

PRESENT: COUNCILLOR MRS S RAWLINS (CHAIRMAN)

Councillors P E Coupland, A P Maughan, R B Parker, P A Skinner and A N Stokes.

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

Officers in attendance:-

Debbie Bowring (Principal Risk Officer), Michael Butler (Mazars), Andrew Crookham (Executive Director Resources), James Drury (Executive Director Commercial), Cheryl Evans (Democratic Services Officer), Rachael Gratrick (Senior Auditor), Sue Maycock (Head of Finance (Corporate)), Tony Maycock (Senior Auditor), Lucy Pledge (Head of Internal Audit and Risk Management), John Pressley (Mazars), Amanda Reid (Senior Finance Technician), Alastair Simson (Principal Auditor), Mark Surridge (External Auditor, Mazars), Matthew Waller (Internal Audit Manager) and John Wickens (Assistant Director - IMT and Enterprise Architecture)

34 APOLOGIES FOR ABSENCE

Apoloiges for absence were received from Councillor A J Spencer.

35 DECLARATION OF MEMBERS' INTERESTS

There were no declarations of interests.

36 MINUTES OF THE MEETING HELD ON 8 FEBRUARY 2021

RESOLVED

That the minutes of the meeting held on 8 February 2021 be confirmed and signed by the Chairman as a correct record.

37 UPDATE ON ACCOUNTS 2019/20

An update report by the Executive Director - Resources on the 2019/20 was presented by the Head of Finance – Corporate. The Committee was advised of the progress of the work on the completion of the external audit of the Statement of Accounts for 2019/20. The report also sought the approval by the Committee of a delegation of its usual responsibilities for the Statement of Accounts to the Executive Director – Resources, in consultation with

AUDIT COMMITTEE
19 MARCH 2021

the Chairman of the Audit Committee, so that these responsibilities could be undertaken after the meeting.

The Committee was advised that the accounts had still not been signed off, owing to a valuation of the Energy from Waste Plant in North Hykeham, which had been raised by the external auditors, Mazars. The valuation process was described to the Committee. The Committee was assured that a re-evaluation of the Energy from Waste Plant would be included in the five year rolling programme, to avoid a repeat of the delay in future.

RESOLVED

That the Executive Director – Resources, in consultation with the Chairman of the Audit Committee, be delegated authority:

- (a) to consider the Audit Completion reports of the External Auditor regarding their audit work on the Statement of Accounts 2019/20;
- (b) to approve and sign the Letters of Representation on behalf of the Council to enable the Audit Opinion to be issued following the report of the External Auditor; and
- (c) to approve the audited Statement of Accounts for 2019/20.

38 **EXTERNAL AUDIT STRATEGY - LINCOLNSHIRE COUNTY COUNCIL 2020/21**

The Head of Finance – Corporate introduced a report on behalf of the Executive Director - Resources on the 2020/21 external audit strategy. Mark Surridge and Michael Butler, from the Council's external auditors, Mazars, presented the strategy. The strategy would include a broader assessment of the Council's approach to value for money.

In response to a question on the use of comparator data from similar local authorities for the value for money assessment, it was stated that as part of the assessment the Council's use of comparator data, including established benchmarking information, would be reviewed by the external auditors, as well as a risk assessment of.

On the external auditor's fees for 'other additional costs' of £7,021 for 2019-20, the Committee was advised that these related to one-off expenditure on the re-evaluation of the Energy from Waste Plant and Covid-19.

The external auditor's review of the revised code of practice and the additional guidance notes, as detailed on page 40 of the agenda pack, indicated that the auditor's fee would be 'at least £10,000' on these items. The external auditor indicated that the stated cost had been consistently applied to eighty other local authorities, and further guidance notes were due to be published by the National Audit Office, so a final estimate could not be made at this stage.

In response to a question on how external auditors retrospectively assessed of value for money, it was stated that the auditors would expect to see regular monitoring of the capital programme, including any additional expenditure. However, it was recognised that not all circumstances could be predicted at the beginning of a scheme, but transparency and an understanding of unforeseen events were key.

It was confirmed that details of the income and expenditure of Covid-19 grants would be included in the Statement of Accounts for 2020-21, and highlighted accordingly.

RESOLVED

That the External Audit Strategy for the Lincolnshire County Council accounts for 2020/21 be noted.

39 EXTERNAL AUDIT QUALITY

The Head of Finance – Corporate presented a report on behalf of the Executive Director - Resources on external audit quality, following the publication of two recent reviews. The Redmond Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting had made 23 recommendations and all but one had been accepted by the Government.

The Financial Reporting Council (FRC) report on Audit Quality Inspection had concluded positively on the value for money work by external auditors. However, some improvements had been identified in the FRC's report for some external auditors, which included the Council's external auditor, Mazars, whose response to the FRC was set out at Appendix B to the report.

It was confirmed that the Committee's annual self-assessment exercise would be completed later in 2021. It was noted that the Committee reported annually to the County Council and already included two independent members. The Committee welcomed the external auditor's annual report being submitted to the County Council meeting.

RESOLVED

That the report on external audit quality be noted.

40 STATEMENT OF ACCOUNTS 2020/21 - ACCOUNTING POLICIES

The Head of Finance – Corporate presented a report on behalf of the Executive Director - Resources on the accounting policies, which would be used in preparing the forthcoming statements of accounts for both Lincolnshire County Council and the Lincolnshire Pension Fund. The report highlighted changes to the Code of Practice on Local Authority Accounting, which would be incorporated into the 2020/21 Statement of Accounts; and the proposed changes to the reporting timescales in the Accounts and Audit Regulations 2015.

It was confirmed that the draft accounts would be submitted to the Committee's July meeting and consideration would be given to any specific training on leasing standards for members of the Committee, in addition to the standard training provided.

The Committee was advised that a general induction session would be provided to all Committee members, following the County Council elections. A dedicated training session on the statement of accounts would be provided prior to the Committee's meeting on 14 June 2021, and delivered by Ian Fifield, an external consultant.

RESOLVED

- (1) That the changes required to the Statement of Accounts from the Code of Practice 2020/21 be noted.
- (2) That the potential for (a) the deadline for the publication of the audited Statement of Accounts 2020/21 being amended to 30 September 2021; and (b) the deadline for the publication of the draft unaudited accounts being amended to on or before the first working day of August 2021, be noted.
- (3) That the Statement of Accounting Policies (Appendix A to the report) be approved for use in preparing the Council's accounts for the financial year ending 31 March 2021.
- (4) That the Statement of Accounting Policies (Appendix B to the report) be approved for use in preparing the Local Government Pension Scheme (LGPS) Pension Fund accounts for the financial year ending 31 March 2021.

41 INTERNAL AUDIT PROGRESS REPORT

The Principal Auditor presented the internal audit progress report, which detailed the audit work completed up to 15 February 2021; and advised on the progress of the 2020/21 plan, which would be completed by April 2021. Progress on the actions arising from all audit reports in the plan was also detailed.

The report referred to two items of limited assurance: the ICT Network Infrastructure Security; and the ICT Business Continuity and Disaster Recovery. The Executive Director – Commercial and the Assistant Director for IMT and Enterprise Architecture were in attendance to respond to questions on these two items.

In response to a question on recruitment and staffing arrangements within the Audit Team, as detailed in the report, it was advised that Covid-19 had impacted on recent recruitment exercises with a reduced number of applicants. There would be further recruitment in April 2021 to appoint to remaining vacancies and the use of agency staff would be a temporary measure. It was advised that apprenticeships would be used within the Team as a 'grow your own' initiative. It was confirmed that the Audit and Counter Fraud Teams worked in collaboration with pooled resources for specific pieces of work.

In relation to the limited assurance reports, the following points were raised:

- Reference was made to the statement on page 144 of agenda that IMT had no plans to put into effect more stringent data leakage prevention technologies as the business had not supported these technologies and would not commission them and the Council expected all staff to be able to share information beyond the Council with limited formality and technical constraints, therefore the Council was in effect accepting that risk, relying instead on the knowledge and judgement of staff. The Assistant Director for IMT and Enterprise Architecture explained that data leakage prevention technologies were highly constraining on staff and for this reason some organisations, which had purchased these technologies, had ceased to use them. Staff had received mandatory annual training on information assurance and had high levels of awareness. It was further explained that the limited assurance did not relate to this particular finding.
- It was advised that within Office 365 there were some low level elements of data leakage prevention, and a decision would be made on their use at a later date. Higher level data leakage prevention technologies would represent an additional cost.
- Reference was made to page 143 of the agenda to the statement on starters, movers and leavers and timings for these issues to be resolved. It was advised that there was a need to confirm the processes, using the appropriate technology, for starters, movers and leavers to ensure all relevant personnel in the organisation were informed. It was confirmed that the transformation programme, of which the Corporate Leadership Team was aware, would address this issue.

(Note: Ian Haldenby left the meeting at this point.)

- The Committee recorded its thanks to IMT staff over the last year for their efforts in enabling at short notice working from home arrangements for over 4,000 members of staff. The Committee recognised that this had impacted on other routine work.
- In response to a question on business continuity and disaster recovery, it was explained that the testing of some systems had not been implemented, as they would not now be appropriate as the Council would be continuing to migrate to more standardised IMT systems; and there would always be an impact on service from any testing. This issue would be followed up by the Audit Team.

RESOLVED

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

42 RISK MANAGEMENT PROGRESS REPORT - MARCH 2021

The Principal Risk Officer presented the progress report on the Council's risk management arrangements and highlighted current status of the strategic risks facing the Council. The Committee was advised that there continued to be a level of assurance with the risks. The report identified 22 high risks and 15 high issues, with most of the risks remaining static or improving. The main category of risk continued to be within the area of People, with the

main issues being Technology and Economic. Appendix 1 to Appendix A set out a breakdown of the risks, issues and status by directorate.

With regard to the limited assurance on market supply for adult care, it was advised that the Executive Director of Adult Care and Community Wellbeing, as the risk owner, would be asked to attend a future meeting on mitigating factors. Similarly, in relation to the assessment of safeguarding children, the Executive Director for Children's Services, as the risk owner, would be invited to attend a future meeting to discuss this topic.

RESOLVED

- (1) That the current status of the strategic risks facing the Council be noted.
- (2) That the Executive Director of Adult Care and Community Wellbeing and the Executive Director for Children's Services be requested to attend a future meeting to discuss the mitigating factors for the risks relating to the market supply for adult care and safeguarding children respectively.

43 INTERNATIONAL STANDARDS ON AUDITING - RESPONSE TO MANAGEMENT PROCESSES QUESTIONS

The Head of Internal Audit and Risk Management reported on a self- assessment of whether the County Council and Pension Fund financial statements had been mis-stated owing to fraud or error.

RESOLVED

That the conclusion that the self-assessment accurately reflected the Council's management processes to minimise the risk of fraud or error in the County Council and Pension Fund financial statements be recorded.

44 COUNTER FRAUD PLAN 2021/22

The Head of Internal Audit and Risk Management submitted a report on the planned Counter Fraud and Anti-Corruption activities, scheduled in the 2021/22 work plan.

In response to a question on Covid-19 business support grants and the associated risks, it was confirmed that the Counter Fraud Team had worked with colleagues in Finance and Legal Services on due diligence and developing the appropriate processes were in place to mitigate fraud risk. This would include some assurance work post-payment.

RESOLVED

That the Counter Fraud Plan 2021/22 be approved.

45 WORK PROGRAMME

The Committee considered its forward work programme for its forthcoming meetings. A request was made for members of the Committee to submit comments on the training content for the new Committee. It was suggested that the number of items programmed for the June 2021 meeting be reduced to make the business manageable for the new Committee.

It was requested that corporate capital contracts be added to the Audit Plan.

RESOLVED

That the Committee's work plan be noted.

The meeting closed at 12.35 pm.