

PRESENT: COUNCILLOR MRS S RAWLINS (CHAIRMAN)

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

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

Officers in attendance:-

Andrew Crookham (Deputy Chief Executive & Executive Director), Claire Goodenough (Head of Audit and Risk Management), David Ingram (Head of Information Assurance), Diane Downs (Audit Manager), Michelle Grady (Assistant Director - Finance), Sue Maycock (Strategic Finance Lead – Technical) and Thomas Crofts (Democratic Services Officer)

1 APOLOGIES FOR ABSENCE

An apology for absence was received from Ian Haldenby (Independent Added Member).

2 DECLARATIONS OF MEMBERS' INTEREST

There were no declarations of interest made at this point in proceedings.

3 MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 27 MARCH 2023

RESOLVED

That the minutes of the meeting held on 27 March 2023 be signed by the Chairman as a correct record.

4 DRAFT STATEMENT OF ACCOUNTS 2022/23

Councillor Mrs S Rawlins (Chairman) declared that she was member of the ESPO Management Committee for openness and transparency.

Consideration was given to the 2022/23 draft statement of accounts, presented by the Strategic Finance Lead – Technical. The following matters were highlighted:

- The 2021/22 accounts were subject to a national issue concerning local authorities' management of infrastructure assets. The Council had successfully managed these assets over the years and had disposed of them as necessary. However, this did not necessarily prove compliance, and as such the Council was pursuing the statutory override to confirm compliance despite maintaining well catalogued assets.

- Another national issue emerged relating to the valuations of Local Government Pension Scheme (LGPS) liabilities, which had delayed reporting as previously calculated values did not tally with necessary changes to reporting periods. 250 other councils were in a similar situation and the matter had been raised with central government.
- It had been a challenging year due to national economic pressures and the rollout of the Council's new Business World system. However, the Council was in a financially stable position and had received positive feedback from CIPFA and Grant Thornton and had achieved an outstanding report from Ofsted.
- Despite inflationary pressures, the Council held an underspend on the revenue and financial budget.
- There had been significant movement in the Councils balance sheets, largely due to recalculations in relation to pension liabilities.

The Committee considered the report, and the following comments were raised:

- Regarding the Council's management of infrastructure assets, pursuing the statutory override in order to satisfy the audit would not have any impact on taxpayers or service delivery as the assets in question were not saleable. However, the need to pursue the statutory override for a well-maintained group of assets in order to meet audit criteria had caused delays to signing off the Council's financial position.
- There was nothing concerning in the audit's findings, and it showed that the Council was in a comfortable position.
- There were no major changes anticipated from external audit.
- The National Audit Office had advised auditors to be more accommodating and sense check their recommendations to ensure audits were fit for the purposes of local authorities, as audits had historically treated local authorities like businesses and measured their financial management against metrics that did not necessarily apply to the public sector.
- Capital overspends were largely due to inflation. Technical issues and delays had contributed to cost escalation of large projects, which had been compounded by rising inflation over time. Over delivery, in some instances, had also contributed to rising costs, as more work was able to be undertaken within a set time than had been anticipated.
- Funding had become more reliant on revenue collection over the years. However, an increase in council tax collection had been reported as more houses were built and occupied. Revenue streams were reliable and presented little risk to the Council's financial management.
- The Council was currently making its highest use ever of the apprenticeships levy, with approximately 80% of all apprentices retained. The Committee felt that the use of the levy should be maximised.
- CallConnect was the only private company owned by the Council as a non-profit service.

- Pension liabilities had changed largely due to a fall in the nation's life expectancy and fluctuations in the property market, which had impacted the difference between useable and non-useable reserves.
- Future funding from central government remained uncertain while increases to council tax presented a challenge to already squeezed households.
- The Committee were informed that the Council's financial position was as follows:
 - £48million was held in reserves, which should last up to four years based on current assumptions.
 - 323 cash backed assets were held.
 - More internal borrowing was being pursued to meet inflationary demands.
 - A certainty of income had been demonstrated and cashflow was in a good position.
 - Salary banding had remained similar, but inflation had pushed up pay.

RESOLVED

That the draft Statement of Accounts 2022/23 and comments made be noted.

5 INTERNAL AUDIT ANNUAL REPORT 2022/23

Consideration was given to a report presented by the Head of Audit and Risk Management. The opinion from the Head of internal Audit was that the Council was performing well overall, and that internal control was performing adequately but presented no concerns.

The Committee considered the report, and the following comments were raised:

- It was too early to calculate if there had been improvements in health performance regarding the introduction of the new Integrated Care Board system. However, it was assured that this was to be scrutinised by the Health and Wellbeing Board and Health Scrutiny Committee for Lincolnshire. The annual combined assurance report would also give the Audit Committee the opportunity to review its financial performance.
- Internal Audit's resourcing was to be closely watched and additional resources explored.
- The rollout of the new Business World system meant that some performance targets had been missed due to the system having to be temporarily paused while data was transferred.
- Work was underway to improve the timeliness of report writing.
- The Council was in dialogue with Boston Academy to help improve assurances.

RESOLVED

1. That the content of the Head of Internal Audit Annual Opinion and Report be received.
2. That the results of Internal Audit work and delivery of the internal Audit Plan – evaluating the overall effectiveness of the Internal Audit function in discharging its

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statutory responsibilities and meeting the Council's 'third line of defence' assurance needs be noted.

6 COUNTER FRAUD ANNUAL REPORT 2022/2023

Consideration was given to a report presented by the Audit Manager. The following matters were reported:

- Regarding the UK fraud landscape, national estimates were not up to date, but it was evident that there was a growing risk.
- The following risks were highlighted:
 - Cyber crime – high risk
 - Financial abuse – substantial
 - Corruption – medium
- The Council's counter fraud staffing resources were limited – with three members of staff having left the authority within the past year. However, assurance was given that the Council's fraud risk controls remained effective.

The Committee considered the report, and the following comments were raised:

- Solutions to the counter fraud team's staffing situation were being explored.
- All instances of fraud identified by the Council were always fully reported.
- The Committee agreed that deterring fraud was the best option and that the risks associated with falsely reporting fraud were balanced with the risk of fraud itself.

RESOLVED

That the Counter Fraud Annual Report for 2022/23 and comments made be noted.

7 INFORMATION ASSURANCE ANNUAL REPORT 2022/23

Consideration was given to a report presented by the Head of Information Assurance. The following matters were reported:

- The demand for information assurance services throughout the reporting year increased significantly with another year-on-year increase in engagement across all three strands of the service.
- Significant effort had been made to promote the service and to raise awareness of the benefits of good information assurance.
- Cyber Security risks were continuously increasing, and work was ongoing to protect against current and future threats.
- Work continued to reduce risk in relation to hard copy records and good progress was being made, however significant effort was still required before the risk would fall within tolerance.

- Effective processes were in place to respond to security incidents and data protection complaints and infringements.
- The Information Assurance service remained highly visible and was contributing to a positive information culture within the organisation.

The Committee considered the report, and the following comments were raised:

- Data breaches had increased by 13%. This increase had been caused by better reporting of instances of human error. None of these instances needed to be reported to the Information Commissioners Office as they had been successfully resolved at the point of being identified.
- The importance of managing digitised records was raised. This included data cleansing and effective retention.
- Confidential paper records were disposed of via onsite shredding and secure contracted disposal.

RESOLVED

1. That the report and comments made be noted.
2. That the content of the Information Assurance Annual Report for 2022/23 be approved.

8 DRAFT ANNUAL GOVERNANCE STATEMENT 2022/23

Consideration was given to a report presented by the Head of Audit and Risk Management. It was reported that there was a positive assurance picture for the Council overall and that two areas for improvement have been identified. These two areas concerned developing further links between the delivery of the Corporate Plan and how resources were utilised in that delivery and developing the One Council approach designed to encourage and deliver effective team working.

The Committee considered the report and agreed that it accurately reflected the Council's situation and operations.

RESOLVED

1. That the Committee agree that the Draft Annual Governance Statement accurately reflects how the Council is run.
2. That the Draft Statement included the significant governance issues/key risks expected to be published.
3. That the Draft Statement be approved by the Committee and its adoption be recommended to Council subject to necessary updates with relevant links to documents as they are approved for inclusion in the final statement.

9 AUDIT COMMITTEE WORK PROGRAMME

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The Head of Internal Audit and Risk Management introduced the Work Programme which provided the Committee with core assurance activities currently scheduled for the year.

It was advised that the Monitoring Officer's Annual Report was to be moved to the next meeting and that the item on Integration of Health and Social Care (including IMT) was to be programmed for the meeting in September 2023.

RESOLVED

That the work programme as amended above be approved.

The meeting closed at 12.05 pm