

County Offices  
Newland  
Lincoln  
LN1 1YL

26 January 2024

**Audit Committee**

A meeting of the Audit Committee will be held on **Monday, 5 February 2024** 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, 5 FEBRUARY 2024**

<b>Item</b>	<b>Title</b>	<b>Pages</b>
<b>1</b>	<b>Apologies for Absence</b>	
<b>2</b>	<b>Declarations of Interest</b>	
<b>3</b>	<b>Minutes of the Audit Committee meeting held on 13 November 2023</b>	5 - 8
<b>4</b>	<b>Combined Risk Report February 2024</b> <i>(To receive a report from Claire Goodenough, Head of Audit and Risk Management, which provides an overview of the risk profile of the Council. The Chief Executive, Executive Directors and Chief Fire Officer will be present to respond to any questions relating to key risks)</i>	9 - 28
<b>5</b>	<b>Internal Audit Progress Report 2 2023/2024</b> <i>(To receive a report from Claire Goodenough, Head of Audit and Risk Management, which provides the Committee with details of the audit work completed up to 1 January 2024, information on delivery progress and raise any matters of relevance)</i>	29 - 42
<b>6</b>	<b>Final Audit Committee Annual Report 2023</b> <i>(To receive a report from Claire Goodenough, Head of Audit and Risk Management, which enables the Committee to review its final report to Council on the activities undertaken by the Committee in the calendar year 2023 and how it discharged its responsibilities)</i>	43 - 104
<b>7</b>	<b>Audit Committee Work Programme</b> <i>(To receive a report from Claire Goodenough, Head of Audit and Risk Management, which invites the Committee to consider its work programme)</i>	105 - 114
<b>8</b>	<b>CONSIDERATION OF EXEMPT INFORMATION</b> In accordance with Section 100 (A)(4) of the Local Government Act 1972, the following agenda item has not been circulated to the press and public on the grounds that it is considered to contain exempt information as defined in paragraph 3 of Part 1 of Schedule 12 A of the Local Government Act 1972, as amended. The press and public may be excluded from the meeting for the consideration of this item of business.	
<b>9</b>	<b>IT Infrastructure Update for Audit Committee</b> <i>(To receive an exempt report from David Mathewman, Chief Information Officer (Interim), which provides an update to the Committee on the current position in relation to IT Infrastructure)</i>	115 - 132

### **Democratic Services Officer Contact Details**

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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, 5th February, 2024, 10.00 am \(moderngov.co.uk\)](#)

All papers for council meetings are available on:  
<https://www.lincolnshire.gov.uk/council-business/search-committee-records>



**AUDIT COMMITTEE  
13 NOVEMBER 2023**

**PRESENT: COUNCILLOR**

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 I Haldenby (Independent Added Member) and Mr A Middleton (Independent Added Member)

Officers in attendance:-

Andrew Crookham (Deputy Chief Executive & Executive Director - Resources), Michelle Grady (Assistant Director - Finance), Sue Maycock (Strategic Finance Lead - Technical), Clair Goodenough (Head of Audit and Risk Management), Sara Jackson (Audit Manager), and Thomas Crofts (Democratic Services Officer)

Others in attendance:-

John Presley (Mazars) and Mark Surridge (Mazars)

28 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Mrs S Rawlins (Chairman).

In the absence of the Chairman, Councillor M Allan (Vice Chairman) chaired the meeting.

29 DECLARATIONS OF INTEREST

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

30 MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 25 SEPTEMBER 2023

RESOLVED

That the minutes of the Audit Committee meeting held on 25 September 2023 be agreed and signed by the Chairman as a correct record.

31 COMPLETION OF THE AUDIT OF ACCOUNTS FOR LINCOLNSHIRE COUNTY COUNCIL AND LINCOLNSHIRE PENSION FUND 2021/22

Consideration was given to a report from Sue Maycock, Strategic Finance Lead – Technical, and Michelle Grady, Assistant Director – Finance, which summarised the events since the 2021/22 accounts were last presented to this Committee, and the current position including

**AUDIT COMMITTEE**  
**13 NOVEMBER 2023**

outstanding work relating to the audit of Whole of Government Accounts 2021/22. The following matters were addressed by Mark Surridge, External Auditor – Mazars:

- There was no new content added to the external auditor’s opinion since the last time it was reported to the Committee, and there were no new concerns to report in relation to the Council’s financial sustainability.
- The audit completion letter was scheduled to be signed off before the end of the day.
- One aspect within the accounts required further testing but was found not to have a material impact. This was in relation to a small number of invoices being recorded within the wrong financial year.

The Committee considered the report, and were assured that the Council had identified a weakness in its processes regarding the invoicing error, and was working to strengthen processes and had rolled out further training to staff to help avoid this happening in the future.

RESOLVED

That the position of the audit for the 2021/22 accounts be noted.

32 UPDATE ON THE AUDIT OF ACCOUNTS FOR LINCOLNSHIRE COUNTY COUNCIL AND LINCOLNSHIRE PENSION FUND 2022/23

Consideration was given to a report from Sue Maycock, Strategic Finance Lead – Technical, and Michelle Grady, Assistant Director – Finance, which presented external audit’s Audit Completion Reports for Lincolnshire County Council and the Lincolnshire Pension Fund, as well as the Draft Auditor’s Annual Report for 2022/23. The following matters were addressed by Mark Surridge, External Auditor – Mazars:

- The external audit had reached an unqualified opinion regarding the 2022/23 accounts and noted that for value for money arrangements had been demonstrated and that the Council was in a strong financial position.
- The accounts were scheduled to be signed off within a month following receipt of a confirmation letter in relation to pensions liability and verification via the Letters of Representation.
- No material changes had been made the report since it was last presented to the Committee. The only change that had been made to the report was that the expected completion date had been changed to the actual completion date.
- Delays to the sign off of the accounts were in part due to testing of the pensions net position and clarification sought regarding the cap on recognising a net pension asset.

In order to expediate the sign off of these accounts, it was suggested that the full and final statement of accounts for 2022/23 be circulated to the Committee and authority be given to the Chairman to sign them on off on the Committee’s behalf.

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

- The Committee congratulated officers on delivering a clean and strong set of accounts and thanked the external auditor for presenting their findings in person.
- Overall, the Council had ensured adequate arrangements with no significant risks or necessary recommendations. Nonetheless, it was important that the Council was mindful about the trajectory of its financial sustainability as resources and demands were becoming tighter.
- The Committee noted that even small issues had the potential to snowball if left unchecked and that lessons needed to be learnt from issues facing other councils.
- The Committee were assured that the following contingencies were in place to safeguard the Council's financial position:
  - Annual financial planning was a full time preoccupation of the Finance team.
  - The Council held strong reserves to weather issues.
  - Service leads were experts within their field and proactively managed their service's finances, as had been recognised by the recent review conducted by the Care Quality Commission.
  - The Council was always looking for new ways to improve and transform its services.
  - A business performance improvement review was underway to look at ways to reduce administrative costs.

**RESOLVED**

1. That the report and comments made be noted.
2. That the Chairman of the Audit Committee be granted authority to sign off the Statement of Accounts for 2022/23 on behalf of the Audit Committee.

**33      DRAFT AUDIT COMMITTEE ANNUAL REPORT 2023**

Consideration was given to a report which presented the proposed Annual Report of the Audit Committee for 2022/23 and sought comments in advance of the final version for approval prior to submission to Council.

The Committee considered the report and it was noted that the Council struggled to recruit senior auditors and it was therefore important that the Council looked to grow its own talent.

**RESOLVED**

1. That the content of the draft Audit Committee Annual Report be noted.
2. That the draft Audit Committee Annual Report 2022/23 be updated, as above, for the final version being presented for approval in 2024, prior to submission to the full Council.

34 HORIZON SCANNING: TRENDS, RISKS AND ISSUES

Consideration was given to a report from Claire Goodenough, Head of Audit and Risk Management, which presented emerging trends, risks and opportunities facing local authorities across the country.

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

- The Committee agreed that the report was very timely given the challenges facing councils across the country.
- The Council's risk owners monitored their own risks to ensure appropriate controls. Also, Executive Directors were due to attend the Audit Committee's February meeting to present their risk areas and members could raise questions with them directly.
- The Committee agreed that the Council currently understood the demands it was facing and had been able to make changes to accommodate pressures.
- There was a need for special training ahead of the February meeting to support quality questioning from the Committee to risk owners.

RESOLVED

1. That the report and comments made be noted.
2. That a training session be held at 9am ahead of the Audit Committee meeting scheduled for 5 February 2024.

35 AUDIT COMMITTEE WORK PROGRAMME

The Committee considered its work programme and agreed that the Integration of Health and Social Care (including IMT) item, which was yet to be programmed, would be revisited once the new Executive Director of Adult Care and Community Wellbeing was in post.

RESOLVED

That the work programme be agreed.

The meeting closed at 10.55 am





**Open Report on behalf of Andrew Crookham, Deputy Chief Executive and Executive Director – Resources**

Report to:	<b>Audit Committee</b>
Date:	<b>5 February 2024</b>
Subject:	<b>Combined Risk Report February 2024</b>

**Summary:**

The purpose of this report is to provide an overview of the risk profile of Lincolnshire County Council (LCC). The report provides assurance from the Corporate Leadership Team around the organisational ability to identify key risks and ensure management of them.

The Chief Executive, Executive Directors and Chief Fire Officer will be present to respond to any questions relating to key risks.

**Recommendation(s):**

That the Committee review the Combined Risk Report February 2024 seeking assurance over the adequacy of the Council's governance of risk, and control environment; and makes recommendations on any further scrutiny requirements or actions

**Background**

1. Previously levels of assurance were provided through the combined assurance report. By moving the focus away from the critical work streams to the key risks faced by the authority, it is intended to further strengthen assurance understanding. This is the first combined risk report and with the support of services and directorates has resulted in a comprehensive view of the current risk picture across the whole of the organisation. Risk registers are now in place for all services for the first time at LCC.
2. The information gathered for the service risk registers enabled constructive and challenging discussions with all Assistant Directors (ADs), followed by discussions with all Executive Directors (EDs), the Chief Fire Officer, and our Chief Executive. This demonstrated there was a high level of awareness of current and emerging risks that could impact services. In addition, the risk data was used to identify high

risks, recurring risk themes and low or limited assurance risks which will drive further areas of work to strengthen risk mitigation and control.

3. The corporate assurance level is substantial.
4. Directorate assurance levels are adequate, with the exception of Children's Services which is substantial.
5. Risk identification and assessment is embedded.
6. Analysis of the risk data gathered shows key the risk themes across the directorates. these are:
  - Recruitment and retention
  - Increased demand on services
  - Increasing cost pressures
  - National political changes in legislation
  - Loss of IT systems (both internal and external)
7. Risk mitigation and specifically the controls applied, is an area where further work is required to support assurance levels. This is especially relevant to externally sourced and influenced risks which often require intensive work to mitigate the impacts rather than being able to affect the likelihood of the risk occurring.

## **Conclusion**

1. This report provides a good level of assurance on how well risks are managed across Lincolnshire County Council.
2. The Combined Risk Report provides the Committee with a good level of understanding of the risk profile supporting its role and remit.
3. In reviewing the Combined Risk Report the Committee may wish to consider:
  - Seeking direct assurances from the Corporate Leadership Team on how they consider the results of the risk detail given
  - If the assurance levels given are adequately evidenced
4. To progress and further strengthen our approach to risk management, the team's next steps include:
  - Applying the revised assurance statements to all directorate risk registers for consistency.
  - Requesting and responding to feedback from delivering this process of assurance on risk delivery and management.
  - Developing risk management dashboards for directorates and corporately to provide a clearer view of risk data.
  - Continue to develop application of controls and mitigations initially focusing on the high risks with limited assurance.

- Using the comprehensive risk data to develop our understanding of the relationship between risk tolerance, risk appetite and risk exposure.

**a) Risks and Impact Analysis**

None

**Appendices**

These are listed below and attached at the back of the report	
Appendix A	Combined Risk Report February 2024

**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 Mandy Knowlton-Rayner, who can be contacted on 01522555675 or [Mandy.knowlton-Rayner@lincolnshire.gov.uk](mailto:Mandy.knowlton-Rayner@lincolnshire.gov.uk).

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# Risk Management

Combined Risk Report

February 2024

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## 1.0 Introduction

The purpose of this report is to provide an overview of the risk profile of Lincolnshire County Council (LCC). The report provides assurance from the Corporate Leadership Team around the organisational ability to identify the key risks and ensure management of them.

Good risk management is part of the way we work. It is about taking the right risks when making decisions or where we need to encourage innovation in times of change. It is about balancing risks, quality, cost, and affordability. This report uses the current appetite as set out in the Risk Management Strategy, June 2022;

*The Council wishes to be creative and open to considering all potential delivery options, with well measured risk taking whilst being aware of the impact of its key decisions.*

Previously levels of assurance were provided through the combined assurance report. By moving the focus away from the critical work streams to the key risks faced by the authority, it is intended to further strengthen assurance understanding. This is the first combined risk report and with the support of services and directorates has resulted in a comprehensive view of the current risk picture across the whole of the organisation. Risk registers are now in place for all services for the first time at LCC.

The information gathered for the service risk registers enabled constructive and challenging discussions with all Assistant Directors (ADs), followed by discussions with all Executive Directors (EDs), the Chief Fire Officer, and our Chief Executive. This demonstrated there was a high level of awareness of current and emerging risks that could impact services. In addition, the risk data was used to identify high risks, recurring risk themes and low or limited assurance risks which will drive further areas of work to strengthen risk mitigation and control.

To help support assurance consistency, we have implemented revised assurance status statements to align to those used by internal audit. The roll out is still in progress and as each layer of risk registers are reviewed the new statements and assurance levels will be applied. The new assurance status statements are detailed below:

	Statement	What does this mean?
<b>Substantial Assurance</b>	A consistent and reliable system of control exists. The risk is well managed, supporting achievement of objectives.	We have substantial assurance that the risk is well managed and everything within our control is being done to manage this risk and/or to respond to this risk should it occur.
<b>Adequate Assurance</b>	A generally reliable system of control exists, the risk is being managed, supporting objectives. There is scope for improvement of the control systems in place.	We have adequate assurance that the risk is managed at an acceptable level and key controls available to us are in place and operating effectively. Additional controls are being developed but are not operational yet.
<b>Limited Assurance</b>	An inconsistent system of control exists, the risk is not well managed. Improvement of the control system is required.	We have limited assurance that the risk is managed well. Key controls may not be having the intended impact on the risk, or the risk is influenced by external sources and some aspects are uncontrollable.
<b>Low Assurance</b>	No control system exists, immediate action is required to address fundamental gaps and weaknesses. The risk is not currently being managed.	We have no assurance that this risk is being managed effectively. There are no controls operational. This risk may be an emerging risk.

## 2.0 Key Messages

Corporate assurance level is substantial.

Directorate assurance levels are adequate, with the exception of Children's Services which is substantial.

Risk identification and assessment is embedded.

Analysis of the risk data gathered shows key the risk themes across the directorates. these are:

- Recruitment and retention
- Increased demand on services
- Increasing cost pressures
- National political changes in legislation
- Loss of IT systems (both internal and external)

Risk mitigation and specifically the controls applied, is an area where further work is required to support assurance levels. This is especially relevant to externally sourced and influenced risks which often require intensive work to mitigate the impacts rather than being able to affect the likelihood of the risk occurring.

### **Strategic Risk Register**

The strategic risk register is regularly reported and is due for a further full report in March 2024. As a result of the risk discussions for this report there have been some updates which are shown below.

- Market Supply – Adult Care and Community Wellbeing – Due to challenges in the children's market, this risk has updated and now includes both adults and children's market supply and will be reviewed to include children's commissioning in the next review.
- Lincolnshire Fire & Rescue Command and Control Room – This is a new risk and is worded as: "Failure to procure, implement and successfully transition to a new LFR command and control solution may lead to a loss of the control function, inability to receive 999 calls, respond and mobilise assets resulting in failure of statutory duties". This is a rapidly changing risk, and it was added between reviews to allow us to follow the risk through its life cycle as it moves from procurement to implementation and then transition.

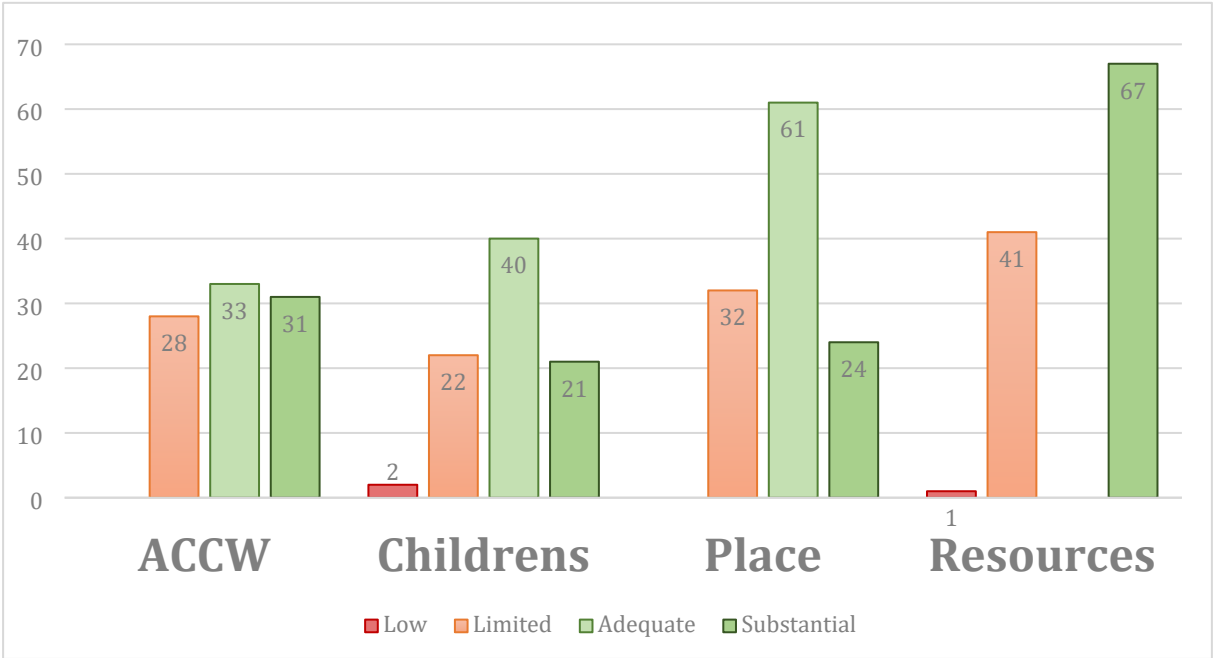
The last reported version of the strategic risk register is attached at Appendix 1



### 3.0 Debbie Barnes - Chief Executive Summary

**Service level risks – by directorate and assurance status**

*Resources risk registers have not yet adopted the new assurance status statements. LFR does not hold service level risk registers and only currently holds an LFR strategic risk register.*



I am confident a consistent and reliable system of control exists. Risks across LCC are well managed, supporting achievement of objectives giving me a substantial level of assurance supported by the individual Directors and Chief Fire Officer who have all assessed their areas as having adequate levels of assurance, with the exception of Children’s Services who have assessed the assurance level as substantial. This takes account of the fact that there are and will be areas of risk where that level of assurance fluctuates but overall, it presents a strong picture for how risk is managed.

The combined risk report outlines assurance opinions on risk management across LCC. This report adjusts the view from previous years to reflect the assurance on key risks and has enabled a comprehensive view of the risk profile to be recorded.

The overriding view was that externally sourced or influenced risks are the most challenging risks to mitigate against, often requiring intensive work to mitigate the impacts rather than preventing the risk occurring. This is evident from the increased demand for services and the increasing cost pressures along with the potential for legislative changes.

The increased demand risk impacts upon several areas. For Children’s it is in residential care, foster care, special school placements and alternative provision. It is also seen in the Adult’s within Safeguarding, Mental Health, and Adult Frailty. Within the Place Directorate it is the increasing S19 flood investigations and the Nationally Significant Infrastructure Project

(NSIP) applications. Mitigation is in place for this risk and there is adequate confidence in the ability to mitigate this risk.

Linked to the increased demand, are the increasing cost pressure risks, largely due to external increasing costs with contractors and suppliers. This risk is replicated across most areas of the Council, but with significant increases in the children's social care, adult social care and home to school transport. This has also been compounded by the increase in the living wage. Managing the financial impacts is challenging but we manage our budgets well and with our reserves we have capacity to plan and respond.

The recruitment and retention risks are set against a backdrop of improving statistics in terms of stable attrition rate, lower vacancy rates and successful recruitment in higher level roles. There are however, at service level, risks in recruiting to skilled roles across the Council, whether planning, transport, social workers, or health visitors. The recruitment risks are also more commonly seen in smaller teams where appointment to roles can be challenging and the risk of specific employee loss or a small number of employees would create pressures on the teams at that level.

There is a level of uncertainty in the national political arena, with a general election due before January 2025 which has already seen some delays to legislation this year.

Loss of IT systems is a risk to most organisations and our local authority is no different, this risk is seen across all areas of the Council with mitigations in place and working effectively. There are of course some systems which are of such criticality that work could stop should they cease to function. Linked to IT systems is our ability to turn our data into intelligence ensuring our performance information is more meaningful and accessible.

## **4.0 Director Key Messages**

### **4.1 Martin Samuels - Adult Care & Community Wellbeing Directorate**

#### **Overall Adult Care and Community Wellbeing Assurance – Adequate**

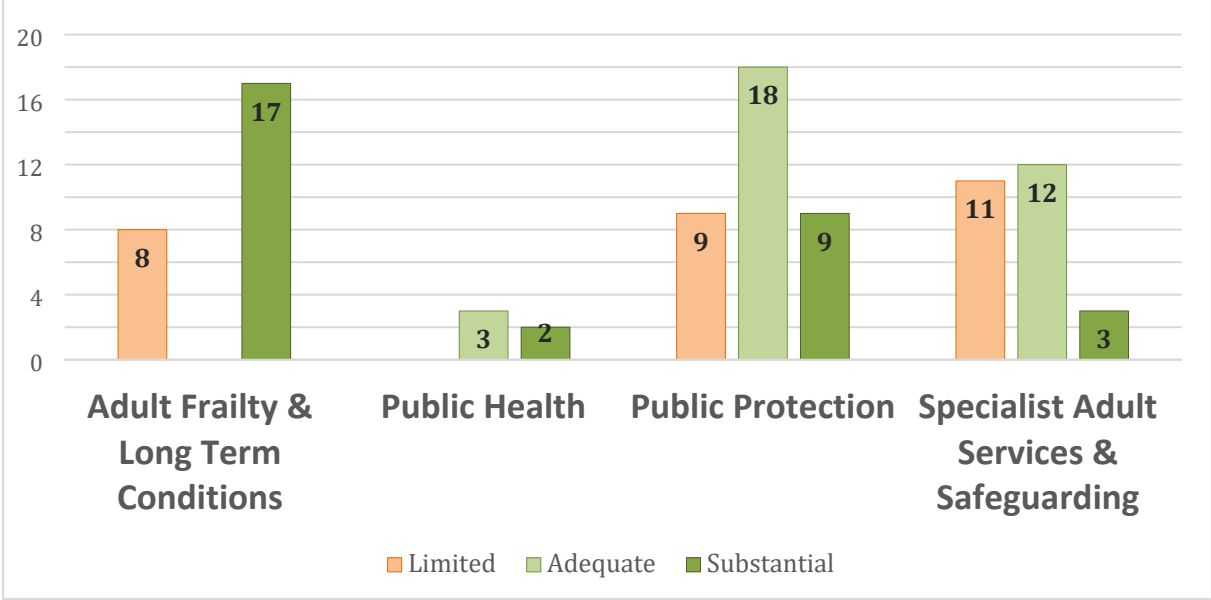
I have adequate assurance that the risks across Adult Care and Community Wellbeing services are managed at an acceptable level and key controls available to us are in place and operating effectively. Additional controls are being developed but are not operational yet.

ACCW is facing some significant challenges, but there are no surprising or significantly concerning risks. There are always improvements to be made and our improvement plan is underway. A recent positive Care Quality Commission assurance process evaluated our services as 'Good', demonstrating the positive work of the directorate as a whole.

The limited assurance risks within the directorate predominately relate to external factors impacting our potential for service delivery.

**Service Level Risks - by AD area and assurance status**

Public health has one risk register at AD level, rather than multiple service risk registers, due to the similarity in work. The Adult Frailty and Long Term Condition (AFLTC) assessment was completed prior to the implementation of new assurance statements.



**Overarching Risk Themes and High or Limited Assurance Risks for Adult Care and Community Wellbeing**

**Increased demand and complexity** – Nationally it is clear that there has been an increase in demand for adult social care and this is likely to continue for the foreseeable future, with public health reports showing that the population of adults aged over 85 will double within Lincolnshire by 2030. Lincolnshire County Council is well placed to manage this risk with a comparatively positive financial situation when benchmarked against other similar local authorities. Adult care and community wellbeing will be focusing on strengthening its foundations and bolstering the basic day to day processes to improve robustness. Our assurance around this risk at the moment is adequate.

**Budget & future funding** – Adult care and community wellbeing is well placed to manage this risk. Whilst there may be financial pressures in the future, the challenges are common and faced by many authorities. Our authority overall has a strong financial footing and is better placed to mitigate this risk than most other similar councils.

**Procurement** – This is an area of risk where we are currently exploring why the model being used is not always working as effectively as it should, in part due to the number of hand-offs within the current process. Once further analysis has taken place, we are confident this risk will be mitigated to acceptable levels but currently it is a limited risk.

**Market sustainability** – Market supply and sustainability has featured on the strategic risk register for several years now and continues to remain a risk to the authority. With the increase in demand for care, it could be seen as an opportunity for many businesses in the market, however in areas of the sector there is a mismatch between supply and demand. This can cause pressures and can increase the churn rate, resulting in increased costs and market management capacity.

**Right person right care** – This risk links to the Police forces pulling back from attending mental health calls where they believe there is no threat to life and limb. The risk itself is not likely to cause significant challenges for the Council but may impact residents of Lincolnshire. Work is ongoing across the Lincolnshire system to ensure the national approach is adapted to suit the context of the county. Our assurance around this risk is currently adequate.

**Data intelligence** – There are risks associated with our ability to turn data into intelligence. In some areas, we have data that allows us to describe what is happening, but we may not always be as effective at understanding why these things are happening. By improving our understanding of the extensive data we hold, we will be better placed to fully understand the risks and develop potential improvement opportunities.

### 4.2 Heather Sandy – Children’s Services Directorate

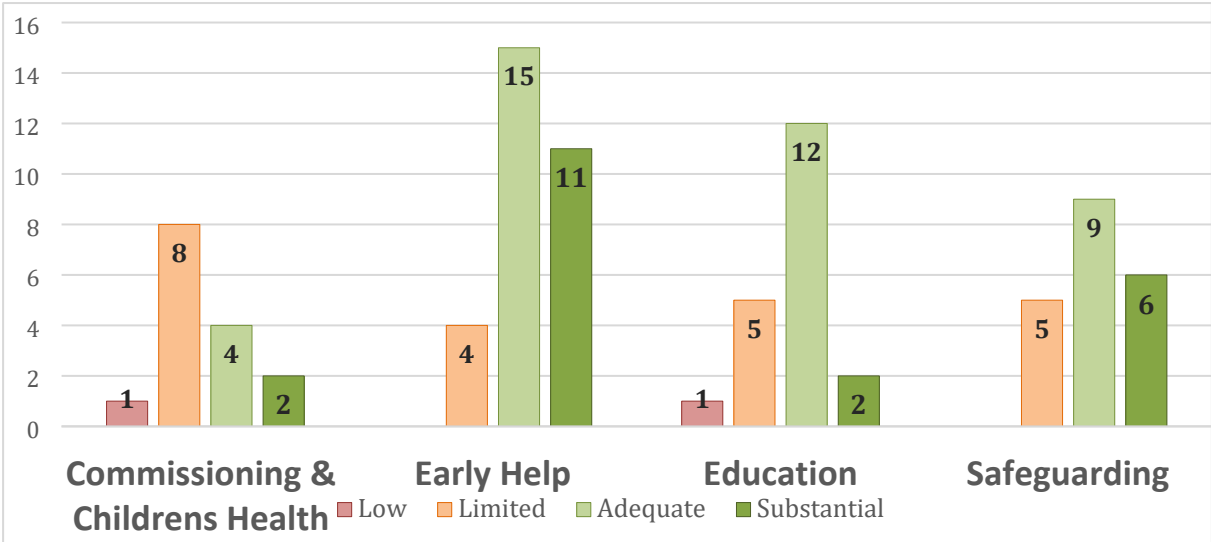
**Overall Childrens Service’s – Substantial**

I have substantial assurance that the risks across Children’s Services are managed at an acceptable level and key controls available to us are in place and operating effectively. Additional controls are being developed but are not operational yet.

Our Childrens Services are regularly reviewed and have been judged as outstanding by Ofsted. We have been selected as Pathfinders and are heavily involved in sector led improvement plans. We manage our risks well and overall have a substantial assurance level of risk management across the Directorate.

The limited assurance risks are mainly in those areas affected by living wage increases and increased demand.

**Service Level Risks - by AD area and assurance status**



## **Overarching Risk Themes and High or Limited Assurance Risks for Children's Services**

**Increased demand** – The increased demand within Children's services is in line with national trends. This risk is mitigated by on-going reviews of the front door thresholds which is regularly audited by Ofsted. Supported by intensive work in Early Help, wrapping around families to enable children to remain with their loved ones. This risk is further controlled by reunification strategies, identifying children who can return to their families. The risk is well managed and monitored by performance indicators. Increased demand is also seen in special schools and alternative provision, with requests for special school places increasing and minimal control over this area of work, however compared to other local authorities we are managing the risk well, by implementing SEND transformation and placing more children on EHCP implemented within a school setting and support provided to schools to facilitate these.

The risk within alternative education provision can be challenging due to our lack of control by the very nature of the provision. Controls are focussed on responding to this risk whilst also working with schools to attempt to minimise the likelihood of the risk.

**Increasing costs & market supply** – Increasing costs is a result of increased demand and increasing costs within safeguarding markets, which is seen nationally. External costs have risen in recent times by 30%. This risk is felt within the fostering and adoption area, with less internal fostering available to meet the increasing demand, putting additional pressure on external market supply. Increased complexity of children's requirements also impacts on the costs and market availability to support the children's requirements. Work to control this risk links into managing the demand, working with the market, creating new children's homes, and adapting tenders to manage risk and maximise opportunities. We also work nationally to influence government reforms where possible.

**Recruitment & retention** – The recruitment risk within Children's is a much-improved picture this year, with apprenticeship programmes in place and working and retention payments stabilising teams. Other controls include reviews of skill mix's, updated job descriptions and service structure reviews within services and teams, modernising the approach across the directorate.

**Unregulated and unregistered placements** – Nationally this risk is seen within multiple local authorities. Within Lincolnshire however, we have very minimal use of these placements, using these as a last resort and for short periods of time. The relationship with Ofsted ensures they are fully aware of any such placements which are only used in emergency situations. We have multiple safe temporary placements for these situations and wrap around the child to ensure their safety with an additional reintegration period enacted to ensure children are introduced to a registered placement in a lasting and sustainable way, ensuring longevity in the new placement.

### **4.3 Mark Baxter - Lincolnshire Fire & Rescue Service**

#### **Overall Lincolnshire Fire and Rescue Assurance – Adequate**

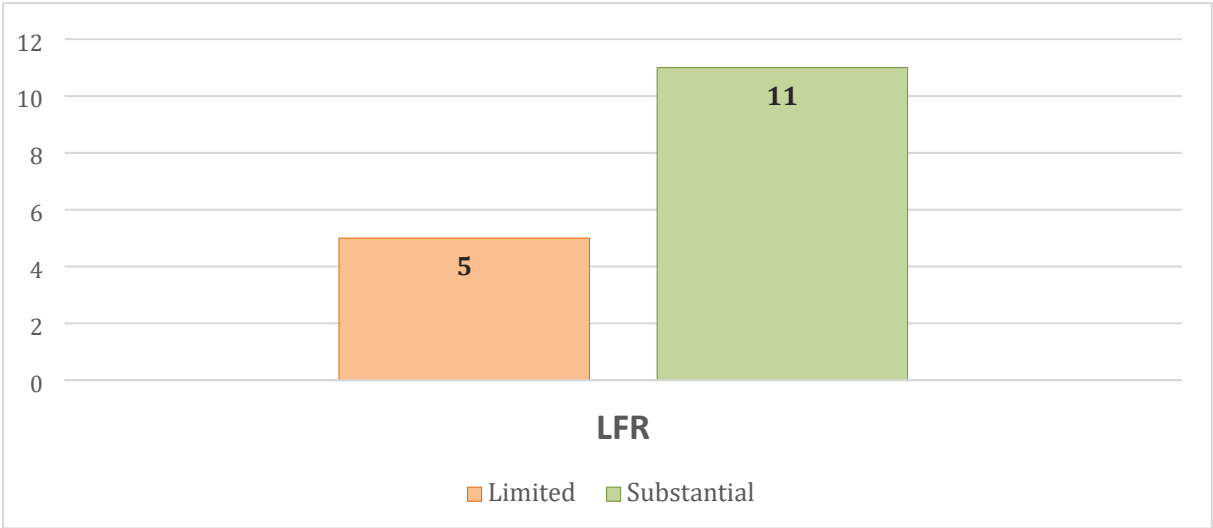
I have adequate assurance that the risks across Lincolnshire Fire and Rescue (LFR) are managed at an acceptable level and key controls available to us are in place and operating effectively. Additional controls are being developed but are not operational yet.

We have reasonable assurance that all risks are identified, and robust measures are in place to mitigate those risks. There are inevitably some unknown variables to any risks and as such we are not in a position to have substantial assurance. We have confidence in our ability to manage our risk profile effectively.

The limited risks are reflected within the improvement plan where there is a need for a longer period of time to have elapsed for the controls to have taken effect. Two of the improvement areas have been signed off by His Majesty’s Inspectorate (HMI).

**Fire & Rescue Strategic Risks**

LFR does not hold risk registers lower than its strategic risks, work is on- going to migrate LFR into LCC’s corporate risk templates.



**Overarching Risk Themes and High or Limited Assurance Risks Lincolnshire Fire and Rescue Service**

**Culture** – Lincolnshire fire and rescue, like many other fire and rescue authorities, faces many risks relating to the organisational culture, equality, diversity, and inclusion. Following the most recent HMI report, we are making progress in this area because of the long-term plan implemented following the initial report. Controls are in place and becoming embedded across the organisation. We are also utilising the strong partnership with Lincolnshire County Council to review the HR policies and procedures. Further controls we are implementing include embedding the National Fire Chiefs Council’s core code of ethics, creating dedicated steering groups with employee representation, and encouraging engagement and feedback to create an open and transparent culture. This risk links into Fire Fighter wellbeing risks. To mitigate this risk, we are also adopting the wider mental health support system, promoting the charity crisis line, providing immediate and ongoing support to fire fighters and officers. We are also seeking to learn from others, reviewing other fire and rescue authorities learning in previous years.

**Weather extremes** – Recent developments in extreme weather has meant that new risks have formed in terms of how we respond to emergencies, in particular during continued high temperatures and a shift in the types of emergencies we’re responding to, i.e. large field fires, prolonged extreme heat. This has led to different mitigation methods, requiring

different types of equipment and procedures, however capacity and capability (in terms of equipment) to respond in this arena remains challenging.

**Recruitment & retention** – Fire service recruitment has remained difficult. With particular challenges in recruiting on-call fire fighters. To mitigate this, we are reviewing our recruitment team skills mix, to ensure specialist recruitment skills are in place to have focussed recruitment in local communities for on call fire fighters, using data and evidence to ensure the most benefit. In terms of wider recruitment, we are in a period of high retirement at middle & senior leadership, to mitigate this, we are succession planning to ensure skills are not lost.

**LFR command & control centre** – This risk is now reported at strategic level and relates to the procurement, implementation and migration to the new command and control centre. The risk is regularly reviewed and includes mitigations across all areas, including a back-up should other mitigations be unsuccessful. Procurement is now complete and so the risk focusses on implementation and migration, with detailed timelines and project plans in pace.

## **4.4 Andy Gutherson - Place Directorate**

### **Overall Place Assurance Level – Adequate**

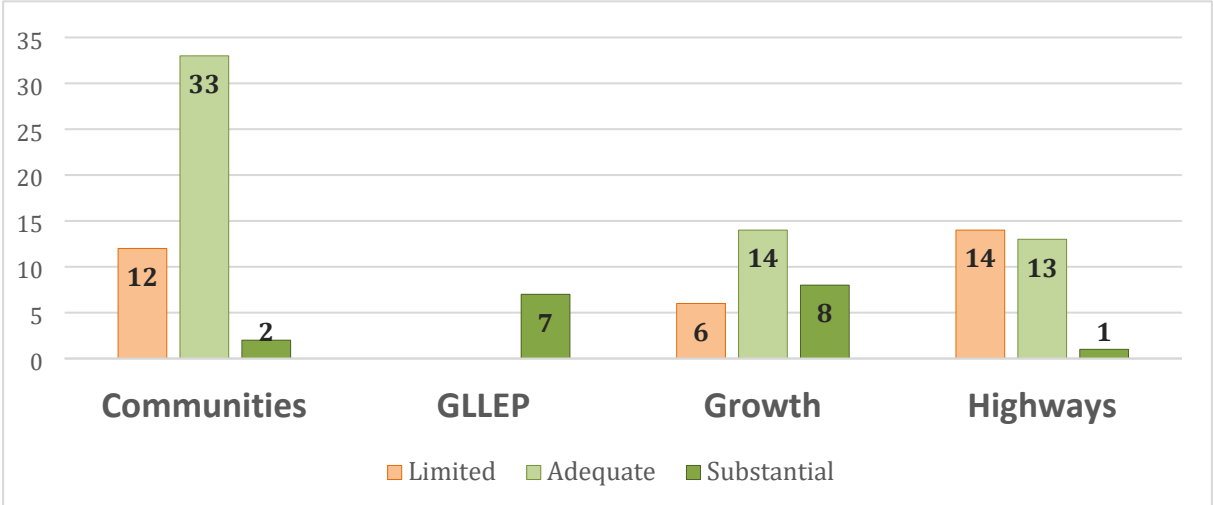
I have adequate assurance that the risks across Place are managed at an acceptable level and key controls available to us are in place and operating effectively. Additional controls are being developed but are not operational yet.

We are managing our risks and have developed creative and innovative ways to manage and control the impacts of risks. Mitigating our risks, where we are able to, provides further capacity to manage other less controllable risks. Work completed this year to recognise and understand our risks and to identify the risks we have control over has benefited our ability to assess and manage risk.

The limited assurance risks are predominantly where the ability to control the risks is around external factors such as the economy, inflation, and the recruitment market.

### **Service Level Risks - by AD area and assurance status**

Highways – due to the nature of the work in Highways most of the limited assurance risks are externally sourced.



**Overarching Risk Themes and High or Limited Assurance Risks for Place**

**Recruitment and retention** – within specialist skills areas or a complex mix of skills requirements there are always challenges with recruitment. This is felt particularly within the planning teams, where increased demands for service applies an additional pressure. Work is on- going to manage staff wellbeing and reviewing methods of recruitment and retention.

**Energy from waste site (EFW)** – The energy from waste site has hit capacity in recent times, this could cause problems with maintenance and longevity of the site. Delays in the implementation of the food waste legislation has meant the requirements for use of the EFW site have remained high. The legislation, when in effect, should reduce the needs of the EFW site and reduce the risk.

**Increased demand** – The recent storm Babet has significantly increased demand on S19 flood investigations. A within year budget adjustment has allocated a further £4m to fund the costs of investigations, asset maintenance and scheme design work but the unknown scale and outcomes of the investigations could put additional pressure on the service, to bring forward schemes to address ongoing flooding risks. Nationally Significant Infrastructure Project (NSIP) applications are also increasing, seeing an increased impact on the work demands of the planning team and a requirement for more specific expertise in the planning team.

**Home to school transport demand** – Whilst work has been completed this year to mitigate the risk to the best of our ability, the costs continue to rise, and this will result in additional budget needs next year. We are confident that we understand the risk, but mitigation of the risks is challenging given that many are outside of our direct control especially as service demands continues to grow.

**4.5 Andrew Crookham - Resources Directorate**

**Overall Resources Assurance – Adequate**

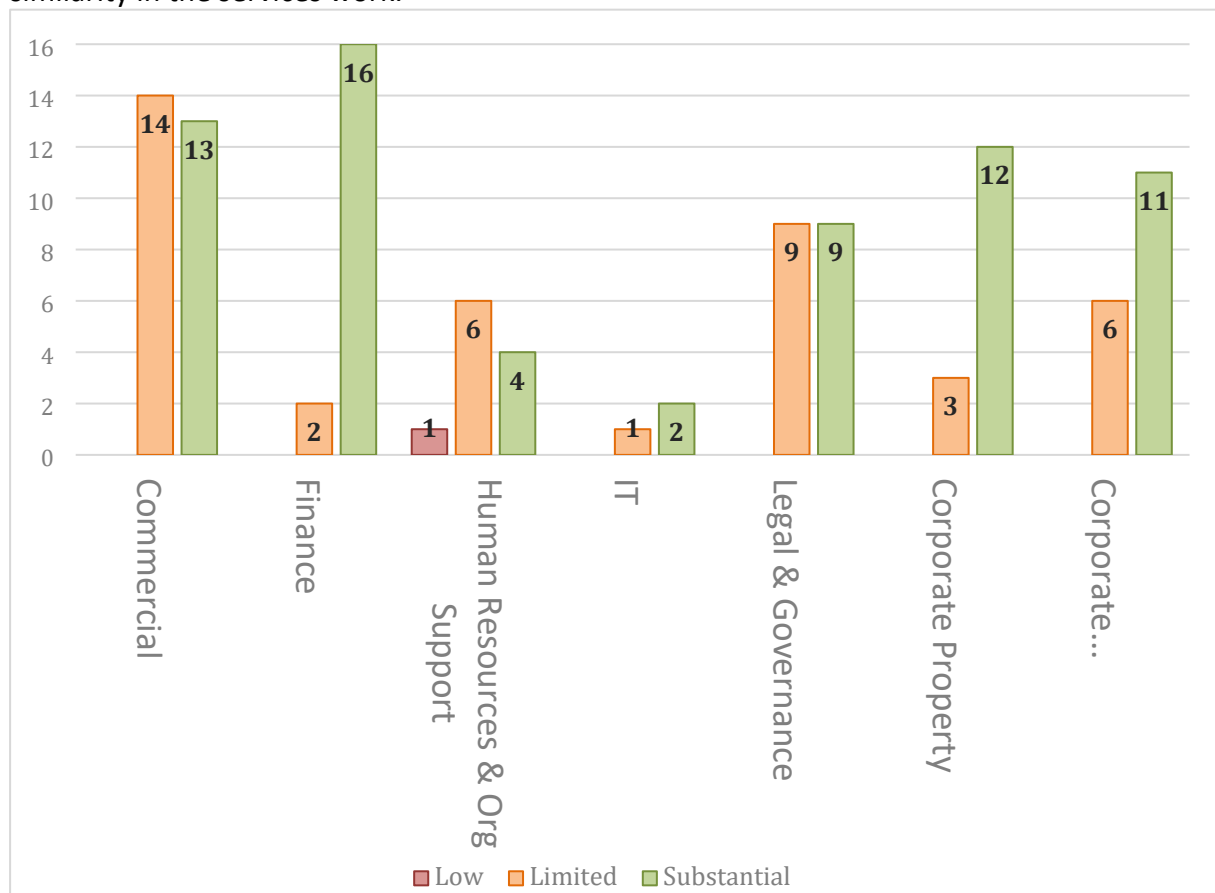


I have adequate assurance that the risks across Resources are managed at an acceptable level and key controls available to us are in place and operating effectively. Additional controls are being developed but are not operational yet.

Recent years have seen significant developments and improvements within the Resources Directorate including recent appointments to senior roles. With the new VMOST approach adopted across the directorate, all employees now understand how their roles contribute to the overarching Vision of the Resources Directorate. Alongside a new business partnering approach, the directorate will continue to be the enablers of wider organisational work, providing support, guidance, challenge, and professional curiosity through the One Council approach.

### Service Level Risks - by AD area and assurance status

Resources service risk register reviews were completed prior to the implementation of the new assurance status statements. IT hold one risk register for the AD area due to the similarity in the services work.



### Overarching Risk Themes and High or Limited Assurance Risks for Resources

**Recruitment & retention** – The recruitment and retention risk within Resources directorate has improved over the last year, with successful recruitment at multiple high-profile roles, including Assistant Director and Head of Service roles, improving our approach to succession planning, and a reduction in vacancies and use of agency workers.

**Corporate support services programme** – The implementation date for the majority of the programme is on 1<sup>st</sup> April 2024. This will see Adult Care Finance & Exchequer and HR & Payroll Administration brought back in house after more than 20 years being delivered in an outsourced environment. The Customer Service Centre will continue to be provided by Serco under a new contract. IT services will be reprocured during 2024/25 for an effective start date in April 2026. During the period of the programme, effective risk monitoring has ensured the council has changed course on two of these blocks and sought alternative solutions to manage those risks. The majority of risk focus is now on the challenges of making improvements to the services we are bringing in house and improving the maturity of the IT function in advance of 2026, which will ultimately yield broader organisational benefits.

**Business world** – As with all new software implementations or upgrades, there are risks, both with the system and the organisations ability to fully exploit the new capabilities and manage the change. However, controls are working, and new mitigations are being enacted. The opportunities outweigh the risks in this situation.

**Data intelligence** – The Councils ability to utilise its data to create intelligence is improving, with controls at the early stages of implementation. Strategies have been developed and are currently being implemented to provide a positive direction of travel for this risk.

**IT infrastructure & cyber** – As two of our strategic risks and as with all organisations we are acutely aware of the ongoing risk that Cyber-attacks present. We are actively working to implement controls for the continually evolving cyber risk we are faced with. The IT Infrastructure risk is being presented within the Deep Dive report elsewhere on this agenda.

**Effective cross Council engagement** – The Resources directorate provides enabling services to the Council, this risk has an improving direction of travel, with engagement and communication across the authority increasing, demonstrating the move towards a One Council approach. Resources has developed a business partnering approach to further connect the right people at the right time and share intelligence with business partner colleagues across Resources and the Council as a whole.

## 5.0 Horizon Scanning

Whilst this report presents the current risk profile it is important that we also assess those risks and opportunities on the horizon. Being aware of emerging risks and opportunities allows our team to highlight and discuss those with topic experts within the Council, ensuring risks are evaluated and controlled if necessary and opportunities are taken. The three listed below were those that featured repeatedly in the discussions for this report. They are not the only risks on the horizon. Future reports will continue to highlight emerging risk areas.

**Devolution** – The devolution deal for Greater Lincolnshire presents many benefits to the residents of Lincolnshire. The risks associated with the deal sit mostly in the arena of developing the new Mayoral Combined County Authority (MCCA), in terms of time and commitment required to establish the authority. Controls are being designed to mitigate the risk. Further impacts will be felt in the Place directorate, in particular working through the implications for service delivery in areas of economic development and transportation functions within the new MCCA.

**Sustainability** risks are often classified as being those within environmental, social or governance topics and are usually interdependent. They are typically drivers for other risks, long-term in nature and difficult to quantify as there is greater uncertainty as to how they will develop. Within Lincolnshire, the physical impact of climate change risks are currently manifesting in the water management arena, demonstrated by the recent flooding events across the county, our ability to mitigate these risks is entirely dependent on frequency of events and capacity within the Council.

**Migration** is becoming a growth area for several risks and is an important area to monitor. As migration increases it can put significant pressure on existing frameworks, services and resources whilst also opening opportunities for positive contributions to economic growth. Risks in this area focus on supporting those who are assessed as under 18 years, threat to public health and housing, the latter being a district council risk.

## 6.0 Looking Forward

This report provides a level of assurance on how well risks are managed across Lincolnshire County Council. To progress and further strengthen our approach to risk management, the team's next steps include:

- Applying the revised assurance statements to all directorate risk registers for consistency.
- Requesting and responding to feedback from delivering this process of assurance on risk delivery and management.
- Developing risk management dashboards for directorates and corporately to provide a clearer view of risk data.
- Continue to develop application of controls and mitigations initially focusing on the high risks with limited assurance.
- Using the comprehensive risk data to develop our understanding of the relationship between risk tolerance, risk appetite and risk exposure.

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**Open Report on behalf of Andrew Crookham, Deputy Chief Executive and Executive Director – Resources**

Report to:	<b>Audit Committee</b>
Date:	<b>5 February 2024</b>
Subject:	<b>Internal Audit Progress Report 2 2023/2024</b>

**Summary:**

The purpose of this report is to provide the audit committee with details of the audit work completed up to 1<sup>st</sup> January 2024, information on delivery progress and raise any matters of relevance.

**Recommendation(s):**

1. That the February progress report be noted for its 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 1<sup>st</sup> April and the 1<sup>st</sup> January 2024. It follows the revised format shared with the committee in July 2023 giving additional detail and aligns with the Public Sector Internal Audit Standards (PSIAS). This provides the committee with oversight of delivery and shares pertinent information arising from delivery which may impact upon the Internal Audit Annual Opinion.

**Conclusion**

The audit work delivered to date is aligned with plan expectations and remains on track for 1005 delivery by the end of quarter 4 (March 2024).

**Appendices**

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

Appendix A	Internal Audit Progress Report 2, 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 Sara Jackson, Audit Manager and Claire Goodenough, Head of Internal Audit & Risk, who may be contacted via [claire.goodenough@lincolnshire.gov.uk](mailto:claire.goodenough@lincolnshire.gov.uk).

## Internal Audit Progress Report – February 2024

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

February 2024



Appendix A

# Table of contents

Role of Internal Audit .....3

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Planning and resourcing .....10

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 on the Head of Internal Audits annual opinion.

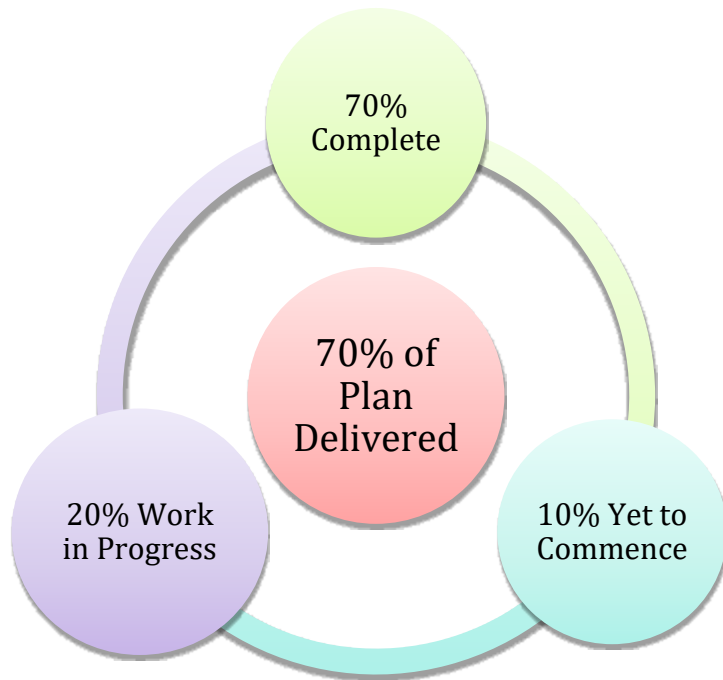
Internal audit reviews culminate in an opinion rating on the assurance that can be placed on the effectiveness of the framework of risk management, control and governance designed to support the achievement of management objectives of the service area under review. Assurance opinions are categorised 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.

# Performance Dashboard

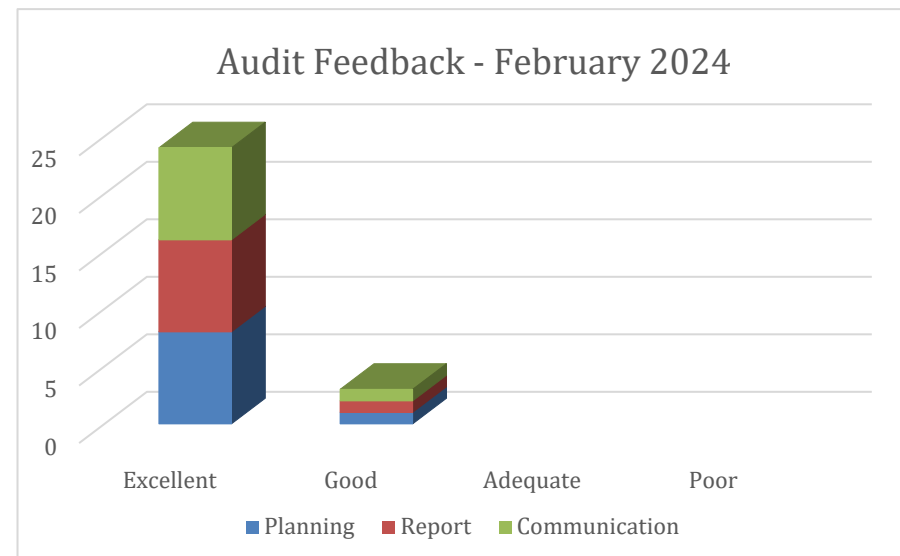
Figure 1



**Figure 1** shows the completion of the agreed internal audit plan to date. The team has delivered their work with a key focus on individual planning to support timely delivery and reporting. Line managers understand their supervision roles for the oversight of delivery plans for each audit and understand their responsibility for delivering against milestones agreed during the planning stage. The audit manager is responsible for the effective and timely delivery of their audit plans across the service. Internal performance is monitored for these key development areas.

**Figure 2** shows the feedback received for LCC's completed audit work including consultancy and grants. There is an expectation that LCC (Lincolnshire County Council) colleagues will provide feedback on their audit experience with the team. Feedback has been provided for 100% of completed assignments to date.

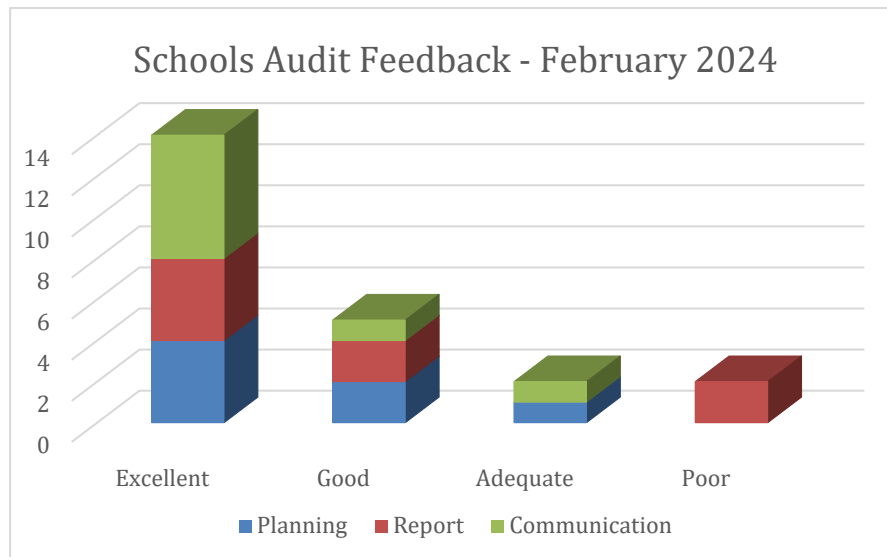
Figure 2 – audit feedback for LCC



# Client Feedback

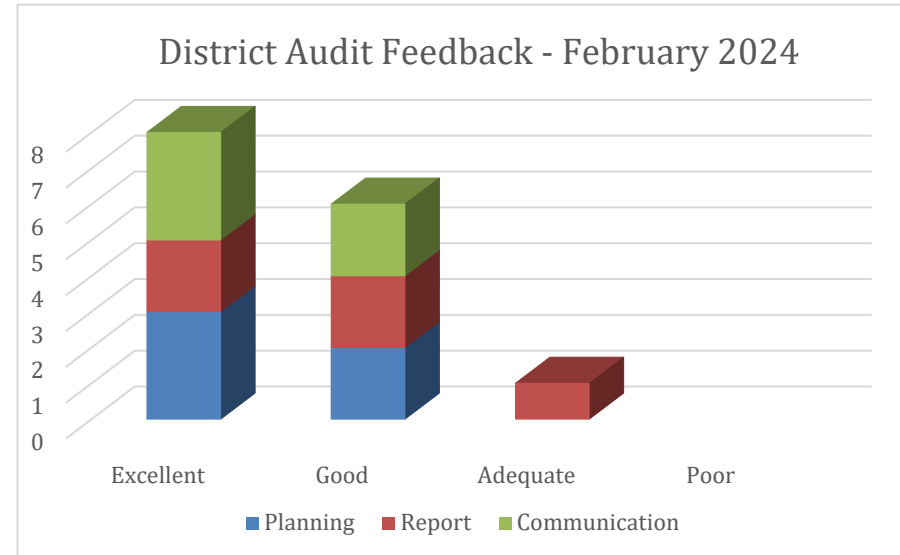
**Figure 3** shows the audit feedback for our schools and academies audit delivery. Feedback has been provided for 88% of completed assignments to date. Outstanding feedback is always followed up. The HIA engages with any feedback of adequate or below to ascertain the rationale and support the development of the auditor(s) involved in meeting expectations.

*Figure 3 – audit feedback for Schools and Academies*



**Figure 4** shows the audit feedback for all our district clients. Any outstanding feedback will be followed up in January 2024 by the audit managers.

*Figure 4 - audit feedback for district clients*



The results of audit feedback are used by managers in developing their team training needs and for improving aspects of quality assurance; by individuals for further learning improvements and by the Head of Audit to inform performance against expectation and value in the resources allocated.

# Update on Internal Audit Activity

2023/24 has seen several changes in the development and support of the internal audit service. Training has been delivered to all senior and principal auditors to aid their understanding of the role they are delivering and to ascertain the point they have reached in their personal development journey.

Training delivered to senior and principal auditors has been largely successful with improvements seen in fieldwork, report writing, planning and timely delivery for most of the team. Where areas for development have been identified individual development programmes are being implemented to aid the required additional learning.

There has been some turnover of staff who have found the changes in delivery and quality a challenge. Recruitment continues to be a national challenge for the public sector with a recognised shortage of qualified and experienced internal auditors.

The service is currently carrying five audit vacancies, two at principal level, two covering the specialist area of IT and one audit officer (a development role). The current vacancy rate has not impacted upon the quality of delivery for LCC and will not impact upon our ability to deliver the agreed plan to inform the annual opinion and provision of control assurance in key areas.

Feedback on the quality and impact of LCC audit work carried out during 2023/24 has been wholly positive supporting the internal view from the Head of Audit.

To accommodate the challenges faced, 2024/25 will see a realignment of team skills to support the delivery of LCC's statutory obligations and greater efficiency required for the outsourced work delivered to our district partners.

LCC have not had any co-sourced work delivered to date and this is not anticipated for the remainder of this year. Maintaining our own quality team remains a priority and working with internal colleagues across each directorate to understand the risks being faced continues to be beneficial to the quality of the service delivered.

# Analysis of 'live' Audit Reviews

The table below shows the audits completed in 2023/24 along with the assurance opinion and total number of management actions. Additional information including actions not accepted or overdue will be provided to the committee to show progress and impact following audits. In Quarter 4 the Internal Audit Manager will schedule follow up reviews to identify any actions which may be overdue and provide assurance to the committee on their deliverability.

Audit Review	Audit Plan Year	Report Date	Audit Sponsor	Assurance Opinion	Total Management Actions	Not Accepted	Not Yet Due	Follow up required	Completed
Green Master Plan	2023/24	Jul-23	Executive Director Place	Adequate	13	0	7	6	0
Home School Transport	2023/24	Nov-23	Executive Director Place	Adequate	9	0	4	5	0
Business Continuity & Emergency Planning	2023/24	Dec-23	Executive Director Adult Care and Community Wellbeing	Adequate	25	0	25	0	0
Sickness Absence Management	2023/24	Dec-23	Executive Director Resources	Adequate	13	0	13	0	0

# Executive Summaries of 'Limited' or 'No' Assurance Opinions

There have been no reports with a limited or no assurance rating awarded to date.

# Planning and Resourcing

Whilst recruitment of internal audit professionals continues to be a challenge, our focus has remained on delivering the internal audit plan with the available resources. Managerial oversight and reprioritising projects and some areas for development has enabled the team to focus on delivering the areas of assurance agreed by the Audit Committee in June 2023.

## Assurance Plan Delivery

Since the previous progress report there has been adequate progress made against the agreed 2023/24 internal audit plan. Four audits are complete, three are in progress and all have commenced the fieldwork stage. It is anticipated that 100% of the plan will be completed by the end of Quarter 4 (March 2024).

Audit Review	Audit Sponsor	Scoping	Audit Objective	Fieldwork	Draft Report	Final Report	Assurance Opinion	Narrative (if relevant)
<b>ASSURANCE WORK 2023/24</b>								
Green Master Plan	Executive Director Place	✓	✓	✓	✓	✓	Adequate	
Home School Transport	Executive Director Place	✓	✓	✓	✓	✓	Adequate	
Business Continuity	Executive Director of Adult Care and Community Wellbeing	✓	✓	✓	✓	✓	Adequate	
Sickness Absence Management	Executive Director Resources	✓	✓	✓	✓	✓	Adequate	
Business World (Payroll)	Executive Director Resources	✓	✓	In Progress	In Progress	In Progress		
Business World (Key Controls)	Executive Director Resources	✓	✓	In Progress	In Progress	In Progress		
Coroners	Executive Director of Adult Care and Community Wellbeing	✓	✓	In Progress	In Progress	In Progress		



### Consultancy Work Delivery

The internal audit plan allows some capacity for consultancy work. The internal audit scope was amended to refocus the work needed for the planned Social Work audit. Two additional assignments providing lessons learned have been completed and reported upon to date. Whilst this consultancy work does not provide an assurance rating, the Head of Internal Audit provides feedback and advises on the control environment to the audit sponsor.

Audit Review	Audit Sponsor	Scoping	Audit Objective	Fieldwork	Draft Report	Final Report	Assurance Opinion	Narrative (if relevant)
<b>CONSULTANCY WORK 2023/24</b>								
Social Work Short Calls	Deputy Chief Executive	✓	✓	✓	✓	✓		Moved from an assurance delivery to consultancy
Property (RAAC)	Assistant Director Corporate Property	✓	✓	✓	✓	✓		
Contracts	Executive Director Resources	✓	✓	In Progress	In Progress	In Progress		Moved from an assurance delivery to consultancy

### Grant Work Delivery

Supporting Families Grant audits form part of the 2023/24 internal audit plan and historically other grant audits are requested at short notice by service areas, this year has been the same. The team have been accommodating and delivered additional grant work assignments. From 2024/25 the Internal Audit Manager will work with finance and service areas to identify, plan and schedule grant work assignments.

Audit Review	Audit Sponsor	Scoping	Audit Objective	Fieldwork	Draft Report	Final Report	Assessment Results
<b>GRANT WORK 2023/24</b>							
Supporting Families Q1	Executive Director of Adult Care and Community Wellbeing	✓	✓	✓	✓	✓	Sample of 35 phase 2 claims and 1 phase 3 claim assessed and met grant conditions prior to submission.
Supporting Families Q2	Executive Director of Adult Care and Community Wellbeing	✓	✓	✓	✓	✓	Sample of 10 phase 3 claims assessed. 9 met grant conditions and 1 required removal prior to submission.
Bus Services Operators Grant (BSOG)	Executive Director Place	✓	✓	✓	✓	✓	Sample of 20 transactions tested and all were found to have appropriate records of expenditure against grant conditions.
DfE Family Hubs	Executive Director of Children's Services	✓	✓	✓	✓	✓	Sample of 19 transactions tested and all were found to have appropriate records of expenditure against grant conditions.
Supporting Families Q3	Executive Director of Adult Care and Community Wellbeing	✓	✓	✓	✓	✓	Sample of 22 phase 3 claims assessed and met grant conditions prior to submission.
Supporting Families Q4	Executive Director of Adult Care and Community Wellbeing	In Progress	In Progress	In Progress	In Progress	In Progress	Due in March 2024



**Open Report on behalf of Andrew Crookham, Deputy Chief Executive and Executive Director – Resources**

Report to:	<b>Audit Committee</b>
Date:	<b>5 February 2024</b>
Subject:	<b>Final Audit Committee Annual Report 2023</b>

**Summary:**

The Audit Committee Annual Report is designed to inform the Council of the activities undertaken by the Committee in the calendar year 2023 and how it discharged its responsibilities.

**Recommendation(s):**

That the Committee:

1. Consider the content of the final Audit Committee Annual Report noting the updated areas since the draft report was shared in November 2023.
2. Review the content for approval prior to submission to the full Council.

**Background**

The Audit Committee Annual Report is required under both the Committee's Terms of Reference and CIPFA's Position Statement: Audit Committees in Local Authorities and Police (2022) to report on its performance and demonstrate how the Committee has discharged its responsibilities.

The following sections have been modified since the draft version was approved in November 2023:

- Audit composition and attendance table.
- External audit and financial reporting.
- Development areas for 2024.

**Conclusion**

Good practice advocates the Audit Committee publishes an Annual Report, of which this is the draft. The final report will be presented to the Audit Committee in February 2024 for final approval before submission to Full Council.

## **Consultation**

### **Risks and Impact Analysis**

N/A

## **Appendices**

These are listed below and attached at the back of the report	
Appendix A	Audit Committee Annual Report 2023
Appendix B	Auditor's Annual Report – Lincolnshire County Council – year ended 31 March 2022
Appendix C	Auditor's Annual Report – Lincolnshire County Council – year ended 31 March 2023

## **Background Papers**

The Constitution, specifically the Terms of Reference for the Audit Committee.

This report was written by Claire Goodenough, Head of Internal Audit & Risk Management who may be contacted via email at [claire.goodenough@lincolnshire.gov.uk](mailto:claire.goodenough@lincolnshire.gov.uk).

# Audit Committee Annual Report

Calendar Year 2023

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# Chairman's Forward

It is my pleasure to present this annual report for the Audit Committee for 2023 to Full Council.

This report highlights the work of the Committee over the calendar year as provided within the Committee's Terms of Reference and Scope of Work. It also includes a brief look into the year ahead on the Committee's areas of development.

The provision of independent assurance to the Council on its changing and evolving risk profile has, arguably, never been more important. At the core, audit committees play a vital role in supporting and maintaining a culture and environment to support the integrity of governance arrangements and the provision of information for decision making.

As Chair, I find that members of the Audit Committee have shown great interest and understanding of the committee's role and have asked many challenging questions. It is testament to the diligence of the committee that it embraces and adapts to change, with the committee initiating regular presentations by risk owners.

At time of uncertainty, transparency can be of heightened importance, so I hope this annual report from the Audit Committee on its work and how it has met its Terms of Reference during 2023, is useful assurance for the Council.

I would like to thank the officers, external auditors, executive members, professional advisors and of course, members of the Audit Committee for their input and support for the work of the Committee. It has been a busy year where we have continued to provide a robust and independent challenge to the processes, structures and arrangements surrounding the Council's audit, assurance, risk management, financial control and governance framework.

I look forward to future meetings of the Committee and to working with the Committee members and the officers who provide support to ensure the continuation of independent assurance on the Council's control environment and governance framework.

Cllr Sue Rawlins  
Chairman of the Audit Committee  
February 2025

## Role of the Audit Committee

The Audit Committee is a key component of Lincolnshire County Council's corporate governance.

The purpose of the Audit Committee is to provide independent assurance on the adequacy of the risk management framework and the internal control environment. It provides independent review of Lincolnshire County Council's governance, risk management and control frameworks and considers the adequacy of the financial and governance reporting. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

The functions covered by the Audit Committee are:

- Independent and high-level focus on the governance, risk and control frameworks.
- Independent review and high-level focus on audit, assurance and reporting arrangements that underpin good governance and financial standards.
- Promote high standards of ethical behaviour by developing, maintaining and monitoring Codes of Conduct for Councillors and co-opted Members (including persons acting in a similar capacity).
- Oversight of internal and external audit, helping to ensure efficient and effective assurance arrangements are in place.

Details on the specific functions of the Audit Committee can be found in the Council's Constitution published along with agendas, minutes and supporting papers.

[Agenda for Constitution on Friday, 9th December 2022 \(moderngov.co.uk\)](https://www.moderngov.co.uk/2022/12/09/agenda-for-constitution-on-friday-9th-december-2022)

To help the Committee meet its responsibilities each year, management provide training sessions for the Committee on subject areas within their remit. During 2023, these have included risk management training, financial training and horizon scanning.

As a non-executive body, the influence of the audit committee depends not only on the effective performance of its role but also the engagement with officers and those charged with governance.



## Meetings and Membership

During 2023, the Audit Committee met on six occasions and comprised of six Councilors and two independent Members with each meeting being well attended. Membership of the committee has been stable throughout the year. There are currently no vacancies on the committee.

### Audit Composition & Attendance

Member	Feb-23	Mar-23	Jun-23	Jul-23	Sep-23	Nov-23	%Attendance
Cllr S Rawlins - Chair	✓	✓	✓	✓	✓	✓	100%
Cllr M Allan - Vice Chair	✓	✓	✓	✓	✓	✓	100%
Cllr S Bunny	✓	✓	✓	✓	✓	✓	100%
Cllr A Stokes	✓	✓	✓	x	✓	✓	83%
Cllr P Coupland	✓	✓	✓	✓	✓	✓	100%
Cllr P Skinner	✓	✓	✓	x	✓	✓	83%
Cllr J King	x	x	✓	x	x	✓	33%
Mr I Haldenby	x	✓	x	✓	✓	✓	67%
Mr A Middleton	✓	✓	✓	✓	✓	✓	100%

The Audit Committee meetings were also routinely attended by the following officers and external parties:

Deputy Chief Executive and Executive Director: Resources; Assistant Director: Finance; Strategic Finance Lead: Technical; Head of Internal Audit & Risk Management; Team Leader: Risk & Insurance; Principal Risk Officer; Democratic Service Officers and External Auditors.

## How the Committee Discharged its Responsibilities During 2023

Key Committee Activities	Feb-23	Mar-23	Jun-23	Jul-23	Sep-23	Nov-23
<b>Governance, Risk &amp; Control</b>						
Receive and approve draft Annual Governance Statement 2022/23			✓			
Receive and approve the Information Assurance Annual Report 2022/23			✓			
Receive and approve the Final Annual Governance Statement 2022/23					✓	
Receive the 2022/23 Monitoring Officer Report				✓		
Review and approve the draft 2023 Audit Committee Annual Report						✓
Review and approve the final 2023 Audit Committee Annual Report	✓					
Receive Risk Management Progress Report		✓			✓	
Receive Strategic Risk in Market Supply for Adult Social Care					✓	
Receive a Combined Assurance Report from all Directorates	✓					
Receive an update on horizon scanning						✓
<b>Internal Audit</b>						
Receive and approve the Internal Audit Plan for 2023/2024				✓		
Review the Internal Audit Annual Report (including opinion) for 2022/23			✓			
Review Internal Audit Progress Report		✓		✓		
<b>Counter Fraud Assurance</b>						
Receive and approve the Counter Fraud Annual Report			✓			
Receive the Counter Fraud Risk Register		✓				
Receive Counter Fraud Progress Report	✓					
Review and approve Counter Fraud Annual Work Plan for 2023/24				✓		
<b>Financial Reporting &amp; External Audit</b>						
Receive the 2022/23 Draft Statement of Accounts			✓			
Receive the CIPFA Financial Management Code and Financial Resilience Report				✓		
Receive an update on the 2020/21, 2021/22 & 2022/23 Draft Statement of Accounts		✓			✓	✓
Receive an update on external audit strategy for 2022/23					✓	
Receive and approve the Accounting Policies to be applied to 2022/23 Statutory Accounts		✓				

## **Governance, Risk and Control**

The Audit Committee oversaw the production of the Council's Annual Governance Statement (AGS) and received updates regarding progress. As part of the production of the 2022/2023 AGS, the Committee reviewed and approved the draft statement at the June 2023 meeting. The Committee reviewed the final AGS in September 2023. The Committee also reviewed and approved both the Monitoring Officer Report and the Information Assurance Report, which form part of the AGS.

The final Annual Report for 2022 was approved during the year and presented to the Full Council. Risk reports were scrutinized along with the strategic risk register at different points in the year. A Combined Assurance Report was presented, and the Audit Committee scrutinized the level of assurance provided through the work of directorates and had the opportunity to question Executive Directors directly on areas of their assurance mechanisms. Following a risk management update, the strategic risk covering market supply in Adult Services was selected by the committee for further understanding. The Executive Director for Adult Care & Community Wellbeing (ACCW) presented a risk focused report and responded to specific points raised within the Committee.

## **Internal Audit & Counter Fraud**

Throughout the year the Committee received progress reports on delivery of the approved annual plan along with the Audit Annual Report, which included the Head of Internal Audit's annual opinion. The opinion, provided in June 2023, awarded 'performing well' assurance for governance, risk and financial control. Internal control was awarded a 'performing adequately' assurance. The committee received and reviewed progress reports against the Internal Audit Plan which highlighted the objectives of each audit assignment, the number of findings and graded recommendations along with areas of good practice. This enabled the committee to seek further assurance where needed.

The Committee received and considered reports outlining the work delivered through the counter fraud team including details of the plan agreed for the year 2023/2024 and an overview of fraud risks the council faces.

## **External Audit & Financial Reporting**

The Committee has seen ongoing delays with the finalisation of the Statutory Accounts for 2021/22 and 2022/23. Throughout the year the Committee has received regular updates from the Assistant Director: Finance on progress which set out the rationale for the delay in publication. In September 2023, the external auditors provided an anticipated revised date as the end of December 2023. The Committee questioned the external auditors on numerous aspects associated with this unprecedented situation to fully understand the risks and any potential resultant impacts. The committee gained a good understanding of the delays and the national picture on infrastructure asset reporting. At the November 2023 meeting, the external auditors presented that the 2021/22 accounts had retained the unqualified opinion and there were no new concerns to be reported. The external auditors confirmed that for 2022/23 no material changes other than the ones shared in the committee relating to pension liabilities, had been made since they were presented to the committee, and they had also retained their unqualified opinion. The accounts for both 2021/22 and 2022/23 were signed off as complete. A copy of the External Auditors Annual

Report is attached (Appendix B) providing the Full Council with the external auditors' opinion of the financial statements, value for money arrangements and wider reporting responsibilities for years ended 31 March 2022 and 31 March 2023.

The Committee received further information on work undertaken internally and externally relating to the CIPFA Code of Financial Management and how the external assessment performed in comparison to the internal self-assessment. The Committee probed both areas to ascertain any risks within the few areas for further development.

## **Development Areas for 2024**

The Committee have supported a few developments for future meetings. They include increased frequency of strategic risk reporting, further in-depth reporting on internal audit activity, and provision of a more detailed focus on the counter fraud delivery and impact. Report template changes have been implemented to provide the committee with further quality oversight and delivery information to help inform the effectiveness of the assurance framework.

The Committee has also considered possible topics and training areas for 2024. Considered items include, financial resilience, risk appetite and tolerance training and understanding assurance points noted from Section 114 notices.

## **Conclusion**

The Audit Committee is pleased to present its 2023 Annual Report to the Council. It is hoped that the report gives sufficient detail on its performance throughout the year and demonstrates that the Audit Committee has discharged its responsibilities as set out in the Terms of Reference. The Committee looks forward to developing its arrangements in line with good practice guidance and in assuring and supporting the Executive as 2024 progresses.

# Auditor's Annual Report

Lincolnshire County Council – year  
ended 31 March 2022

November 2023  
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Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies' issued by Public Sector Audit Appointments Ltd. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the Council. No responsibility is accepted to any member or officer in their individual capacity or to any third party.

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# 01

## Section 01: **Introduction**

# 1. Introduction

## Purpose of the Auditor's Annual Report

Our Auditor's Annual Report (AAR) summarises the work we have undertaken as the auditor for Lincolnshire County Council ('the Council') for the year ended 31 March 2022. Although this report is addressed to the Council, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 and the Code of Audit Practice ('the Code') issued by the National Audit Office ('the NAO'). The remaining sections of the AAR outline how we have discharged these responsibilities and the findings from our work. These are summarised below.

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### Opinion on the financial statements

Our audit report was issued on 14 November 2023 and was unqualified.



### Value for Money arrangements

In our audit report issued we reported that we had completed our work on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources and had not issued recommendations in relation to identified significant weaknesses in those arrangements. Section 3 provides our commentary on the Council's arrangements.



### Whole of Government Accounts (WGA)

We have not yet received group instructions from the National Audit Office in respect of our work on the Council's WGA submission. We are unable to commence our work in this area until such instructions have been received.



### Wider reporting responsibilities

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and to consider any objection made to the accounts. No such correspondence from electors has been received.



# 02

Section 02:

**Audit of the financial statements**

## 2. Audit of the financial statements

### The scope of our audit and the results of our opinion

Our audit was conducted in accordance with the requirements of the Code, and International Standards on Auditing (ISAs).

The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Council and whether they give a true and fair view of the Council's financial position as at 31 March 2022 and of its financial performance for the year then ended. Our audit report, issued 14 November 2023 gave an unqualified opinion on the financial statements for the year ended 31 March 2022.

### Qualitative aspects of the Council's accounting practices

We have reviewed the Council's accounting policies and disclosures and concluded other than where already documented they comply with the 2021/22 Code of Practice on Local Authority Accounting, appropriately tailored to the Council's circumstances.

There have been two particular accounting challenges for the local authority sector in 2021/22:

1. Accounting for Infrastructure Assets (where guidance was not published and made available until January 2023). This has led to an increase in management discussion, auditor challenge and underlying substantive testing of core data.

We performed additional testing and review procedures over the Council's processes and accounting arrangements, which found that whilst there are clear and established procedures in place, these would not meet the Code standards in full, so Officers accepted that to make changes to the accounting disclosures. Alongside this, an error was noted where some infrastructure assets had been derecognised in the wrong year and the Council corrected this by way of restating the prior year information.

1. Considering the impact of the triennial valuation of pension schemes

We discussed the impact of the triennial pension valuation and how this may impact the 2021/22 financial statements. Officers obtained an updated valuation report, resulting in a £16m adjustment to the carrying value

of the Pension Fund Asset in the financial statements.

Our detailed findings were presented to the Audit Committee on 25 September 2023.

### Internal Control Recommendations

As part of our audit, we considered the internal controls in place that are relevant to the preparation of the financial statements. We did this to design audit procedures that allow us to express our opinion on the financial statements, but this did not extend to us expressing an opinion on the effectiveness of internal controls. We did not identify any 'High – level 3' recommendations for 2021/22.

## 2. Audit of the financial statements

### Main financial statement audit risks and findings

Our audit approach is risk-based and primarily driven by the issues that we consider lead to a higher risk of material misstatement of the accounts. Once we have completed our risk assessment, we develop our audit strategy and design audit procedures in response to this assessment. Following the risk assessment, we identified risks relevant to the audit of financial statements and the significant audit risks and conclusions reached are set out below:

Audit Risk	Level of audit risk	How we addressed the risk	Audit conclusions
<p><b>Management override of controls</b></p> <p>This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur.</p>	<p><b>Significant risk:</b> an area that, in our judgment, requires special audit consideration.</p>	<p>We addressed the risk through performing work over accounting estimates, journal entries and considering whether there were any significant transactions outside the normal course of business or otherwise unusual. In addition, we made enquiries of management and used our data analytics and interrogation software to extract accounting journals for detailed testing on specific risk characteristics.</p>	<p>There are no significant matters to report in respect of management override of controls.</p>
<p><b>Valuation of the net pension liability</b></p> <p>The defined benefit liability relating to the Local Government and Fire-Fighter's pension scheme represents significant balances on the Council's balance sheet. The Council uses two actuaries to provide an annual valuation of these liabilities in line with the requirements of IAS 19 Employee Benefits. Due to the high degree of estimation uncertainty associated with this valuation, we have determined there is a significant risk of misstatement in this area.</p>	<p><b>Significant risk</b></p>	<p>Our procedures to address this risk included, but was not limited to:</p> <ul style="list-style-type: none"> <li>critically assessing the competency, objectivity and independence of the Pension Funds' Actuaries;</li> <li>liaising with the auditors of the Lincolnshire Local Government Pension Fund to gain assurance that the controls in place at the Pension Fund are designed and implemented correctly. This included the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS 19 valuation is complete and accurate;</li> <li>reviewing the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuaries, and the key assumptions included within the valuations. This included comparing them to expected ranges, utilising information by the consulting actuary engaged by the National Audit Office; and</li> <li>agreeing the data in the IAS 19 valuation report provided by the Fund Actuaries for accounting purposes to the pension accounting entries and disclosures in the Council's financial statements.</li> </ul>	<p>Following adjustments to the financial statements to take account of updated information not available to the Council at the time of preparing its financial statements, our work obtained the assurances we sought.</p>

# 2. Audit of the financial statements

Audit Risk	Level of audit risk	How we addressed the risk	Audit conclusions
<p><b>Valuation of land &amp; buildings and investment properties</b></p> <p>Land, Building and Investment Property assets are significant balances on the council's balance sheet. The valuation of these assets is complex and is subject to a number of management assumptions and judgements. Due to the high degree of estimation uncertainty associated, we have determined there is a significant risk in this area.</p>	<p><b>Significant risk</b></p>	<p>Our procedures to address this risk included, but was not limited to:</p> <ul style="list-style-type: none"> <li>critically assessing the Council's valuers scope of work, qualifications, objectivity and independence to carry out the required programme of revaluations;</li> <li>considering whether the overall revaluation methodologies used by the Council's valuers are in line with industry practice, the CIPFA Code of Practice and the Council's accounting policies;</li> <li>assessing whether valuation movements are in line with market expectations by using third party information to provide information on regional valuation trends;</li> <li>critically assessing the approach that the Council adopts to ensure assets that are not subject to revaluation in 2021/22 are materially correct, including considering the robustness of that approach in light of the valuation information reported by the Council's valuers; and</li> <li>testing a sample of individual valuations, back to source records to ensure appropriateness and to gain assurance over whether the correct accounting treatment has been applied.</li> </ul>	<p>There were no significant issues noted from our testing to date that need to be brought to the attention of Members.</p>

# 03

Section 03:

**Commentary on VFM arrangements**

# 3. VFM arrangements – Overall summary

## Context of the Auditor's Annual Report

Our Auditor's Annual Report summarises the work we have undertaken as the auditor for Lincolnshire County Council for the year ended **31 March 2022**, where at the time of reporting in September 2023, we recognise that the social, political and economic environment has changed and local government is facing significant challenges including:

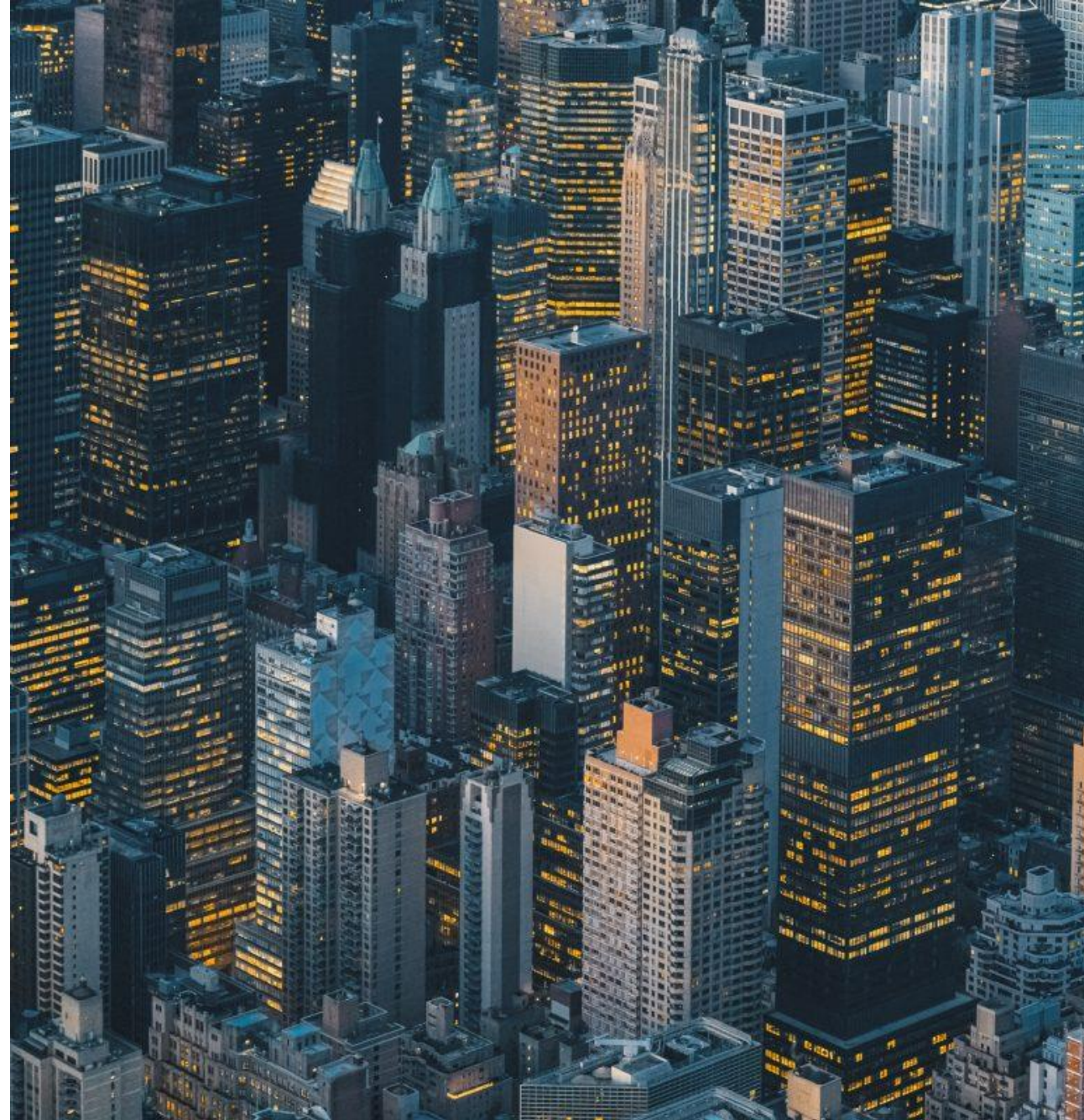
- **Cost of Living:** With most people experiencing financial pressure, spending habits are changing. High energy costs and increasing food prices have impacted on levels of disposable income. With wage (and potentially benefit) increases failing to keep pace with inflation, more people will be facing hardship.
- **Added budget pressures:** With inflation soaring, the cost of goods, services and resources are becoming more expensive. Local authorities are not immune to the increasing cost of energy supply, although the government announcements on energy caps help, many local authorities are still facing higher costs. Local authorities typically budget for modest salary increases year on year, but expectations and demands on salary increases have changed and consideration on how they are to be funded is required.
- **Cost of Borrowing:** The Bank of England base rate has risen meaning that the cost of borrowing for capital projects has increased significantly.
- **Contractors and Suppliers:** The cost-of-living crisis has resulted in business failures. Although government support has been announced, some businesses will continue to struggle, with a greater risk of supplier failure. Supply failures anywhere in the supply chain will have a knock-on effect.
- **Service Delivery:** Likely budget reductions and savings plans are going to impact the ability of local authority services to maintain levels of delivery, particularly at a time of increased demand.

We maintain alert to the key issues facing Lincolnshire County Council and, should we identify a risk of significant weakness in arrangements, will promptly raise these with management and issue any reports to the Audit Committee as part of our audit for the year ending 31 March 2023.

### 3. Commentary on VFM arrangements

#### Overall summary

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# VFM arrangements – Overall summary

## Approach to Value for Money arrangements work

We are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:



**Financial sustainability** - How the Council plans and manages its resources to ensure it can continue to deliver its services



**Governance** - How the Council ensures that it makes informed decisions and properly manages its risks



**Improving economy, efficiency and effectiveness** - How the Council uses information about its costs and performance to improve the way it manages and delivers its services

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Our work is carried out in three main phases.

### Phase 1 - Planning and risk assessment

At the planning stage of the audit, we undertake work so we can understand the arrangements that the Council has in place under each of the reporting criteria; as part of this work we may identify risks of significant weaknesses in those arrangements.

We obtain our understanding of arrangements for each of the specified reporting criteria using a variety of information sources which may include:

- NAO guidance and supporting information
- Information from internal and external sources including regulators
- Knowledge from previous audits and other audit work undertaken in the year
- Interviews and discussions with staff and Members.

Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest there are further risks of significant weaknesses.

### Phase 2 - Additional risk-based procedures and evaluation

Where we identify risks of significant weaknesses in arrangements, we design a programme of work to enable us to decide whether there are actual significant weaknesses in arrangements. We use our professional judgement and have regard to guidance issued by the NAO in determining the extent to which an identified weakness is significant.

We have not identified any risks that require additional procedures.

### Phase 3 - Reporting the outcomes of our work and our recommendations

We are required to provide a summary of the work we have undertaken and the judgments we have reached against each of the specified reporting criteria in this Auditor's Annual Report. We do this as part of our Commentary on VFM arrangements which we set out for each criteria later in this section.

We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Council. We refer to two distinct types of recommendation through the remainder of this report:

#### • Recommendations arising from significant weaknesses in arrangements

We make these recommendations for improvement where we have identified a significant weakness in the Council arrangements for securing economy, efficiency and effectiveness in its use of resources. Where such significant weaknesses in arrangements are identified, we report these (and our associated recommendations) at any point during the course of the audit.

#### • Other recommendations

We make other recommendations when we identify areas for potential improvement or weaknesses in arrangements which we do not consider to be significant but which still require action to be taken

The table on the following page summarises the outcomes of our work against each reporting criteria, including whether we have identified any significant weaknesses in arrangements or made other recommendations.

Our Value for Money commentary looks at the arrangements in place for the period from 1st April 2021 to 31st March 2022. We recognise that there are substantial changes in the economy and operating environment since then, including levels of inflation and an impending budget announcement and we will, therefore, be mindful of these as part of our final reporting.



# VFM arrangements – Overall summary

## Overall summary by reporting criteria

Reporting criteria	Commentary page reference	Identified risks of significant weakness? *	Actual significant weaknesses identified? *	Other recommendations made?
 <b>Financial sustainability</b>	14	No	No	No
 <b>Governance</b>	17	No	No	No
 <b>Improving economy, efficiency and effectiveness</b>	21	No	No	No

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### 3. Commentary on VFM arrangements

#### Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services

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# 3. VFM arrangements – Financial Sustainability

## Overall commentary on the Financial Sustainability reporting criteria

Significant weakness in 2020/21	Nil.
Significant weaknesses identified in 2021/22	Nil.

### Position brought forward from 2020/21

We reported in our Annual Auditor’s Report for 2020/21, that we had;

- Reviewed the 2020/21 financial performance and forecasts during the year and considered the Council’s financial outturn position as presented in the financial statements;
- Reviewed the 2021/22;
  - Revenue and Capital budgets and Medium-Term Financial Plan;
  - Treasury Management Strategy, incorporating the Minimum Revenue Provision Policy and Capital and Investment Strategies; and
  - Considered the Council’s latest financial monitoring information and its updated medium-term outlook.
- Updated our risk assessment for any new or emerging issues through discussions with management and updating our review of committee reports;
- Reviewed the Council’s Annual governance Statement for any significant issues; and
- Considered the general findings from our audit work in other areas.

As set out in the table above, there are no indications of a significant weakness in the Council’s arrangements for financial sustainability brought forward from 2020/21.

### Overall responsibilities for financial governance

We have reviewed the Council’s overall governance framework, including Council and committee reports, the Annual Governance Statement, and Statement of Accounts for 2021/22. These confirm the Council undertook

its responsibility to define the strategic aims and objectives, approve budgets and monitor financial performance against budgets and plans to best meet the needs of the Council’s service users.

### 2021/22 Statement of Financial Position

We carried out a high-level analysis of the financial statements subject to our audit, including the Movement in Reserves Statement and the Balance Sheet, our work to date has not highlighted any risks of significant weakness in arrangements or indicators of a risk to the Council’s financial sustainability. The Council’s reserves position at 31 March 2022 show:

- General Fund Balance of £16m, consistent with the 2020/21
- School Reserves of £27m, up from £26m in 2020/21;
- Earmarked Reserves (including a financial volatility reserve of £47m) of £218m, down from £231m in 2020/21; and
- Capital Reserves of £72m, down from £93m in 2020/21.

Adequate disclosures have been made in the Financial Statements (Note 15) and Narrative Report to support why these balances have moved.

# VFM arrangements – Financial Sustainability

## The Council's financial planning and monitoring arrangements

We have met regularly with Officers during the year and read the Quarterly Reports to Executive. Each report summarises the financial position of the Council and is supported by a set of appendices that adequately enable Members to assess revenue performance by service (such as Children's Services, Place etc). We note the reports explain the variance to budget, which increased in size from Quarter 3 through to the year-end; this is shown in the table below.

Reports to Executive include the monitoring of planned savings of £11.4m for 2021/22 and £4.8m for 2022/23 as reported in the Revenue Budget Monitoring Report 2022/23 – Quarter 1, presented to the Executive in September 2022. These savings are built into budgets and triangulate with the individual service level reports included in the supporting appendices to the Quarterly Revenue reports to Executive.

We have reviewed note 15 of the financial statements, setting out earmarked reserves, and in particular the Financial Volatility Reserve that was established to help the Council deal with the future uncertainties around Local Government funding. The Council did not use any of this reserve in the year, instead it added £6.4m leaving a balance of £46.9m as at 31 March 2022.

In July 2022, the Executive were informed that there had been:

A £5.8m underspend on Services (1.3%) and £6.5m underspend on other budgets (6.9%), and the Council received £1.4m (less than 0.5%) more general funding income that originally budgeted for (not considered to be a material variance between reported sums);

- £17.2m underspend via dedicated schools grant, of which £13.9m relates to balances from the prior year;
- Support paragraphs explains that these underspends are mainly the result of Covid-19 and the subsequent knock on effects this has caused alongside staff vacancies and Capital programme slippage.

Overall, in our view, the Council's arrangements for reviewing revenue financial performance are adequate.

We reviewed capital expenditure as presented in the financial statements and tested capital additions and REFCUS (Revenue Expenditure Funded from Capital Under Statute), with no material issues arising over the £147m additions to Property, Plant & Equipment set out in Note 15 of the financial statements.

We also reviewed the "Review of Financial Performance 2021/22" presented to Executive on 5 July 2022. Paragraph 1.11 explains the Council spent £194m on the County's major assets, in particular on road schemes and schools. We have reconciled this to the financial statements which show a total of £195.7m (PPE Additions of £147.8m, Investment Properties of £0.5m and Revenue Expenditure Funded by Capital Under Statute of £47.4m), noting a non-material variance of £1.4m between the figures reported to Executive and that in the financial statements.

We reviewed the capital outturn report to the July meeting of the Executive, who were informed that the capital outturn for 2021/22 was 33% less than planned, with Highways being underspent by £19.6m mainly caused by: the Lincoln Eastern Bypass, the Grantham Southern Relief Road, Spalding Western Relief Road and the A52 Skegness Roman Bank reconstruction; and the Highways Asset Protection block budget. Appendix A to the Report provides a status report on major schemes, which provides members a summary of capital project including:

- Spending for the financial year
- Changes in the budget
- Whole life-time financial information
- Purpose and performance of the scheme.

This demonstrates adequate arrangements for monitoring the capital programme, not just on a year-to-year basis, but over the life of the project.

Based on the above considerations we are satisfied there is not a significant weakness in the Council's arrangements in relation to financial sustainability for the year ended 31 March 2022.

# 3. Commentary on VFM arrangements

## Governance

How the body ensures that it makes informed decisions and properly manages its risks

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# 3. VFM arrangements – Governance

## Overall commentary on the Governance reporting criteria

Significant weakness in 2020/21	Nil.
Significant weaknesses identified in 2021/22	Nil.

### Position brought forward from 2020/21

As set out in the table above, there are no indications of a significant weakness in the Council’s arrangements for financial sustainability brought forward from 2020/21.

### The Authority’s governance structure

The Council has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of effectiveness, economy and efficiency. In doing this it is responsible for putting in place proper arrangements for the governance of its affairs, effective exercise of its functions and arrangements for the management of risk.

We confirmed that the Council has an approved constitution that is regularly reviewed and updated. The Constitution explains how the Council operates and makes decisions. It ensures that the Council is efficient, transparent and accountable for what it does. We consider the committee structure of the Authority is sufficient to provide assurance that decision making, risk and performance management is subject to appropriate levels of oversight and challenge.

We have reviewed Council and Committee Reports and minutes during the year as well as key documents in relation to how the Council ensures that it makes informed decisions and properly manages its risks. Our review of Council and Committee papers confirms that a template covering report is used, ensuring the purpose, consultation, and recommendations are clear. Minutes are published and reviewed by each committee to evidence the matters discussed, challenge and decisions made.

Based on our work, we are satisfied that the Council has established governance arrangements, consistent with previous years, in place. These are detailed in the Statement of Accounts and Annual Governance Statement. We have considered both documents against our understanding of the Council as part of our audit.

### 2021/22 Budget Setting and the Medium-Term Financial Strategy

We have read reports to Overview & Scrutiny Management Board, the Executive and Council covering budget setting for 2022/23 and the Medium-Term Financial Strategy. We have also held a number of meetings with Officers throughout the year.

Each service directorate supports the development of the budget, identifying cost pressures and delivery needs within the Corporate Plan before presenting a combined report on the budget and Medium-Term Financial Strategy for scrutiny by the corporate leadership team, Overview & Scrutiny Management Board, the Executive and full Council. The arrangements in place for budget setting and updating the Medium-Term Financial Strategy are as expected for a County Council, with arrangements for: consultation, scrutiny, evaluation of financial risk, alignment to directorate/business plans and sources of funding.

There is no indication that the Council’s Medium Term Financial Strategy and budget setting process is not aligned to supporting plans given the Council has a track record of delivering against budget.

# VFM arrangements – Governance

## Overall commentary on the Governance reporting criteria

### 2021/22 Budget Setting and the Medium-Term Financial Strategy (continued)

A budget consultation presentation was made to Overview & Scrutiny in January 2021 adequately summarises the financial context of the authority, including the impact of Covid-19 cost pressures, which were in additional expenditure and income loss during 2021/22, mostly covered by government grant. Members are aware of the Council's positive track record in financial delivery, which is consistent with our knowledge, including the ability to maintain financial balance with minimal use of reserves.

We read the assumptions underpinning the Medium-Term Financial Strategy as included in reports to the January meeting of the Executive and the January 2022 meeting of Overview & Scrutiny Management Board. In our view, these include an adequate level of detail over the assumptions and cost pressures facing the council, which are consistent with our experience at similar sized authorities and therefore not unreasonable. In addition, there is sufficient narrative to explain the rationale and key financial risks.

We considered the expected cost pressures within the Medium-Term Financial Strategy over the period 2022/23 to 2025/26.

	2022/23	2023/24	2024/25	2025/26	Total
Cost pressures (including inflation but net of savings and additional income)	48.8m	15m	12.3m	18.1m	<b>£94.1m</b>
Transfer from earmarked reserves	(£2.3m)	(£9.3m)	(£6.5m)	(£6.9)	<b>(£25m)</b>
<b>Total net amount</b>	<b>£46.5m</b>	<b>£5.6m</b>	<b>£5.8m</b>	<b>£11.2m</b>	<b>£69.1m</b>

Although the level of cost pressures is large, overall, a balanced budget was set. The Council's reserves position does not indicate a risk of significant weakness in VFM arrangements for financial sustainability and provide some mitigation against future financial challenges and will assist in addressing future volatility and support savings and efficiencies plans. The Council will need to continue to ensure that any use of reserves to smooth the financial position over the next few years is properly planned and the use of reserves cannot be relied on to provide a long-term solution to funding gaps.

### Risk management

The Audit Committee is responsible for overseeing the effectiveness of the Council's risk management arrangements, challenging risk information and escalating issues to the Executive. We reviewed minutes and meetings of the Audit Committee during the year, including the Risk Management Progress Report in March 2022. The report provides an update on the activities being undertaken and the key strategic and operational issues facing the Council since the last update in September 2021. Appendix 1 to the Report sets out a breakdown of the risks, issues and status by directorate. From our attendance at the meeting and review of the minutes, are satisfied there is sufficient evidence of Member oversight of risk management, including holding Officers to account.

We reviewed the Strategic Risk Register reported to the March 2022 Audit Committee and determined it is adequate for the Council's purposes, given it links the risk to the corporate strategy, includes a risk owner and current and target risk scores, assurance status and existing controls.

The Audit Committee receive a 'Combined Assurance Report' to provide the Audit Committee with insight on the assurances across all the Council's critical services, key risks, partnerships and projects. We obtained and read the report to the February 2022 Audit Committee, being satisfied that it is demonstrative of adequate arrangements in place over risk management.

# VFM arrangements – Governance

## Overall commentary on the Governance reporting criteria

### Audit Committee

The Council has an established Audit Committee that comprises seven councillors, who represent the political balance of the Council, plus two independent persons who are not a councillor, or an officer of the Council. We have reviewed supporting documents and confirmed the Audit Committee meets regularly and reviews its programme of work to maintain focus on key aspects of governance and internal control. Our attendance at Audit Committee has confirmed there is an appropriate level of effective challenge.

### Internal Audit

We have met with management and the Head of Internal Audit regularly during the year, reviewed Audit Committee reports and attended Audit Committee to observe the performance of Internal Audit and the Audit Committee. We have documented our understanding of the Internal Audit function, which is provided by an in-house team which operates as part of Assurance Lincolnshire - supported by additional resources procured via external support framework contracts.

We reviewed the Head of Internal Audit Annual Report that was presented to Audit Committee on 11 July 2022, where the overall opinion is split across four themes:

- Governance – “Performing Well” showing an improvement since the prior year.
- Risk – “Performing Well”, being a consistent rating as the prior year.
- Internal control – “Performing Adequately” being a consistent rating as the prior year.
- Financial control – “Performing Well” showing an improvement since the prior year.

We also confirmed that the Head of Internal Audit Opinion has been adequately reflected in the Annual Governance Statement.

### Monitoring officer and Conduct

We reviewed the Monitoring Officer’s Annual Report presented to the Audit Committee in September 2022 and met with the Monitoring Officer throughout the year. We are satisfied this report provides supporting evidence of adequate arrangement in place to monitor and support lawful and informed decision making.

### Scrutiny

In May 2022, Full Council received and approved the Annual Report for Overview and Scrutiny for 2021/22. We have read the report which highlights the scrutiny work that has taken place throughout the last year. The report focuses on the key successes and achievements of Overview and Scrutiny over the past year. As set out in the first page of the report “During 2021/22, 54 formal scrutiny committee meetings were held, and 78% of all formal decisions were considered by a scrutiny committee prior to them being made, which is up from 65% last year”.

There is no evidence of inadequate arrangements in informed decision making in this report.

Overall, we have not identified any indicators of a significant weakness in the Council's arrangements relating to the Governance criteria for the year ended 31 March 2022.



### 3. Commentary on VFM arrangements

#### Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services

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# 3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

## Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria

Significant weakness in 2020/21	Nil.
Significant weaknesses identified in 2021/22	Nil.

### Position brought forward from 2020/21

As set out in the table above, there are no indications of a significant weakness in the Council's arrangements for financial sustainability brought forward from 2020/21.

### Regulators

We reviewed regulatory reports, including OFSTED, where the report from 2019 was in place, rating Children's Services as "Outstanding". The Council retained this rating in the inspection report issued in April 2023.

Her Majesty's Inspector for Fire & Rescue Services inspection was published in December 2021 with a rating of "Requires Improvement". In line with prior year findings, we are satisfied that the report does not suggest a significant weakness in the Council's arrangements.

### Corporate Plan and Performance Monitoring

The Council's arrangements are consistent with the prior year, which were deemed adequate, with the Council's Corporate Plan setting out what it wants to achieve for local residents and communities and is published on its website. The Council's overall financial objectives and strategy are documented in the Council's budget and Medium-Term Financial Strategy which is reviewed and updated annually.

Our review of minutes and reports confirms the Executive and the Overview and Scrutiny Management Board receive regular reporting on the measures contained within the Council Business Plan. We reviewed the performance outturn for 2021/22 presented to Executive in July 2022 as evidence of the Council's approach to evaluating performance. In our view, reports contain sufficient narrative, including the appendices, to demonstrate that there are adequate arrangements for scrutiny in assessing performance and identifying areas for improvement. Our review of the minutes, show these record Member challenge, such as requesting further information in relation to the life expectancy for Lincolnshire residents, and evaluation, such as reflecting on the reduction in people Killed or Seriously Injured on Lincolnshire's roads.

Overall, we believe this is sufficient evidence to demonstrate adequate arrangements for performance monitoring at the Council.

### Partnerships and Commissioning

Through our work on the financial statements, our testing of expenditure, and consideration of key financial controls, has not identified any issues relating to procurement.

### One Council Commissioning Framework 2021-2024

In 2020, the Council undertook a piece of work with external consultants, Impower, to review the current commissioning model and overall approach in use across the Council to consider how current commissioning practices could be more effective. We reviewed the report presented to the Overview and Scrutiny Management Board on 17 March 2021, which considers the Draft One Council Commissioning Framework 2021-2024, subsequently to be presented to the Executive on 7 April 2021. The views of the Board were reported to the Executive as part of its consideration of this item. Having read the document, we are satisfied this is indicative of adequate arrangements for strategic commissioning.

### Better Care Fund (BCF)

Note 33 of the Council's Financial Statements explains the Council is the host for pooled budgets relating to: Proactive Care, Specialties including Learning Disabilities, Integrated Community Equipment Service, and Child & Adolescent Mental Health Services; and is responsible for their financial administration. Outside this Better Care Fund is a stand-alone Section 75 Agreement for Sexual Health. Our testing of the financial statements has not identified any material issues over these disclosure notes, which show each pooled budget remains in balance.

Overall, we have not identified any indicators of a significant weakness in the Council's arrangements relating to the Improving Economy, Efficiency and Effectiveness criteria for the year ended 31 March 2022.

# 04

Section 04:

## **Other reporting responsibilities and our fees**

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## 4. Other reporting responsibilities and our fees

### Matters we report by exception

The Local Audit and Accountability Act 2014 provides auditors with specific powers where matters come to our attention that, in their judgement, require specific reporting action to be taken. Auditors have the power to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to the law; and
- issue an advisory notice.

We have not exercised any of these statutory reporting powers.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We did not receive any such objections or questions.

### Reporting to the NAO in respect of Whole of Government Accounts consolidation data

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data. We have not received the instructions from the NAO and therefore this work remains incomplete.

## 4. Other reporting responsibilities and our fees

### Fees for work as the Council's auditor

We reported our proposed fees for the delivery of our work under the Code of Audit Practice in our Audit Strategy Memorandum presented to the Governance Scrutiny Group in June 2022. Having completed our work for the 2021/22 financial year, we can confirm that our fees are as follows:

Area of work	2020/21 Actual fees	2021/22 fees*
Planned fee in respect of our work under the Code of Audit Practice	£82,640	£82,640
Additional fees in respect of additional testing undertaken to comply with increased regulatory requirements relating to: IAS19 pension liabilities; valuation of land, buildings and investment properties; and major local audit requirements.	£12,287	£13,940
Additional fees in respect of additional work from the introduction of new auditing standards (ISA 540 estimates)	£4,656	£4,700
Additional fees in respect of additional testing undertaken on infrastructure assets	-	£11,750
Additional fees in respect of additional testing to take account of the triennial pension valuation	-	£6,500
Additional fees in respect of additional testing undertaken due to COVID-19	£5,223	-
Additional fees in respect of the VFM Commentary	£14,063	£14,000
<b>Total fees</b>	<b>£118,869</b>	<b>£133,530</b>

\*These costs are subject to PSAA review and approval. The Council received **£42,601** of grant funding, to meet rising audit costs for 2021/22.

### Fees for other work

In 2021/22, we were engaged to provide assurance related services on the Teachers' Pensions Return (fee £3,500) and Education & Skills Funding (£5,250).

# Mark Surridge, Key Audit Partner

## Mazars

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Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services\*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

\*where permitted under applicable country laws.

# Auditor's Annual Report

Lincolnshire County Council – year  
ended 31 March 2023

Page 20 December 2023  
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02 [Audit of the financial statements](#)

03 [Commentary on VFM arrangements](#)

04 [Other reporting responsibilities](#)

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[Appendix A: Further information on our audit of the financial statements](#)

Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies' issued by Public Sector Audit Appointments Ltd. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the Council. No responsibility is accepted to any member or officer in their individual capacity or to any third party.

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# 01

## Section 01: **Introduction**

# 1. Introduction

## Purpose of the Auditor's Annual Report

Our Auditor's Annual Report (AAR) summarises the work we have undertaken as the auditor for Lincolnshire County Council ('the Council') for the year ended 31 March 2023. Although this report is addressed to the Council, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 and the Code of Audit Practice ('the Code') issued by the National Audit Office ('the NAO'). The remaining sections of the AAR outline how we have discharged these responsibilities and the findings from our work. These are summarised below.

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### Opinion on the financial statements

Our audit report, to be issued in December 2023, gave an unqualified opinion on the financial statements for the year ended 31 March 2023.

Our audit was conducted in accordance with the requirements of the Code, and International Standards on Auditing (ISAs).



### Value for Money arrangements

In our audit report issued we reported that we had completed our work on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources and had not issued recommendations in relation to identified significant weaknesses in those arrangements. Section 3 provides our commentary on the Council's arrangements.



### Wider reporting responsibilities

At the date of reporting our work on the Council's Whole of Government Accounts return remains incomplete whilst we wait for instructions from the National Audit Office

# 02

Section 02:

## **Audit of the financial statements**

## 2. Audit of the financial statements

### The scope of our audit and the results of our opinion

At Appendix A, we have set out the main financial statement risks addressed in our audit – detailed findings were presented to the Audit Committee on 13 November 2023.

In the table below, we set out the main audit outcomes for 2022/23.

Audit Area	Outcomes
<b>Financial Statements</b>	<p>The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Council and whether they give a true and fair view of the Council's financial position as at 31 March 2023 and of its financial performance for the year then ended.</p> <p>Our audit report, to be issued by December 2023, is expected to give an unqualified opinion on the financial statements for the year ended 31 March 2023.</p>
<b>Qualitative aspects of the Council's accounting practices</b>	<p>We reviewed the Council's accounting policies and disclosures and concluded they complied with the 2022/23 Code of Practice on Local Authority Accounting, appropriately tailored to the Council's circumstances.</p>
<b>Internal Control Recommendations</b>	<p>As part of our audit, we considered the internal controls in place that are relevant to the preparation of the financial statements. We did this to design audit procedures that allow us to express our opinion on the financial statements, but this did not extend to us expressing an opinion on the effectiveness of internal controls. We did not identify any 'High – level 3' recommendations for 2022/23.</p>
<b>Annual Governance Statement</b>	<p>We did not identify any matters where, in our opinion, the governance statement did not comply with the guidance issued by CIPFA/LASAAC Code of Practice on Local Authority Accounting.</p>
<b>Wider responsibilities</b>	<p>Our powers and responsibilities under the 2014 Act are broad and include the ability to:</p> <ul style="list-style-type: none"> <li>• issue a report in the public interest;</li> <li>• make statutory recommendations that must be considered and responded to publicly;</li> <li>• apply to the court for a declaration that an item of account is contrary to law; and</li> <li>• issue an advisory notice under schedule 8 of the 2014 Act.</li> </ul> <p>We have not exercised any of these powers as part of our 2022/23 audit. The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. No such objections have been raised.</p>

# 03

Section 03:

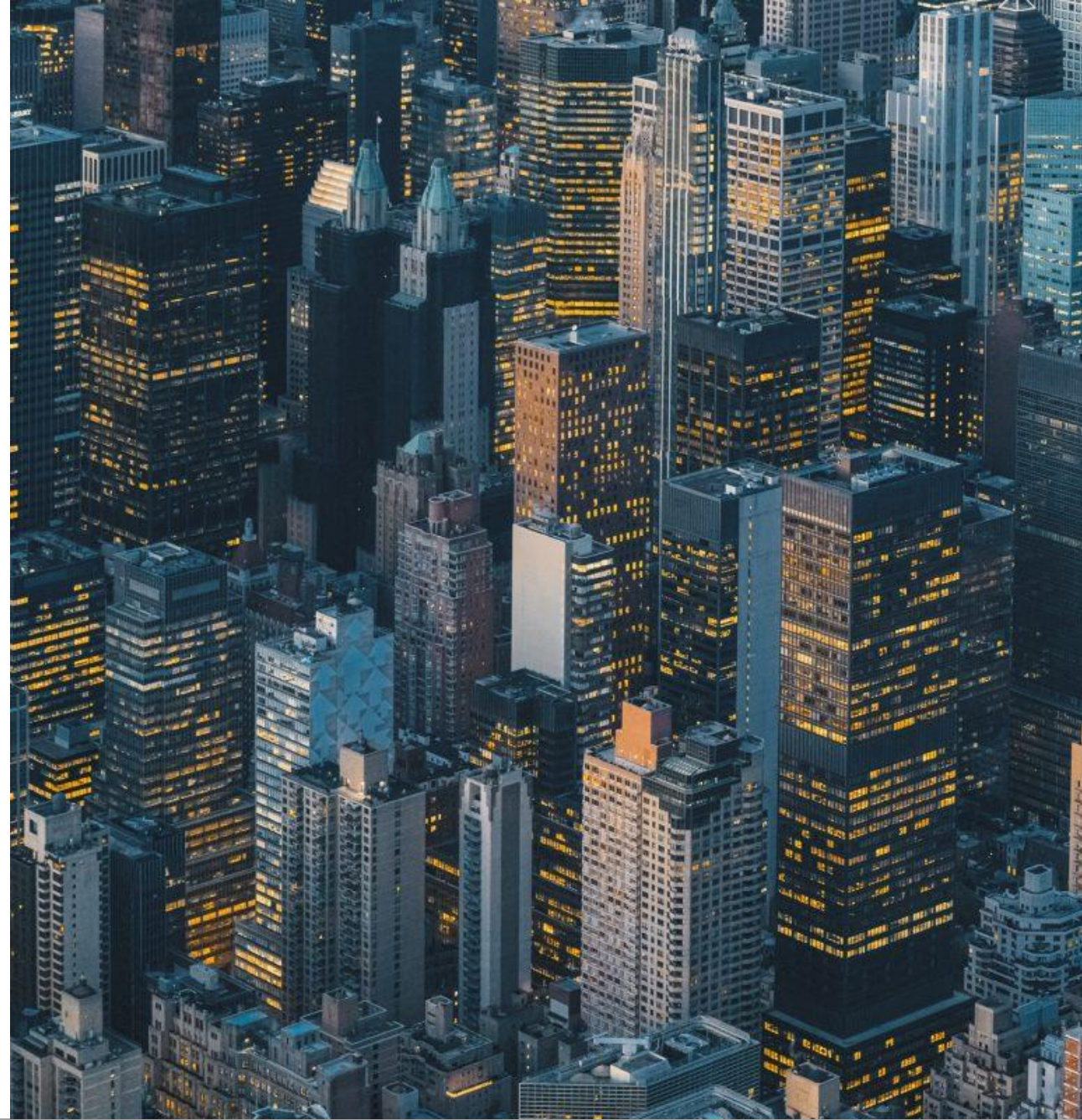
**Commentary on VFM arrangements**

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### 3. Commentary on VFM arrangements

#### Overall summary

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# 3. VFM arrangements – Overall summary

## Approach to Value for Money arrangements work

We are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:



**Financial sustainability** - How the Council plans and manages its resources to ensure it can continue to deliver its services



**Governance** - How the Council ensures that it makes informed decisions and properly manages its risks



**Improving economy, efficiency and effectiveness** - How the Council uses information about its costs and performance to improve the way it manages and delivers its services

our work is carried out in three main phases.

### Phase 1 - Planning and risk assessment

At the planning stage of the audit, we undertake work so we can understand the arrangements that the Council has in place under each of the reporting criteria; as part of this work we may identify risks of significant weaknesses in those arrangements.

We obtain our understanding of arrangements for each of the specified reporting criteria using a variety of information sources which may include:

- NAO guidance and supporting information
- Information from internal and external sources including regulators
- Knowledge from previous audits and other audit work undertaken in the year
- Interviews and discussions with staff and directors

Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest there are further risks of significant weaknesses.

### Phase 2 - Additional risk-based procedures and evaluation

Where we identify risks of significant weaknesses in arrangements, we design a programme of work to enable us to decide whether there are actual significant weaknesses in arrangements. We use our professional judgement and have regard to guidance issued by the NAO in determining the extent to which an identified weakness is significant.

### Phase 3 - Reporting the outcomes of our work and our recommendations

We are required to provide a summary of the work we have undertaken and the judgments we have reached against each of the specified reporting criteria in this Auditor's Annual Report. We do this as part of our Commentary on VFM arrangements which we set out for each criteria later in this section.

We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Council. We refer to two distinct types of recommendation through the remainder of this report:

- **Recommendations arising from significant weaknesses in arrangements**

We make these recommendations for improvement where we have identified a significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Where such significant weaknesses in arrangements are identified, we report these (and our associated recommendations) at any point during the audit.

- **Other recommendations**

We make other recommendations when we identify areas for potential improvement or weaknesses in arrangements which we do not consider to be significant but still require action to be taken

The table on the following page summarises the outcomes of our work against each reporting criteria, including whether we have identified any significant weaknesses in arrangements or made other recommendations.

# 3. VFM arrangements – Overall summary

## Overall summary by reporting criteria

Reporting criteria	Commentary page reference	Identified risks of significant weakness?	Actual significant weaknesses identified?	Other recommendations made?
 <b>Financial sustainability</b>	11	No	No	No
 <b>Governance</b>	16	No	No	No
 <b>Improving economy, efficiency and effectiveness</b>	19	No	No	No

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### 3. Commentary on VFM arrangements

#### Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services

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# 3. VFM arrangements – Financial Sustainability

## Overall commentary on the Financial Sustainability reporting criteria

Significant weakness in 2021/22	Nil.
Significant weaknesses identified in 2022/23	Nil.

### Position brought forward from 2021/22

We reported in our Annual Auditor’s Report for 2021/22, that we had;

- Reviewed the 2021/22 financial performance and forecasts during the year and considered the Council’s financial outturn position as presented in the financial statements;
- Reviewed the 2022/23;
  - Revenue and Capital budgets and Medium-Term Financial Plan;
  - Considered the Council’s latest financial monitoring information and its updated medium-term outlook.
- Updated our risk assessment for any new or emerging issues through discussions with management and updating our review of committee reports;
- Reviewed the Council’s Annual governance Statement for any significant issues; and
- Considered the general findings from our audit work in other areas.

As set out in the table above, there are no indications of a significant weakness in the Council’s arrangements for financial sustainability brought forward from 2021/22. The Council’s underlying arrangements in relation to financial sustainability are not significantly different in 2022/23.

### Overall responsibilities for financial governance

We have reviewed the Council’s overall governance framework, including Council and committee reports, the Annual Governance Statement, and Statement of Accounts for 2022/23. These confirm the Council undertook its responsibility to define the strategic aims and objectives, approve budgets and monitor financial performance against budgets and plans to best meet the needs of the Council’s service users.

### The Council’s financial planning and monitoring arrangements

Through our review of Council and committee reports, meetings with management and relevant work performed on the financial statements, we are satisfied that the Council’s arrangements for budget monitoring remain appropriate, including quarterly reporting to Members and well-established arrangements for year-end financial reporting.

### 2022/23 Budget Setting and the Medium-Term Financial Strategy

We have read reports to Overview & Scrutiny Management Board, the Executive and Council covering budget setting for 2022/23 and the Medium-Term Financial Strategy. We also met regularly with Officers throughout the year.

In our view, the Budget Report for 2022/23 adequately explains revenue and capital budgets, with a sufficient link to specific business units, as well as an explanation on the impact to the general fund balance. There is no indication of excessive use of capital flexibilities to support revenue expenditure, nor has our work on the financial statements highlighted any concerns regarding the Council’s policy for setting the Minimum Revenue Provision.

We also reviewed Note 14 of the financial statements, setting out earmarked reserves, and in particular the Financial Volatility Reserve that was established to help the Council deal with the future uncertainties around Local Government funding. The Council did not use this reserve in 2022/23.

There is no indication that the Council’s Medium Term Financial Strategy and budget setting process is not aligned to supporting plans given the Council has a track record of delivering against budget.

### 2022/23 Statement of Financial Position

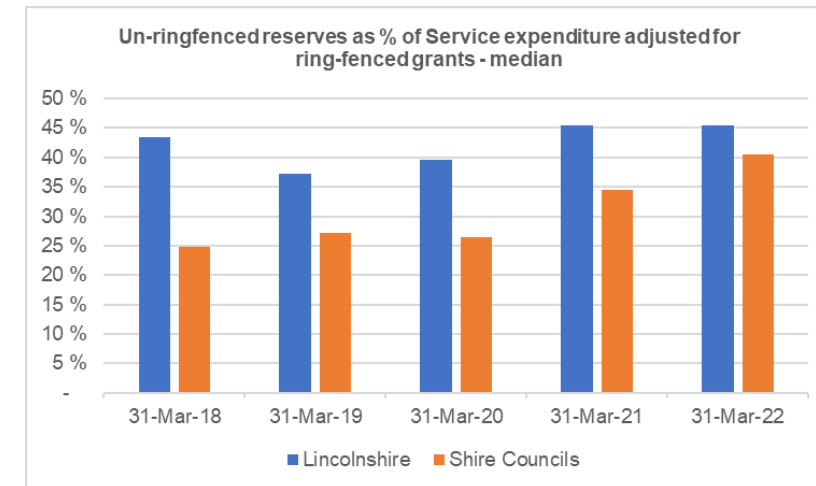
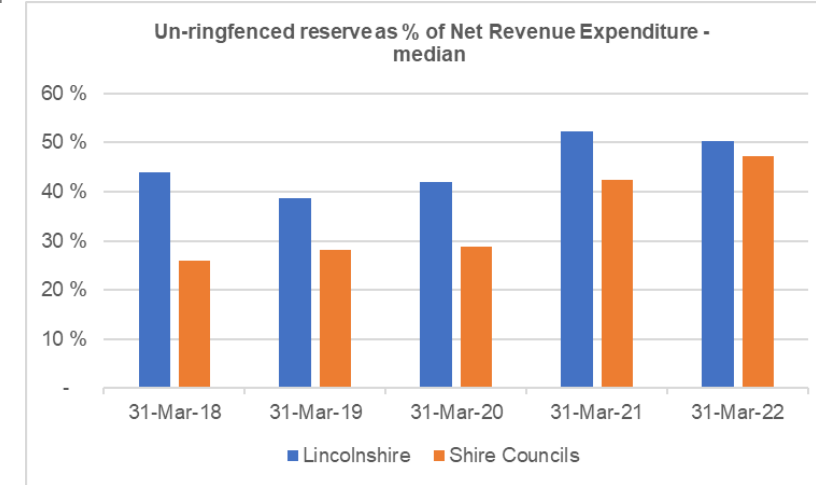
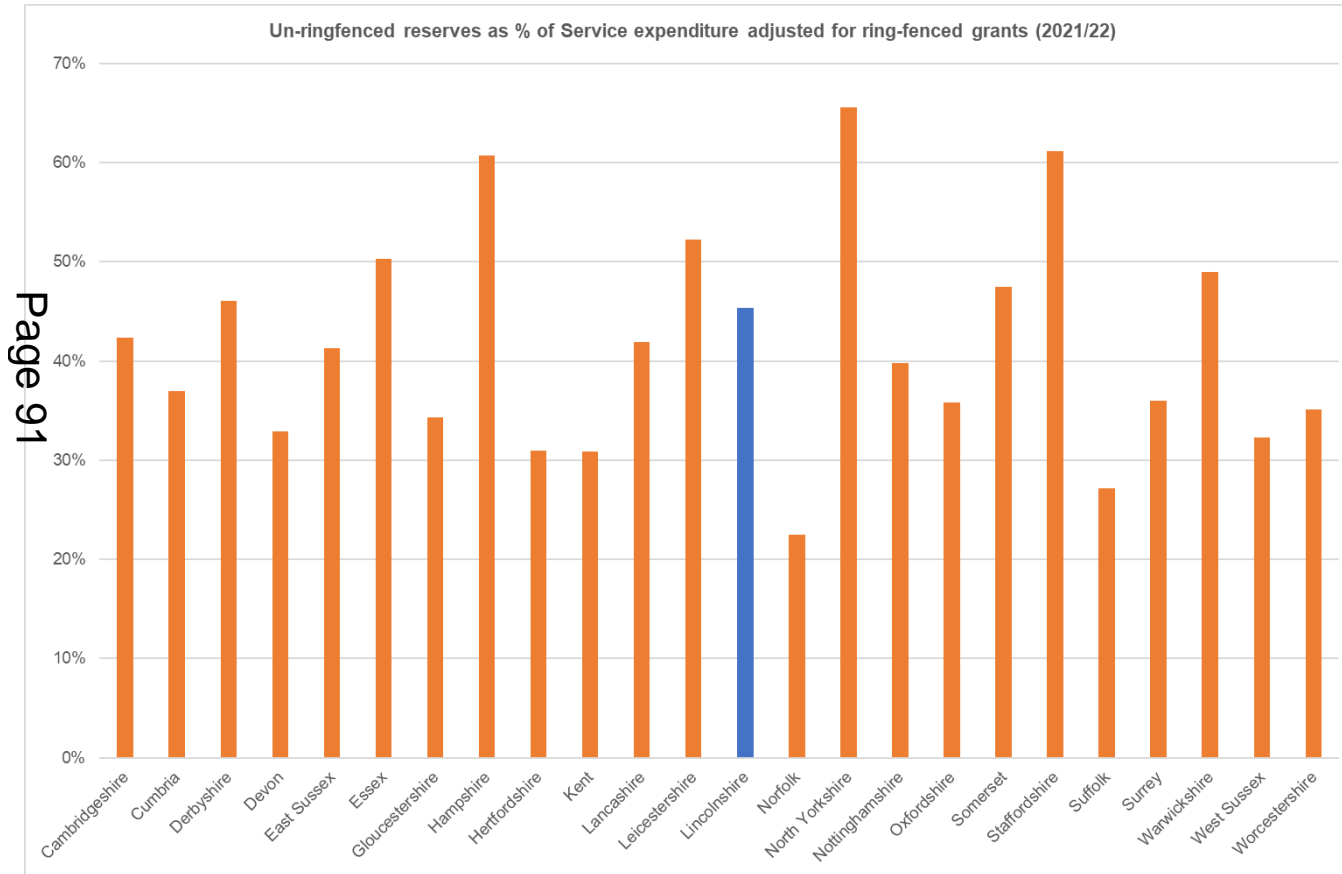
We carried out a high-level analysis of the financial statements subject to our audit, including the Movement in Reserves Statement and the Balance Sheet, our work to date has not highlighted any risks of significant weakness in arrangements or indicators of a risk to the Council’s financial sustainability.

# VFM arrangements – Financial Sustainability

## Financial sustainability and revenue reserves

We have also performed a more detailed review of the Council's revenue reserves. We reviewed data published in May 2023 by the Department for Levelling Up, Housing and Communities on Local authority general fund earmarked and unallocated reserve levels, 2017-18 to 2021-22.

The Council's reserves have generally been above the median since 2018, however the gap has reduced over time.



Details on the definitions and data quality arrangements are available here: <https://www.gov.uk/government/publications/local-authority-general-fund-earmarked-and-unallocated-reserve-levels-2017-18-to-2021-22>

# VFM arrangements – Financial Sustainability

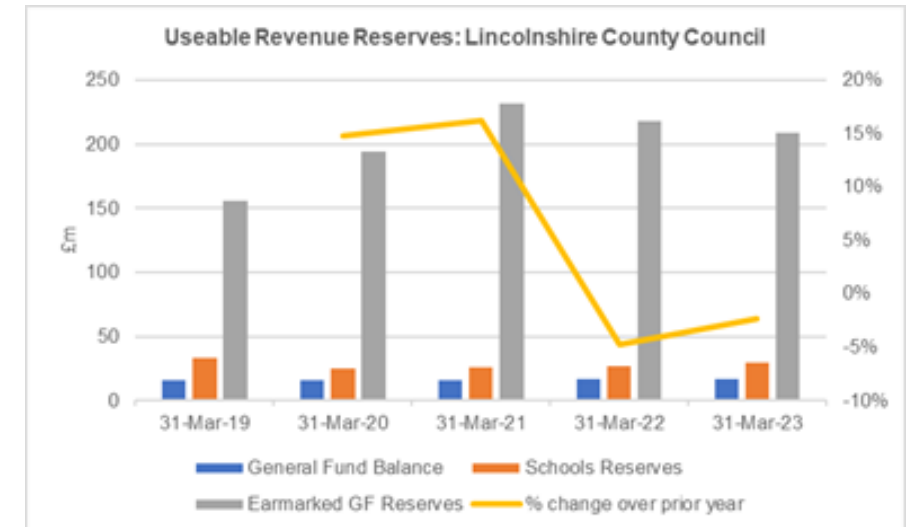
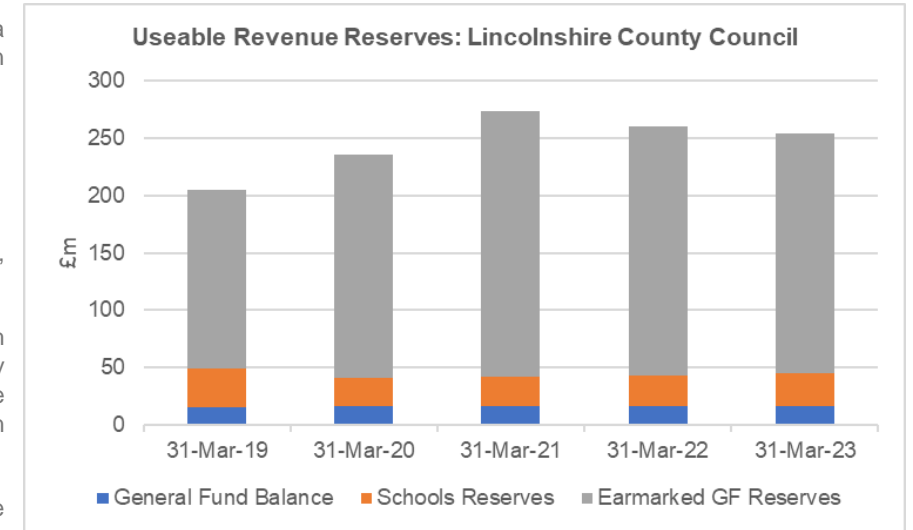
## Financial sustainability and reserves (continued)

The purpose of the Council's general fund reserve is to meet costs arising from any unplanned or emergency events. It also acts as a financial buffer to help mitigate against the financial risks the Council faces and can be used to a limited degree to 'smooth' expenditure on a one-off basis across years. Whereas earmarked reserves, including Schools Reserves are set aside for specific purposes.

Through a review of the financial statements, we have considered the Council's revenue reserves over time:

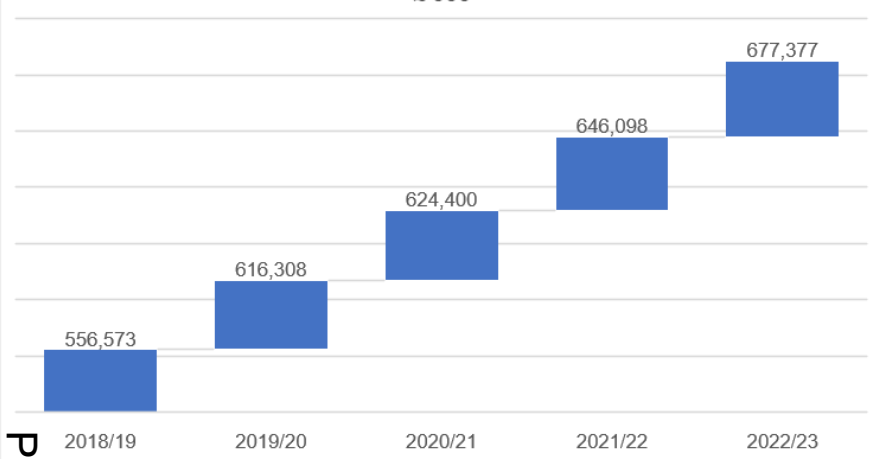
- As set out on the previous page, the Council's opening revenue reserves are above the median for county councils.
- Whilst reserves remain stable, they are finite and whilst the Council's revenue reserves increased by 15% in 2020 and 16% in 2021, they have reduced by -5% in 2022 and -2% in 2023.
- We have no concerns over the Council's current approach, but there are local authorities reliant on protecting revenue reserves through accounting adjustments eg funding transformation spend through capital receipts, minimising the minimum revenue provision to repay debt, applying the statutory override for movements in pooled investment funds. These will not provide a long-term solution and, where these have a significant effect, suggest Members are given clear and transparent information over the effect these measures have on medium term financial planning.

Overall, we are satisfied that the Council's Reserves position does not give rise to a risk of significant weakness in arrangements to secure financial sustainability.

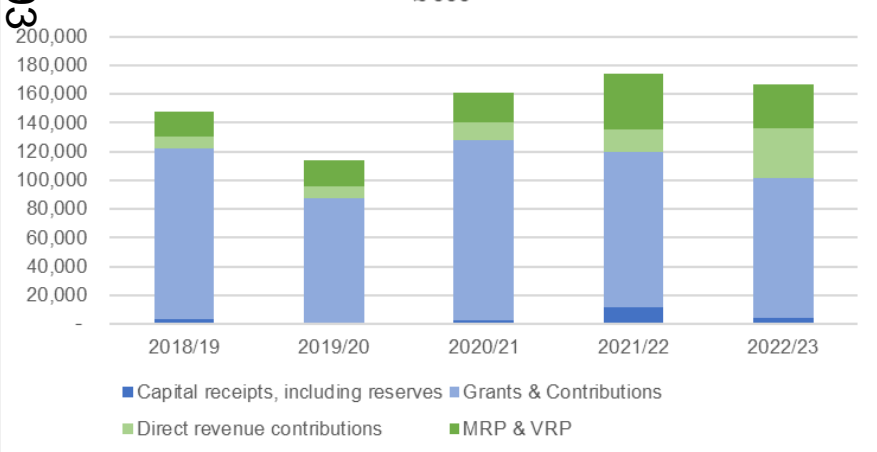


# VFM arrangements – Financial Sustainability

**Capital financing requirement**  
£'000



**Sources of capital finance**  
£'000



## The Council's capital expenditure and financing

The Council's arrangements for setting and monitoring capital expenditure are consistent with the previous year, which we deem to be adequate.

We considered the Council's capital financing requirement as set out in Note 41 of the financial statements, which has risen from £556m in 2018/19 to £677m in 2022/23, each increase representing the underlying need to borrow to finance capital expenditure. We also considered the sources of capital finance in the capital programme, which shows over the past five years capital spend has been mainly financed through grants and contributions, for example in 2022/23:

- £4m from capital receipts
- £97m in grants and contributions
- £35m in direct revenue contributions; and
- £30m through the Minimum Revenue Provision (A minimum amount, set by law, which the Council must charge to the income & expenditure account, for debt redemption or for the discharge of other credit liabilities) and Voluntary Revenue Provision.

In 2022/23, the Council spent £158m on capital additions per

Note 15 of the financial statements and £39m of REFCUS (Revenue Expenditure Funded from Capital Under Statute). Our testing of these balances did not identify any material issues.

We are satisfied the council's capital expenditure and capital financing does not give rise to a risk of significant weakness in arrangements.

Based on the above considerations we are satisfied there is not a significant weakness in the Council's arrangements in relation to financial sustainability for the year ended 31 March 2023.

# 3. Commentary on VFM arrangements

## Governance

How the body ensures that it makes informed decisions and properly manages its risks

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# 3. VFM arrangements – Governance

## Overall commentary on the Governance reporting criteria

Significant weakness in 2021/22	Nil.
Significant weaknesses identified in 2022/23	Nil.

### Position brought forward from 2021/22

As set out in the table above, there are no indications of a significant weakness in the Council’s arrangements for financial sustainability brought forward from the previous year.

### The Authority’s governance structure

Based on our work, we are satisfied that the Council has established governance arrangements, consistent with previous years, in place. These are detailed in the Statement of Accounts and Annual Governance Statement. We have considered both documents against our understanding of the Council as part of our audit.

Our review of corporate governance arrangements confirms the Council has an agreed Constitution, setting out how it operates, how decisions are reached and what procedures are followed to ensure that these are transparent and accountable to local people. Any recommendations for amendments to the Constitution need to be approved by Full Council.

Our review of Council and Committee papers confirms that a template covering report is used for all reports, ensuring the purpose, strategic context, governance issues, and recommendations are clear. Minutes are published and reviewed by Committees to evidence the matters discussed, challenge and decisions made.

### 2023/24 Budget Setting and the Medium-Term Financial Strategy

The Council’s budget setting and medium-term financial planning follows a similar process and format to previous years and our review is supported by discussions with officers during the year and experience from prior year audits. The arrangements in place for budget setting and updating the Medium-Term Financial Strategy are as expected for a County Council, with arrangements for: consultation, scrutiny, evaluation of financial risk, alignment to directorate/business plans and sources of funding.

We reviewed the Council’s balanced budget for 2023/24 as set by Council in February 2023, which approved a 4.99% increase in Council Tax.

We read the assumptions underpinning the Medium Term Financial Strategy as included in reports to the Executive and Overview & Scrutiny Management Board. In our view, these include an adequate level of detail over the assumptions and cost pressures facing the council, which are consistent with our experience at similar sized authorities and therefore not unreasonable. In addition, there is sufficient narrative to explain the rationale and key financial risks.

Whilst the Council has identified significant cost pressures (£74m) and savings (£11m), the budget is balanced while only drawing £7m from reserves. Over the period to 2025/26, the Council estimates that earmarked reserves will fall from £162m to £100m. The Council’s reserves position does not indicate a risk of significant weakness in VFM arrangements for financial sustainability and provide some mitigation against future financial challenges and will assist in addressing future volatility and support savings and efficiencies plans. The Council will need to continue to ensure that any use of reserves to smooth the financial position over the next few years is properly planned and the use of reserves cannot be relied on to provide a long-term solution to funding gaps.

We also reviewed the budget monitoring report to September’s meeting of the Executive covering expenditure incurred in Quarter 1 of 2023/24. The report gives an overview of the financial position for revenue, supported by adequate detail available within the appendices, ultimately showing that the revenue budget is forecast to underspend by £1.3m (equivalent to 0.2% of the net budget).

Our work has not identified that the Council has significant levels of unidentified savings/funding gaps in financial planning that would substantially threaten the delivery of the plan; nor is there an indication of significant levels of unsustainable planned use of reserves to bridge funding gaps.

### CIPFA Financial Management Code and Financial Resilience

We reviewed minutes and supporting papers presented to the July 2023 Audit Committee, including a progress review in implementing the requirements of the CIPFA Financial Management Code. We also reviewed an external assurance report that concluded the Council was meeting the CIPFA Financial Management Code and assurance standards, with any areas for development, in our view, inconsequential in terms of risk to the Council’s arrangements for governance and financial sustainability.

# VFM arrangements – Governance

## Overall commentary on the Governance reporting criteria

### Risk management

The Council has an established risk management framework and systems in place which are built into the governance structure of the organisation.

The Audit Committee is responsible for overseeing the effectiveness of the Council's risk management arrangements, challenging risk information and escalating issues to the Executive. We have attended meetings of the Committee and reviewed minutes and reports presented during the year, including matters relating to risk. From our attendance at meetings and review of the minutes, we are satisfied there is sufficient evidence of Member oversight of risk management, including holding Officers to account.

The Annual Governance Statement is a critical component of the Council's governance arrangements. It is an evidenced self-assessment by the Council on the Council's governance, assurance and internal control frameworks for the financial year. No significant weaknesses in internal control have been identified from our work to date and Internal Audit have not identified or raised any significant concerns. We reviewed the Annual Governance Statements as part of our work on the financial statements with no significant issues arising.

We reviewed the Council's annual Combined Assurance Status Report, also presented to Audit Committee, which involves discussion between Internal Audit and each Executive Director assessing information across: critical service delivery activities, key risks, key projects, key partnerships, providing an overall assurance level. We are satisfied that there is no indication of a significant weakness in arrangements for 2022/23

### Audit Committee

The Council has an established Audit Committee. We have reviewed supporting documents and confirmed the Audit Committee meets regularly and reviews its programme of work to maintain focus on key aspects of governance and internal control. Our attendance at Audit Committee has confirmed there is an appropriate level of effective challenge.

### Internal Audit

We have met with management and the Head of Internal Audit regularly during the year, reviewed Audit Committee reports and attended Audit Committee to observe the performance of Internal Audit and the Audit Committee. We have read the head of internal audit's report presented to June 2023 audit committee and are satisfied it does not highlight any significant weaknesses in arrangements

We also confirmed that the Head of Internal Audit Opinion has been adequately reflected in the Annual Governance Statement. No issues arose from our review to indicate there is a significant weakness in the Council's arrangements for governance.

We read The Counter Fraud Annual Report presented to June 2023 Audit Committee, which provides an overview of the investigation and proactive counter fraud work completed in 2022/23. This summary provides information to enable the Committee to review performance and the effectiveness of the Council's arrangements. The progress reports submitted throughout the year and this annual report are the key sources of assurance for the Committee on the adequacy of Council's counter fraud activities. There is no indication of inadequate arrangements in place at the Council from reviewing the report and its findings.

### Monitoring officer and Conduct

We have read and reviewed the MO Annual Report for 2022/23 as presented to the July 2023 Audit Committee, there are no matters arising that would indicate a significant weakness in arrangements relating to 2022/23

Overall, we have not identified any indicators of a significant weakness in the Council's arrangements relating to the Governance criteria for the year ended 31 March 2023.



# 3. Commentary on VFM arrangements

## Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services

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# 3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

## Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria

<b>Significant weakness in 2021/22</b>	Nil.
<b>Significant weaknesses identified in 2022/23</b>	Nil.

### Position brought forward from 2021/22

As set out in the table above, there are no indications of a significant weakness in the Council's arrangements brought forward from the prior year.

### Regulators

We reviewed regulatory reports, including OFSTED, where an inspection report issued in April 2023 confirmed children's Services were "Outstanding".

### Corporate Plan and Performance Monitoring

The Council's arrangements are consistent with the prior year, which were deemed adequate, with the Council's Corporate Plan setting out what it wants to achieve for local residents and communities and is published on its website. The Council's overall financial objectives and strategy are documented in the Council's budget and Medium-Term Financial Strategy which is reviewed and updated annually.

Our review of minutes and reports confirms the Executive and the Overview and Scrutiny Management Board receive regular reporting on the measures contained within the Council Business Plan. We reviewed the performance outcome for 2022/23 presented to the Executive as evidence of the Council's approach to evaluating performance. In our view, reports contain sufficient narrative, including the appendices, to demonstrate that there are adequate arrangements for scrutiny in assessing performance and identifying areas for improvement.

### Partnerships and Commissioning

Through our work on the financial statements, our testing of expenditure, and consideration of key financial

controls, has not identified any issues relating to procurement.

### Better Care Fund (BCF)

Note 33 of the Council's Financial Statements explains the Council is the host for pooled budgets relating to: Proactive Care, Specialties including Learning Disabilities, Integrated Community Equipment Service, and Child & Adolescent Mental Health Services; and is responsible for their financial administration. Outside this Better Care Fund is a stand-alone Section 75 Agreement for Sexual Health. Our testing of the financial statements has not identified any material issues over these disclosure notes.

### PFI

As set out in Note 26 of the financial statements, in 2001, the Council entered into a 31-year PFI contract for the provision of seven separate schools across the County which is classified as a Service Concession Arrangement. The Council will need to begin planning for hand back at least 7 years before the end of the contract as well as start to consider implications of the obligations, including decarbonisation planning and net zero challenge, and the role of the Council in delivering those contracts.

No issues arose from our testing of the account balance and disclosures as part of our audit work.

Overall, we have not identified any indicators of a significant weakness in the Council's arrangements relating to the Improving Economy, Efficiency and Effectiveness criteria for the year ended 31 March 2023.

# 04

Section 04:

## **Other reporting responsibilities and our fees**

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## 4. Other reporting responsibilities and our fees

### Matters we report by exception

The Local Audit and Accountability Act 2014 provides auditors with specific powers where matters come to our attention that, in their judgement, require specific reporting action to be taken. Auditors have the power to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to the law; and
- issue an advisory notice.

We have not exercised any of these statutory reporting powers.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We did not receive any such objections or questions.

### Reporting to the NAO in respect of Whole of Government Accounts consolidation data

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data. As at the date of writing, instructions have not yet been received.

## 4. Other reporting responsibilities and our fees

### Fees for work as the Council's auditor

We reported our proposed fees for the delivery of our work under the Code of Audit Practice in our Audit Strategy Memorandum. Having completed our work for the 2022/23 financial year, we can confirm that our fees are as follows:

Area of work	2021/22 Actual fees	2022/23 fees*	2023/24
Planned fee in respect of our work under the Code of Audit Practice	£82,640	£99,863	<i>Published by 30 November</i>
Additional fees in respect of additional testing undertaken to comply with increased regulatory requirements relating to: IAS19 pension liabilities; valuation of land, buildings and investment properties; and major local audit requirements.	£13,940	N/A included in revised scale fee	N/A included in revised scale fee
Additional fees in respect of additional work from the introduction of new auditing standards (ISA 540 estimates)	£4,700	£4,700	N/A included in revised scale fee
Additional fees in respect of additional work from the introduction of new auditing standards (ISA 315)	-	£TBC**	
Additional fees in respect of additional testing undertaken on infrastructure assets	£11,750	N/A – one off cost	N/A – one off cost
Additional fees in respect of additional testing to take account of the triennial pension valuation	£6,500	N/A – one off cost	N/A – one off cost
Additional fees in respect of pension asset ceiling and revisions	-	£TBC**	N/A – one off cost
Additional fees in relation to extended testing on expenditure and accruals to mitigate extrapolation errors	-	£TBC**	N/A – one off cost
Additional fees in respect of the VFM Commentary	£14,000	£13,000	N/A included in revised scale fee
<b>Sub-total: variations</b>	<b>£53,890</b>	<b>£TBC</b>	-
<b>Total fees</b>	<b>£133,530</b>	<b>£TBC</b>	-

\*These costs are subject to PSAA review and approval. The Council received **£42,601** of grant funding to meet rising audit costs.

\*\*At the time of issuing this report, the additional fees for 2022/2023 have not been agreed with the Council.

### Fees for other work

In 2022/23, we were engaged to provide assurance related services on the Teachers' Pensions Return (fee £3,500) and Education & Skills Funding (£5,250).



# Appendix

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# Appendix A: Further information on our audit of the financial statements

## Main financial statement audit risks and findings

Our audit approach is risk-based and primarily driven by the issues that we consider lead to a higher risk of material misstatement of the accounts. Once we have completed our risk assessment, we develop our audit strategy and design audit procedures in response to this assessment. Following the risk assessment, we identified risks relevant to the audit of financial statements and the significant audit risks and conclusions reached are set out below:

Audit Risk	Level of audit risk	How we addressed the risk	Audit conclusions
<p><b>Management override of controls</b></p> <p>This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur.</p>	<p><b>Significant risk:</b> an area that, in our judgment, requires special audit consideration.</p>	<p>We addressed the risk through performing work over accounting estimates, journal entries and considering whether there were any significant transactions outside the normal course of business or otherwise unusual. In addition, we made enquiries of management and used our data analytics and interrogation software to test accounting journals.</p>	<p>Based on the work completed, no issues have been identified that need to be brought to the attention of Members.</p>
<p><b>Valuation of the net pension liability</b></p> <p>The defined benefit liability relating to the Local Government and Fire-Fighter's pension scheme represents significant balances on the Council's balance sheet and involves a high degree of estimation uncertainty. The Council uses two actuaries to provide an annual valuation of these liabilities in line with the requirements of accounting standards.</p>	<p><b>Significant risk</b></p>	<p>Our procedures to address this risk included, but was not limited to:</p> <ul style="list-style-type: none"> <li>critically assessing the competency, objectivity and independence of each actuary;</li> <li>liaising with the auditors of the Lincolnshire Pension Fund to gain assurance that the controls in place at the Pension Fund are designed and implemented correctly. This included the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the valuation is complete and accurate;</li> <li>reviewing the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuaries, and the key assumptions included within the valuations, including comparing them to expected ranges using a consulting actuary;</li> <li>agreeing the data in the valuation report provided by the Fund Actuaries for accounting purposes to the financial statements; and</li> <li>considering whether the pension asset should be capped.</li> </ul>	<p>Our work identified adjustments to the financial statements, after which, we were satisfied that our work delivered the assurances sought.</p>
<p><b>Valuation of land &amp; buildings and investment properties</b></p> <p>Land, Building and Investment Property assets are significant balances on the Council's balance sheet and the valuation of these assets is complex and is subject to a number of management assumptions and judgements.</p>	<p><b>Significant risk</b></p>	<p>Our procedures to address this risk included, but was not limited to:</p> <ul style="list-style-type: none"> <li>considering whether the overall valuation methodologies used by the Council's valuers are in line with industry practice, the CIPFA Code of Practice and the Council's accounting policies;</li> <li>assessing whether valuation movements are in line with market expectations by using third party information to provide information on regional valuation trends;</li> <li>critically assessing the approach that the Council adopts to ensure assets that are not subject to revaluation are materially correct; and</li> <li>testing a sample of individual valuations back to source records to ensure appropriateness and to gain assurance over whether the correct accounting treatment has been applied.</li> </ul>	<p>Based on the work completed, no issues have been identified that need to be brought to the attention of Members.</p>

# Mark Surridge, Key Audit Partner

## Mazars

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Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services\*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

\*where permitted under applicable country laws.





**Open Report on behalf of Andrew Crookham, Deputy Chief Executive and Executive Director – Resources**

Report to:	<b>Audit Committee</b>
Date:	<b>5 February 2024</b>
Subject:	<b>Audit Committee Work Programme</b>

**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.

**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.
  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.

### Conclusion

7. 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](mailto:Claire.Goodenough@lincolnshire.gov.uk)

Appendix A - Audit Committee Work Plan

5 February 2024 – 10.00 am		
Item	Contributors	Assurances Required/ Sought
Combined Risk Reports	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.
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.
Internal Audit Progress Report – February 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.  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.
Committee Annual Report 2023	Claire Goodenough (Head of Internal Audit and Risk Management)	Provide assurance that the Committee has adequately discharged its terms of reference and has positively contributed to how well the Council is run.
25 March 2024 – 10.00 am		
Item	Contributors	Assurances Required/ Sought

External Audit Strategy – Lincolnshire County Council & Pension Fund 2023/24	Representatives of KPMG	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.
Constitution Review	Nicola Calver (Member Services Manager)	
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.
17 June 2024 – 10.00 am		
Item	Contributors	Assurances Required/ Sought
Internal Audit Report & Annual Opinion 2023/24	Claire Goodenough (Head of Internal	Provides the Committee with the adequacy of the Council's

	Audit and Risk Management)	Governance, Risk and Control environment and delivery of the Internal Audit Plan
Information Assurance Annual Report 2023/24	David Ingham (Head of Information Assurance)	
Monitoring Officer Annual Report	Monitoring Officer	Enables the Committee to consider the Monitoring Officer's Annual Report
DRAFT Annual Governance Statement 2023/24	Claire Goodenough (Head of Internal Audit and Risk Management)	
Counter fraud risk register	Dianne Downs, Team Leader – Counter fraud	
22 July 2024 – 10.00 am		
Item	Contributors	Assurances Required/ Sought
Internal Audit Progress Report – July 2024	Claire Goodenough (Head of Internal Audit and Risk Management)	<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>
Counter Fraud Progress Report – July 2024	Dianne Downs (Team Leader – Counter Fraud)	Confirm that the Council's counter fraud activity is targeted and effective.
Risk Management Progress Report – July 2024	Claire Goodenough (Head of Internal Audit and Risk Management)	Seek assurance that risk-related issues are being addressed.

	Mandy Knowlton-Rayner (Insurance & Risk Manager)	
23 September 2024 – 10.00 am		
Item	Contributors	Assurances Required/ Sought
Approval of the Council's Annual Governance Statement 2023/24	Claire Goodenough (Head of Internal Audit and Risk Management)	Confirm that the final Annual Governance Statement accurately reflects the Committees understanding of how the Council is run.
External Audit Strategy 2023/24 Lincolnshire County Council and Lincolnshire Pension Fund	Representatives of KPMG	<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 2023/24 – Lincolnshire County Council & Pension Fund	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>
Risk Management Progress Report – November 2024	<p>Claire Goodenough (Head of Internal Audit and Risk Management)</p> <p>Mandy Knowlton-Rayner (Insurance &amp; Risk Manager)</p>	Seek assurance that risk-related issues are being addressed.
11 November 2024 – 10.00 am		
Item	Contributors	Assurances Required/ Sought
Draft Audit Committee Annual Report 2024	Claire Goodenough (Head of Internal	Provide assurance that the Committee has adequately discharged its terms of reference and has

	Audit and Risk Management)	positively contributed to how well the Council is run.
Counter Fraud Progress Report – November 2024	Claire Goodenough (Head of Internal Audit and Risk Management)	Confirm that the Council’s counter fraud activity is targeted and effective.
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.
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.
3 February 2025 – 10.00 am		
Item	Contributors	Assurances Required/ Sought
Internal Audit Progress Report – February 2025	Claire Goodenough (Head of Internal Audit and Risk Management)	<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>
Combined Risk Reports	Chief Executive, Executive Directors, and Chief Fire Officer	<p>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.</p> <p>Seeking assurance that they are working well and that any significant risk and issues are being actively managed.</p>



Committee Annual Report 2024	Claire Goodenough (Head of Internal Audit and Risk Management)	Provide assurance that the Committee has adequately discharged its terms of reference and has positively contributed to how well the Council is run.
24 March 2025 – 10.00 am		
Item	Contributors	Assurances Required/ Sought
External Audit Strategy – Lincolnshire County Council & Pension Fund 2024/25	Representatives of KPMG	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 2024/25 – 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.
Annual report for risk management 2024/25	Claire Goodenough (Head of Internal Audit and Risk Management)  Mandy Knowlton-Rayner (Insurance & Risk Manager)	Seek assurance that risk-related issues are being addressed.
Internal Audit Plan 2025/26	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 2025/26	Claire Goodenough (Head of Internal Audit and Risk Management)	On the overall effectiveness of the Authority's arrangements to counter fraud and corruption.

Counter Fraud Annual Report including Progress Report Nov-Mar	Dianne Downs (Team Leader – Counter Fraud)	Confirm that the Council’s counter fraud activity is targeted and effective
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**Items to be programmed:**

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

Emerging Risks

# Agenda Item 9

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

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