

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

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

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

Councillor: J L King and M A Whittington observed virtually the meeting

Officers in attendance:-

Robert Close (Democratic Services Officer) and Lucy Pledge (Head of Internal Audit and Risk Management)

Also in attendance:-

Mark Surridge (External Auditor, Mazars)

The following officers joined the meeting remotely via Teams:-

Debbie Bowing (Principal Risk Officer), Andrew Crookham (Executive Director Resources), Sue Maycock (Head of Finance) and Matthew Waller (Internal Audit Manager)

Also in attendance via Teams:-

John Pressley (External Auditor, Mazars)

7 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors J L King and P A Skinner and Mr Andrew Middleton.

8 DECLARATIONS OF MEMBERS' INTERESTS

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

9 MINUTES OF THE MEETING HELD ON 9 FEBRUARY 2022

RESOLVED

That the minutes of the meeting held on 9 February 2022 be confirmed and signed by the Chairman as a correct record.

10 EXTERNAL AUDIT STRATEGIES - LINCOLNSHIRE COUNTY COUNCIL AND

LINCOLNSHIRE PENSION FUND 2021/22

Consideration was given to a report produced by the Head of Finance which presented Mazars' 2021/22 audit strategy memoranda for both Lincolnshire County Council and the Lincolnshire Pension Fund.

Mr Pressley, External Auditor – Mazars, was invited to present the Lincolnshire Pension Fund audit strategy memorandum for 2021/22 to the Committee.

Responses were made to questions from members of the Committee on the following topics:

- Work for the 2020/21 Lincolnshire Pension Fund Audit was largely completed to the deadline, however delays in the Lincolnshire County Council audit resulted in a postponed sign off for both statements. The Lincolnshire County Council forthcoming audit would benefit from additional resources to ensure its completion within the timetable. Moreover, the lead officer for previous year's audit was due to return to support the new team leader. All information required from Lincolnshire Pension Fund officers was delivered when requested and an effective working relationship continued. However, valuations from investment fund managers were identified as causing delays in the previous year.
- When additional work was carried out for pension funds, the employers were charged. An example of this occurred in 2020/21 following a late asset valuation, the charge for this additional work was subsequently passed to the employer.

Mr Surridge, External Auditor – Mazars, was invited to present the Lincolnshire County Council audit strategy memorandum for 2021/22 to the Committee.

Responses were made to questions from members of the Committee on the following topics:

- The underlying audit fee rates were set in accordance with the Public Sector Audit Appointment (PSAA) framework informed by time commitments of the auditors. Moreover, constant benchmarking was also undertaken to ensure any built-in work, not recurrent in the scale fee, wouldn't be valued out of line with other areas. It was stressed that rates wouldn't change prior to any retendering from the PSAA framework. Fee estimates were set after resource expectations were identified.
- The Committee were assured that any documentation requested from the Council's finance team would be sought in good time. Last year there were some resource constraints faced by the Council's external valuer which extended the time taken to resolve queries. The external audit team endeavoured to prioritise larger and more extensive work first.
- The Council had Mazars' assurance that, in the event of increased demands from other authorities, Mazars' time would be divided fairly among it's clients.

RESOLVED

That the external audit strategies for Lincolnshire County Council and Lincolnshire Pension Fund be noted.

Consideration was given to a report presented by the Head of Finance which summarised the changes to the Code of Practice on Local Authority Accounting which would be incorporated into the 2021/22 Statement of Accounts for Lincolnshire County Council and the Lincolnshire Pension Fund.

The Chair advised the Committee that she'd had a meeting with the Financial Reporting Council (FRC) to discuss the wider audit process and what could be achieved. In addition, she'd completed the Local Government Association (LGA) PSAA survey putting forward the Committee's concerns around the timing of delivery for audit reports. The Chair also attended the inaugural meeting of the East Midlands Audit Chairs' Forum which sought to establish training events and best practice sharing. Generally, some Chairs felt their respective committees had areas to improve in their knowledge of financial systems, this view wasn't considered to apply to Lincolnshire County Council given their annual training.

Responses were made to questions from members of the Committee on the following topics:

- Members were reminded that a Lincolnshire Audit Committees forum, including County and District authorities, previously met annually to share best practice and support. In addition, Lincolnshire County Council Members were offered a tailored training and development plan. The Committee were advised that, subject to their agreement, the recommencement of these arrangements could be explored.

#### RESOLVED

1. That the changes required to the Statement of Accounts from the Code of Practice 2021/22 be noted.
2. That the amended deadlines of 31 July 2022 for the preparation of draft accounts, and 30 November 2022 for publication of the audited Statement of Accounts 2021/22, be noted.
3. That the Statement of Accounting Policies, for use in preparing the Council's accounts for the financial year ending 31 March 2022, be approved.
4. That the Statement of Accounting Policies, for use in preparing the Local Government Pension Scheme (LGPS) Pension Fund accounts for the financial year ending 31 March 2022, be approved.
5. That a training and development plan was created for 2022/23 – considering the reprising the Lincolnshire Audit Committee Forum.

#### 12 INTERNAL AUDIT PROGRESS REPORT

Consideration was given to a report presented by the Head of Internal Audit and Risk Management which provided details of the audit work completed to 31 December 2021 and updates on the progress of the audit plan.

Responses were made to questions from members of the Committee on the following topics:

- Any interdependencies with other systems were documented within the Business World On project. Finance and Human Resources (HR) implications resulted from the delay in the

Business World On's implementation however, as areas were subject to continued transformation work, further delays were expected. A recent delay resulted from an interdependent system which would be addressed through the re-planning of the Business World On Project currently being undertaken,

- Following completion of a final parallel payroll run, a 'go live' date for Business World On was identified as 31 March 2023. Outstanding work included a final data cleanse and replacement of the income management system. Moreover, the re-planning process would encompass a full assessment of all feeder systems to mitigate any future complications. Additionally, effective version management, and forthcoming version transition, of the Business World On system resulted in extensive regression testing. Support from Independent Member (IH) of the Audit Committee was welcomed to ascertain the current status and assurance on the delivery of Business World On.
- Cyber security was identified as being a growing area of concern as geopolitical tensions had increased. The Council's main focus in respect of cyber security was to ensure business continuity.
- The Committee were assured that there was a commitment to ensure that staffing deficiencies would be backfilled through external resources. As a longer-term solution, external recruitment and internal promotion were being explored as options to ensure a resilient staffing resource. The Council operated a co-source model, with more external trusted suppliers being engaged during 2022 while we build in-house capacity and recruit.
- It was confirmed that the infrastructure for Office 365 was broadly implemented. Moving forward focus was going to be made to encourage staff to use its functionality. Following a reduction in personal assistant support staff, Office 365 was expected to facilitate an effective transition – with more self-service and efficient/effective ways of working.

#### RESOLVED

1. That the Internal Audit Progress Report be noted.

That Independent Member (IH) be invited to identify the current status and assurance of the delivery of Business World On

#### 13 RISK MANAGEMENT PROGRESS REPORT - MARCH 2022

Consideration was given to a report presented by the Principal Risk Officer which provided an update on how well the Council's biggest risks are being managed.

Responses were made to questions from members of the Committee on the following topics:

- Risk 10 – IT Infrastructure - The identification of IT infrastructure as 'improving direction of travel', despite its classification as limit assurance, was a result of new cloud platform implementations which continued to improve the wider IT area. The area continued to be monitored and officers were optimistic that it would return to substantial assurance. Moreover, a number of legacy systems were still operational which were scheduled for removal and replacement with cloud-based systems.
- In response to risk activity ambiguity the Principal Risk Officer offered to include a summary page in future reports detailing any change in risk direction.
- Risk 7 – Ability to recruit and retain staff in high risk areas - The Council had recently approved a workforce attraction and retention policy to widen the scope of incentives for staff to remain in post. Furthermore, HR produced an overview report of staffing changes on

a monthly basis to help monitor the issue. It was confirmed that data was showing that despite changes to the employment market, over the last annual period, the number of staff the Council was broadly the same. Staffing levels were also reported regularly to the Overview and Scrutiny Management Board (OSMB). In addition, work was carried out with universities and other education providers to promote skills for the Council's future business needs. HR worked with service areas to deliver a bespoke approach. National schemes would be explored wherever appropriate, particularly in the care sector.

- New risk to be included - Inflation and demand pressures would form part of the Council's future budget setting assumptions. Given the significance of the risk the Corporate Leadership Team (CLT) has asked that inflationary risks would be a separate risk going forward and work was being undertaken to evaluate its extent.
- The Executive Director – Adult Social Care was developing a wraparound transformation project to deliver reforms resulting from the Adult Social Care White Paper. Naturally, any arising risks would be identified within the strategic risk register.

RESOLVED

That the Risk Management Progress Report be noted.

14      COUNTER FRAUD PLAN 2022/23

Consideration was given to a report presented by the Head of Internal Audit and Risk Management which provided information on Counter Fraud and Anti-Corruption activities currently scheduled in the 2022-23 work plan.

Responses were made to questions from members of the Committee on the following topics:

- As part of the Counter Fraud Workplan, an update from the Fraud Risk Register would be received by the Committee in September detailing key vulnerabilities and horizon scanning. It was confirmed that the Counter Fraud Plan was informed by the Fraud Risk Register.
- The Fraud Team was relatively small but carried out a sufficient level of planned work and investigations. Planned work for 2022/33 focussed on raising awareness and promotion of whistle blowing.
- The resources of both the Internal Audit Team and the Counter Fraud Team were combined to ensure the best use of the combined resource and effective working arrangements.

RESOLVED

That the Counter Fraud Plan 2022/23 be approved.

15      INTERNAL AUDIT PLAN 2022/23

Consideration was given to a report presented by the Head of Internal Audit and Risk Management which provided the risk based Internal Audit Plan for 2022/23.

Responses were made to questions from Members of the Committee on the following topics:

- The Asset Management - Software, Physical and Environmental Security, and ICT Governance weren't yet assessed but were still areas of interest. If they were subsequently considered significant enough to be part of the assurance map then they'd be scored and assessed

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through both, the Council's risk assessment and assurance mapping by the accountable manager.

- Recruiting pressures were evident and it was clarified that, while the importance of formal qualifications was not to be understated, the requirement for necessary personal attributes was also an important factor for a good auditor.

RESOLVED

That the Internal Audit Plan 2022/23 be approved.

16      WORK PROGRAMME

RESOLVED

That consideration of the Work Programme be deferred to the next scheduled meeting of the Audit Committee.

The meeting closed at 11.51 am