

County Offices
Newland
Lincoln
LN1 1YL

14 July 2023

Audit Committee

A meeting of the Audit Committee will be held on **Monday, 24 July 2023** in the **Council Chamber, County Offices, Newland, Lincoln LN1 1YL** at **10.00 am** for the transaction of business set out on the attached Agenda.

Yours sincerely



Debbie Barnes OBE
Chief Executive

Membership of the Audit Committee

(7 Members of the Council and 2 Non-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

Non-Voting Added Members

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

**AUDIT COMMITTEE AGENDA
MONDAY, 24 JULY 2023**

Item	Title	Pages
1	Apologies for Absence	
2	Declarations of Members' Interest	
3	Minutes of the Audit Committee meeting held on 19 June 2023	5 - 10
4	Monitoring Officer Annual Report <i>(To receive a report from David Coleman, Monitoring Officer, which enables the Committee to considers the Monitoring Officer's Annual Report)</i>	11 - 18
5	Update on the CIPFA Financial Management Code and Financial Resilience <i>(To receive a report from Michelle Grady, Assistant Director – Finance, and Sue Maycock, Strategic Finance Lead – Technical, which enables the Committee to scrutinise and comment on progress reported against the CIPFA Financial Management Code Action Plan and on the findings of the Grant Thornton independent review of the Council's compliance with the CIPFA Financial Management Code)</i>	19 - 76
6	Internal Audit Progress Report 2023/2024 <i>(To receive a report from Claire Goodenough, Head of Internal Audit and Risk Management, which provides the Committee with details of the audit work completed to 1st July 2023, information on delivery progress and opportunity to raise any matters of relevance)</i>	77 - 90
7	Internal Audit Plan 2023/2024 <i>(To receive a report from Claire Goodenough, Head of Internal Audit and Risk Management, which provides the Committee with the 2023/2024 Audit Plan and reasoning for the Audit areas chosen)</i>	91 - 100
8	Counter Fraud Work Plan 2023/24 <i>(To receive a report from Dianne Downs, Audit Manager, which provides the Committee with information on the proposed counter fraud activities for 2023/24 and draft Counter Fraud Work Plan)</i>	101 - 120
9	Audit Committee Work Programme <i>(To receive a report by Claire Goodenough, Head of Internal Audit and Risk Management, which invites the Committee to consider its work programme)</i>	121 - 128

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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

Contact details set out above.

Please note: This meeting will be broadcast live on the internet and access can be sought by accessing [Agenda for Audit Committee on Monday, 24th July, 2023, 10.00 am \(moderngov.co.uk\)](#)

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<https://www.lincolnshire.gov.uk/council-business/search-committee-records>



**AUDIT COMMITTEE
19 JUNE 2023**

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 closed 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



Open Report on behalf of David Coleman, Monitoring Officer

Report to:	Audit Committee
Date:	24 July 2023
Subject:	Monitoring Officer Annual Report

Summary:
This Report introduces the Annual Report of the Monitoring Officer for 2022/23.

Recommendation(s):
That the Audit Committee receives and considers the Monitoring Officer's Annual Report

Background

At its meeting on 18 November 2019 the Audit Committee resolved that an annual report from the Monitoring Officer be brought to the Audit Committee. This report sets out that Annual Report for the period 1 April 2022 to 31 March 2023.

Role of the Monitoring Officer

The law requires the County Council to designate one of its senior officers as the Monitoring Officer. I have been designated in this role since 1 October 2018.

Under the Constitution I maintain an up-to-date version of the Constitution and ensure that it is widely available for consultation by Councillors, Officers and the public.

One of my main duties as the Monitoring Officer is to ensure that the County Council acts and operates within the law. I advise on whether decisions of the Executive are lawful and in accordance with the Budget and Policy Framework. I have to report to the full Council or to the Executive if I consider that any proposal, decision or omission would give rise to unlawfulness. Such a report would have the effect of stopping the proposal or decision being implemented until the report has been considered.

I report to the Executive or full Council where the Local Government Ombudsman issues a Public Report in respect of maladministration or a failure to provide services or a failure in any services provided, under section 31 of the Local Government Act 1974.

I also help promote and maintain high standards of conduct by Council members, officers, partners and contractors. When required I process complaints about alleged breaches of the code of conduct in accordance with the local arrangements and work with the Audit Committee to deal with breaches and to achieve high standards.

The standards regime also requires that councillors register their disclosable pecuniary interests. I am responsible for ensuring that the register is being maintained and consider applications in relating to the granting of dispensations.

In addition to the above I also fulfil a number of duties that do not necessarily result from the statutory functions of the Monitoring Officer. In particular I am:-

- the Senior Responsible Officer in respect of the Regulation of Investigatory Powers Act 2000; and
- the Responsible Officer for the Council's Whistle Blowing Policy (Confidential Reporting Code). The Audit Committee receives an Annual Report on this from the Head of Internal Audit and Risk Management.

Ensuring Lawfulness

Every Decision-Making Report that comes before the County Council, the Executive or an individual Executive Councillor is required to contain a Legal Comment.

As a result there is a robust process for identifying the legal issues raised by any proposed decision and ensuring that these are addressed in the Report. This consideration of legal issues deals with the powers of the Council to take the steps proposed any procedural issues such as the requirement for consultation, the way in which the decision is proposed to be implemented (e.g. compliance with procurement obligations) and the rationality of the decision – i.e. whether the report sets out a legally sound case for the course of action recommended.

I am pleased to report that as a result of these controls there were no occasions where the Monitoring Officer had to issue a formal report relating to the lawfulness of a decision.

Local Government and Social Care Ombudsman

In 2022/23 there were 64 referrals to the Local Government and Social Care Ombudsman (LGSCO) concerning Lincolnshire County Council. This is down from 68 in 2021/22 but still higher than the 48 in 2020/21. Of these 35 were not investigated by the LGSCO. Of the 29 that were investigated 8 of the investigations had not concluded at the date these figures were compiled and will fall into next year's report.

Of the remaining 21 cases:-

- 2 were remedied to the satisfaction of the LGSCO without the investigation being concluded

- 12 were investigated and no fault was found (up from 5)
- 7 resulted in findings of fault (up from 4)
- None of these resulted in a public report

The areas where fault were found are as follows:

Fault	Action Taken
<p>The LGSCO found that the Council was at fault when it failed to consider a complaint under the Children’s Services statutory complaints process. Although the complaint was over a year old the Council failed to have proper regard to the Guidance which raises a presumption in favour of considering such complaints.</p>	<p>The Council agreed to pay £150 compensation and consider the complaint at stage 2 of the statutory process</p>
<p>The LGSCO found that the Council was at fault for failing to review Mr B’s Education Health and Care Plan within statutory timescales and for failing on two occasions to send the necessary paperwork to Mr B at least two weeks prior to the date set for the review.</p>	<p>The Council agreed to apologise to Mr B and to Mr X, Mr B’s step-father, and to make a payment of £100 to Mr B and £100 to Mr X.</p>
<p>The LGSCO found that the Council was at fault for failing to provide Occupational Therapy provision contained in an Education Health and Care Plan for 11 months and failing to respond to correspondence from Miss X enquiring as to progress with her complaint.</p>	<p>The Council apologised to Miss X in writing. The Council also agreed to pay Miss X £300 in recognition of her avoidable distress and time and trouble and to pay her child, Z, £3,300 being £300 for every month of missed OT provision.</p> <p>The Council has also taken the following action to improve its services as recommended by the LGSCO:</p> <ul style="list-style-type: none"> • Reminded relevant staff of the duty to ensure the provision in an Education Health and Care Plan is in place within five weeks of a Tribunal’s order. • Reminded relevant staff that the Council should communicate any delays securing provision in an Education Health and Care Plan to the parent or young person. • Reminded relevant staff responsible for complaints that the Council should acknowledge and respond to complaints correspondence promptly.

<p>The LGSCO found that the Council was at fault for (i) delays in resolving a dispute regarding the calculation of Mrs X's assets and whether she was required to self-fund or contribute towards the cost of her care and (ii) delays and failings in communication with Mr X, Mrs X's husband.</p>	<p>The Council agreed to apologise to Mr X and pay him £250 in recognition of the frustration, distress and time and trouble he experienced as a result of the delays in resolving the dispute</p>
<p>The LGSCO found that the Council was at fault for delay in putting a support package in place for Ms D.</p>	<p>The Council agreed to apologise to Ms D's mother Mrs C for the time, trouble and distress caused by the delay in finding a care agency and pay her £500.</p>
<p>Mrs X complained about how the Council dealt with her request for additional education travel support for her child who was temporarily confined to a wheelchair after a planned surgery.</p> <p>There was fault by the Council in that it failed to clearly set out the post-16 transport payment process</p> <p>There was further fault and delay by the Council in dealing with and resolving Mrs X's request after she paid the post-16 transport contribution</p> <p>The Council missed the taxi support requirement Y needed due to her temporary medical and failed to return the risk assessment form needed to commence the service to the taxi company.</p>	<p>The Council has accepted its failings, agreed</p> <ul style="list-style-type: none"> • To apologise in writing to Y and Mrs X in recognition of the identified faults • pay Y £100 for the loss of some education during the period Y was left without a suitable taxi service • pay Mrs X's mileage allowance for the journeys to transport Y to and from school until the Council arranged a suitable taxi service for Y • by training or other means remind staff of the importance of providing residents with clear and robust information in a timely manner • provide the Ombudsman with a copy of and an update on the Council's 3-year transformation programme which is to address its communication processes and practice failings. <p>The Council will also</p> <ul style="list-style-type: none"> • review the communication strategies and practices of transfer of information between its various departments to ensure school transport applications are dealt with effectively and in a timely manner • review the Council's school and college transport policy and procedures to clearly set out transport payment processes, payment deadlines and transport support refund request criteria

	<p>to include post-16 transport payment process</p> <ul style="list-style-type: none"> • after the completion of the reviews above, by training or other means educate staff about the reviewed communication strategies and practices, the reviewed school transport policy in relation to the payment processes and refund request criteria • explain to the Ombudsman what steps the Council will take to monitor performance against timescales.
<p>Mr X complained the Council had not complied with the disability elements of the statutory guidance for the Traffic Management Act when it introduced an Experimental Traffic Regulation Order.</p> <p>The LGSCO found fault with the Council for failing to liaise and consult with local disability groups when designing its Experimental Traffic Regulation Order and for failing to consider completing an equality assessment and for poor record keeping.</p>	<p>The Council agreed to</p> <ul style="list-style-type: none"> • provide a public apology directed at local disability groups for the failure to liaise or consult with them before introduction of the Experimental Traffic Regulation Order. • Produce guidance and training to staff about the need to consider liaising and consulting with relevant stakeholders and representative bodies as part of the development of any Traffic Regulation Order. • Produce guidance and training to staff to staff about the need to consider equality and accessibility issues, including consideration of an assessment, as part of any Traffic Regulation Order. • Provide training to staff about the importance of record keep about its decisions.

The Ombudsman publishes all of its decision notices on its website in anonymised form whether or not a finding is made against the Council.

Standards

Complaints

From 1 April 2022 to 31 March 2023 there were 3 complaints of breach of the Code of Conduct.

This is a reduction from the 7 incidents giving rise to complaints in 2022/23. One of these complaints was made by one County Councillor against another County Councillor. The other two were from members of the public.

One of the complaints did not engage the Code of Conduct and one was referred to the relevant Group Leader with a view to informal resolution. One complaint is still under consideration.

There have been no formal hearings under the Local Arrangements.

Independent Persons

The Council appoints Independent persons to assist it in determining any outcomes of an investigation. The Council currently only has one Independent Person, Alan Pickering. Mr Pickering has indicated his wish to stand down and the Council is in the process of appointing replacement Independent Persons.

Register of Councillors' disclosable pecuniary interests

All Councillors have made entries on their register of disclosable pecuniary interests. A number of councillors amended their entries during the year as their circumstances changed.

Members' disclosures are reviewed on a regular basis by the Head of Democratic Services.

Where a member has a disclosable pecuniary interest in a matter which would prevent them taking part in discussion or voting on an agenda item, the member can nonetheless take part in the debate and vote if they have a dispensation from the Monitoring Officer.

No dispensations were requested or granted during 2022/23.

Register of Officers' Interests

Managers continue to ensure that officers are aware of their obligations in respect of the Register of Officers' Interests. The register is maintained by the Democratic Services team and is regularly reviewed.

Regulation of Investigatory Powers Act (RIPA) 2000

Under the above Act the Council is able to authorise the use of covert surveillance of two types:-

- Directed surveillance which is surveillance not carried out in residential premises or a private vehicle and which is conducted for the purposes of a specific investigation or operation; and
- The use of Covert Human Intelligence Sources which includes undercover officers, public informants and people who make test purchases

No authorisations were sought for the use of covert surveillance during the period covered by this Report.

Whistleblowing

The administration of the Confidential Reporting Policy is undertaken by Internal Audit and separately reported on to the Audit Committee.

Conclusion

The Report sets the Monitoring Officer Annual Report for 2022/23. It provides the Committee with information from which it can carry out its assurance function in relation to areas of the Council's business which fall within the Monitoring Officer's remit.

Consultation

a) Risks and Impact Analysis

As detailed in the report

Background Papers

The following background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

Background Paper	Where it can be viewed
Audit Committee Report dated 26 September 2022 titled "Monitoring Officer Annual Report	Democratic Services

This report was written by David Coleman, who can be contacted at david.coleman@lincolnshire.gov.uk.

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

Report to:	Audit Committee
Date:	24 July 2023
Subject:	Update on the CIPFA Financial Management Code and Financial Resilience

Summary:

The Audit Committee last received a report on the CIPFA Financial Management Code on 26 September 2022. That report set out an action plan and timescales for implementing the requirements of the CIPFA Financial Management Code.

This report provides an update on progress so far against the action plan, which is shown in Appendix A. One of the actions was to commission an external review of the Council's financial resilience. This action has been completed and the resulting report is included at Appendix B. The review encompassed the Council's compliance with the CIPFA Financial Management Code and was conducted by Grant Thornton. Representatives from Grant Thornton will present their findings at the Committee meeting.

Actions Required:

Members of the Audit Committee are asked to scrutinise and comment on progress reported against the CIPFA Financial Management Code Action Plan, which is attached to this report as Appendix A, and on the findings of the Grant Thornton independent review of Lincolnshire County Council's compliance with the CIPFA Financial Management Code, which is attached as Appendix B.

1. Background

- 1.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) has introduced the Financial Management (FM) Code, recognising that good financial management is an essential element of good governance and longer-term service planning, factors which are critical in ensuring that local service provision is sustainable.
- 1.2 The FM Code is based on a series of principles supported by specific standards which are considered necessary to provide the strong foundation to:

- financially manage the short, medium and long-term finances of a local authority;
 - manage financial resilience to meet unforeseen demands on services; and
 - manage unexpected shocks in their financial circumstances.
- 1.3 The FM Code is consistent with other established CIPFA codes and statements in being based on principles rather than prescription. This code incorporates their existing requirements on local government to provide a comprehensive picture of financial management in local authorities.
- 1.4 The six principles of good financial management are:
- Organisational leadership – demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture.
 - Accountability – based on medium-term financial planning that drives the annual budget process supported by effective risk management, quality supporting data and whole life costs.
 - Financial management is undertaken with transparency at its core using consistent, meaningful and understandable data, reported frequently with evidence of periodic officer action and elected member decision making.
 - Adherence to professional standards is promoted by the leadership team and is evidenced.
 - Sources of assurance are recognised as an effective tool mainstreamed into financial management, including political scrutiny and the results of external audit, internal audit and inspection.
 - The long-term sustainability of local services is at the heart of all financial management processes and is evidenced by prudent use of public resources.
- 1.5 Each local authority must demonstrate that the requirements of the code are being satisfied. Demonstrating this compliance with the FM Code is a collective responsibility of elected members, the chief finance officer (CFO) and their professional colleagues in the leadership team. The FM Code was launched during 2019, with a compliance requirement from 2021/22. Due to the Covid-19 pandemic CIPFA concluded that while the first full year of compliance with the FM Code should remain as 2021/2022, it can be within a more flexible framework where a proportionate approach is encouraged. In practice this is likely to mean that adherence to some parts of the Code will demonstrate a direction of travel.
- 1.6 The table (Action Plan) shown at Appendix A has evolved over time and now includes the following information:

- The first two columns show the CIPFA Financial Management Standard letter and description taken from the Code.
 - The third column shows the results of the self-assessment we carried out to evidence our current compliance with the FM Code and any actions required. In this iteration of the Action Plan, text has been added to this column in red font, to show the conclusions reached by Grant Thornton where they have determined an “amber” status or where they have identified an area for potential improvement.
 - The fourth column shows the target date and the role with the assigned responsibility of ensuring that the action is completed. Where original target dates have been exceeded, new target dates have now been added.
 - The final column provides an update on progress made so far against each action.
- 1.7 The Action Plan in Appendix A shows that most actions have been progressed to some extent, and two actions are now complete.
- 1.8 The independent review of the Council’s compliance with the CIPFA Financial Management Code was carried out by Grant Thornton between December 2022 and March 2023. Their conclusion was that “the Council is operating in line with the requirements across all the criteria in regard to the substance of the arrangements and also the spirit in which they are intended”. They did not find any significant issues that the Council was previously unaware of, and they report that this “reflects the strong grip on financial management that is reflected in our detailed findings”. Grant Thornton also noted that there is good practice in a number of areas, notably the interaction between finance business partners and services in financial planning and monitoring which they found to be “particularly strong”.
- 1.9 Some areas for potential further development were also highlighted (on page 5 of the report itself), and these have been added to the relevant area of the Action Plan at Appendix A in red font. Grant Thornton have concluded that four standards of the Financial Management Code are rated “amber” and the other thirteen standards are rated “green”. This is also reflected on the Action Plan at Appendix A.

2. Conclusion

- 2.1 This Committee is invited to scrutinise the updated action plan attached at Appendix A, and the Grant Thornton review of the Council’s compliance with the CIPFA Financial Management Code attached at Appendix B, and to provide any feedback on these documents.

3. Consultation

a) Risks and Impact Analysis

N/A

4. Appendices

These are listed below and attached at the back of the report	
Appendix A	CIPFA Financial Management Code Action Plan
Appendix B	Grant Thornton Report – Review of Lincolnshire County Council’s Compliance with the CIPFA Financial Management Code

5. 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.

CIPFA FINANCIAL MANAGEMENT CODE – ACTION PLAN

FM Standard Ref	FM Standard	Self-Assessment Conclusion Highlights from Grant Thornton report	Target Date & Responsibility	Update July 2023
A	The leadership team is able to demonstrate that the services provided by LCC provide value for money.	Green – compliant and no further improvements required. GT report has rated this as “Amber”. We have included actions to address this under E below.	N/A	For next actions see Standard E below.
B	LCC complies with the CIPFA Statement on the Role of the Chief Finance Officer in Local Government.	Green – compliant but improvement suggested: Continue to develop the skills required to future proof and enable the finance team to support the council in line with the requirements of this FM Code. In particular around Business Partnering and to be an enabling service supporting VFM.	31/03/23 31/12/23 Head of Financial Services	A Skills Matrix has been developed and Finance team members are currently completing this. Next step: the results will be used to create a training and development programme for the team.
C	The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control.	Green – compliant but improvement suggested: Assess our governance arrangements against the new 'Governance Risk and Resilience Framework'. Implement improvement action identified in the AGS - 2021	31/03/23 30/10/23 Head of Audit and Risk	The organisation has undertaken a cultural stocktake and CLT are formulating an action plan resulting from this.

D	LCC applies the CIPFA/ SOLACE Delivering Good Governance in Local Government: Framework (2016).	Green - compliant and no further improvements required. External Quality Assessment of our Internal Audit function	COMPLETE	We comply with the Code
E	The financial management style of LCC supports financial sustainability.	Green – compliant but improvements suggested: <ul style="list-style-type: none"> • Continuous improvement for financial skills, to move to a mature financial management style. Monitoring completion of financial literacy training. • Look at a more systematic approach to areas of service for review to ensure value for money and financial sustainability. (See GT report pg 5 “Demonstrating value for money at service level”) 	31/03/23 31/12/23 Head of Financial Services 31/12/23 Head of Financial Services	See update for B above. A model has been proposed and accepted by CLT. Next step: areas for review to be identified using this model.
F	LCC has carried out a credible and transparent financial resilience assessment.	Green – compliant but improvements suggested: <ul style="list-style-type: none"> • To bring forward our publishing of the MTFs for 2022 and to include the range of positions forecast from a number of scenarios (i.e. including best and worst case risks). 	31/12/24 28/02/24 Assistant Director Finance	This will be considered as part of this year’s budget setting process.

		<ul style="list-style-type: none"> Review risk management toolkit and training materials to support emerging risks around financial sustainability etc. Commission an external review of financial resilience. 	<p>31/03/23 Head of Audit and Risk COMPLETE</p> <p>31/03/23 Assistant Director Finance COMPLETE</p>	<p>The risk toolkit has been reviewed and continues to develop alongside the increased profile risk across the Council. Emerging risks and the reporting processes for these continue to develop to aid the effective management of our risk service – part of our 3-year strategy.</p> <p>Review completed and report attached at Appendix B.</p>
G	LCC understands its prospects for financial sustainability in the longer term and has reported this clearly to members.	<p>Amber - and improvement required: Development of a longer term financial strategy to demonstrate robust approach to financial sustainability and alignment with our Corporate plan and budget. (See GT report pg 5 “Longer term financial planning”. GT report has also rated this as “Amber”)</p>	<p>31/03/23 28/02/24 Assistant Director Finance</p>	<p>This will be considered as part of this year’s budget setting process.</p>

H	LCC complies with the CIPFA Prudential Code for Capital Finance in Local Authorities.	Green - <i>compliant and no further improvements required.</i>	N/A	We comply with the Code
I	LCC has a rolling multi-year medium-term financial plan consistent with sustainable service plans.	Green – <i>compliant but improvement suggested:</i> To ensure our capital programme clearly aligns with the corporate plan and asset strategies, particularly as part of the budget setting process. The council has individual asset management strategies, but these need bringing together with one overarching strategy to prioritise and support spending decisions. Budget proposals need to align with service performance.	31/03/23 31/03/24 Head of Financial Services	We are currently analysing our Balance Sheet assets to determine whether or not asset management strategies exist for all assets. Next step: Plan for any gaps to be filled, then create one single council-wide overarching strategy.
J	LCC complies with its statutory obligations in respect of the budget setting process.	Green - <i>compliant and no further improvements required.</i>	N/A	We comply with the Code
K	The budget report includes a statement by the Chief Finance Officer on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves.	Green - <i>compliant and no further improvements required.</i>	N/A	We comply with the Code
L	LCC has engaged where 31 How has the authority sought to engage with key stakeholders in developing its long-term financial	Amber - <i>and improvement required:</i> We need to develop a long term financial strategy to ensure our services reflect the	31/03/23 28/02/24	This will be considered as part of this year's budget setting process.

	The Council's Constitution ensures we consult with Members Page 148 appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget.	engagement with our residents and the delivery of the ten year Corporate plan. (See GT report pg 5 "Consultation with stakeholders". GT report has also rated this as "Amber")	Assistant Director Finance	
M	LCC uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions.	Amber - and improvement required: Roll out use of consistent options appraisal tool to support the decision-making process and incorporate principles if appropriate of Project and Investment Appraisal for Sustainable Value Creation: Principles in Project and Investment Appraisal (See GT report pg 5 "Options appraisal for key financial decisions". GT report has also rated this as "Amber")	31/03/23 31/12/23 Head of Financial Services	This work is in progress.
N	The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability.	Green – compliant but improvements suggested: <ul style="list-style-type: none">To align our financial reporting with service performance reporting providing business intelligence for decision making.	30/06/23 Head of Financial Services COMPLETE	'DLT Insights' is now operational. This report brings these elements together and feeds into CLT. The format and content will continuously evolve to meet the needs of the organisation.

		<ul style="list-style-type: none"> To include details of the Council owned companies within our reporting consider their impact on services and financial sustainability. 	<p>31/12/22 31/08/23 Head of Financial Services</p>	<p>A review against the CIPFA publication “Local Authority Owned Companies: a good practice guide” has been completed. Although we only have one company currently trading and that is not at a level material to the Council’s accounts, the review indicated a reasonable standard of compliance with good practice. In light of changes in the market in recent years, a specialist review of that company has been commissioned to ensure that the Council is fully sighted on the operational, financial, governance and commercial opportunities and risks that may impact on the Council and the company in the immediate and medium term.</p>
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O	The leadership team monitors the elements of its balance sheet that pose a significant risk to its financial sustainability.	<p>Amber - <i>and improvements required:</i></p> <ul style="list-style-type: none"> • To report planned and actual use of reserves together as part of our quarterly monitoring reports to members. • To identify any other areas of the balance sheet that may pose a significant risk to the council, and include these if relevant in our financial management reports (e.g. debtors, cash balances) To undertake a review using the tools in "Balance Sheet Management in the Public Services: A Framework for Good Practice CIPFA 2017" and introduce processes to ensure that information about key assets and liabilities in the balance sheet is sound and current platform for management. 	<p>COMPLETE</p> <p>31/03/23 Head of Financial Services</p>	<p>A review was carried out using the CIPFA framework and three areas were identified as higher risk, where reporting should be enhanced: Property Land & Buildings / Infrastructure Assets / Short Term Debtors. Next step: Reporting on Land & Buildings and Infrastructure Assets to be linked to I above. Reporting to be further developed for Short Term Debtors.</p>
P	The Chief Finance Officer has personal and statutory responsibility for ensuring that the statement of accounts produced by LCC complies with the reporting requirements of	<p>Green – <i>compliant and no further improvements required.</i></p>	<p>N/A</p>	<p>We comply with the Code</p>

	the Code of Practice on Local Authority Accounting in the United Kingdom.			
Q	The presentation of the final outturn figures and variations from budget allows the leadership team to make strategic financial decisions.	Green – <i>compliant and no further improvements required.</i>	N/A	We comply with the Code



Lincolnshire County Council

Independent review of compliance with CIPFA Financial Management Code

14 April 2023

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Transmittal Letter

Advice in connection with Financial Management Review

We are pleased to enclose a copy of our Consultation Final Report (version 1.1) per your instructions dated 8 November 2022. This document (the Report) has been prepared by Grant Thornton UK LLP (Grant Thornton) for Lincolnshire County Council (the Addressee) in connection with Advice in connection with Financial Management Review (the Purpose). Specifically, this related to the provision of an independent view of the Council's compliance with the CIPFA Financial Management Code. For the avoidance of doubt, this report reflects the professional view of Grant Thornton UKLLP but does not represent a formal audit opinion under public audit legislation.

We stress that the Report is confidential and prepared for the Addressee only. We agree that an Addressee may disclose our Report to its professional advisers in relation to the Purpose, or as required by law or regulation, the rules or order of a stock exchange, court or supervisory, regulatory, governmental or judicial authority without our prior written consent but in each case strictly on the basis that prior to disclosure you inform such parties that (i) disclosure by them is not permitted without our prior written consent, and (ii) to the fullest extent permitted by law we accept no responsibility or liability to them or to any person other than the Addressee.

The Report should not be used, reproduced or circulated for any other purpose, in whole or in part, without our prior written consent, such consent will only be given after full consideration of the circumstances at the time. These requirements do not apply to any information, which is, or becomes, publicly available or is shown to have been made so available (otherwise than through a breach of a confidentiality obligation).

To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Addressee for our work, our Report and other communications, or for any opinions we have formed. We do not accept any responsibility for any loss or damages arising out of the use of the Report by the Addressee(s) for any purpose other than in relation to the Purpose.

The data used in the provision of our services to you and incorporated into the Report has been provided by the Council or third parties. We will not verify the accuracy or completeness of any such data. There may therefore be errors in such data which could impact on the content of the Report. No warranty or representation as to the accuracy or completeness of any such data or of the content of the Report relating to such data is given nor can any responsibility be accepted for any loss arising therefrom.

Period of our fieldwork

Our fieldwork was performed in the period between December 2022 and March 2023. We have not performed any fieldwork since March 2023 and, in agreement with the addressees of this Report, our Report may not take into account matters that have arisen since then.

Forms of report

For your convenience, the Report may have been made available to you in electronic as well as hard copy format, multiple copies and versions of the Report may therefore exist in different media and in the case of any discrepancy the final signed hard copy should be regarded as definitive.

General

The Report is issued on the understanding that the management of Lincolnshire County Council has drawn our attention to all matters, financial or otherwise, of which they are aware, and which may have an impact on our Report up to the date of signature of this Report. Events and circumstances occurring after the date of our Report will, in due course, render our Report out of date. Accordingly, we will not accept a duty of care nor assume a responsibility for decisions and actions based upon such an out-of-date Report. Additionally, we have no responsibility to update this Report for events and circumstances occurring after this date.

Notwithstanding the scope of this engagement, responsibility for management decisions will remain solely with the directors of the Company and not Grant Thornton. The directors should perform a credible review of the recommendations and options in order to determine which to implement following our advice.

Contacts

If there are any matters upon which you require clarification or further information, please contact Tom Foster by e-mail at thomas.foster@uk.gt.com.

Yours faithfully

Grant Thornton UK LLP

Grant Thornton UK LLP

Executive summary

Introduction

The CIPFA Financial Management Code provides a standard framework against which financial management arrangements can be tested and assessed. An independent view can provide a fresh outlook, free of existing internal processes or preconceptions. This assists the Council in providing a useful, independent and cost-effective look at how effectively the Council is meeting the principles and standards set by the FM Code. This can help the Council to strengthen and develop its arrangements while giving confidence to members and the public.

Overview of our findings

We have completed our assessment of the Council's arrangements against the 17 standards (labelled A through to Q) set out in the CIPFA FM Code. We have concluded that, in our view, the Council is operating in line with the requirements across all the criteria in regard to the substance of the arrangements and also the spirit in which they are intended. In undertaking this work, we have built on the Council's own high level self-assessment and augmented the assurance this provides with our more detailed independent review. We are happy to report that we did not find significant issues with arrangements that the Council was not previously aware of, which reflects the strong grip on financial management that is reflected in our detailed findings. Our assessment against each of the 17 standard criteria are set out below.

In addition to meeting the standards, we note that the Council exhibits good practice in a number of areas. Specifically, we found the interaction between finance business partners and services in financial planning and monitoring to be particularly strong. Business partners were knowledgeable about their services and were able to provide support and challenge from a position of strength. They were also able to achieve a good balance between embeddedness in the service while retaining their independence as representatives of the corporate centre holding services to account. The Council's financial outcomes and projected position for 2022/23 reflect sound financial arrangements as it emerges from the financial challenge of the pandemic and into a further period of enhanced financial and economic uncertainty.

We have identified a number of potential areas for further development and these are outlined overleaf.

Next steps

We would like to thank the finance team and colleagues throughout the Council who provided information and assisted us in this review.

We are happy to present our findings to the Council and if required, work with the Council on how to consider and implement the suggested development areas.

Areas for potential development

Within this comparatively robust position, we have noted four key opportunities to elevate compliant processes towards enhanced good practice.

<p>Demonstrating value for money at service Level</p>	<p>There is an opportunity for the Council to review and capture the specific steps taken by all services within each directorate to demonstrate value for money (VfM), to ensure that there is even coverage across the full range of services and good practice is shared. The CIPFA Financial Management Code guidance notes includes various examples of ways authorities may wish to assess the extent to which services represent value for money, by reviewing explicitly the way services are delivered or by comparing the authority’s own services and service performance with those of other authorities.</p>
<p>Longer term financial planning</p>	<p>There may be opportunities to strengthen the emphasis on longer term financial planning, without extending the MTFP horizon and being over reliant on assumptions. The Council could look to enhance its longer-term financial planning by incorporating a greater financial focus in future iterations of the Corporate Plan using scenario analysis to set out the Councils expectations for the longer term direction of travel of the financial position. We note that the Corporate Plan already spans a 10-year period. Incorporating a greater focus on how the authority would manage potential variations of central government funding should those options materialize would show an effort to demonstrate to the users of the plan that the authority has a clear strategic financial direction, despite the uncertainty of future funding. In lieu of a comprehensive long-term plan, this integration of the financial management strategy and style into the 10-year Corporate Plan would provide evidence that the organisation has a risk-based approach to long-term planning to demonstrate its longer-term commitment to financial resilience.</p>
<p>Consultation with Stakeholders</p>	<p>The Council should consider alternative means of engaging with its stakeholders when determining priorities, prioritising activities, agreeing its strategy/plan and then reviewing performance against the plan. If the general on-line process is not producing the required response it may be that additional use can be made of existing forums to engage with targeted sections of the community in a more prominent way, alongside other public and private sector partners. Further investment in publicising the consultation process, looking at improving accessibility and convenience for respondents and a more compelling presentation of the issues could be considered. In two tier areas, residents can often become confused by the differing roles of the national, county and district government and there may be better ways of providing clarity to stakeholders on the importance of their individual contribution. An enhanced focus on the long-term financial position in the corporate plan could be used to enhance the narrative taken to stakeholders in the consultation and help make it relevant to them. There should be a corresponding focus on being able to provide evidence of this engagement and the incorporation of it into the strategy.</p> <p>The FM Code guidance notes recommends using a power-interest matrix in order to identify and prioritise stakeholders.</p>
<p>Options appraisal for key financial decisions</p>	<p>While the Council’s report template offers a level of definition and standardisation to the options appraisals process, we believe there is room to enhance consistency and depth in the way that options are presented to councillors in committee at the Council. We recommend that the Council aim to make options appraisals mandatory for all significant decisions using the CIPFA Financial Management Code guidance notes to help define ‘significant’.</p>

Summary of our assessment against the CIPFA FM Standards

Key

	Compliant - Areas of good practice identified
	Compliant - Areas with potential for improvement
	Areas at risk of non-compliance

FM standard reference	CIPFA financial management standards	Final RAG ratings
Section 1: The responsibilities of the chief finance officer and leadership team		
A	The leadership team is able to demonstrate that the services provided by the authority provide value for money.	
B	The authority complies with the CIPFA <i>Statement on the Role of the Chief Finance Officer in Local Government</i> .	
Section 2: Governance and financial management style		
C	The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control.	
D	The authority applies the CIPFA/SOLACE <i>Delivering Good Governance in Local Government: Framework</i> (2016).	
E	The financial management style of the authority supports financial sustainability.	
Section 3: Long to medium-term financial management		
F	The authority has carried out a credible and transparent financial resilience assessment.	
G	The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members.	
H	The authority complies with the CIPFA <i>Prudential Code for Capital Finance in Local Authorities</i> .	
I	The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans.	
Section 4: The annual budget		
J	The authority complies with its statutory obligations in respect of the budget setting process.	
K	The budget report includes a statement by the chief finance officer on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves.	
Section 5: Stakeholder engagement and business plans		
L	The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget.	
M	The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions.	
Section 6: Monitoring financial performance		
N	The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability.	
O	The leadership team monitors the elements of its balance sheet that pose a significant risk to its financial sustainability.	
Section 7: External financial reporting		
P	The chief finance officer has personal and statutory responsibility for ensuring that the statement of accounts produced by the local authority complies with the reporting requirements of the <i>Code of Practice on Local Authority Accounting in the United Kingdom</i> .	
Q	The presentation of the final outturn figures and variations from budget allows the leadership team to make strategic financial decisions.	

Review of compliance

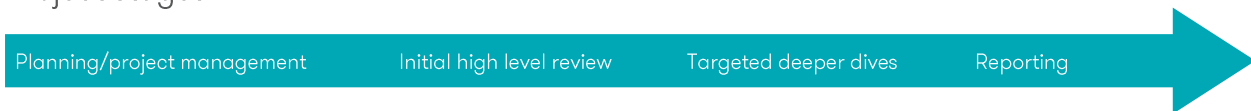
Our approach

In undertaking this review we set out three key objectives:

- identifying where there are risks of non-compliance, opportunities for improvement and areas of good practice;
- taking a cost-effective risk-based approach that allows us to focus on areas where improvements can have the most impact;
- providing an independent view to members and the public while avoiding potentially distracting narratives around 'pass or fail.'

Our methodology provides a cost-effective balance between achieving appropriate coverage across the 17 CIPFA FM Standards, while also enabling us to focus on key areas where we can add the most value.

Project stages



Planning/project management

We held an initial meeting to agree the timeline, monitoring and reporting arrangements of the project. We requested documentation and scheduled meetings with up to 10 stakeholders agreed with you. We met the senior finance team to work through the FM standards and questions and obtained an overview of current financial management arrangements.

Initial high-level review




Building on the initial discussions, we reviewed and documented evidence of performance in line with the FM Code across the 17 standards and the challenge questions set out in the CIPFA guidance. We considered the extent to which evidence of compliance is provided from other sources. We developed an initial high-level assessment and discussed an outcome with the finance team and S151 officer.

Targeted deeper dives

Based on the evidence collated during the high-level review, we identified some areas that required further review. This was guided by the self-assessment provided by internal audit. We have documented these development areas within the detailed review of compliance section of this report.

Reporting

We have compiled and produced a final report covering all 17 standards. We have presented our findings by providing a RAG-rating against each standard using a key as follows:

-  Compliant - Areas of good practice identified
-  Compliant – with opportunities for development
-  Areas at risk of non-compliance

Detailed review of compliance by section

The following sections set out further detail on how each Code criteria has been assessed. These sections are set out to reflect the structure of the CIPFA FM Code, including the 7 Sections of the Code and the 17 Code Criteria (A to Q).

Section 1: The responsibilities of the chief finance officer and leadership team

FM standard reference	CIPFA financial management standards	Final Report RAG rating
Section 1: The responsibilities of the chief finance officer and leadership team		
A	The leadership team is able to demonstrate that the services provided by the authority provide value for money.	Compliant – with opportunities for development
B	The authority complies with the CIPFA <i>Statement on the Role of the Chief Finance Officer in Local Government</i> .	Compliant

A – How the leadership team demonstrates value for money

How leadership functions at the Council

Financial management affects the quality of local authority service delivery. Robust financial management is at the heart of an authority’s ability to deliver high quality services and achieve its objectives.² Authorities can promote value for money through strong governance and robust management of finances and risk. The leadership team are responsible for ensuring that high-level governance and management arrangements are in place to secure value for money in service delivery.

The FM Code defines ‘leadership team’ as ‘executive committees, elected mayors, portfolio holders with delegated powers and other key committees of the authority and senior officers.’³ Lincolnshire County Council is a local government body within a two-tier system where local services are split between the county and district councils. As an upper-tier council, Lincolnshire has responsibility for services including education, children’s social care, adult and community wellbeing; highways; economic development; libraries, heritage sites; fire and rescue and emergency planning.⁴

The Council operate a ‘Leader and Executive’ model of decision-making, which is the more common model of governance in England. The Executive is made up of elected councillors and makes decisions that deliver the budget and policy framework of the Council and there are a number of committees which support and scrutinise decisions made by the Executive and hold members of the Executive to account.

The Executive is made up of a leader and up to nine other councillors, who the leader appoints. The order of business of the Executive is set out in the ‘Forward Plan’. Meetings of the Executive are generally undertaken in sessions open to the public. In exceptional cases where confidential matters, such as those relating to employment or commercial matters, these are discussed in closed session. The Executive makes financial decisions which are in line with the Council’s Policy and Budget Framework. If the Executive wants to make a decision outside the framework, it must first refer it to full council to decide.⁵

All members of the Executive are appointed to a specific service portfolio. The allocation of portfolios is published on the Council website.⁶ The Executive takes decisions as a group, though individual Executive Councillors also have powers to take decisions on behalf of the Executive.

The overall Overview and Scrutiny Management Board is supported by the Overview and Scrutiny Committees:

1. Adults and Community Wellbeing Scrutiny Committee
2. Children and Young People Scrutiny Committee
3. Public Protection and Communities Scrutiny Committee
4. Environment and Economy Scrutiny Committee
5. Flood and Water Management Scrutiny Committee
6. Health Scrutiny Committee for Lincolnshire
7. Highways and Transport Scrutiny Committee

There are the following non-executive committees:

- Pensions Committee
- Planning and Regulation Committee
- Definitive Map and Statement of Public Rights of Way Sub-Committee
- Appointments Committee
- Pay Policy Sub-Committee
- Audit Committee
- Health and Wellbeing Board

The Council's Executive is supported by a team of officers who are responsible to operational matters and the delivery of the strategy and policy set out by the Executive. The officer group is led by the Corporate Leadership Team (CLT), which Chief Executive, the Executive Directors and the Monitoring Officer. The Head of Paid Service, the Section 151 Officer and Monitoring Officer are all members of CLT. The Chief Executive is the Head of Paid Service, the Section 151 role is fulfilled by the Executive Director of Resources and the Monitoring Officer is the Chief Legal Officer.⁷ These senior roles and responsibilities are set out in the statutory framework that underpins local government.

How the leadership team ensure services delivery value for money

While the nature of the governance and management arrangements across local authorities may vary, the responsibility of the leadership team in respect of achieving value for money from the authority's resources does not.⁸ In order to comply with the FM Code, value for money must be an integral feature of the decisions made by the leadership team, especially those relating to the allocation of resources or to the delivery of services.⁹

The Council's Constitution sets out the different types of decisions the Council makes. It defines a 'key decision' as 'those decisions which have significant effects on the income and/or expenditure of the Council, and/or on the community (or parts of the community) served by the Council.'¹⁰ The following decisions are treated as key decisions:¹¹

- a decision which is likely to result in expenditure of £500k
- a decision which will have a material effect on council services, such as:

- an existing service or access to an existing service will be substantially expanded or reduced or will cease altogether or a new service is proposed
- a service which is currently provided in-house may be outsourced
- a partnership will be entered into with a third party which involves an element of risk share or transfer
- a decision that involves any new policy or strategy or which forms part of the development of or a change to the Policy Framework or the Budget
- a decision to exercise the Council’s power to trade or charge for discretionary services
- a decision to apply for funding from any external body which if successful would require the Council to match funding or entail a revenue commitment of at least £250k
- consideration of any matter which will result in a recommendation to full council.

All key decision reports are required to be in the Democratic Services format which necessitates comment from legal and finance.¹² The Monitoring Officer and Chief Finance Officer therefore have oversight of all key decisions.

The Council’s Monitoring Officer is responsible for advising all Councillors, non-elected members and officers about who has authority to take a particular decision.¹³ The Head of Paid Service is also responsible, together with the Monitoring Officer, for the system of record keeping in relation to all the full Council’s decisions.¹⁴

The Council’s current governance arrangements demonstrate that it understands the risks and appreciates the responsibility of those involved in decision-making. The Council have implemented a clear governance structure and scrutiny arrangement which makes explicit the responsibility of the leadership team for the achievement of value for money underpinned by its Constitution.

The Council promotes value for money through clear strategic service objectives and a strategy based on local need. At Lincolnshire, this takes the form of the Corporate Plan.¹⁵ The Corporate Plan 2020-2030 sets out the Council’s priorities. The CLT and Assistant Directors developed the Corporate Plan Success Framework (CPSF) 2020-2023.¹⁶ This identifies the developmental activities and Key Performance Indicators (KPIs) that would be undertaken during the first 3-year period of the 10-year CP in order to achieve the four ambitions outlined in the CP. The CPSF was then further defined and agreed in late 2021 in light of the impact of COVID19, to reflect emerging priorities; to be more streamlined and focused; to demonstrate outcomes that the Council are working to influence and to enable strategic conversations in a broader strategic context.

Each executive committee at the Council reviews and scrutinizes quarterly performance indicators, priority activities, customer satisfaction and any other performance measure related to its service area. These committees feed into the Overview and Scrutiny Management Board which reviews indicators relating to the Council as a whole and performance against the Council’s overall Business Plan.¹⁷ After being scrutinized by the Overview and Scrutiny Management Board, performance is reported to the Council’s Executive quarterly.¹⁸

As Chief Officer, the Executive Director for Resources is also responsible for performance monitoring and reporting.¹⁹

The overall performance for 2021/22 against the Council’s four ambitions are in the Corporate Plan:

- ‘High Aspirations’ and ‘Enable Everyone to Enjoy Life to the Full’ progressing as planned
- ‘Creating Thriving Environments’ progressed 70% as planned, 20% within agreed limits and 10% not progressing as planned.
- ‘Provide Good Value Council Services’ was 83% progressing as planned and 17% within agreed limits.²⁰

The latest report to the Overview and Scrutiny Management Board in February 2023²¹ covering 2022/23 Q3 provided an overview of performance against the Corporate Plan and showed that on the 33 key performance indicators (KPIs) reported, 100% were either progressing as planned or progressing within agreed limits. Based on the key activities and KPIs, all four Council ambitions were still being progressed as planned.

The authority is able to demonstrate that the action it has taken to promote value for money has translated into achievement. Lincolnshire County Council is externally audited by Mazars LLP. At the time of writing, the 2021/22 audit is not yet complete and cannot be concluded until the nationwide infrastructure assets accounting and reporting issue is resolved. When the audit is concluded, the external auditor will provide an Audit Completion Report for Lincolnshire County Council, including a Value for Money report and commentary, and an Auditor's Annual Report. The Value For Money Progress Report presented to Audit Committee in November 2022 indicates that no significant issues have been identified at this time.²² This is consistent with a good track record of positive external audit assessments achieved in prior years which is reflective of a council that is effectively led and managed.

In the VFM progress report, Mazars has reported no risks of significant weakness in the Council's arrangements brought forward from the 2020/21 financial year. Their high-level review of the 2021/22 draft financial statements has not highlighted any risks of significant weakness in the Council's arrangements or indicators of risk to the Council's financial sustainability. The Council's usable reserves balance has decreased from £366m to £332m in 21/22 as per Note 12 of the draft financial statements.²³ Mazars have reported in their progress report that although the Council's reserves position has decreased by 9% from the prior year, there has been 'no fundamental change in business purpose and the distribution of expenditure and income by service is sufficiently consistent with the prior year.'²⁴

Opportunity for development

We noted one area of potential development that was unearthed during our review regarding the authority's ability to demonstrate that its services are achieving value for money at individual service level. We noted some good practice within the service lines we spoke to, including Highways, Adult Social Care and Children's Services, relating to how the services assessed themselves for value for money on a granular level. However, the form of VfM assessment used was devolved to the directorate and differed between services. The corporate performance team did not necessarily track and monitor this activity and the approaches taken to assessing VfM and the detailed outcomes were not always shared in detail with the wider Council and Executive.

For example, the Highways Team perform specific value for money reviews using a model developed in conjunction with Cranfield University. This service line is therefore able to provide a level of evidence that its activities are achieving value for money. The Children's Services directorate participates in regional benchmarking groups and peer reviews are undertaken in service areas with the support of the Corporate Performance Team's data and intelligence. The commissioning teams sometimes undertake efficiency reviews, though this is inconsistent across the organisation.

Through interview with budget holders across the organisation, we were able to see that similar reviews were not necessarily carried out in the other service lines to the same level of depth or coverage of all aspects of service delivery. The central Corporate Performance Team did not typically perform VfM efficiency reviews to assess the services from a corporate perspective. In our discussions we noted that service lines do not create individual Business Plans which feed into the overall organisational Business Plan, and therefore the work on value for money may not always be fed through in summary form to the Executive.

There is an opportunity for the Council to review and capture the specific steps taken by all services within each directorate to demonstrate value for money, to ensure that there is even coverage across the full range

of services and good practice is shared. The CIPFA Financial Management Code guidance notes includes various examples of ways authorities may wish to assess the extent to which services represent value for money, by reviewing explicitly the way services are delivered or by comparing the authority’s own services and service performance with those of other authorities.²⁵ For example:

- **Efficiency reviews** – a programme of efficiency reviews, designed to assess the extent to which principal services are operating efficiently and to make recommendations for improvement. The reviews can be guided by an appropriate methodology and undertaken by suitably-trained officers or third party suppliers.
- **Benchmarking** – using benchmarking techniques to assess the economy and efficiency of services and identify opportunities for improvement by comparing key measures across services internally or with other authorities. This could take the form of a mutual data-sharing arrangement with other authorities or participation in a formal benchmarking scheme.
- **Peer review** – inviting other authorities to review the delivery of specific services, to use their experience to assess how well services are performing and make recommendations for improvement.

There is room for Corporate Performance monitoring at the Council to be strengthened in this regard. We recommend that the Corporate Performance Team track and monitor the steps taken within the directorates to continually assess value for money across the full range of services to ensure consistency of coverage. The outcome of this process can then be reported to senior leadership and reported and scrutinised at committee level.

B - The role of the Chief Financial Officer

We found that the role of Chief Financial Officer at the Council is being fully discharged in line with the requirements CIPFA FM Code. We have assessed this aspect against each principle below.

The key principles that underpin the role of Chief Financial Officer in Local Government are defined by CIPFA in *The Role of the Chief Financial Officer in Local Government (CIPFA, 2016)* as follows:

Principle 1	The CFO in a local authority is a key member of the leadership team, helping it to develop and implement strategy and to resource and deliver the authority’s strategic objectives sustainably and in the public interest.
Principle 2	The CFO in a local authority must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered and aligned with the authority’s overall financial strategy.
Principle 3	The CFO in a local authority must lead the promotion and delivery by the whole authority of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently, and effectively.
Principle 4	The CFO in a local authority must lead and direct a finance function that is resourced to be fit for purpose.
Principle 5	The CFO in a local authority must be professionally qualified and suitably experienced.

Principle 1

The Council's Chief Finance Officer is a member of the CLT under the title 'Executive Director of Resources.'²⁶ As a member of CLT, the CFO sets the scope for strategy and partnerships, informs strategic communications, manages strategic relationships and ensures the Council's Corporate Plan is delivered effectively.

The Constitution sets out a clear statement of roles and responsibilities of the leadership team. The CFO reports directly to the Chief Executive with a status equivalent to other members of CLT.

Principle 2

The CFO is invited to all audit committees and these governance arrangements enable the CFO to bring influence to bear on all material business decisions. The CFO does not manage other services or change programmes, therefore limiting the risk that their financial responsibilities are compromised by creating too wide of a portfolio.²⁷ The Council's Constitution ensures the Chief Executive has oversight of all material business decisions through the decision-making process. The process for 'key decisions' is highlighted in the previous section and highlights how all key decisions require Chief Finance Officer comment and therefore ensure their involvement.

The CFO contributes to the effective leadership of the authority, maintaining focus on its purpose and vision through analysis and challenge. The CFO leads the development of the medium term strategy and the annual budgeting process, ensuring financial balance and monitoring to ensure delivery.

The CFO has an ostensibly close relationship with the Head of Paid Service and Monitoring Officer. Through interview, we learnt of the close working relationship, grounded through trust in reciprocal capabilities and competence. The leadership team work effectively and support collective ownership of strategy, risks & delivery.

The CFO establishes the medium-term planning process to deliver the authority's strategic objectives to ensure sustainable finances. The authority's level of reserves is healthy and adequate to support the medium-term financial strategy. The authority complies with the CIPFA's Prudential Code for Capital Finance in Local Authorities and CIPFA's Treasury Management in the Public Services Code of Practice as stated in the Financial Regulations and Constitution.²⁸ The CFO reports to senior officers regularly on the budgetary and financial performance of the authority in the form of the Revenue Budget Monitoring Reports that are presented at Overview and Scrutiny Management Board on a quarterly basis. The reports outline revenue spending compared with budgets for the financial year, highlighting the forecast underspend/overspend against the revenue budget for the year. Officers work through the budget to understand the most significant cost pressures and make recommendations.

Principle 3

The CFO has effectively worked to generate 'buy-in' and support of delivery of good financial management at the authority. Through interview, there was a clear palpable sense of the importance of finance at the organisation. This is discussed in greater detail in the section surrounding Standard E.

Principle 4

Financial capability and capacity deficiencies are plaguing local authorities across the country. Many council finance departments have suffered underinvestment as back-office services were impacted by austerity, with councils attempting to protect frontline services.²⁹ This has impacted on skills and capacity in many cases. Lincolnshire's finance team are skilled and experienced. There are 77 members of the finance team at the Council. 57% of the finance team either have, or are training to obtain, an accounting qualification or degree-level certification.³⁰

Through discussion with leadership, we learnt that the Council's main risk surrounds the ageing demographic of finance colleagues and the lack of entry-level trainees to appropriately succession plan. This risk

materialised in 2019 when the Executive Director (s151 officer) and Assistant Director of Finance reached retirement age and left the organisation in close succession. Fortunately, the Assistant Director position was assumed by a Lincolnshire County Council officer of many years' experience. This has been complemented by the externally recruited Executive Director. Currently, 35 members of the 77 strong finance team are above the age of 50 and only 5 are 30 years or below.³¹ The Council recognise and acknowledge this risk and are making concerted effort to invest in the recruitment of trainees at the lower ranks of the finance team. The Council regularly hold CPD activities to ensure the professional knowledge of the team is updated. While there are risks in the age demographic of Lincolnshire's finance team, the team benefits from having numerous members with long service at the Council. The level of experience is clearly an asset to the human capital of the function and will undoubtedly serve the Council well in the new recruit induction process.

Principle 5

The CFO is suitably qualified and experienced. The CFO is a qualified member of CIPFA.³² The CFO undertakes continuing professional development (CPD) as part of his CIPFA membership. LCC is the CFO's third posting as a Section 151 officer, having previously held the positions at Bradford Council and Harrogate Borough Council.³³ He is an individual with a long history in local government finance, with over 18 years of experience.

Overall, we are satisfied that the authority is in compliance with the requirements of the FM Code with respect to this standard. The incumbent CFO has managed the demands of the role effectively and is positioned organisationally in a way that supports the overall promotion and delivery of judicious financial management.

Section 2: Governance and financial management

FM standard reference	CIPFA financial management standards	Final Report RAG rating
Section 2: Governance and financial management style		
C	The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control.	Compliant
D	The authority applies the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016).	Compliant
E	The financial management style of the authority supports financial sustainability.	Complaint

C & D – Responsibility for governance and Internal Control

Under the CIPFA FM Code compliance with standards C and D are measured by the adoption and application of recognised good practice such as the Nolan Principles. In addition, it relies on the adoption of robust financial governance assurance arrangements, based around an effective leadership in the internal audit service and a strong audit committee that oversees and effective risk management process. We have therefore looked at compliance jointly across these two areas and found that the Council is fully compliant with the expectations of the CIPFA FM Code in this regard. We set out the basis for our conclusions below.

The Nolan principles form the basis of ethical standards and behaviours expected of public office holders. Adherence to the Nolan Principles has become a key concern in some organisations in recent statutory interventions and public interest reports.³⁴ The FM Code emphasizes the importance of the principles and the leadership team at an authority espousing the Nolan principles. At Lincolnshire, the Council's set of values (PERFORMS) are based on the Nolan principles:³⁵

- Putting customers first
- Encouraging innovation
- Results matter
- Focus on the community
- Openness and honesty
- Respect everyone
- Making a difference
- Striving to improve

These values are embedded in the Council's Constitution. The Members' Code of Conduct also makes explicit reference to the Nolan principles.³⁶ The Code is closely based on but not identical to the Nolan principles so as to ensure that compliance with the Code does not guarantee members are compliant with the Nolan principles.³⁷ Members must therefore compliance with both doctrines.

In order to demonstrate responsibility for governance and internal control and compliance with the FM Code, an authority should establish a clear framework for governance and internal control. A council's policies,

procedures and governance structures form key elements of this framework. Firstly, an authority's Constitution should set out how it operates, how decisions are made and how the authority ensures its activities are accountable, transparent and appropriate. Lincolnshire's Constitution is readily available on the Council's website and was last updated in December 2022.³⁸ The Council has a formal governance structure in place within the Constitution which includes relevant committees and reporting lines. The Constitution also contains terms of reference for all committees and a scheme of delegation for decision-making. Committee meetings are guided by agendas and formal written minutes which are all publicly available on the Council's website:

<https://lincolnshire.moderngov.co.uk/mgListCommittees.aspx?bcr=1>

Internal Audit

An authority seeks assurance that those responsible for ensuring these arrangements are held accountable. To achieve this, authority will establish clear arrangements for assurance and accountability. An effective internal audit function is instrumental to an authority's ability to monitor and assess the effective operation of internal controls. We can confirm that the Head of Internal Audit (HoIA) performs their role effectively. The current HoIA has worked at the Council since July 1986 – joining initially as an Audit Officer. They are a chartered internal auditor (CMIIA) who also holds a Qualification in Internal Audit Leadership (QIAL).³⁹ They also attained a qualification in Computer Auditing. The leadership role covers internal audit, risk management and assurance, governance and counter-fraud. The leadership of this team has proven effective and was instrumental in Assurance Lincolnshire, from 2018 to 2019, winning awards relating to risk management, counter-fraud and team development in internal audit. The Council has declared their compliance with the CIPFA *Statement on the Role of the Head of Internal Audit (2019)* in the Annual Governance Statement.⁴⁰ At the time of writing, leadership of the internal audit function is in the process of transferring to a newly appointed officer. The new HoIA is an experienced internal auditor who has worked for several public sector organisations. They are a chartered and qualified member of the Institute of Internal Auditors and have worked in leadership roles covering internal audit, governance, risk, fraud and financial leadership and have a track record in the delivery of risk improvements and assurance, regulator compliance and development of new audit initiatives in the education sector.

Audit committee

Audit committees are necessary in local authorities to satisfy the necessary wider requirements for sound financial management and internal control. The FM Code states that the 'audit committee is a key component, providing independent assurance over governance, risk and internal control arrangements. It provides a focus on financial management, financial reporting, audit and assurance that supports the leadership team and those with governance responsibilities.'⁴¹ A robust internal audit service and audit committee are important lines of defence in a Council's control environment.⁴² As defined in Lincolnshire's Constitution, the Audit Committee is responsible for 'the Annual Statement of Accounts, monitoring our financial methods of working (including risk management), reviewing all audit activity, promoting financial best practice and overseeing the Council's Ethical Framework including the Members' Code of Conduct.'⁴³

There are no statutory requirements that determine the composition of county council audit committees.⁴⁴ Audit committees should, as defined by CIPFA, have membership that is 'balanced, objective, independent of mind, knowledgeable and properly trained to fulfil their role.'⁴⁵

There is no consistency in the local government sector on the size of the committee. At Lincolnshire, the audit committee consists of nine members.⁴⁶ CIPFA's 2016 survey of audit committees found that size of the committee ranged from five to fifteen or more.⁴⁷ With nine members, Lincolnshire is well within the average committee size.

Having members of the Council Executive on the Committee is discouraged as it could deter the committee from effectively holding the executive to account.⁴⁸ At Lincolnshire, there are no executive councillors on the

committee.⁴⁹ Seven of the nine members of the committee are non-executive councillors reflecting the overall political balance and two members are independent people (non-voting members) who are not Councillors or Officers of the Council or a former Officer of the Council if their departure was in the last five years.⁵⁰ The inclusion of the two independent members means that the Council is complying with CIPFA's recommendation to actively explore the appointment and inclusion of an independent or lay member to the committee.⁵¹

To discharge its responsibilities effectively, the committee should meet regularly – at least four times a year.⁵² Our review has shown that Lincolnshire's audit committee met this requirement during 2021/22. The audit committee met on 13 June 2022, 11 July 2022, 26 September 2022, 14 November 2022, 6 February 2023 and is planning on meeting on 27 March 2023. The committee therefore met 6 times in one financial year.

The committee should report regularly on its work to those charged with governance and at least annually report an assessment of their performance.⁵³ Lincolnshire's committee presents its Audit Committee Annual Report annually to committee members to help inform the Council of its activities during the calendar year and how its discharged its responsibilities.⁵⁴ The January to December 2022 draft report was presented on 6 February 2023 to audit committee members.⁵⁵

The Audit Committee reviewed and approved the Annual Governance Statement (AGS) 2021/22 on 11 July 2022.⁵⁶ The statement identified the systems that the Council has in place to ensure that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and accounted for.⁵⁷ As per the AGS, no significant governance issues were identified during 2021-22.⁵⁸

The Committee is responsible for considering the effectiveness of the authority's risk management arrangements.⁵⁹ The Combined Assurance Status Report 2022/23 presented to committee on 6 February 2023 set out the committee's focuses during the 2022 calendar year with key emphasis on its contribution to the Council's governance arrangements.⁶⁰ The report noted that the Council's risk management arrangements were assessed as performing well.⁶¹ The audit committee regularly oversees the effectiveness of the Council's risk management arrangements via the Risk Management Progress Reports. The latest progress report presented to committee on 26 September 2022 reported that, overall, the Council's strategic risks continue to be managed proactively.⁶² There is a good level of awareness of the current and emerging risks, with positive action being taken, where appropriate. This is demonstrated by the inclusion of a further new risk and the changes to some of the risks within the register.

During 2021/22, the audit committee fulfilled its function of receiving internal audit's annual report.⁶³ On 11 July 2022, the audit committee considered the Internal Audit Annual Report 2021/22 from the Head of Internal Audit and Risk Management.⁶⁴ The report provided internal audit's opinion on the adequacy of the Council's governance, risk and control environment and delivery of the internal audit plan for 2021/22. Internal audit concluded that governance, risk and financial control were 'performing well' meaning 'there were no concerns that significantly affected the governance, risk and control framework and successful delivery of the Council priorities.'⁶⁵ The opinion relating to internal control was 'performing adequately' meaning 'some improvement required to manage a high risk in a specific business area and medium risks across the Council.' The opinion on internal control was lower due to a limited assurance report relating to governance issues highlighted in the Transport Connect Ltd governance arrangements. The Council has already made considerable progress in this area and taken action to many of the issues raised. Internal audit reported that it was able to deliver 91% of its revised planned activity in the year.⁶⁶ The Council has an adequate and effective internal audit function in place to monitor and assess the effective operation of internal controls. High level review of the opinions produced and scale of delivery against the plan demonstrates that there is no evidence of significant gaps in the assurance obtained over matters within the committee's work programme.

The audit committee received the draft statement of accounts for 2021/22 on 11 July 2022. On 14 November, the external auditor provided a current audit findings report to the committee and a Value For Money progress report. The current audit findings report indicates two medium priority control recommendations, one unadjusted misstatement and one adjusted misstatement, all of immaterial value.⁶⁷ The report does not show any significant weaknesses which are a cause for concern. There are delays in the progress against the

external audit plan due to the nationwide infrastructure assets issue. The delays are therefore not indicative of any weakness or gaps in the Council’s capability or capacity. Similarly, the Value For Money progress report does not demonstrate any risk of significant weaknesses in the authority’s arrangements.⁶⁸

The audit committee regularly receives reports from the relevant officers regarding progress against counter fraud investigations, internal audit recommendations and follow-up actions, handling of complaints, risk management and external audit progress. Review of audit committee meetings confirms that the required functions are being performed.

E - Financial management style

Good financial management is an essential element of good governance and long-term service planning, which are critical in ensuring that local government service provision is sustainable. ⁶⁹ The FM Code aims to provide a principles-based foundation for authorities to frame their financial management and manage their resilience to meet unforeseen demand and manage unexpected shocks. Sustainability of services is at the heart of all financial management processes and is evidenced by prudent use of public resources.⁷⁰

The FM Code requires that there should be a perceptible change in an authority’s financial management style in response to changing wider economic, social and financial contexts. The current highly challenging economic environment is a source of concern for financial resilience in local government. While recovery from the pandemic is ongoing, persistent high levels of inflation, a cost-of-living crisis and war in Ukraine means that the Council is operating in a heightened atmosphere of financial uncertainty. The 2023/24 budget proposal demonstrates how this environment has required the Council ‘to remain agile and adaptive.’⁷¹ The finance team have regularly and consistently considered how the Council’s power and cost base may continue to be impacted and make adjustments in respect of the changes.⁷² The authority actively manages its budgets with effective budgetary control arrangements that ensure ‘no surprises’ and trigger responsive action⁷³ – as much as is possible in this generally volatile and unpredictable context. The MTFs is regularly refreshed, even with minor changes.⁷⁴

CIPFA believes that the strength of financial management of an organisation can be assessed against three FM styles:⁷⁵

1. Delivering accountability
2. Supporting performance
3. Enabling transformation

The styles represent a hierarchy in which transformation is only achieved by a FM style that supports performance and delivers accountability.



A financial management style that supports performance can only be achieved once the authority has developed and embedded a financial management style that delivers accountability.

Lincolnshire has an effective framework of financial accountability that is understood clearly and applied throughout the organisation. There is a good understanding of the importance of financial capability and how it is integral to supporting the delivery of services, extending beyond the finance team and directly into the service lines. Through interview, we can confirm that budget holders have a clear understanding of the inextricable importance of finance in performing their roles. The CFO is an active member of the leadership team and is at the heart of organisational decision-making. As Executive Director of Resources, Section 151 Officer and Deputy Chief Executive, he is a highly visible and influential leader. The Council’s Financial Regulations form part of its Constitution, which is publicly available and accessible to all Council employees, and set out the financial decision making requirements and officer responsibilities.

Lincolnshire’s strong track record of financial management has put the Council in a better position than others to weather the current and future uncertain wider economic outlook. The Council has employed the budget strategy of a blend of savings, prudent use of reserves and deliberately judicious management of underspends to maintain a balanced budget.⁷⁶

The latest exemplar of the Council’s efforts to maintaining prudence is exemplified in their 2023/24 budget proposal. The Executive Director of Resources proposed to full Council to increase council tax to the maximum allowable amount set by the 17 November 2022 Autumn Statement referendum limits (general increases to 3% and social care to 2% per year)⁷⁷. The Executive Director stated:

‘My advice is to maximise the council tax flexibilities available, i.e. consider setting the maximum 4.99% rate if the current circumstances are maintained through to February, to put the Council in the strongest position possible from which to navigate the challenges likely to be encountered in the medium-term.’

Sustainability of service provision is clearly a priority in Council financial planning as the rise in council tax demonstrates: “maximising the rate of council tax places a greater burden on residents... however, doing so could ensure the Council is able to provide better quality services for a longer duration if austerity is to return from 2025/26.”

Overall, Lincolnshire’s financial management style appears fit for purpose and compliant with the requirements of the FM Code. The authority is going to be experiencing uncertain economic conditions and have obtained a good grip on the medium-term financial position and taken decisive action to maintain financial sustainability through their governance and financial management style. The arrangements in place support strong and effective administration, commensurate with the demands of the present and more challenging future.

Section 3: Long to medium-term financial management

FM standard reference	CIPFA financial management standards	Final Report RAG rating
Section 3: Long to medium-term financial management		
F	The authority has carried out a credible and transparent financial resilience assessment.	Compliant
G	The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members.	Compliant – with opportunities for development
H	The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities.	Compliant
I	The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans.	Compliant

F & G - Financial resilience and long-term financial strategy

We have looked at standards F & G together as they are closely related in terms of evidence. We found that the Council is compliant across both aspects. However, there may be some development opportunities in switching emphasis towards a longer financial planning horizon.

Financial resilience is defined by CIPFA as the ability of local authorities to remain viable, stable and effective in the medium to long term in the face of pressures from growing demand, tightening funding and an increasingly complex and unpredictable financial environment.⁷⁸

Lincolnshire has a strong record of robust financial management which has put the Council into a position that demonstrates its financial resilience. The CIPFA Financial Resilience Index indicates that the Council has a reasonable level of financial resilience.⁷⁹ The greatest indicator of this is the Council's level of reserves. The Council holds two types of reserves: General Reserves and Earmarked Reserves. The Council's General Reserves are held to cover unexpected and unbudgeted costs which cannot be supported by the revenue budget. Earmarked reserves are those amounts set aside for specific policy purposes or particular contingencies. The Council's general reserves currently stand at £16.4m as of 7 February 2023.⁸⁰ The Council maintain a general reserves working balance of 2.5% to 3.5% of the budget requirement.⁸¹ The current level of minimum level reserves stands at 3.01% of the 2022/23 budget requirement.⁸² The Council's Earmarked Reserves stand at £244.267m.⁸³ Within Earmarked Reserves, the Council have created a Financial Volatility Reserve which has the specific purpose of supporting the Council's financial resilience in the face of future predicted budget gaps in the revenue budget. The Financial Volatility reserve stood at £46.922m as at 31 March 2022.⁸⁴ The Council also have 'a number of other Earmarked Reserves' which are also used to cover volatility in costs and support financial resilience.⁸⁵

The Council's reserves balance is reflective of the effort Lincolnshire has put into creating a financially resilient organisation. A nationwide focus on financial resilience was ushered in following the 2008 financial crash and subsequent austerity measures. Councils were forced to self-reflect on their financial sustainability and attempt to reduce their reliance on government funding and promote financial self-sufficiency. Lincolnshire took 'prompt action to reduce budgets in the early years of austerity.'⁸⁶ Lincolnshire's position

with regard to its reserves balance demonstrates that the authority ‘made the right decisions, at the right time’ as the authority spent time accumulating a healthy balance to help it weather future potential storms.

The medium-term position is undoubtedly going to be challenging. The Council are predicting the need to use £7.5m of reserves to balance the 2023/24 budget. The 2024/25 budget is forecasting a £1.2m replenishment to reserves, followed by a budget gap of £3.7m in 2025/26 and £5m in 2026/27.⁸⁷ The Council is therefore planning to balance their medium-term financial position through the use of reserves as a short term measure, while the underlying position is brought into balance through transformation and the crystallisation of future funding increases.

The managed use of reserves is a common and accepted financial strategy in local government, particularly in circumstances of financial uncertainty. However, it can carry risk if the delivery of planned transformation and additional funding is not secured as planned over the medium term and if reserves are not rebuilt so that they continue to offset the Council’s assessment of risk. We note that Lincolnshire has acknowledged the risk in this strategy and have recognised that the plan to use reserves is only temporary: *‘our strategy is that this will only be a temporary solution to balance the budget whilst we work towards finding budget savings or increased funding to ensure that our budgetary position is sustainable.’*⁸⁸

The Council’s level of reserves coupled with the forecast budget gaps shows that the authority is in a relatively comfortable position to manage the medium term, though not without risk. What is clear is that the Council do not have a plan to run down reserves unsustainably, which is acknowledged by CIPFA as a key symptom of financial stress.⁸⁹ The organisation has historically proven its ability to managing reserves well and is therefore demonstrating its ability to withstand current and future financial pressures.

Another symptom of financial stress identified by CIPFA surrounds an organisations failure to address financial pressures.⁹⁰ This particular indicator focuses on the leadership team’s ability to make difficult decisions to support the organisation’s financial resilience. Lincolnshire’s leadership team have a strong understanding of the risks in the current financial position as is demonstrated by the historical decisions to accrue the healthy reserves balance in the aftermath of austerity. The leadership team know when to make and execute difficult financial decisions. Through interviews with members and senior officers, it is clear to see the judicious focus on financial management at the organisation. There do not appear to be any signs of member reluctance to make scrupulous financial decisions and there is a clear appetite to maintain the strong position. The Leader of the Council is provided with a good understanding of financial issues and engages closely in the budget setting process. This is clear from review of Council meeting minutes.

An authority must critically evaluate its financial resilience.⁹¹ The FM Code guidance notes emphasises the importance of an ‘explicit’ financial resilience assessment.⁹² Lincolnshire produces an annual review of its financial performance which includes an assessment of the authority’s financial resilience.⁹³ The Review of Financial Performance 2021/22 concluded the Council’s financial resilience to be ‘strong.’⁹⁴ The General and Earmarked reserves remain at a prudent level and there is the Financial Volatility Reserve that can be called upon when necessary. The Council has worked to strengthen its resilience through monitoring its financial position, working to address issues as they arise, continued reporting of Covid-19 impacts to government, working alongside the Society of County Treasurers to ensure government understanding of County Council-specific issues, refreshing and updating of the medium-term financial plan and finally, focusing on transformation work to reduce cost pressures and create savings.⁹⁵

The Council do not exhibit another symptom of financial stress identified by CIPFA: unplanned overspends. Overspending against the budget simply rolls over this year’s problems to the next⁹⁶ and can be an indicator of potentially weak budgeting. This is not the case at Lincolnshire - for the past two financial years, the Council reported underspends on its general fund revenue budget. In 2020/21, the authority reported an underspend of £28.75m (excluding schools)⁹⁷ and in 2021/22, a £13.582m underspend was reported.⁹⁸ For 2022/23, latest budget monitoring reports show the Council forecasting a £1.614m (excluding schools) underspend.⁹⁹ This budget management demonstrates that the Council is able to translate its financial policy decisions into action on the ground. The authority credits the recurrent underspends to its ‘prudent

approach¹⁰⁰ to budgeting. The Council's ability to deliver within budget has allowed it to use these underspends to establish earmarked contingency reserves to mitigate volatile budgets and funding uncertainty.¹⁰¹

Opportunity for development

A potential area of development for identified in our review of this particular standard in the FM Code surrounds longer-term financial planning. CIPFA have identified the shortening of planning horizons as a symptom of financial stress:

*'Long-term planning is more difficult in times of uncertainty, but it is still important, perhaps even more so than in more stable circumstances. A failure to plan is indicative of a lack of strategic thinking and an unwillingness to make difficult decisions.'*¹⁰²

We note that Lincolnshire do not currently have a long-term financial strategy in place. The Council acknowledged this in the medium-term plan:

*'whilst there continues to be a large element of uncertainty over our future funding from government, longer term financial planning becomes more challenging, so our financial plans cover the medium term at this point in time.'*¹⁰³

The authority's medium-term plan spans a four-year period.¹⁰⁴ The organisation has understandably demonstrated a reluctance to develop a comprehensive long-term financial plan in the face of an extremely uncertain wider economic outlook. On balance, the medium-term horizon this provides is sufficient to mitigate the risk to financial sustainability that CIPFA are concerned about and therefore it is not an indication of non-compliance with the CIPFA FM Code in our view.

The Council correctly assess that the inherent potential weakness of the assumptions that would have to be used to formulate that plan may itself cast doubt on the organisation's ability to credibly forecast and plan for its future, should those assumptions fail to materialize. The Council acknowledged this development area in its self-assessment of compliance with the FM Code.¹⁰⁵ A further improvement of 'development of a longer-term financial strategy to demonstrate a robust approach to financial sustainability'¹⁰⁶ was identified. We do however note that some councils have prepared medium term financial plans with a span in excess of 5 years and have considered this to provide value by mapping out the impact of long-term inflationary trends against the Council's ability to raise further revenue and implement transformation over an extended period of time. This could be particularly useful when considering factors such as the income potential arising from economic investment and growth and innovations in social care, where the effect of early intervention initiatives take a number of years to deliver financial benefit. There are also likely to be benefits in being able to place short- and medium-term financial decisions in the context of longer term expectations to provide a more comprehensive narrative for elected members and the public. This could aid the discussion around many areas, including why options such as the use of reserves can only be a short-term measure and the longer term implications of opting not to maximise opportunities to raise council tax.

The CIPFA FM Code is clear on the idea that an authority's plans should not be dictated by the certainty of government funding: *'CIPFA does not believe however that the time horizon of local authority financial planning is determined by the time horizon of the financial support from central government.'*¹⁰⁷ Conversely, the Council have explained their lack of long-term plan as a direct result of the absence of direction from central government: *'we aim to extend our financial planning to cover a longer term period once funding reforms are in place.'*¹⁰⁸ Therefore, although compliant from the point of view of managing financial sustainability, the authority is falling short of the spirit of the FM Code by choosing not to develop a long-term plan.

There may be opportunities to strengthen the emphasis on longer term financial planning, without extending the MTFP horizon and being over reliant on assumptions. The Council could look to enhance its longer-term financial planning by incorporating a greater financial focus in future iterations of the Corporate Plan using

scenario analysis to set out the Councils expectations for the longer term direction of travel of the financial position. We note that the Corporate Plan already spans a 10-year period.¹⁰⁹ Incorporating a greater focus on how the authority would manage potential variations of central government funding should those options materialize would show an effort to demonstrate to the users of the plan that the authority has a clear strategic financial direction, despite the uncertainty of future funding. In lieu of a comprehensive long-term plan, this integration of the financial management strategy and style into the 10-year Corporate Plan would provide evidence that the organisation has a risk-based approach to long-term planning to demonstrate its longer term commitment to financial resilience.

Overall, the Council is compliant with the CIPFA FM Code with regard to its financial resilience with opportunity for development identified around long-term financial planning. To reiterate the view of the Review of Financial Performance 2021/22, our work indicates that the Council is in good financial health and remains resilient to upcoming challenges.

H - The Prudential Code for Capital Financing Authorities

We found that the Council is compliant with the CIPFA Prudential Code for Capital Finance in Local Authorities.

The Local Government Act 2003 requires local authorities to comply with CIPFA's Prudential Code for Capital Finance in Local Authorities. The FM Code, similarly, requires authorities to comply with the Code. The Prudential Code provides a framework for self-regulation of the authority's capital financing arrangements. Authorities are required to show that their capital and investment decisions are affordable, prudent and sustainable, and to set limits on the amount they can borrow in the context of wider capital planning.¹¹⁰

The Council has a Capital Strategy that is refreshed annually and presented to members within the Budget Book, alongside capital and revenue budget plans.¹¹¹ The Capital Programme is guided by the Capital Strategy. The Council has a ten-year Capital Programme. The capital programme is considered and approved annually, in February of each year.¹¹² The Council has prepared a suitable capital strategy that is compliant with the CIPFA Prudential Code. Commercial activity and investment property, loans and liabilities are set out in the capital strategy, capital reports, the annual budget and outturn reports. Lincolnshire's capital strategy sets out the long-term context in which capital expenditure and investment decisions are made and gives due consideration to risk and reward as is demonstrated by the risk appetite statements regarding commercial and service reason investments. In our view, the authority is therefore in compliance with the requirements of the FM Code in this regard.

The authority's capital strategy addresses the themes highlighted in the FM Code guidance notes. There is discussion of general capital expenditure, debt, borrowing and treasury management, commercial activity and other long-term liabilities.

The Council's capital strategy captures the essence of the Prudential Code and the FM Code through its focus on the affordability of the capital programme. The key principles of the capital strategy highlighted mirror the aims of the Prudential Code. The Council have also demonstrated how the capital strategy aligns with other plans, for example, the links between the Capital Programme and the Corporate Plan.

The Council has set prudential indicators in line with the Prudential Code. Lincolnshire approved its prudential indicators for 2021/22 at full Council on 19 February 2021. The Executive Director monitors actual performance against these targets throughout the year. For 2021/22, no prudential indicators were exceeded and there was no breach of limits set by the authority.¹¹³ The Prudential Code asks authorities to create a suite of prudential indicators against which performance is monitored to maintain affordability and the prudence of capital activities. The Code does not indicate limits or ratios for the indicators to be set and monitored by the authority as these are for the authority to determine itself.

The Annual Treasury Management Strategy draws together the Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this strategy, a prudential indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team monitor markets and forecast interest rates within the year to adjust exposures appropriately.

Lincolnshire County Council has suitable mechanisms in place to monitor its performance against the prudential indicators it has set. Prudential indicators are reported on as part of the annual Capital Strategy and after year end as part of the annual Review of Financial Performance report. The quarterly Treasury Management performance reported confirm whether prudential indicators are likely to be breached and reporting on prudential indicators is subject to scrutiny at Overview and Scrutiny Management Board.

I - Medium-term financial planning

We found that the Council has put in place a robust rolling multi-year medium-term financial plan consistent with sustainable service plans and is compliant with the CIPFA FM Code in this regard.

CIPFA define the medium-term financial plan as the bridge between the long-term plan and the annual budget. As previously mentioned, Lincolnshire have opted to forgo the development of the long-term financial plan, therefore elevating the importance of the medium-term plan is the main vehicle to demonstrate the sustainability of services and the financial strategies that support service delivery.

Lincolnshire County Council has in place an agreed medium-term financial plan. The latest iteration was presented to the Executive on 7 February 2022.¹¹⁴ CIPFA view the medium-term plan as the critical link between the authority's financial strategy and its plan for service delivery. The first sentence of Lincolnshire's medium term strategy makes direct reference to this: 'the MTFS sets out how we plan to manage our finances... and support delivery of the Council's Corporate Plan.' The FM Code recommends that the medium-term plan be no longer than five years.¹¹⁵ Lincolnshire's MTFS falls within this limit as the plan spans four years (from 2023/24 to 2026/27).¹¹⁶

'It is in the medium-term financial planning that the pursuit of value for money improvements will be most prominent.'¹¹⁷ One such value for money improvement at Lincolnshire has been the changes to the Corporate Support Services at the Council. In June 2020, the Council commissioned the Corporate Support Services Review to explore options of support services due to the expiry of the contract with Serco at the end of March 2024. The Corporate Support Services Contract with Serco covered Finance Services, HR Administration and Payroll and the Customer Service Centre.¹¹⁸ The Council decided to enter into a shared service agreement with Hoople Limited for the delivery of HR administration and payroll to the Council and schools, outsource the Customer Service Centre services to external suppliers, retain the responsibility for digital transformation and technology and insource Adult Care Finance and Exchequer services. Throughout the interview processes during this investigation, we heard from many employees at the Council about the importance of this transition with the 'go live' date on 1 April 2023. The Council were exercising caution about the transition due to the relatively disorganized transition to Business World in 2015 that resulted in a temporary inability to access financial information at the organisation. This caused significant distress for the employees at the time so the Council were keen to avoid a repeat of the previous experience. This example serves as evidence of material decisions at the Council being lead by the medium-term financial strategy. Decisions to insource, outsource or externally procure impact organisations for longer than one year. Councils must therefore consider how their activity will be impacted in the medium-term when considering alternative delivery mechanisms. For example, when considering the insourcing option, there was discussion of the potential for long term efficiencies and the ability to provide flexibility to deal with longer term uncertainties, mimicking the language used in the MTFS.

Another integral component of the authority's medium-term plan is Lincolnshire's Transformation Programme. The intersection of the financial plan and service delivery becomes very clear in an efficiencies programme. As at 31 March 2022, the Council has managed to achieve savings of £1.1m through Smarter Working, £0.9m from the Adults Improvement Project, £0.8m through the Business Support Review and cost avoidance of £2.4m through greater inclusion of children and young people and a reduction of requests for EHC Plans.¹¹⁹ The transformation programme is critical to the Council's demand management and performance management. The Council are seeking to use digital options to reduce bureaucracy on manual processes and ensure back-office services are optimized. Lincolnshire have credited its transformation programme with allowing it 'to maintain and invest in its valued frontline services at a time when other councils are still reducing theirs.'¹²⁰

Through our review, we noted that Lincolnshire had taken a more devolved approach to medium-term financial planning than we commonly see elsewhere. We regard the Council's approach as an example of good practice. The Council has benefitted from a number of business partners who have significant knowledge and experience of the services they are responsible for supporting, particularly in Children's Services. The business partners operated in a way that drew advantages from a degree of embeddedness in the services while also recognising their responsibility to challenge the services on behalf of the corporate centre, and in our view a good balance has been struck. We note that in some aspects of the Place directorate, this was not as well embedded and may have been affected by capacity challenges and changes in personnel. However, this did not detract from the financial planning process being robust across the board in our view. The effective support of budget holders was coupled with a high level of financial literacy and ownership among senior budget holders in the services that was apparent from our interviews. In combination, the Council therefore benefits from an embedded and highly collaborative financial planning arrangements.

Business partners are responsible for ensuring the MTFS reflects the cost pressures of their individual service lines. The Chief Executive will then challenge the Executive Directors on their budgets and this scrutiny will all feed into and form the MTFS. Moreover, service lines are asked to apply inflation on an individual basis. Unlike in many other councils where a blanket inflation rate is applied to all costs, Lincolnshire treats the budget holders and business partners as the custodians of their own budgets which feed into the MTFS and asks them to devise a rate of inflation that is specific to their own service lines (excluding staff pay, which is at a blanket rate). There is evidence that this approach is successful due to the lack of service line overspending. The lack of overspends implies that budgets are credibly and practically devised to accurately reflect cost pressures and therefore realistically demonstrate the budget position of that service.

Overall, the Council's approach to medium-term successfully aligns financial and operational plans. We are satisfied that the authority has in place a suitable medium-term plan that is consistent with service plans and the capital strategy. The devolution of the medium-term planning into the service lines demonstrates that the plan is prepared on robust assessments of relevant drivers of cost and demand, with inflation serving as one example of that.

Section 4: The annual budget

FM standard reference	CIPFA financial management standards	Final Report RAG rating
Section 4: The annual budget		
J	The authority complies with its statutory obligations in respect of the budget setting process.	Compliant
K	The budget report includes a statement by the chief finance officer on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves.	Compliant

J & K – Statutory obligations in setting the annual budget

The Council is aware of its statutory obligations in respect of the budget setting process and we found that statutory obligations have been met, including the statement from the Chief Financial Officer.

The Local Government Act 2000 requires full council to approve the annual budget, on the recommendation of the executive or equivalent, together with the associated council tax demand. Lincolnshire County Council fulfilled this legislative requirement with respect to the 2023/24 annual budget. On 17 February 2023, full Council approved the budget and council tax proposals recommended by the Executive. The Executive met to approve the recommended budget for 2023/24 at its meeting on 7 February 2023. At the Executive meeting, members recommended Council to approve the increase of council tax by 4.99% in 2023/24 (comprising a general council tax of 2.99% plus an adult social care precept of 2.00%).

The Local Government Act 2003 requires the section 151 officer to report to the council on the robustness of the estimates made in the annual budget and the adequacy of the proposed financial reserves assumed in the budget calculations. Section 10 of Lincolnshire's Budget Book contains the S151 Officer's Statement on the Robustness of the Budget and Adequacy of Reserves. The statement shows that the S151 has asked services to consider the realism of their proposed budgets and ability to manage within these budgets. This includes ability to delivery savings, manage demand and cost pressures, mitigate risks surrounding workforce shortages and the impact of reduced grant funding. There is discussion of the organisation's financial resilience and its key risks. The adequacy of reserves statement shows that the authority has enough reserves to weather the future financial challenges. The recommendations set out in the budget papers do not anticipate needing to use the Financial Volatility Reserve in 2023/24 but do forecast needing to in the medium term. The S151 provides a statement that he is 'satisfied that the budget for 2023/24 is realistic and reflects our expected service delivery requirements and that the current level of reserves is adequate to mitigate the current financial risks.'

We are satisfied that the CFO has used their professional judgement to ensure the authority's budget is robust and sustainable and the Council has set a balanced budget for 2023/24. The budget will be balanced through use of reserves and generating savings. The CFO is aware of the circumstances under which the authority should issue a Section 114 notice and how it would go about doing so. He has experience of the process from a previous role.

Section 5: Stakeholder engagement and business plans

FM standard reference	CIPFA financial management standards	Final Report RAG rating
Section 5: Stakeholder engagement and business plans		
L	The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget.	Compliant – with opportunities for development
M	The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions.	Compliant – with opportunities for development

L - Stakeholder engagement

The Council is compliant for the purposes of the CIPFA FM Code, however we noted a potential are for development in regard to stakeholder consultation.

CIPFA strongly support the view that stakeholder consultation can help to set an authority’s priorities and ensure that the services the Council delivers are meeting stakeholder needs. The FM Code requires authorities to engage with key stakeholders in developing its long-term strategy, medium-term financial plan and annual budget. In order to comply with the Code, authorities must consider:

- How to identify key stakeholders
- How to engage effectively with key stakeholders
- How to use the results of this engagement wisely

As stated the FM Code guidance notes, citizens are required to understand that ‘decisions have to be made about both the relative priority of services and the balance between service provision and taxation levels.’ An example of the Council attempting to increase citizen understanding of the balance between delivery of services and taxation levels is the 2023/24 budget proposal presented on 4 January 2023 to the Council Executive. The budget proposal involved the Executive Director of Resources advising for Council to vote in favour of increasing council tax to 4.99%. The report states: ‘maximising the council tax rate places a greater burden on residents at a challenging time economically. However, doing so could ensure the Council is able to provide better quality services for a longer duration if austerity is to return from 2025/26,’ encapsulating the need to ensure the balance between service delivery and tax revenue is well understood.

The Council’s ‘Budget Engagement & Consultation Feedback’ in Appendix D of the 2022/23 budget demonstrates one of the key means that the Council used stakeholder engagement on financial decisions. The appendix shows details of the budget engagement events which took place in January 2022. The Council took statements from the Scrutiny Committees on their support for the budget proposal and included these statements in the appendix to the budget papers. A meeting with businesses, trade unions and other public bodies was also conducted on 28 January 2022. The presentation by the Head of Technical and Development Finance’ shows a clear effort to ensure attendees of the consultation exercise understood the financial outlook the Council was facing for the year. The Council also launched a public engagement via the Council website which closed on 26 January 2022. The Council received 17 responses by email and 87 responses on the Council website.

The engagement performed as part of the 2022/23 demonstrates that the Council understands that engagement is a two-way process. Rather than just sending a copy of the annual budget to the stakeholders the Council sought responses from committees, businesses, trade unions, other public bodies and the public. The inclusion of the results in the budget document indicates that the findings from the process are integrated demonstrably into the strategy, plan and budget.¹²¹

Opportunity for development

The Council states in its CIPFA FM Code self-assessment that ‘there has been little response’ via the county news or website in recent years.¹²² The budget proposals have seen little impact on service delivery at this time so a limited response is within expectation. It is also important to note that due to the Council’s relatively healthy financial position with relatively limited savings proposals, it is less likely that service users will be motivated to make their voices known to the Council - as they are not being directly adversely affected by decisions to drastically cut services, for example. However, as iterated in the Council’s 2023/24 budget, ‘if the current medium term gap grows either as a result of foregone council tax or risks outlined above materialising, alongside a higher than sustainable level of reserve usage, a more radical assessment of future delivery may be required.’¹²³ This ‘radical’ assessment could see the Council reduce some service provision, as many in the sector have been forced to do. Therefore, stakeholder engagement is likely to increase as the Council sees the tightening of its financial position in future years.

The Council rated this standard as ‘Amber’ in its self-assessment, demonstrating that it is self-aware that there is room for improvement in this area. As the financial position becomes more challenging, the Council must ensure that stakeholder engagement does increase as expected. Stakeholder engagement at various stages of the process of creating the medium-term financial plan or Corporate Plan will be key to the Council weathering the future financial storm and maintaining the buy in of its key stakeholders.

The Council should consider alternative means of engaging with its stakeholders when determining priorities, prioritising, agreeing its strategy/plan and then reviewing performance against the plan. If the general on-line process is not producing the required response it may be that additional use can be made of existing forums to engage with targeted sections of the community in a more prominent way, alongside other public and private sector partners. Further investment in publicising the consultation process, looking at improving accessibility and convenience for respondents and a more compelling presentation of the issues could be considered. In two tier areas, residents can often become confused by the differing roles of the national, county and district government and there may be better ways of providing clarity to stakeholders on the importance of their individual contribution. An enhanced focus on the long-term financial position in the corporate plan could be used to enhance the narrative taken to stakeholders in the consultation and help make it relevant to them. There should be a corresponding focus on being able to provide evidence this engagement and the incorporation of this engagement into the strategy.

The FM Code guidance notes recommends using a power-interest matrix in order to identify and prioritise stakeholders. In order to engage effectively, the authority would also need to consider the best mode of engagement and define what it seeks to gain as a result of the engagement. As financial resources become more scarce, the authority must decide how best to prioritise its capacity and resources to achieve the most meaningful stakeholder engagement and secure the maximum benefit from the engagement.

M - Options appraisal

Options appraisal is a key part of the Council's decision-making process, particularly where there are significant financial implications. We found that the arrangements in place at the Council are generally sufficient to demonstrate compliance with the Code at a basic level, but there may be opportunities to improve towards best practice around the consistency with which options appraisal is used.

An options appraisal is a systematic approach for an authority to find the best way to do something, whether that is restructuring a failing entity, providing a new service to the community, financing the construction of a new building or creating a new public service delivery partnership. Whatever the authority is seeking to achieve, there will inevitably be many different ways of achieving it. An options appraisal is about how the authority identifies these options, assesses them and finds the one that will work best.

In order to ensure decisions benefit from an appropriate level of appraisal, a Council should define the circumstances in which an options appraisal would be necessary. The Council's current report template created by the democratic services team requires alternative options to be considered for all executive decisions. The democratic services team is looking to enhance this and is in the process of drafting a new report template for all decision-making to take this into account. Our review of the new template shows that there is a section for the creator to demonstrate the options considered, reasons for recommendations or rejections (we note that for update or information only reports this section is not applicable). The template demonstrates that LCC has clearly set out when options appraisals should be implemented and when a lighter-touch approach would be acceptable. The template also demonstrates that the authority has a consistent approach to options appraisals and has developed standard processes and documentation.¹²⁴

We looked at a number of examples of how options appraisal is used. An example appears in the 2023/24 budget proposal produced by the Council for the Executive on 4 January 2023. The Executive Director for Resources asked the Executive to note the options for the setting of the precept and use of reserves relating to the initial proposals for the 2023/24 budget set out as follows:

- Option A (2% Adult Social Care precept and 0.99% general precept making a total precept for 2023/24 of 2.99% and £10.3m reserve use)
- Option B (2% Adult Social Care precept and 1.99% general precept making a total precept for 2023/24 of 3.99% and £6.9m reserve use)
- Option C (2% Adult Social Care precept and 2.99% general precept making a total precept for 2023/24 of 4.99% and £3.4m reserve use)

The section 151 officer advised for members to choose option C as the best preferred route. On 7 February 2023, the Executive met to discuss the options and agreed to support option C as the best option to be considered at Full Council on 17 February 2023.

This options appraisal followed CIPFA's guidance in terms of 'how options appraisals work.' There are 4 general steps to how options appraisals typically function:

1. Understanding what the authority wants to achieve
2. Generating options
3. Assessing the options
4. Making the decision

Step 1

The authority must have a clear understanding of its aims in undertaking the project or activity that is the subject of the options appraisal. In this case, the aim of this particular options appraisal was 'to ensure the Council is best placed to respond to future financial challenges that are expected within the medium term outlook.'¹²⁵ The section 151 officer was therefore asking Councillors to consider the options presented and their impact on the medium-term financial position.

Step 2

The authority defines a range of options for decision-makers to consider. In this case, officers outlined three options, each option reflecting a different rate of general precept and the corresponding impact on reserves usage.

Step 3

To assess the options, officers modelled the three key options to demonstrate the impact of the three council tax increase options on the budget proposal structural deficit over the medium term financial plan. The assessment showed that the medium-term structural deficit is permanently higher if a lower council tax increase is adopted. Following the assessment, the Executive Director for Resources advises for members to 'maximise the council tax availabilities available' i.e. choosing option C. Circling back to step 1 and the original aim of the options appraisal activity, the section 151 officer asks members to consider setting the maximum 4.99% rate 'to put the Council in the strongest position possible from which to navigate the challenges likely to be encountered in the medium-term.'

Step 4

The 4 January 2023 Executive meeting asked councillors to note and approve the advice of the Executive Director for Resources and to consider the options presented in the appraisal. On 7 February 2023, the section 151 officer asked the Executive to propose to Full Council the Council's budget and council tax in light of the provisional local government settlement and comments received on its initial proposals and agreed to support option C as the best option to be considered at Full Council on 17 February 2023. The decision will be made on 17 February 2023.

Opportunity for development

While the Council’s report template offers a level of definition and standardisation to the options appraisals process, we believe there is room to enhance consistency and depth in the way that options are presented to councillors in committee at the Council. We recommend that the Council aim to make options appraisals mandatory for all significant decisions using the CIPFA Financial Management Code guidance notes to help define ‘significant’. The CIPFA Financial Management Code guidance notes that define ‘significant’ to be those displaying one or more of the following characteristics:

Strategic importance	Conflicting time horizons
<ul style="list-style-type: none"> ▪ Due to its size or other characteristics, the decision has an impact on the future financial viability of the authority. ▪ The decision involves partnership with another organisation, including the transfer of services or functions to the private or not-for-profit sectors. ▪ The decision represents a material change to the strategic direction or mission of the authority. ▪ The decision involves a fundamental change in the scale of the authority’s activities. ▪ The decision involves the procurement or disposal of material non-current assets. 	<ul style="list-style-type: none"> ▪ The long-term options for the project or activity are based on significantly different business models than those available in the short term. ▪ A balance has to be struck between an initial outlay and a stream of future financial or non-financial benefits. ▪ There are material variations in the timing of the financial implications associated with the different options available.

We recommend that the Council include this definition in its Constitution. Similar to the definition of a key decision in Part 3 (p. 79 – 126) of its Constitution, the Council should clearly define the types of decisions that would warrant options appraisals in order to ensure decision-making and scrutiny at the organisation is at a high standard. Inclusion of the CIPFA FM Code definition of the decisions that would require options appraisals can enable users of the Constitution to understand when to undertake an options appraisal and would demonstrate the authority’s compliance with the principles of the FM Code.

In its practical implementation, the Council should make sure there are safeguards that prevent the process becoming purely administrative, and that elected councillors are provided with sufficient information to make an informed judgement on the selection of the preferred option, and to avoid a common pitfall at other councils where the supporting papers artificially skew the reader towards one option.

The Financial Management Code recommends that Council’s have a documented option appraisal methodology that is consistent with the guidance set out in the IFAC/PAIB publication Project and Investment Appraisal for Sustainable Value Creation: Principles in Project and Investment Appraisal. The Council have recognised the need to roll out a consistent options appraisal tool to support the decision-making process and incorporate principles of this framework in the self-assessment. We re-iterate the Council’s intention in this area.

Section 6: Monitoring financial performance

FM standard reference	CIPFA financial management standards	Final Report RAG rating
Section 6: Monitoring financial performance		
N	The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability.	Compliant
O	The leadership team monitors the elements of its balance sheet that pose a significant risk to its financial sustainability.	Compliant

N – Identifying and managing financial risks

We found that the Council had effective financial monitoring arrangements in place and was compliant with the CIPFA FM Code standard.

The Council produces reports that enable the leadership team to identify and correct emerging risks to its budget strategy and financial sustainability. Financial performance is monitored at all levels of the organisation, from the most senior level cascaded down into the directorates. The Council provides the leadership team with an appropriate suite of reports to allow identification and correction of emerging risks to its budget strategy and financial sustainability. Full Council annually receives the Review of Financial Performance reports. The 2021/22 report was taken to 27 September 2022 Council.¹²⁶ These reports set out the performance against Prudential and Financial Indicators for the year and detail the Council’s actual performance against budget in year.

Financial performance against the revenue budget of the Council is reported via Revenue and Capital Budget monitoring reports which are presented to Overview and Scrutiny Management Board. The Revenue Budget Monitoring Reports compare the Council’s projected expenditure with the approved budget and provides explanations for any significant deviations. The reports cover both forward and backward-looking information in respect to financial and operational performance. For example, the budget monitoring reports will outline the Council’s current progress against budget (backward-looking) but also forecast what the year-end position will be if this current pattern were to continue (forward-looking). Service pressures and changes to assumptions are built into the forward-looking MTFS.

The Council has arrangements in place to keep financial plans under review to reflect changes in priorities, inflation, funding, demand for services, legislative and policy changes and any other key drivers of income and expenditure. The budget monitoring reports highlight key planning assumptions used in developing the financial strategy and explain deviations from initial estimates and the impact of such deviations.

Our review has highlighted that Lincolnshire County Council is an authority that is constantly directing effort into anticipating emerging risks and implementing the appropriate arrangements to manage risk. The authority keeps key planning assumptions under review and informs leadership of any significant deviations. For example, all local authorities have been grappling with the impact of inflation. The authority have continuously reported on this to senior leadership at Overview and Scrutiny Management Board. For example, the latest Revenue Budget Monitoring Report for Quarter 3 2022/23 shows officers informing that heightened inflation risk will continue to translate into a key financial risk for the Council for the remainder of 2022/23 and into 2023/24. The budget proposal notes the emergent risk of excessive inflationary increases upon spend and increased the corporate contingency to provide capacity to withstand unbudgeted price increases

across Council expenditure. The Council took steps in advance of the financial year to mitigate the inflation risk including increasing the balance of contingency.

The earlier the authority becomes aware of a potential risk to the achievement of its financial strategy... the more effectively it can take action to address that risk and mitigate its impact. Key to this early identification is the relationship between the finance team and the budget holders within the directorates. Lincolnshire County Council employs a business partnering approach whereby members of the finance team perform services to a designated team or department within the council. The finance team is lead by the Executive Director for Resources, who is also the Section 151 officer. The Assistant Director sits underneath him and functions as the Deputy S151. The next layer is the Head of Financial Services and underneath him sit the Strategic Finance Leads. The leads represent the business partnering relationship. There is a Strategic Lead for Children's, Adult's, Communities and Corporate and Technical. The Strategic Leads support services with financial advice such as analysis of financial results and business-driven reporting, insight and expertise in the financial implications of new activities and advise on the impact of new financial regulations and changing funding arrangements.

The Council have governance arrangements in place to ensure regular monitoring and reporting of financial and performance information between the services and finance. Budget holders interviewed all detailed various regular meetings with the strategic finance managers. For example, within highways, there are monthly meetings with all budget holders and two supporting finance team members. The business partnering arrangement appears effective. Each directorate and finance lead has curated their own unique relationship suited to the needs of that directorate. Interviews with budget holders and finance business partners showed evidence of satisfaction and effective communication and reporting. There is no evidence of significant weakness in budgetary control arrangements.

O – Monitoring of the Balance Sheet

We found that the Council had effective arrangements to monitor the balance sheet and was compliant with the CIPFA FM Code standard.

The FM Code states that authorities should closely monitor material elements of their balance sheet that may give indications of a departure from their plans. Lincolnshire has the architecture in place to ensure the higher risk areas of their balance sheet remain under review. The finance team perform regular reviews of the balance sheet. The Technical Team within finance perform a 'Balance Sheet Review' at the end of quarters 2, 3 and 4 every year. This involves circulation to the wider Financial Services team details of the balance sheet balances as at the end of the previous year plus the equivalent balance at the end of the relevant quarter this year. Teams are asked to consider and comment on the movement in the figures and reasons for change and provide supporting evidence where appropriate. This exercise allows for areas of concern to be highlighted so that action can be taken to resolve issues before the end of the year. Although the reviews are not reported to the leadership team, the final review of the year feeds into the closure of the accounts and provides evidence that the balance sheet balances are a true and fair representation of the authorities financial position.

At the time of writing, the finance team are undertaking a balance sheet review to assess against CIPFA good practice guidance to analyse asset types and link to asset management strategies. They are using a matrix within the CIPFA guidance 'Balance Sheet Management in the Public Services' to analyse the balance sheet components and identify the areas that pose the higher risk to financial resilience. This exercise demonstrates a direct and explicit attempt by the authority to ensure good practice and compliance with the CIPFA Financial Management Code.

Another example that demonstrates the authority's commitment to review, understanding and assessment of risk surrounds debtors related to adult social care. Through a desktop review, the adult social care element of

the MTFS highlighted significant volatility in service user contributions owing. The Executive Director of Social Care launched a review of the debt and the team reviewed every debt in adult social care above thirty-days. The finance team performed an additional review and challenged budget holders to answer to why they had created that debt and scrutinized their decision-making. In 2020, the Debt Review Programme was launched with the aim to review the debts to assess the likelihood of recovery and to identify where systems and processes can be improved to reduce the scale and age of debt going forward. This example is demonstrative of the authority taking decisive action following the identification of an emerging risk and employing a judicious approach to the management and mitigation of that risk.

Section 7: External financial reporting

FM standard reference	CIPFA financial management standards	Final Report RAG rating
Section 7: External financial reporting		
P	The chief finance officer has personal and statutory responsibility for ensuring that the statement of accounts produced by the local authority complies with the reporting requirements of the Code of Practice on Local Authority Accounting in the United Kingdom.	Compliant
Q	The presentation of the final outturn figures and variations from budget allows the leadership team to make strategic financial decisions.	Compliant

P & Q – Financial reporting responsibilities of the CFO and presentation of financial outturn

We have looked at standards P & Q together as they are closely related and found that the Council is compliant with the CIPFA FM Code standards in this regard.

The authority's leadership team and CFO are aware of the responsibilities in terms of preparation of the annual financial statements. The responsibilities form part of the CFO's role description and personal objectives.

The authority's financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom. The financial statements have routinely received an unqualified opinion from the external auditors. The Council have received an unqualified audit opinion in 2020/21¹²⁷ and 2019/20.¹²⁸ The Council have a good relationship with the external auditors. The opinions confirmed that the council were in compliance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. The current 2021/22 audit findings report shows that the only area of concern with regard to the 2021/22 accounts surrounds the nationwide infrastructure assets issue.¹²⁹ The Section 151 officer reviews and signs the annual accounts.

The accounts are presented in a digestible format whereby users can understand the Council's financial performance, position, and cash flows. The leadership team is provided with a suitable suite of reports on outturn and variations from budget. The Council present the outturn reports, discussed extensively in Section 6 of this report. The information in these reports is presented effectively. The reports focus appropriately on the directorate level budget spend which is of interest to and relevant for the leadership team. The leadership team receive an appropriate level of information in order to effectively make decisions.

Appendix A - Evidence used in this review

We have used the following sources of evidence to support our findings. These are linked to references set out throughout the report.

¹ <https://www.lincolnshire.gov.uk/corporate-plan>

² Financial Management Code (CIPFA, 2019, p. 17)

³ Financial Management Code (CIPFA, 2019, p. 17)

⁴ <https://lincolnshire.moderngov.co.uk/documents/s52885/4.0%20Audit%20Committee%20report%20-%20Draft%20Statement%20of%20Accounts%202021-22.pdf>

⁵ <https://lincolnshire.moderngov.co.uk/ieListDocuments.aspx?CId=650&MId=8522&Ver=4&Info=1>

⁶ <https://lincolnshire.moderngov.co.uk/mgListCommittees.aspx?bcr=1>

⁷ Michelle's email – embedded



RE Query -

Management Structur

⁸ Financial Management Code: Guidance Notes (CIPFA, 2020, p. 18)

⁹ Financial Management Code: Guidance Notes (CIPFA, 2020, p. 18)

¹⁰ <https://lincolnshire.moderngov.co.uk/ieListDocuments.aspx?CId=650&MId=8522&Ver=4&Info=1>

¹¹ <https://lincolnshire.moderngov.co.uk/documents/g8522/Public%20reports%20pack%2009th-Dec-2022%20Constitution.pdf?T=10&Info=1>

¹² Email from Michelle – embedded



RE Contact -

Democratic Services C

¹³ <https://lincolnshire.moderngov.co.uk/documents/g8522/Public%20reports%20pack%2009th-Dec-2022%20Constitution.pdf?T=10&Info=1>

¹⁴ <https://lincolnshire.moderngov.co.uk/documents/g8522/Public%20reports%20pack%2009th-Dec-2022%20Constitution.pdf?T=10&Info=1>

¹⁵ <https://www.lincolnshire.gov.uk/corporate-plan>

¹⁶ <https://lincolnshire.moderngov.co.uk/documents/s56086/Corporate%20Success%20Framework%202023-24%20O3.pdf>

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¹⁸ ibid

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²⁰ ibid

²¹ <https://lincolnshire.moderngov.co.uk/documents/s55835/7%20Appendix%201%20-%20Corporate%20Plan%20Success%20Framework%202023-24%20O3.pdf>

²²

<https://lincolnshire.moderngov.co.uk/documents/s54506/5.0%20Appendix%20C%20Lincolnshire%20County%20Council%20-%20VFM%20Progress%20Report%202021-22.pdf>

²³ <https://lincolnshire.moderngov.co.uk/documents/s52885/4.0%20Audit%20Committee%20report%20-%20Draft%20Statement%20of%20Accounts%202021-22.pdf>

24

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²⁵ *Financial Management Code: Guidance Notes* (CIPFA, 2020, p. 20)

²⁶ See endnote 7

²⁷ Confirmed via interview with Andrew Crookham – see interview notes within file

²⁸ <https://lincolnshire.moderngov.co.uk/documents/g8522/Public%20reports%20pack%2009th-Dec-2022%20Constitution.pdf?T=10&Info=1>

²⁹ *Lessons from Public Interest Reports and other interventions: Part II* (Grant Thornton, September 2022)

³⁰ Email from Michelle – embedded



**RE CIPFA FM Code
Review - Queries arise**

³¹ *ibid*

³²

<https://lincolnshire.moderngov.co.uk/documents/s39982/CIPFA%20Financial%20Management%20FM%20Code%20Appendix%20A.pdf>

³³ Confirmed via interview with Andrew Crookham – see interview notes within file

³⁴ [Council's historic governance issues symptomatic of wider sector problems | Public Finance](#)

³⁵ <https://lincolnshire.moderngov.co.uk/ielistDocuments.aspx?Cid=650&Mid=8522&Ver=4&Info=1> p. 7

³⁶ <https://lincolnshire.moderngov.co.uk/ielistDocuments.aspx?Cid=650&Mid=8522&Ver=4&Info=1>

³⁷ <https://lincolnshire.moderngov.co.uk/ielistDocuments.aspx?Cid=650&Mid=8522&Ver=4&Info=1> p. 241

³⁸ <https://lincolnshire.moderngov.co.uk/ielistMeetings.aspx?Cid=650&Info=1>

³⁹ Confirmed via interview with Lucy Pledge

⁴⁰ <https://lincolnshire.moderngov.co.uk/documents/s54468/Appendix%20A%20-%20Updated%20Statement%20of%20Accounts%20202122.pdf> pg. 228

⁴¹ *Financial Management Code* (CIPFA, 2019, p. 21)

⁴² *Lessons from Public Interest Reports and other interventions: Part II* (Grant Thornton, September 2022)

⁴³ <https://lincolnshire.moderngov.co.uk/documents/s54468/Appendix%20A%20-%20Updated%20Statement%20of%20Accounts%20202122.pdf>

⁴⁴ *Audit Committees: Practical Guidance for Local Authorities and Police* (2018 Edition), (CIPFA, 2018, p. 40)

⁴⁵ *Audit Committees: Practical Guidance for Local Authorities and Police* (2018 Edition), (CIPFA, 2018, p. 40)

⁴⁶ <https://lincolnshire.moderngov.co.uk/mgCommitteeDetails.aspx?ID=133>

⁴⁷ [CIPFA survey of audit committees in LAs and police | CIPFA](#)

⁴⁸ *Audit Committees: Practical Guidance for Local Authorities and Police* (2018 Edition), (CIPFA, 2018, p. 40)

⁴⁹ <https://lincolnshire.moderngov.co.uk/mgCommitteeDetails.aspx?ID=133>

⁵⁰ <https://lincolnshire.moderngov.co.uk/documents/g8522/Public%20reports%20pack%2009th-Dec-2022%20Constitution.pdf?T=10&Info=1> pg.

⁵¹ *Audit Committees: Practical Guidance for Local Authorities and Police* (2018 Edition), (CIPFA, 2018, p. 40)

⁵² *Audit Committees: Practical Guidance for Local Authorities and Police* (2018 Edition), (CIPFA, 2018, p. 5)

⁵³ *Audit Committees: Practical Guidance for Local Authorities and Police* (2018 Edition), (CIPFA, 2018, p. 5)

⁵⁴

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⁵⁵

<https://lincolnshire.moderngov.co.uk/documents/s55562/Draft%20Audit%20Committee%20Annual%20Report%202022.pdf>

⁵⁶ <https://lincolnshire.moderngov.co.uk/ielistDocuments.aspx?CId=133&MId=6122&Ver=4>

⁵⁷ <https://lincolnshire.moderngov.co.uk/documents/s52886/4.0A%20DRAFT%20-%20Statement%20of%20Accounts%202021-22.pdf>

⁵⁸ <https://lincolnshire.moderngov.co.uk/documents/s52886/4.0A%20DRAFT%20-%20Statement%20of%20Accounts%202021-22.pdf> p. 213

⁵⁹ *Audit Committees: Practical Guidance for Local Authorities and Police* (2018 Edition), (CIPFA, 2018, p. 11)

⁶⁰ <https://lincolnshire.moderngov.co.uk/documents/s55677/Appendix%20A%20-%20Draft%20-%20Audit%20Committee%20Annual%20Report%202022.pdf>

⁶¹ <https://lincolnshire.moderngov.co.uk/documents/s55677/Appendix%20A%20-%20Draft%20-%20Audit%20Committee%20Annual%20Report%202022.pdf> p. 8

⁶²

<https://lincolnshire.moderngov.co.uk/documents/s53716/Risk%20Management%20Progress%20Report%20-%20September%202022.pdf>

⁶³ *Audit Committees: Practical Guidance for Local Authorities and Police* (2018 Edition), (CIPFA, 2018, p. 14)

⁶⁴ <https://lincolnshire.moderngov.co.uk/ielistDocuments.aspx?CId=133&MId=6122&Ver=4>

⁶⁵ https://lincolnshire.moderngov.co.uk/documents/s52889/5.0A%20Appendix%20A%20-%20Internal%20Audit%20Annual%20report%202022%20Final_.pdf

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⁶⁷

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⁶⁹ *Financial Management Code* (CIPFA, 2019, p. 3)

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⁷¹

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⁷²

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⁷³ *Financial Management Code: Guidance Notes* (CIPFA, 2020, p. 46)

⁷⁴

<https://lincolnshire.moderngov.co.uk/documents/s55606/Appendix%20G%20Medium%20Term%20Financial%20Strategy%202023-24.pdf> pg. 21

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⁷⁸ *Building Financial Resilience: Management Financial Stress in Local Authorities* (CIPFA, 2018)

⁷⁹ <https://www.cipfa.org/services/financial-resilience-index/resilience-index>

⁸⁰ <https://lincolnshire.moderngov.co.uk/documents/g7365/Public%20reports%20pack%2017th-Feb-2023%2010.00%20Council.pdf?T=10>

⁸¹ *ibid*

⁸² *ibid*

⁸³ *ibid*

⁸⁴ <https://lincolnshire.moderngov.co.uk/documents/s52885/4.0%20Audit%20Committee%20report%20-%20Draft%20Statement%20of%20Accounts%202021-22.pdf>

⁸⁵ *ibid*

⁸⁶

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⁸⁷ <https://lincolnshire.moderngov.co.uk/documents/s55766/Appendix%20A%20-%20Budget%20Book%202023-24.pdf>

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<https://lincolnshire.moderngov.co.uk/documents/s55606/Appendix%20G%20Medium%20Term%20Financial%20Strategy%202023-24.pdf>

⁸⁹ *Financial Management Code: Guidance Notes* [CIPFA, 2020]

⁹⁰ *Financial Management Code: Guidance Notes* [CIPFA, 2020, p. 50]

⁹¹ *Financial Management Code* [CIPFA, 2019, p. 49]

⁹² *Financial Management Code: Guidance Notes* [CIPFA, 2020, p. 49]

⁹³

<https://lincolnshire.moderngov.co.uk/documents/s52555/Review%20of%20Financial%20Performance%202021-22.pdf>

⁹⁴ *ibid*

⁹⁵ *ibid*

⁹⁶ *Financial Management Code: Guidance Notes* [CIPFA, 2020, p. 51]

⁹⁷

<https://lincolnshire.moderngov.co.uk/documents/s40386/Review%20of%20Financial%20Performance%202020-21.pdf>

⁹⁸

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¹⁰⁴

<https://lincolnshire.moderngov.co.uk/documents/s55606/Appendix%20G%20Medium%20Term%20Financial%20Strategy%202023-24.pdf>

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<https://lincolnshire.moderngov.co.uk/documents/s39982/CIPFA%20Financial%20Management%20FM%20Code%20Appendix%20A.pdf>

¹⁰⁷ *Financial Management Code* (CIPFA, 2019, p. 25)

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¹⁰⁹ <https://www.lincolnshire.gov.uk/corporate-plan>

¹¹⁰ *Financial Management Code: Guidance Notes* (CIPFA, 2020, p. 62)

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¹¹² *ibid*

¹¹³

<https://lincolnshire.moderngov.co.uk/documents/s52555/Review%20of%20Financial%20Performance%202021-22.pdf>

¹¹⁴ <https://lincolnshire.moderngov.co.uk/documents/g7365/Public%20reports%20pack%2017th-Feb-2023%2010.00%20Council.pdf?T=10>

¹¹⁵ *Financial Management Code: Guidance Notes* (CIPFA, 2020, p. 66)

¹¹⁶ <https://lincolnshire.moderngov.co.uk/documents/s55766/Appendix%20A%20-%20Budget%20Book%202023-24.pdf>

¹¹⁷ *Financial Management Code: Guidance Notes* (CIPFA, 2020, p. 68)

¹¹⁸

<https://lincolnshire.moderngov.co.uk/documents/s50798/Options%20for%20the%20Future%20Delivery%20of%20Corporate%20Support%20Services.pdf>

¹¹⁹ <https://lincolnshire.moderngov.co.uk/documents/s54468/Appendix%20A%20-%20Updated%20Statement%20of%20Accounts%20202122.pdf>

¹²⁰ <https://lincolnshire.moderngov.co.uk/documents/s55766/Appendix%20A%20-%20Budget%20Book%202023-24.pdf> p. 29

¹²¹ *Financial Management Code: Guidance Notes* (CIPFA, 2020, p. 85)

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<https://lincolnshire.moderngov.co.uk/documents/s39982/CIPFA%20Financial%20Management%20FM%20Code%20Appendix%20A.pdf>

¹²³ <https://lincolnshire.moderngov.co.uk/documents/s55599/Council%20Budget%202023%20-%202024.pdf>

¹²⁴ *Financial Management Code: Guidance Notes* (CIPFA, 2020, p. 87)

¹²⁵ <https://lincolnshire.moderngov.co.uk/documents/s55599/Council%20Budget%202023%20-%202024.pdf>

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<https://lincolnshire.moderngov.co.uk/documents/s54505/5.0%20Appendix%20B%20Current%20Audit%20Findings%20Report%20Lincolnshire%20County%20Council%202021-22.pdf>



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

Report to:	Audit Committee
Date:	24th July 2023
Subject:	Internal Audit Progress Report 2023/2024

Summary:

The purpose of this report is to provide the audit committee with details of the audit work completed to 1st July 2023, information on delivery progress and raise any matters of relevance.

Recommendation(s):

1. That the July progress report be noted for its revised format and content.
2. Progress and delivery be noted and any actions that need to be taken.

Background & Context

The Internal Audit progress report covers the work delivered by the audit function between 1st April and the 1st July 2023. It shares the revised format that future progress reports will take and gives examples of the information to be included as the IAP delivery continues. This will enable the committee to have continued oversight and knowledge using consistent and pertinent information from the audit work delivered.

Conclusion

The audit work delivered to date is aligned with plan expectations and on track for the end of quarter two.

Appendices

These are listed below and attached at the back of the report

Appendix A	Internal Audit Progress Report Quarter 1 2023/2024
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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 Claire Goodenough Head of Internal Audit & Risk, who can be contacted via claire.goodenough@lincolnshire.gov.uk.

Internal Audit Progress Report – July 2023

The Head of Internal Audit is required to provide a written status report to Senior Management and the Board, summarising internal audit activity.

4th July 2023 Version 1.1

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If applicable:	
Appendix 1 – Overdue high priority actions	N/A
Appendix 2 – Overdue medium/low priority actions.....	N/A

Role of Internal Audit

The requirement for an internal audit function in local governance is detailed within the Accounts and Audit (England) Regulations 2015, which states that a relevant body must:

'Undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards and guidance.'

The standards for 'proper practices'; are laid down in the Public Sector Internal Audit Standards [the Standards -updated 2017].

The role of internal audit is best summarised through its definition within the Standards, as an:

Independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes'.

The County Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Country Council that these arrangements are in place and operating effectively.

The County Council's response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisation's objectives.

The Purpose of the Report

In accordance with the proper internal audit practices (Public Sector Internal Audit Standards), and the Internal Audit Charter, the Head of Internal Audit is required to provide a written status report to Senior Management and the Board summarising:

- the status of live internal audit reports.
- an update on progress against the internal audit plan.
- a summary of internal audit performance, planning and resourcing issues; and
- a summary of significant issues that impact of the Head of Internal Audits annual opinion.

From June 2023, internal audit reviews culminate in a revised opinion rating on the assurance that can be placed on the effectiveness of the framework of risk management, control and governance designed to support the achievement of management objectives of the service area under review. Assurance opinions are categorised as follows:

Substantial	A reliable system of governance, risk management and control exist, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Adequate	There is a generally reliable system of governance, risk management and control in place. Some issues of non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.

Limited	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control are inadequate to effectively manage risks in the achievement of the objectives for the area audited.

This is a change to the assurance categorisation used during 2022/2023.

The revised ratings align with terminology widely used across the public sector. They also provide greater less subjective definitions and improved understanding for areas of non-compliance or in monitoring the work required for any fundamental deficiency identified.

Performance Dashboard

Figure 1

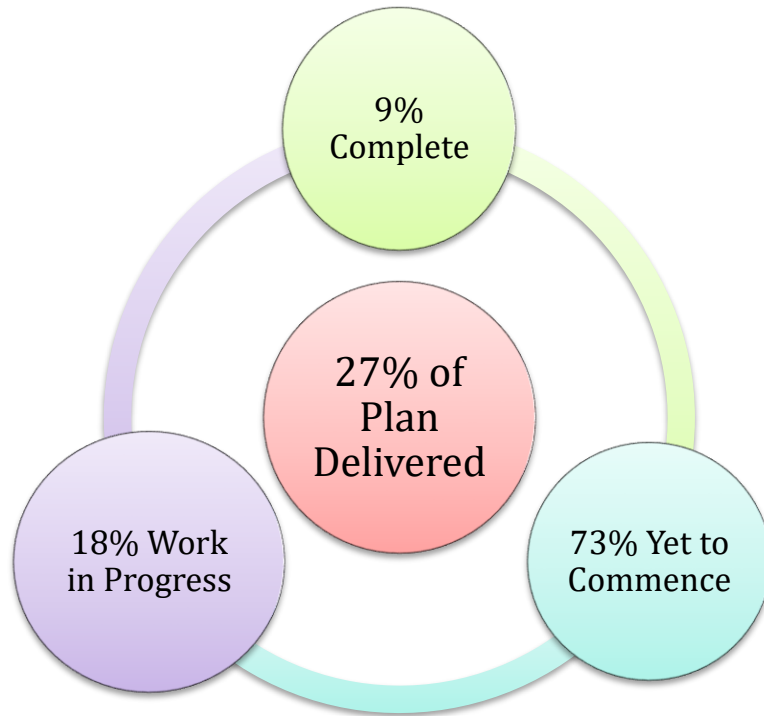
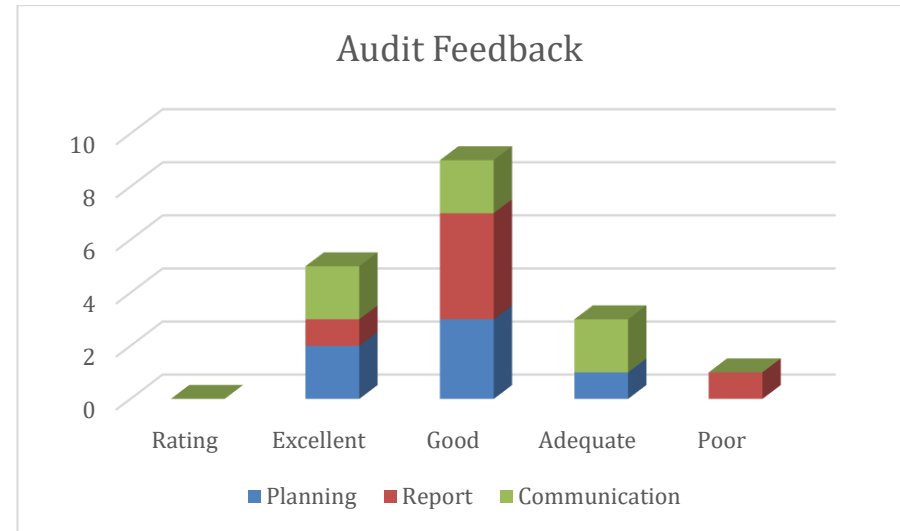


Figure 1 shows the completion of the internal audit plan to date. The team has been introduced to individually planning audit reviews to support timely delivery and reporting. Line managers are involved in the oversight of delivery plans for each audit and responsible for delivery on milestone agreed during the planning stage. The audit managers are responsible for the effective and timely delivery of their audit plans across the service.

Figure 2 shows an example of the feedback received from all clients for work completed. There is an expectation that all clients will provide feedback on their audit experience with the team. The results of audit feedback will be used by managers in developing team and individual improvements as well as to inform training requirements and quality learning across the entire audit team.

Figure 2



Update on Internal Audit Activity

Since January 2023, the incoming Head of Internal Audit has undertaken an evaluation of the resource levels, audit delivery/understanding skills and organisation routines. Several developments have arisen because of this evaluation. These have been staged into the audit strategy for the coming three years. Year one, 2023/2024, includes the development and delivery of essential training. This development programme was designed to improve audit seniors and officers understanding for each topic of internal audit, as shown in figure three.

Most of the training has been designed and delivered by the Head of Internal Audit directly. The delivery of this essential work resulted in a pause to the internal audit work across all clients, including Lincolnshire County Council. Internal audit assurance work recommenced from 1st June 2023 with revised routines and processes in place for the seven areas of internal audit shown in figure three.

An improvement strategy for the current year has been shared and understood across the team. Initial feedback from much of the IA team has reported as being received with welcome enthusiasm. Audit colleagues are now turning their attention to delivering internal audit reviews using the revised methodology, communications, timescales, reporting and quality assurance.

Audit managers will take ownership for the quality assurance, sufficiency and timely delivery of each audit review. The final



Figure 3

assurance rating will be awarded by the Head of Internal Audit to ensure consistency and validity in the decision.

The improvement journey will continue throughout 2023/2024 and be developed further in subsequent years. Details will follow annually.

A review of available resources identified a lack of capacity to provide adequate delivery. Changes to the leadership team from 1st August, will support more effective and specialist delivery throughout risk management, counter fraud and internal audit. A recruitment campaign has been approved and is underway to further investment in the team and provide sufficient delivery resource, to meet statutory obligations. Recruitment of internal audit professionals continues to be a challenge with experienced auditors and IT specialists being in high demand with significantly less

numbers entering the professional pipeline. The recruitment priority is to the LCC team.

Investment in attribute recruitment is a sensible progress route which requires significant input from leaders to develop their knowledge, confidence and experience. Currently the team has a lower number of qualified auditors than would be expected, resulting in this being a key area for future development and investment.

Analysis of Audit Reviews

Below is an example of the analysis to be shared with the committee at each progress report. It will show the audits in progress and completed along with any overdue management actions. This approach will provide the committee with oversight of assurance ratings, areas of non-agreement and implementation progress for actions to improve. The report will also show the aggregated difference since the previous report.

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Total Management Actions	Not Accepted	Not Yet Due	Completed	Overdue				
								High	Medium	Low	Critical	
Green Master Plan		Place										
Home School Transport		Place										
TOTAL								1	4	12	0	
Overdue Management Actions - Direction of Travel since previous Progress Report								+1	+4	+12	0	

Executive Summaries of ‘Limited’ or ‘No’ Assurance Opinions

This section will share the number of limited or no assurance reports published since the last progress report. As there are no reports published with this assurance rating, the table below is an example only.

Audit Review Title: EXAMPLE GREEN MASTER PLAN			
Audit Sponsor	Assurance Opinion	Management Actions	
Executive Director of Place	Adequate	Low 6	High 0
Summary of Key Observations:			
The review was undertaken following a recent thematic audit and focused on the operation of the XXXXXXX. This section will outline a summary of the observations and include any management updates and progress agreed at the time of publication.			

Audit Review Title: EXAMPLE CORONARY SERVICES			
Audit Sponsor	Assurance Opinion	Management Actions	
Executive Director of Adult Care and Community Wellbeing	Limited	Low 4	High 4
Summary of Key Observations:			
As part of the internal audit plan for 2023/24, audit have undertaken a review of the processes in place to XXXXXXXX. This section will outline a summary of the observations and include any management updates and progress agreed at the time of publication.			

Planning and Resourcing

Due to the continuing challenges and uncertainties, presented by the pandemic and the recruitment of internal audit professionals, initial planning for 2023/2024 will focus on delivery from an indicative plan which can be delivered with the current resource. This will enable the plan to respond to any successful recruitment and develop as the benefits of the training programme are realised. Details of recruitment, resource impacts and utilisation of resources will be shared in this section.

Quarter 1 work has mainly focused on resetting the requirements, expectations and sharing internal audit training across the team. Several audit reviews scheduled for 2022/2023 had not been delivered because of the reduced resource availability. As the internal audit plans develop through the next three years, the work programme will contain an overview of all work delivered and its stage in delivery.

Section 7 shares an update on the delivery programme for Council audits. This will include audit assignments from 2022/23 and into 2023/2024. The report will hold a maximum of two years of internal audit work to allow the progress and delivery to be monitored. As there has been a change to the assurance ratings applied to assurance work from 2023/2024, the equivalent updated rating has been included for 2022/2023.

Rolling Work Plan

Audit Review	Audit Sponsor	Scoping	Audit Objective	Fieldwork	Draft Report	Final Report	Assurance Opinion or Equivalent
ASSURANCE WORK 2022/2023							
Capital Project Decision Making Process	Executive Director Resources	✓	✓	✓	27/02/2023	03/04/2023	Substantial/Adequate
Allocation of COVID Business Grants	Executive Director Resources	✓	✓	✓	02/03/2023	06/03/2023	Substantial/Adequate
Good Governance	Executive Director Resources	✓	✓	✓	23/06/2023		Substantial/Adequate
Low Value Highways Insurance Claims	Executive Director Resources	✓	✓	✓	26/10/2022	21/11/2022	Substantial/Adequate

Adults Financial Assessments	Executive Director Adult Care & Community Wellbeing	✓	✓	✓	27/03/2023	25/05/2023	Substantial/Adequate
Corporate Plan and Success Framework	Chief Executive Officer	✓	✓	✓	27/03/2023	17/04/2023	Substantial/Adequate
ICT Microsoft Office 365 Security	Executive Director Resources	✓	✓	✓	28/10/2022	08/12/2022	Substantial/Adequate
Insurance	Executive Director Resources	✓	✓	✓	31/03/2023	04/04/2023	High/Substantial
Debtors	Executive Director Resources	✓	✓	✓	04/05/2023		Substantial/Adequate
Bank Reconciliations	Executive Director Resources	✓	✓	✓	06/03/2023	10/04/2023	Substantial/Adequate
GRANT WORK 2022/2023							
Supporting Families 1	Executive Director Resources						Complete
Substance Misuse Grant	Executive Director Resources						Complete
Bus Services Operator Grant	Executive Director Resources						Complete
Supporting Families 2	Executive Director Resources						Complete
Supporting Families 3	Executive Director Resources						Complete

Audit Review	Audit Sponsor	Scoping	Audit Objective	Fieldwork	Draft Report	Final Report	Assurance Opinion or Equivalent
ASSURANCE WORK 2023/2024							
Green Master Plan	Executive Director Place	✓	✓	✓	✓		Adequate
Home School Transport	Executive Director Place	✓	✓	In Progress			
Supporting Families 1	Executive Director Resources	✓	✓	✓	✓	✓	Adequate



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

Report to:	Audit Committee
Date:	24th July 2023
Subject:	Internal Audit Plan 2023/2024

Summary:

The risk based internal audit plan for 2023/2024 is presented to the Audit Committee for approval. The annual plan aims to provide assurance across areas of risk risk/priority for the Council. It considers governance, risk, internal control and current assurance arrangements. Delivery of the plan also informs the Head of Internal Audit opinion.

Recommendation(s):

1. That the 2023/2024 Internal Audit Plan (IAP) be approved – subject to comments/amendments from the Audit Committee.

Background & Context

The **Internal Audit Plan** has been developed with consideration of the key risks and priorities identified for the current year. It is a statement of intent and may be revised and updated during the year to ensure it responds to, and meets, any changing needs.

Significant work has been delivered to reset team understanding and expectation of planning and delivery work. This work has the intention of improving the quality of audit reports and the depth and breadth of work delivered to meet the risks and priorities identified, shared and discussed with directorate leadership. Work continues to formalise the amendments to the quality framework and working protocols. Each of these will support audit's conformance with best practice, professional standards and deliver added value and insight throughout delivery.

The work delivered during 2023/2024 will act as a base review to provide the Head of Audit with oversight and awareness of governance, compliance, strength of controls and key risk management in operation across each of the Directorates. The Head of Audit deems this work programme sufficient in its depth and breadth to inform the Head of Audit Annual opinion for 2023/2024.

The **Audit Charter** has been slightly revised, to fall in line with the Institute of Internal Auditors' latest model. Following a significant change to an internal audit service, it is good practice to review the Charter.

The Charter sets out the purpose, authority and responsibility expected from and to the audit service. The revised Charter is shared with all external clients. These include:

- North Kesteven District Council
- West Lindsey District Council
- South Kesteven District Council
- South Holland District Council
- East Lindsey District Council
- Boston Borough Council
- Lincolnshire Schools and Academies

Conclusion

For the Audit Committee to confirm these arrangements are effective and will provide senior management and the Audit Committee with independent insight into the effectiveness of the control environment and how well the assurance arrangements work in practice. The delivery of a risk-based IAP is essential in ensuring the probity and sufficiency of these systems.

Consultation

Risks and Impact Analysis

N/A

Appendices

These are listed below and attached at the back of the report	
Appendix A	Internal Audit Plan 2023/2024
Appendix B	The Internal Audit Charter 2023 onwards

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 Claire Goodenough Head of Internal Audit & Risk, who can be contacted via claire.goodenough@lincolnshire.gov.uk.

Internal Audit Plan 2023/2024

July 2023 Version 1.1



Appendix A

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Introduction

The Role of Internal Audit

The role of internal audit is that of an:

Independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.'

The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively.

The Council's response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisation's objectives.

The aim of internal audit's work programme is to provide independent and objective assurance to management, in relation to the business activities, systems and/or processes under review that:

- the framework of internal control, risk management and governance is appropriate and operating effectively; and

- risk to the achievement of the Council's objectives is identified, assessed, and managed to a defined acceptable level.

The internal audit plan provides the mechanism through which the Head of Internal Audit can ensure most appropriate use of internal audit resources to provide a clear statement of assurance on risk management, internal control, and governance arrangements.

Internal audit focus should be proportionate and appropriately aligned. The plan will remain fluid and subject to on-going review and amendment, in consultation with the relevant audit sponsors, to ensure it continues to reflect the needs of the Council. Amendments to the plan will be identified through continued contact and liaison with those responsible for the governance of the Council.

Your Internal Audit Team

Your internal audit service is led by Claire Goodenough, supported by Sara Jackson, Matt Waller, and Stacey Richardson as Audit Managers. The team is separated into delivery strands covering LCC, schools and academies and with five external clients. The LCC and schools team comprises of Sara Jackson, four principal auditors and is supported by several audit seniors and one officer. There is currently one vacancy at principal level and two at senior. Audit resource has been removed from client delivery to focus on the LCC delivery and our statutory obligations.

Conformance with Internal Auditing Standards

The internal audit team is designed to conform to Public Sector Internal Audit Standards (PSIAS). Under the PSIAS there is a requirement for audit services to have an external quality assessment every five years. In February 2022, the CIPFA were commissioned to complete an external quality assessment of the Internal Audit Team at Lincolnshire County Council (Assurance Lincolnshire) against the PSIAS, Local Government Application Note and the International Professional Practice Framework.

In their consideration of the evidence presented, the external assessment team concluded:

“Assurance Lincolnshire partnership’s self-assessment is accurate and as such we conclude that they FULLY CONFORM to the requirements of the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note.”

Conflicts of Interest

The internal audit team are not aware of any relationships that may affect the independence and objectivity of the team which are required to be disclosed under internal auditing standards. “

Corporate Plan

The Corporate Plan for Lincolnshire County Council sets out four key ambitions for what they want to achieve for residents and communities.

These ambitions are:

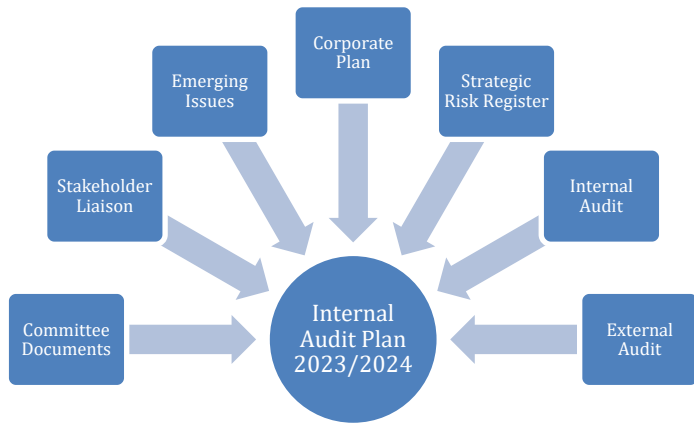
- support high aspirations;
- enable everyone to enjoy life to the full;
- create thriving environments; and
- provide good value council services.

The corporate plan acts as a framework for the Council to operate in a way that means they are clear on their ambitions.

The ambitions are underpinned by a range of projects they will achieve to secure their performance. The success framework is supported by key performance indicators to demonstrate performance of services and key projects in Lincolnshire.

Developing the Internal Audit Plan 2023/2024

Internal audit used various sources of information and data to inform the development of the internal audit plan.



In determining the areas of work covered by the internal Audit team, various sources of information (figure 1) and discussion have taken place. These have involved the following groups:

- Executive Leadership Team
- Assistant Directors
- Other Key Stakeholders
- Governance Group.

Figure 1

In accordance with the Public Sector Internal Audit Standards there is a requirement that internal audit establish a risk-based audit plan to determine the resourcing of the internal audit service, consistent with the organisation's goals.

To ensure internal audit focus remains timely and relevant to the changing needs and requirements of the organisation, the audit team has moved to a two-stage planning process. This report contains proposed internal audit coverage during quarters one and two with indicative coverage included for quarters three and four. Any amendments to the indicative delivery will be shared with the committee and senior management because of the risk-based approach.

The Council are reminded that internal audit is only one source of assurance and through the delivery of our plan we will not, and do not, seek to cover all risks and processes within the organisation. Internal audit will continue to work closely with other assurance providers to ensure that duplication is minimised, and a suitable breadth of assurance is obtained.

Internal Audit Plan 2023/24

Audit Review	Audit Sponsor	Potential Scope	Risk Link	Link to Corporate Plan	Proposed Timing
Green Master Plan	Executive Director Place	Governance, reporting, oversight and resource allocation around base data, the carbon master plan, use and availability of resources, communications, ownership, profile and priority.		Create thriving environments	Q1
Supporting Family Grants 1	Executive Director Resources	Assurance over figures provided to the Department of Levelling Up, Housing and Communities (DLUHC) relating to the Supported Families grant claims covering accuracy, eligibility, evidence and validity.			Q1
Home School Transport	Executive Director Place	Assurance over delivery of service against policy and assessment of student needs against procedure.	Inflation	Enable everyone to enjoy life to the full	Q2
Emergency Planning/Business Continuity	Executive Director Adult Care and Wellbeing	Scrutiny and adequacy of departmental plans, wider understanding of business continuity from departmental perspective.	Resilience		Q2/3
Supporting Family Grants 2	Executive Director Resources	Assurance over figures provided to the Department of Levelling Up, Housing and Communities (DLUHC) relating to the Supported Families grant claims covering accuracy, eligibility, evidence and validity.			Q2/3

Audit Review	Audit Sponsor	Potential Scope	Risk Link	Link to Corporate Plan	Proposed Timing
Contract & Commissioning	Executive Director Resources	Assurance over the alignment of the procurement framework with the commercial strategy. Utilisation of the contract register in the oversight and management of value for money, efficiency and economies of scale.		Providing good value council services	Q3
Business World	Executive Director Resources	Overview of key internal controls covering payroll, HR administration, external behaviours and training application.	Key Controls	Providing good value council services	Q3-Q4
Supporting Family Grants 3	Executive Director Resources	Assurance over figures provided to the Department of Levelling Up, Housing and Communities (DLUHC) relating to the Supported Families grant claims covering accuracy, eligibility, evidence and validity.			Q3/4
Social Work Assessment	Executive Director Adult Care and Wellbeing	Assurance over the care assessments procedures and processes and the use of charity and voluntary sectors to support with dependency.	Safeguarding Adults	Enable everyone to enjoy life to the full	Q3
Sickness Absence Management	Executive Director Resources	Assurance over the application of sickness absence policy for the management, reporting and delivery across a sample of directorates and services.		Providing good value council services	Q3
Coroner Services	Executive Director Adult Care and Wellbeing	Utilising of additional financial investment to improve systems and processes to improve efficiency		Providing good value council services	Q4

Audit Review	Audit Sponsor	Potential Scope	Risk Link	Link to Corporate Plan	Proposed Timing
Contingency	TBD	Supportive and proactive work required by audit sponsors from priority changes and risk arising in the year 2023/24			Q3/4
Follow Up and Evidence Call Work	TBD	Responding to limited and no assurance work delivered to ensure progress and satisfactory action implementation.		Providing good value council services	Q3/4

Audit Sponsors

Chief Executive
Debbie Barnes

Deputy Chief Executive
Andrew Crookham

Executive Director Place
Andy Gutherson

Executive Director of Children's Services
Heather Sandy

Executive Director of Adult Care and Community Wellbeing
Glen Garrod

Director of Public Health
Derek Ward

Executive Director of Resources
Andrew Crookham



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

Report to:	Audit Committee
Date:	24 July 2023
Subject:	Counter Fraud Work Plan 2023/24

Summary:

This report provides the Committee with information on the proposed counter fraud activities for 2023/24 and draft Counter Fraud Work Plan.

Recommendation(s):

1. To review and approve the Counter Fraud Work Plan for 2023/24.

Background

The Counter Fraud Plan for 2023/24 is designed to deliver a tough response to fraud committed against local authorities in Lincolnshire. The draft work plan (Appendix A) is aligned to best practice guidance for countering fraud and corruption.

Conclusion

The Audit Committee plays a key role in monitoring the effectiveness of Counter Fraud arrangements. In considering the proposed Counter Fraud work plan the Committee should be able to:

- Gain assurance that the Council has effective arrangements in place to fight fraud locally
- Confirm that counter fraud resources are targeted to the Council's key fraud risks.

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 Work Plan 2023/24

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 Claire Goodenough, Head of internal Audit & Risk who can be contacted by email at Claire.Goodenough@lincolnshire.gov.uk.

Counter Fraud 2023/24 Work Plan



Lincolnshire County Council
July 2023

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Delivering the plan

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A – Draft Counter Fraud Plan

The contacts at Assurance Lincolnshire are:

Claire Goodenough

Head of Audit and Risk Management

Claire.goodenough@lincolnshire.gov.uk

Dianne Downs

Internal Audit Team Manager

Dianne.downs2@lincolnshire.gov.uk

The Planning Process

Introduction

This report sets out proposed work of the Counter Fraud and Investigation Team for 2023/24. The aim is to give you a high-level overview of the activities we are likely to cover during the year, with indicative scope for each theme. The draft plan gives you an opportunity to comment on the plan and the priorities that we have established.

Our plan has been developed as a statement of intent to enable us to respond to changes during the year. Whilst every effort will be made to deliver the plan, we recognise that we need to be flexible and prepared to revise activity, responding to changing circumstances or emerging risks, working within agreed resources.

The Council's counter fraud arrangements are being reviewed and updated to demonstrate commitment to strong governance and best use of resources.

Our response to Central Government's expectations for tackling fraud and corruption is reflected in the plan. It is important that we maintain our counter fraud response and resilience as the changes to the Council's service delivery continue to evolve.

Background

The Audit Committee provides oversight on the effectiveness of the Council's counter fraud arrangements – including the progress and delivery of this work plan. We provide Progress Reports during the year and an Annual Report on the outcome of our work.

Our annual Counter Fraud Report for 2022/23 delivered to the June 2023 Audit Committee,

highlighted staffing challenges in the Council's counter fraud service. Resources had been targeted towards reactive investigations, with less capacity to focus on proactive counter fraud and anti-corruption activities.

The risk of fraud against the public purse is ever present and a growing threat. We accepted that there was a clear need to boost our counter fraud arrangements, so that the Council remains able to effectively manage the risks of fraud and corruption at the Council.

Developing the plan

The Government has published a Local Government Counter Fraud and Corruption Strategy – 'Fighting Fraud and Corruption Locally' (FFCL). The Strategy is supported by the CIPFA's Code of Practice for Managing the Risk of Fraud, providing a blueprint for a tough response to fraud committed against local authorities.

The Council's counter fraud arrangements are being refreshed so that they continue to adhere to the principles and specific areas expected and identified in the CIPFA Code of Practice and response to recommendations from FFCL.

To ensure that the plan reflects key areas, we have aligned the 2023/24 Counter Fraud plan to the CIPFA Code's 5 key principles:

- Acknowledge responsibility
- Identify risks
- Develop Strategy
- Provide resources
- Take action

This includes early focus on setting the 'tone from the top', continued pro-active work to prevent and detect fraud, and resource for investigation when fraud is suspected.

Delivery and Focus

Delivering the Plan

We will focus on CIPFA Principles A-D during the first few months of our plan. This means we can establish a solid foundation so that future activity can be more effective and better targeted for maximum impact. Appendix A sets out a detailed work plan.

Strategic Aims

We have set out proposals to counter fraud and corruption:

- Deliver proactive fraud prevention and detection work across LCC whilst undertaking investigations in a timely and efficient manner.
- Develop effective communication with managers, keeping them appropriately informed of progress and areas of further review.
- Shift of focus from large investigation

towards value added and enhancing work.

- Intelligence gathering and sharing of fraud risks to feed into audits and wider risk management.

We intend to translate this into a short policy statement for the Council, that can be communicated widely.

Allocation of Counter Fraud Resources

It will be necessary to boost the Council’s resources available for Counter Fraud and Investigations, so that we can deliver these proposals set out in this plan. Current arrangements are set out at Figure 1. below. Limited investigator resource means that until further investigators are recruited, the Principal Auditor will continue to support with investigations.

We expect to increase investigation resource, and revised proposals are shown at Figure 2.

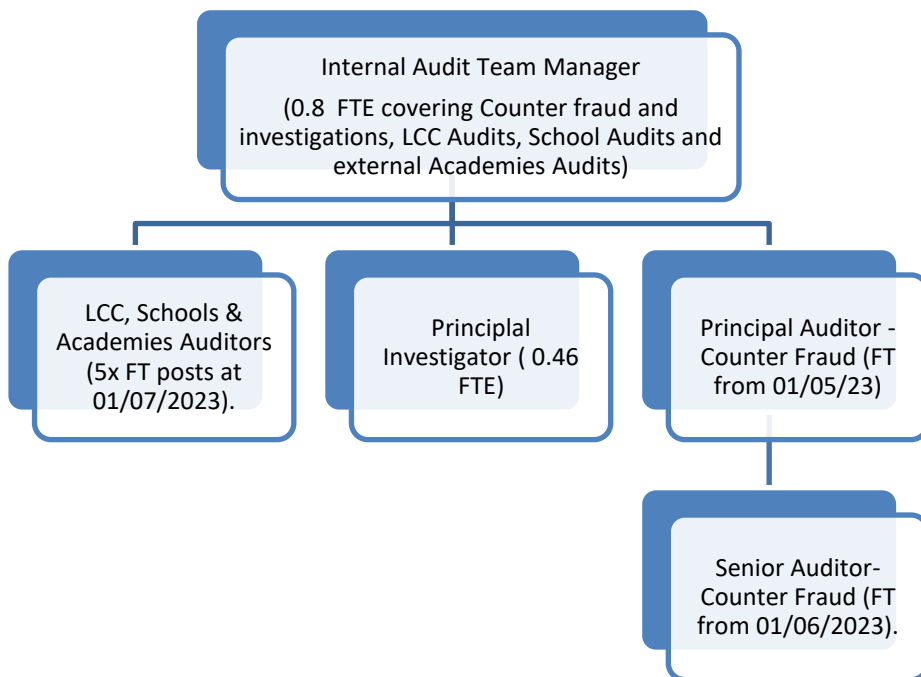


Figure 1 – structure on 01 July 2023.

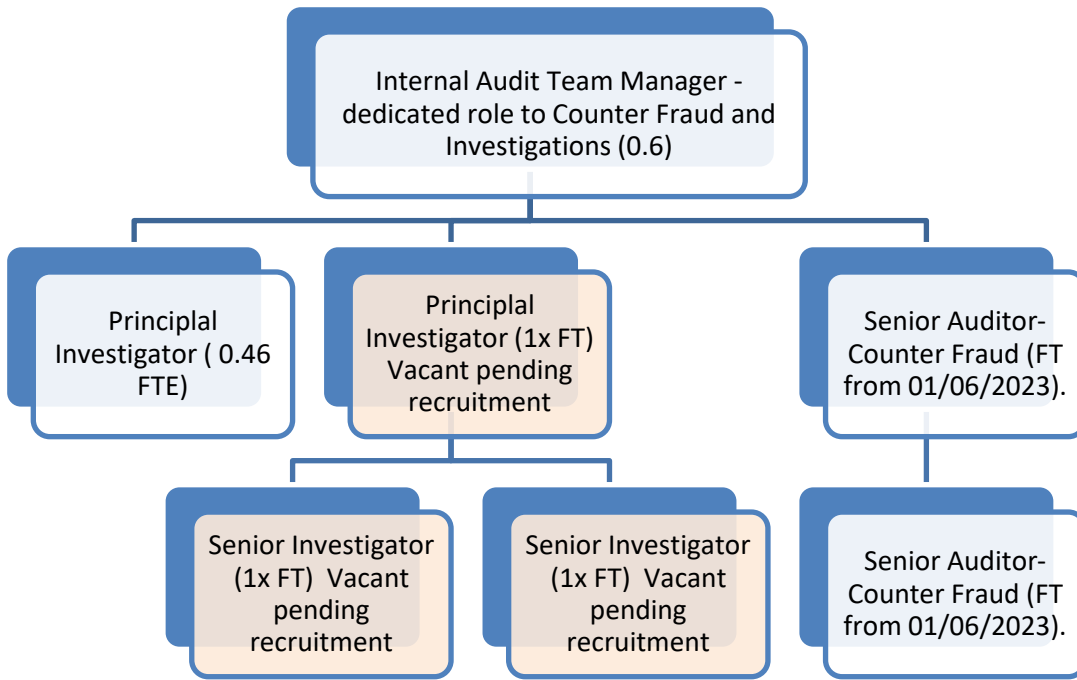


Figure 2 – proposed new structure – subject to successful recruitment campaigns.

Recruitment for the vacant posts is due to launch early July. Once new investigators are appointed and inducted, this will enable the Principal Auditor (Counter Fraud) to shift focus towards proactive activity. The work plan (Appendix A) will be re-reviewed and brought back to the November Audit Committee.

The November update will bring the Audit Committee more detail about proposals for actions. We anticipate this will include proactive reviews to prevent fraud and corruption. (CIPFA Principal E).

In addition to ongoing recruitment activity, other early priorities include:

- Induction and training the new Senior Auditor (Counter fraud)
- Review of whistleblowing processes and how we capture information about referrals received.
- Review of investigations processes – to assess whether steps can be streamlined for a quicker turnaround of investigations.
- Review of fraud risk registers to shape planning for proactive counter fraud work.

A: Acknowledge responsibility

CIPFA Code of Practice	Activities	Detail	Target
A1 - Acknowledge the threat of fraud and corruption	Establish clear 'Tone from the Top'	Consultation with Audit Committee Members and Corporate Leadership of the Council to develop short policy statement, with views on 'zero tolerance' to fraud, risk appetite and confirmation of support for approach.	30 September 2023
A2 - Acknowledge the importance of a culture that is resilient to the threats of fraud and corruption			

Counter Fraud Plan 2022/23

<p>A3 - Governing Body acknowledges its responsibility for the management of its fraud and corruption risks</p>			
<p>A4 - Governing Body sets a specific goal of ensuring and maintaining its resilience to fraud and corruption</p>			

Counter Fraud Plan 2022/23

B: Identify Risks

CIPFA Code of Practice	Activity	Detail	Target
B1 - Fraud risks are routinely considered as part of risk management arrangements	CARM engagement Audit team training.	Further develop use of risk intelligence across CARM and share fraud risks and intelligence gathered for integration into audit planning. Training about fraud red flags.	31 May 2025
B2 - The organisation identifies the risks of fraud and corruption	Fraud Risk register Fraud Risk register Horizon Scanning	Review and update of fraud risk register content. FRR report to Audit Committee for consideration Networking and intelligence gathering of national fraud landscape and emerging fraud risk areas.	31 October 2023 30 November 2023 31 March 2024 (continuous review)

Counter Fraud Plan 2022/23

<p>B3 - The organisation publishes estimates of fraud loss to aid evaluation of fraud risk exposures</p>	<p>Annual Fraud Report</p>	<p>Refresh annual reporting template ready to include all mandatory transparency data for publication and newly developed KPI information.</p> <p>2023/24 Annual Report presented to Audit Committee</p>	<p>31 March 2024</p> <p>30 June 2024</p>
<p>B4 – The organisation evaluates the harm to its aims and objectives</p>	<p>Fraud Risk register</p>	<p>As above (B2).</p>	

Counter Fraud Plan 2022/23

C: Develop Strategy

CIPFA Code of Practice	Activity	Detail	Target
C1 - Governing Body formally adopts a counter fraud and corruption strategy to address identified risks	Annual Work Plan Annual Strategy and Policy Review	Indicative work plan for 2023/24 presented to Audit Committee, Updated version to be confirmed a part of Audit Committee Counter Fraud Progress Report	31 July 2023 30 November 2023.
C2 - Strategy includes the organisation's use of joint working or partnership approaches	Lincolnshire Counter Fraud Partnership	Review of current partnership arrangements for effectiveness.	31 March 2024

Counter Fraud Plan 2022/23

<p>C3 - The strategy includes both proactive and responsive approaches:</p> <p>C3 - The strategy includes both proactive and responsive approaches:</p>	<p>Training assessment</p> <p>Fraud Communications Strategy</p> <p>Planning for proactive exercises</p> <p>Whistle-blowing</p> <p>Prompt and efficient investigations</p>	<p>Identify priority areas for fraud awareness training for LCC employees and service areas. This will be linked to fraud risk assessments and will feed into activity planning and into a communications plan.</p> <p>Strategy developed to include internal messaging for LCC and partnership approach for external communications.</p> <p>Update to be provided as part of Committee progress report</p> <p>Review policy and process for confidential reporting and whistle-blowing. To include records maintenance review</p> <p>Review/ update investigation practice notes to support timely and efficient investigations and confirm process for manager updates.</p>	<p>31 October 2023</p> <p>31 March 2024</p> <p>30 November 2023.</p> <p>30 September 2023</p> <p>31 March 2024</p>
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Counter Fraud Plan 2022/23

		<p>This will drive improvements of investigations around planning, communications and timely delivery. To be linked to KPIs (E5).</p>	
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Counter Fraud Plan 2022/23

D: Provide resources

CIPFA Code of Practice	Activity	Detail	Target
D1 - Annual assessment whether level of resource invested to countering fraud and corruption is proportionate to the level of risk	Internal Audit of Counter Fraud Arrangements Annual Plans & Report to committee confirming resource proposals. Annual self-assessment	Peer review by NEL Council to provide independent assessment and provide assurance for Audit Committee. Included at C1 & C3 Self assessment against FFCL	31 July 2023 Annually July & November June 2024.

Counter Fraud Plan 2022/23

<p>D2 - The organisation utilises an appropriate mix of experienced and skilled staff</p>	<p>Recruitment Training plans</p>	<p>Principal Auditor- Counter Fraud Senior Auditor – Counter Fraud Principal Investigator Senior Investigator x 2 To be include training for the team on : <ul style="list-style-type: none"> • Whistle-blowing • Anti-Money-Laundering • Best practice in Counter Fraud <p>Training plans will be developed further as part of appraisal and staff development processes.</p> </p>	<p>Recruited May 2023 Started 1 June 2023 30 September 2023 31 August 2023 31 March 2024</p>
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Counter Fraud Plan 2022/23

CIPFA Code of Practice	Activity	Detail	Target
D3 - The organisation grants counter fraud staff unhindered access to its employees	Audit Charter	Ensure Audit Charter grants appropriate access for Counter Fraud Staff to support proactive and reactive fraud reviews.	31 March 2024
D4 - The organisation has protocols in place to facilitate joint working and data and intelligence sharing	Lincolnshire Counter Fraud Partnership	See C2 (To include review of confidential reporting arrangements)	31 March 2024

Counter Fraud Plan 2022/23

E: Take Action

CIPFA Code of Practice	Activity	Detail	Target
E1 - The organisation has put in place a policy framework which supports the implementation of the Counter Fraud Strategy	Activity Planning	Interim plan with initial focus on strategy. Detail of proactive reviews to be taken back to committee, once resources in place.	31 July 2023 30 November 2023
E2 - Plans and operations are aligned to the strategy	Activity planning	Detailed plan for pro-active to be drawn up - reviews on higher risk areas – to be planned linked to fraud risk assessment.	30 November 2023

Counter Fraud Plan 2022/23

<p>E3 - Making effective use of initiatives to detect and prevent fraud, such as data matching or intelligence sharing</p>	<p>National Fraud Initiative (NFI) Counter Fraud Hub</p>	<p>Processing of data matches returned by Cabinet Office as part of 2-yearly NFI matching exercise.</p> <p>Regular updates and development of new content with internal promotion of Hub to staff. Including spotting red flags and how to report concerns.</p>	<p>31 March 2025. 31 March 2024</p>
<p>E4 - Providing for independent assurance over fraud risk management, strategy and activities</p>	<p>Internal Audit of Counter Fraud Arrangements</p>	<p>See D1</p>	<p>31 July 2023</p>
<p>CIPFA Code of Practice</p>	<p>Activity</p>	<p>Detail</p>	<p>Target</p>

Counter Fraud Plan 2022/23

<p>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</p>	<p>Annual Report Develop KPIs</p>	<p>See B3 Review and develop KPIs for investigations and Counter Fraud delivery.</p>	<p>March 2024</p>
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Open Report on behalf of Andrew Crookham, Executive Director of Resources

Report to:	Audit Committee
Date:	24 July 2023
Subject:	Audit Committee Work Programme

Summary:

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

Recommendation(s):

To review and amend the Audit Committee's work plan ensuring it contains the assurance areas necessary to approve the Annual Governance Statement 2022.

Background

1. 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.

Training and Development Programme

2. An important element of the Audit Committee's effectiveness is continuous training and development. This enables committee members to remain up to date on key issues, hot topics and any developments that impact on Audit Committee role and remit.
3. After discussion with the Chairman and Vice Chairman of the Audit Committee the following training and development programme is proposed.

Session One – A half day event – in person event at Lincoln (Date to be confirmed).
Covering the following topics:

- **Effective Audit Committee** – CIPFA has issued some new guidance for Audit Committees. We propose to recap and run through any changes. We will also undertake an assessment of the effectiveness of the Committee – benchmarked against this best practice guidance.
- **Risk Management** – demonstration of new risk management software.

- **Horizon scanning** – picking up some of the big issues and risks facing public sector, how they potentially impact the governance and control framework of the council. Looking to develop the forward work plan – agenda items.

Webinars – Team meeting training events. 1 hour sessions on key elements of the Committee role and remit. Scheduled over 2023.

- **Risk management** – recap on how risks are managed – our risk appetite – how we gain oversight and assurance that our risk and issues are being effectively managed.
 - **Counter Fraud** – recap on our approach our fraud risk register with horizon scanning from a fraud perspective.
 - **Good governance and our assurance arrangements.** Propose a workshop with Overview Scrutiny Management Board on how our governance and assurance arrangements measure up against good practice and recent public interest reports.
4. **Lincolnshire Audit Committee Forum** – there’s been a number of requests for this forum to be reinstated. This is where Lincolnshire Audit Committees meet to share their experience – bring out common themes and risks facing the public sector and how Audit Committees can help improve the governance, risk and control environment. We will look to arrange a meeting in 2023.
 5. **Working with Overview & Scrutiny Management Board (OSMB)**– quarterly meetings held to discuss areas of common interest. Work programmes are shared and the Chairman of the Audit Committee attends (OSMB) as appropriate (depending on agenda items) and vice versa.
 6. **Emerging Risks** - A verbal update / discussion on any emerging high-risk areas that the Committee may wish to consider for future agenda items.
 7. **Action Tracker**- Appendix B – keeps track of actions agreed by the Committee and future potential agenda items.

Conclusion

8. 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

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 Claire Goodenough, Head of Audit and Risk Management, who can be contacted Claire.Goodenough@lincolnshire.gov.uk

Appendix A - Audit Committee Work Plan 2023/24

24 July 2023 – 10.00 am		
Item	Contributors	Assurances Required/ Sought
Internal Audit Progress Report – June 2023	Claire Goodenough (Head of Internal Audit and Risk Management) Dianne Downs (Audit Manager)	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. 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 (must do's) for the year and retaining flexibility to changing risks and priorities during the year.
Monitoring Officer's Annual Report	David Coleman (Monitoring Officer)	Confirm compliance with the Council's code of conduct and constitutional arrangements – ensuring the lawfulness of decisions and promoting / maintaining high standards of conduct by officers and members.
Update on the CIPFA Financial Management Code and Financial Resilience	Michelle Grady (Assistant Director – Finance) Sue Maycock (Head of Finance – Corporate)	Provide assurance that the Council's arrangements follow good practice - supporting financial resilience, sound financial management and VfM. Gain assurance on implementation of improvement actions identified through self assessment: External Audit VFM self-assessment CIPFA Financial Management Code Grant Thornton Review – March / April 2023
Internal Audit Plan 2022/23	Claire Goodenough (Head of Internal Audit and Risk Management)	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 capabilities to maintain an effective internal audit function.

Counter Fraud Plan 2022/23	Claire Goodenough (Head of Internal Audit and Risk Management)	On the overall effectiveness of the Authority's arrangements to counter fraud and corruption.
25 September 2023 – 10.00 am		
Item	Contributors	Assurances Required/ Sought
Adult Social Care markets risk on the strategic risk register	Glen Garrod (Executive Director of Adult Care and Community Wellbeing)	
External Auditors Audit Completion Report 2021/22	Representatives of Mazars	<p>Consider the outcome of the External Audit and the appropriateness of management responses.</p> <p>Consider any concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.</p> <p>Consider the proposed Value for Money Conclusion and any matters arising.</p>
Statement of Accounts 2021/22 (Final Audited)	Sue Maycock (Head of Finance – Corporate)	<p>Ensure that the explanatory forward to the accounts help the public understand the authority's financial management of public funds.</p> <p>Consider the outcome of the External Audit and the appropriateness of management responses.</p> <p>Consider any concerns arising</p>
External Audit Strategy 2022/23 Lincolnshire County Council and Lincolnshire Pension Fund	Representatives of Mazars	<p>Consider the outcome of the External Audit and the appropriateness of management responses.</p> <p>Consider any concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.</p> <p>Consider the proposed Value for Money Conclusion and any matters arising.</p>
Statement of accounts 2022/23 – Lincolnshire County Council & Pension Fund	Sue Maycock (Head of Finance – Corporate)	Ensure that the explanatory forward to the accounts help the public understand the authority's financial management of public funds.

		<p>Consider the outcome of the External Audit and the appropriateness of management responses.</p> <p>Consider any concerns arising</p>
<p>Audit Completion Report 2022/23 – Lincolnshire County Council & Pension Fund</p>	<p>Representatives of Mazars</p>	<p>Consider the outcome of the External Audit and the appropriateness of management responses.</p> <p>Consider any concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council</p> <p>Consider the proposed Value for Money Conclusion and any matters arising.</p>
<p>Risk Management Progress Report – September 2023</p>	<p>Claire Goodenough (Head of Internal Audit and Risk Management)</p> <p>Mandy Knowlton-Rayner (Insurance & Risk Manager)</p>	<p>Seek assurance that risk-related issues are being addressed.</p>
<p>Approval of the Council's Annual Governance Statement 2021/22</p>	<p>Claire Goodenough (Head of Internal Audit and Risk Management)</p>	<p>Confirm that the final Annual Governance Statement accurately reflects the Committees understanding of how the Council is run.</p>
<p>13 November 2023 – 10.00 am</p>		
<p>Item</p>	<p>Contributors</p>	<p>Assurances Required/ Sought</p>
<p>Draft Audit Committee Annual Report 2023</p>	<p>Claire Goodenough (Head of Internal Audit and Risk Management)</p>	<p>Provide assurance that the Committee has adequately discharged its terms of reference and has positively contributed to how well the Council is run.</p>
<p>Internal Audit Progress Report – September / October 2023</p>	<p>Claire Goodenough (Head of Internal Audit and Risk Management)</p>	<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 (must do's) for the year and retaining flexibility to changing risks and priorities during the year.</p>

Strategic Risk – Deep Dive (Selected by the Committee)	Risk Owner	That risk management processes working effectively – with appropriate oversight and monitoring of control actions in place or being developed.
Fraud Risk Register	Claire Goodenough (Head of Internal Audit and Risk Management)	Confirm that the Council’s counter fraud activity is targeted and effective.
Horizon Scanning	Claire Goodenough (Head of Internal Audit and Risk Management)	To provide early signs of potentially important developments – identifying potential treats, risks, emerging issues and opportunities.
5 February 2024 – 10.00 am		
Item	Contributors	Assurances Required/ Sought
Combined Assurance Status Reports – 2023/24	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.
25 March 2024 – 10.00 am		
Item	Contributors	Assurances Required/ Sought
External Audit Strategy – Lincolnshire County Council & Pension Fund 2023/24	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.
Statement of Accounts 2023/24 – 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.
Risk Management Progress Report – March 2024	Claire Goodenough (Head of Internal Audit and Risk Management) Mandy Knowlton- Rayner (Insurance & Risk Manager)	Seek assurance that risk-related issues are being addressed.

Counter Fraud Plan 2024/25	Claire Goodenough (Head of Internal Audit and Risk Management)	On the overall effectiveness of the Authority's arrangements to counter fraud and corruption.
Internal Audit Plan 2024/25	Claire Goodenough (Head of Internal Audit and Risk Management)	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 capabilities to maintain an effective internal audit function.
Internal Audit Progress Report – March 2024	Claire Goodenough (Head of Internal Audit and Risk Management)	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. Confirm that the plan achieves a balance between setting out the planned work (must do's) for the year and retaining flexibility to changing risks and priorities during the year. Is adequate to support the Head of Audit opinion.

Items to be programmed:

Integration of Health and Social Care (including IMT) – Glen Garrod (Executive Director of Adult Care and Community Wellbeing)