recovery of contributions.						
Resources	Key financial systems - key financial control testing	Testing and analytical review of key systems that support the running of the Council's business and ensure compliance with corporate policies and legal requirements	53%	G	✓		✓	
Resources	Grant work	Working with the counter fraud team to undertake testing and provide assurance that grant monies have been used in accordance with terms and conditions. To review checks and balances for the detection of fraud and error.	67%	A	✓		✓	
Resources	<i>Other grant work (Highways and BSOG)</i>	<i>To provide assurance that income and expenditure has been processed in accordance with grant conditions</i>						

Appendix 1 – Revised Audit Plan

AUDITS TO BE COMPLETED IF ADDITIONAL RESOURCE BECOMES AVAILABLE								
Cross Cutting	Effective Decision Making	Review decision making and ensure there is appropriate due diligence and scrutiny on decisions.	67%	A	✓			✓
Cross Cutting	Corporate Plan, Success Framework and Performance Management	Provide assurance around the governance and corporate oversight of the Corporate plan and performance monitoring and management.	67%		✓			
<i>Cross Cutting</i>	<i>Staff Wellbeing</i>	<i>To provide assurance on the LCC staff wellbeing offer and workforce resilience</i>			✓			
Adults	ICES follow up	To provide assurance on this activity and follow up the recommendations made in the previous audit (which was given Limited assurance) to ensure agreed management actions have been implemented.	56%	G	✓			✓
<i>Adults</i>	<i>Financial Care Capacity</i>	<i>To provide assurance</i>	69%	A	✓			

Appendix 1 – Revised Audit Plan

		<i>on the capacity of residential care placements across the county</i>						
Commissioning and IT	Commissioning Process	To act as critical friend and provide on-going advice and assurance during the external review of the commissioning process.	69%	G	✓		✓	
Children's	SEND	To confirm compliance with funding schemes and review the accuracy of data and funding allocations to SEND schools.	44%	A	✓		✓	✓
Fire and Rescue	On call sustainability	Review the key risk to the service around the on call system for providing officer cover.	67%	R			✓	
<i>Fire and Rescue</i>	<i>Procurement Card Usage</i>	<i>To provide assurance on the use of procurement cards across the service in line with the new policy document</i>	58%		✓			
Resources	Compliance with Financial Procedures	Utilising root cause analysis, understand reasons for recent examples of non-compliance with	64%				✓	

Appendix 1 – Revised Audit Plan

		financial procedures and provide advice on raising wider awareness.					
<i>Resources</i>	<i>Business Continuity / Resilience</i>	<i>To assess the arrangements in place</i>	61%	G		✓	

Other Areas of Work	Details
Combined Assurance	Updating assurances on the Council's assurance map with senior managers and helping to inform planning and co-ordinate the annual status report.
Follow up of Recommendations	Audit Reports issued during 2020/21 where an audit opinion of Limited or Low may be followed to establish progress in implementing agreed management actions.
External Quality Assessment.	Prepare for the assessment of the internal audits service against professional standards to ensure compliance with best practice.
Advice & Liaison	Time for liaison with management to schedule audits and update the plan with emerging risks etc.
Annual Report	Collation of data and production of the Head of Audits annual opinion on the Council's Governance, Risk and Control framework
Annual Governance Statement	Support development of the AGS
Audit Committee	Production of reports to and attendance at Audit Committee
Work Force Development	Time to develop audit skills and competencies for our Apprentices and existing staff in a work environment with deliverable audits.

Appendix 2 – Audits Removed

Following our assessment of risk and review of business intelligence from across the council, the audits listed below were removed from the original audit plan. Information on the rationale for each audit removed has also been included.

DIRECTORATE	AUDIT	RATIONALE
Cross Cutting	Programme and Project Management	We continue to act as critical friend and provide on-going advice and assurance to the Transformation Programme as well as having a more specific audit of the Transformation Project in the plan. Programme and Project Management will be reviewed at a later date once new processes and procedures have been embedded
Cross Cutting	Working from home	Management attending the Audit Committee in November to provide assurance around working from home / productivity – audit removed as duplication
Adults Services	Occupational Therapy	This area is considered low risk at present
Commercial and ICT	Commercial Activities	LCC take a prudent approach to commercial ventures based on Combined Assurance discussions and we are currently reviewing Transport Connect.
Commercial and ICT	Capital Contracts	It is intended that the contract management audit scheduled within the plan will cover capital contracts
Commercial and ICT	IMT/Finance – PCI DSS	Assurance will be taken from the external review being undertaken in this area
Children's Services	Youth Offending	A new assessment framework is in place. An external review by the University was commissioned (report due at Scrutiny in November) which has not highlighted any significant areas of concern. This area will be reviewed at a later date once the new framework is fully embedded
Place	Waste	The scope of this work involved providing a critical friend role throughout project implementation. This is not considered essential
Resources	Budget control / management	Not considered essential. Whilst budgets remain a risk, we plan to undertake an audit of Financial Resilience which will provide assurance in this area.



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

Report to:	Audit Committee
Date:	15 November 2021
Subject:	Smarter Working Policy

Summary:

The Audit Committee requested the presence of senior leaders who have been instrumental in the implementation of the Smarter Working Policy and any associated actions. The purpose of the paper is therefore to provide the current position with respect to the project and be present for any questions from Audit Committee members.

Recommendation(s):

To receive and note the contents of the report.

Background

The Council's Executive agreed to support the implementation of smarter working (SW) in 2020 and the project is based on the following objectives:

- performance management objectives focus on results and outcomes rather than presence at the work base
- maximising the use of office space across Lincolnshire
- managing the risks to our environment from climate change by reducing travel to work and meetings
- flexible employment terms to aid attraction and retention
- to improve connectivity and technology to improve business processes and reduce waste

Following extensive engagement and consultation with leaders, employees and trade unions, the Council's smarter working policy was formally launched in September 2021:

[Smarter Working Policy launches \(sharepoint.com\)](#)

The policy provides changes to employees' ways of working, enabling choice and flexibility, whilst retaining existing contractual terms, such as, work bases. There are expectations relating to behaviours and personal responsibility, as well as a clear

distinction of the types of working environment that will be available, namely, service hubs, managed and leadership workspace at Newland Campus. Not all employees are working in a hybrid way (home/work), and some are still required to work and attend on their contractual days/shifts.

The project is though multi-faceted and still in transition. Lancaster House (Intermin Service Hubs and Managed Workspace) and parts of County Offices (Leadership Hub) are now open and political decisions need to be made by the Executive on refurbishment for some buildings. Work is also on-going with locality bases, involving services, as well as IMT equipment and what financial savings can be made.

The SW policy has been subject to an Equality Impact Assessment in accordance with the Equality Act 2010 to ensure individuals are not being disadvantaged on the grounds of the nine protected characteristics.

Employees and their trade union representatives have been consulted in accordance with the Trade Union and Labour Relations (Consolidation) Act 1992. The Council’s trade unions whilst not objecting to the implementation of the SW policy, have registered a dispute on what they see as failings by the authority to formally negotiate changes to terms and conditions. The dispute is proceeding to its final stage with elected members in November 2021.

Conclusion

The SW project is still evolving and the financial outcomes still to be determined. We know however that the project will bring financial benefits, namely, business mileage, external room hire, property sales, reduction in car hire etc. There is also no evidence from reporting that individuals working from home or working in a hybrid way are not performing. The Council’s appraisal policy has though introduced monthly one to ones as a mechanism for improved performance management.

Consultation

a) Risks and Impact Analysis

N/A

Appendices

These are listed below and attached at the back of the report	
Appendix A	Smarter Working Policy (available at https://lincolnshirecc.sharepoint.com/SitePages/Smarter-Working-Policy-launches.aspx)

This report was written by Tony Kavanagh, Assistant Director- HR and Organisational Support, who can be contacted on 07385 417668 or Tony.Kavanagh@lincolnshire.gov.uk and Karen Cassar, Assistant Director – Highways and Smarter Working lead, who can be contacted on 07778 935822 or Karen.Cassar@lincolnshire.gov.uk.



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

Report to:	Audit Committee
Date:	15 November 2021
Subject:	Work Programme

Summary:

This report provides the Committee with information on the core assurance activities currently scheduled for the 2021 work plan.

Recommendation(s):

1. To 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 Programme
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, Head of Audit and Risk Management, who can be contacted on 01522 553692 or lucy.pledge@lincolnshire.gov.uk .

Appendix A - Audit Committee Work Plan 2021/22

15 November 2021 – 10.00 am		
Statement of accounts 2020/21 – Lincolnshire County Council & Pension Fund	Representatives of 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.
Draft Audit Committee Annual Report 2020/21 Moved to February 2022	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.
Auditor Appointment	Michelle Grady – Assistant Director Finance / Sue Maycock	Invitation to join national procurement of external audit function from end of the current contract in 2022/23.
External Auditors Annual Report 2020/21	Michelle Grady – Assistant Director Strategic Finance / Sue Maycock	Assurance over effective engagement of External Auditors for the Council's financial accounts and Value for Money opinion.
Internal Audit Plan – up to 31st March 2022	Lucy Pledge – Head of Internal Audit and Risk Management / Matthew Waller – Team Leader – Audit	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. Ensure that the Internal Audit Resource has sufficiently capacity and capability to deliver the plan. Seek an understanding of what assurances Internal Audit will be providing the Committee to help it discharge its terms of reference.

Revised Counter Fraud Policies Moved to March 2022	Lucy Pledge – Head of Internal Audit and Risk Management	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.
Smarter Working Update	Tony Kavanagh	To provide members with an update on the smarter working project and assurance on how performance and productivity will be monitored and managed for home working.

7 February 2022 – 10.00 am		
Item	Contributors	Assurances Required/ Sought
Combined Assurance Status Reports – 2021/22	Chief Executive, Executive Directors and Chief Fire Officer	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. Seeking assurance that they are working well and that any significant risk and issues are being actively managed.
Horizon Scanning Moved to March 2022	Lucy Pledge (Head of Internal Audit and Risk Management)	To provide early signs of potentially important developments – identifying potential treats, risks, emerging issues and opportunities.
Draft Audit Committee Annual Report 2020/21 Moved to February 2022	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.

28 March 2022 – 10.00 am

Item	Contributors	Assurances Required/ Sought
External Audit Strategy – Lincolnshire County Council 2021/22	Representatives of 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 Quality	Sue Maycock (Head of Finance – Corporate)	Effectiveness of the External Auditors Quality Assurance Framework / processes following the 2020/21 audit experience, changes in audit resources and the October 2020 publication of the report by the Financial Reporting Council on Major Local Audits - Audit Quality Inspection.
Statement of Accounts 2021/22 – 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.
Internal Audit Progress Report	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>The Internal Audit Plan focuses on the key risks facing the Council and is adequate to support the Head of Audit opinion.</p> <p>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.</p>
Risk Management Progress Report - March 2022	Debbie Bowring (Principal Risk Officer)	Seek assurance that risk-related issues are being addressed.

28 March 2022 – 10.00 am		
Item	Contributors	Assurances Required/ Sought
International Standards on Auditing - Response to Management Processes Questions	Dianne Downs (Team Leader – Audit)	Each year the External Auditors are required to obtain an understanding of the Council's management processes in a number of areas. The International Auditing Standards specify the areas concerned – with the aim to support risk assessment around fraud, error or a material mis-statements in the County Council and Pension Fund financial statements. This report sets out the management responses to those questions.
Counter Fraud Plan 2022/23	Dianne Downs (Team Leader – Audit)	On the overall effectiveness of the Authority's arrangements to counter fraud and corruption.
Revised Counter Fraud Policies	Lucy Pledge – Head of Internal Audit and Risk Management	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.
Horizon Scanning	Lucy Pledge (Head of Internal Audit and Risk Management)	To provide early signs of potentially important developments – identifying potential treats, risks, emerging issues and opportunities.

Items to be programmed:

- **Integration of Health and Social Care (including IMT)** – Glen Garrod (Executive Director of Adult Care and Community Wellbeing) – Date TBC.

Appendix B - Audit Committee Action Plan 2021/22

Audit Committee Action Plan 2021/22			
Action	Terms of Reference Outcome	Key Delivery Activities	When
The Committee was to receive additional information around reported cases which had resulted in staff dismissals. Counter Fraud Annual Report considered at 12 th July Audit Committee			Before 27 September 2021
Lessons Learned From Public Interests Reports Workshop		Working Together Forward Working / Effectively Moving Our Joint	March 2022

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