

**AUDIT COMMITTEE  
14 NOVEMBER 2022**

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

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

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

Councillors: John Pressley and Mark Surridge from Mazars attended the meeting as invited guests.

Officers in attendance:-

Michelle Grady (Assistant Director – Finance), Nicole Hilton (Assistant Director - Communities), Claire Machej (Accounting, Investment and Governance Manager), Sue Maycock (Strategic Finance Lead (Technical)), Lucy Pledge (Head of Internal Audit and Risk Management), Amanda Reid (Strategic Finance Manager – Technical), Gary Douglas (Principal Investigator, Counter Fraud & Investigations Team) and Katrina Cope (Senior Democratic Services Officer).

25 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors J L King and A N Stokes.

26 DECLARATIONS OF MEMBERS' INTEREST

No declarations of Members' interest were received at this point of the proceedings.

27 MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 26 SEPTEMBER 2022

RESOLVED

That the minutes of the Audit Committee meeting held on 26 September 2022 be agreed and signed by the Chairman as a correct record.

28 STATEMENTS OF ACCOUNTS 2021/22 - LINCOLNSHIRE COUNTY COUNCIL & PENSION FUND

Consideration to a report from Michelle Grady, Assistant Director of Finance, which advised the Committee of the changes made so far to the draft Statement of Accounts 2021/22, and to seek approval of the Audit Committee to delegate its usual responsibilities for the

**AUDIT COMMITTEE  
14 NOVEMBER 2022**

Statement of Accounts to the Executive Director – Resources, in consultation with the Chairman of the Audit Committee.

Attached at Appendix A to the report was a copy of the updated Statement of Accounts for 2021/22; and Appendix B provided details of the changes to the Statement of Accounts for 2021/22, which included changes initiated by officers and changes that had been made because of the external audit.

Sue Maycock, Strategic Finance Lead (Technical) presented the report to the Committee, advising that the majority of the changes to the Statement of Accounts 2021/22 had been minor with the exception of changes to the Pension Fund accounts, as a result of the update valuations of unquoted assets, and the impact that change had had on the County Council accounts.

It was reported that the Pension Fund audit was now complete, and that the audit of the main accounts was nearing completion, with the obvious exception of the infrastructure assets, which would be covered further in the next agenda item.

During consideration of this item, the following comments were made:

- Thanks were extended to the comprehensive and sound set of accounts presented;
- Reason for the underspend on adult social care. The Committee noted that the underspend was as a result in the main by Covid-19 grants, which had allowed the redirection of resources to fund activities, and that this activity had been reported through to the Council as part of the financial performance report in September;
- Reassurance was received that once the infrastructure assets issue was sorted, it was not felt that this issue would be repeated; and
- Confirmation was received that as the Pension Fund had plenty of active members, the Fund was still cash flow positive. The Committee noted that the problems seen over recent weeks had been about liability driven investments, which was where pension funds had taken investments to match their liabilities. It was noted further that the Pension Fund did not have any such investments.

**RESOLVED**

1. That the changes made to the updated Statement of Accounts 2021/22 be noted.
2. That delegation be given to the Executive Director – Resources, in consultation with the Chairman of the Audit Committee, the responsibility for:
  - Considering the Audit Completion Report of the External Auditor for Lincolnshire County Council 2021/22 (a draft Audit Completion Report is elsewhere on this meeting's agenda);
  - Approving and signing the Letters of Representation on behalf of the Council to enable the Audit Opinion to be issued following the finalization of the External Auditor's report; and

- Approving the audited Statement of Accounts for 2021/22.

29 EXTERNAL AUDITOR'S ANNUAL REPORT AND AUDIT COMPLETION REPORTS  
2021/22

The Committee considered a report from Michelle Grady, Assistant Director – Finance, which presented the draft Auditor’s Annual report for Lincolnshire County Council and an Audit Completion report for the Lincolnshire Pension Fund, and a draft Audit Completion report for Lincolnshire County Council.

John Pressley from Mazars provided the Committee with an update on the Pension Fund Audit, advising that the audit had been a clean audit completion report, in terms of issues identified. It was noted that there had been some minor changes made to the wording of the accounts, and that the only issue commented on was the valuation of investments within level three of the fair value hierarchy, details of which were shown on page 17 of the supplementary report pack.

Thanks were extended to Claire Machej and her team for all their help and support throughout the course of the audit and for producing a good set of accounts. This was echoed by the Committee who also extended thanks to team for all their hard work.

The Chairman invited Mark SurrIDGE from Mazars to provide the Committee with an update on the Lincolnshire County Council audit. The Committee was advised that the work was substantially completed and that there were no matters that would require modification of the audit opinion. Pages 42 and 43 of the supplementary report provided details of the status of the audit which highlighted one material adjustment and one outstanding item highlighted in red relating to Infrastructure Assets. The Committee was advised further that Mazars would not be issuing their opinion by the 30 November because of work relating to infrastructure assets. The Committee however noted that work on areas other than infrastructure assets was now substantially complete. Overall, the Committee was advised that the authority had again done an excellent job with the accounts.

During consideration of this item, members of the Committee raised the following comments:

- The situation regarding fraud in relation to grants. Assurance was given that during the last 18 months robust checks had been made, and testing had been done, and as a result of that, one investigation to do with a grant application made by an individual had been reported to the police; and
- The Committee extended their congratulations to all staff involved in the audit for a job well done.

**RESOLVED**

That the Audit Completion report and the Current Audit Findings Report as presented be received.

30 REVIEW AND UPDATE OF COUNTER FRAUD POLICIES

Consideration was given to a report from Lucy Pledge, Head of Internal Audit and Risk Management, which invited the Committee to consider and comment on the following documents appended to the report:

- Appendix A – Revised Counter Fraud & Anti-Corruption Strategy 2022/25;
- Appendix B – Revised Counter Fraud Policy;
- Appendix C - Revised Whistleblowing Policy;
- Appendix D - Revised Anti-Money Laundering Policy; and
- Appendix E – A copy of the Money Laundering report form.

During discussion, the following points were raised:

- The Committee was advised that the documents attached to the report and mentioned above had not been significantly updated and were based on best practice and the CIPFA Code of practice. Reassurance was given that the team were always looking to continually improve and that the next item on the agenda would provide information as to how the policies actually worked in practice;
- One member enquired as to whether there were any resource implications regarding the policies. The Committee noted that resources were continually reviewed as part of the Council's budget process, and that the team made the best use of resources available to them. It was reported that steps were being taken to strengthen the team through apprenticeships, training, and smarter working;
- The readability of the documents, it was felt that the documents were easy to read with plenty of information being made available to the reader;
- One member suggested leaving out named individuals from the documents, and just having reference to job roles; and
- Training provided to staff regarding money laundering. The Committee noted that the training for money laundering was being refreshed. However, it was highlighted that each relevant business areas had their own procedures in place on how to implement the policy, and that regular contact and engagement was made with relevant business areas of the council. It was accepted that refresher training needed to be provided to core officers.
- It was suggested that for a future meeting, the Committee should consider the training provided in relation to money laundering and the updated procedures.

**RESOLVED**

That the following documents, be approved by the Committee subject to the comments raised above, the:

Revised Counter Fraud & Anti-Corruption Strategy 2022/25;  
Revised Counter Fraud Policy;

Revised Whistleblowing Policy; and  
Revised Anti-Money Laundering Policy.

31      COUNTER FRAUD PROGRESS REPORT 2022/2023

The Committee considered a report from Gary Douglas, Principal Investigator, Counter Fraud & Investigation Team, which provided the Committee with information on the overall effectiveness of the Authority's arrangements to counter fraud and corruption, and reviewed the delivery of the 2022/23 counter fraud workplan during the year to date.

Attached at Appendix A to the report was a copy of the Counter Fraud Progress report for the Committee to consider.

The Committee was advised of the following:

- That the risks of fraud remained high, and that the council continued to promote vigilance on how fraud occurred by raising awareness with staff of the changing methods fraudsters used;
- Since April 2022 there had been an increase in the number of direct debit mandate fraud attempts, and that the team were working with Serco regarding this matter, and that the team had successfully prevented losses exceeding £1m;
- The team were actively working on eight cases currently gathering evidence to prepare files to take forward for further sanctions, including prosecution; and
- There had been a slight decrease in whistleblowing referrals received between April and September 2022 (44) compared to (49) in the same period for 2021/22.

During consideration of this item, the following comments were raised:

- Whether support was received from the police in bringing cases to a conclusion. The Committee was advised that all matters reported had been investigated by the police, and that good co-operation was received from Lincolnshire Police in this regard; and
- Recovery of losses, assurance was given that crimes were actively pursued, and that redress was sought from the individual or from their assets. Confirmation was given that the cases taken further were criminal.

RESOLVED

That the Counter Fraud Progress Report 2022/23 be received.

32      INTERNAL AUDIT REPORT PROGRESS REPORT

The Committee considered a report from Lucy Pledge, Head of Internal Audit and Risk Management, which provided details of the audit work completed to 30 September 2022 and advised on the progress of the audit plan.

**AUDIT COMMITTEE  
14 NOVEMBER 2022**

The Committee noted the key messages, as detailed on page 349 of the report pack, which advised of the audit work completed since the last progress report in March 2022 and page 350 provided details of the revised plan, which provided details of key areas of focus for the next six months and staffing changes. The Committee was advised that capacity within the team had been strengthened with the recruitment of six new auditors and that this had impacted on delivery of work with focus on induction, training and development as the team 'grow our own'. It was reported that additional resources continued to be drawn from external suppliers to support delivery and that it was expected that performance would improve as the new staff gained in experience.

A copy of the Internal Audit Progress Reports was attached at Appendix A to the report for the Committee to consider.

During consideration of this item, the Committee raised some of the following comments:

- The recent success with recruitment, and some assurance was expressed to the growing your own strategy. The Committee noted that everything that could be done was being done to help develop staff with career grades/progression in place to help new recruits;
- Transport Connect - In an update to the Committee, the Assistant Director of Communities advised that the audit had been requested by management to look at the Company's governance, as the company was moving into its next phase, and that this had not been part of the expected or routine plan. The Committee was advised that it had been set up in 2015/16 for a very specific set of circumstances to manage market supply. It was reported that as a commercial business, financial oversight had been undertaken throughout by Wright Vigar. It was highlighted that all the actions identified in the audit had already been addressed or identified by the Board and that steps had been put into place. Confirmation was also given that no confidential information was ever shared from a laptop. Reassurance was given that the company was managed and overseen by the council and by the board and that the company was the only operating trading company the council had. The Committee noted that the Assistant Director of Communities was a member of the Board and an officer of the Council, so there was no chance of any control being lost. Assurance was given that the company was fully compliant with Companies House requirements; and
- Areas requiring attention – Virus protection/Malware, a request was made for the Executive Director with responsibility for IT to attend a future meeting to advise the Committee of the challenges the council faced. The Committee was advised that the IT Manager could attend the February meeting as part of the Combined Assurance report.

**RESOLVED**

That the progress and delivery of the internal audit plan be noted.

Consideration was given to a report from Lucy Pledge, Head of Audit and Risk Management, which provided the Committee with information on the core assurance activities currently scheduled for the 2022 work plan.

The Committee was advised that due to timing restriction, the mandatory Audit training would now be arranged for some time in January/February 2023.

The Chairman advised that herself and the Vice-Chairman had attended a meeting with the Overview and Scrutiny Management Board Chairman and Vice-Chairman and details of the actions agreed were shown on page 384 of the report pack.

**RESOLVED**

1. That the Audit Work Plan be received.
2. That the proposed training and development programme as detailed in the report be received.
3. That the Action Plan presented be received.

The meeting closed at 11.19 am