



**AUDIT COMMITTEE
22 JULY 2019**

PRESENT: COUNCILLOR MRS S RAWLINS (CHAIRMAN)

Councillors A J Spencer (Vice-Chairman), P E Coupland, A P Maughan and A N Stokes

Officers in attendance:-

Cathryn Coates (Business Support Manager), Andrew Crookham (Executive Director Resources), Cheryl Evans (Democratic Services Officer), Michelle Grady (Assistant Director for Strategic Finance), Claire Machej (Accounting, Investment and Governance Manager), Sue Maycock (Head of Finance (Corporate)), Shagofta Noreen (Corporate Project Support Officer), Mike Norman (External Auditor, Mazars), Lucy Pledge (Head of Internal Audit and Risk Management), Irene Smith (Strategic Finance Manager - Corporate) and Mark Surridge (External Auditor, Mazars).

11 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors R B Parker and P A Skinner and Added Independent Members: Andrew Middleton and Ian Haldenby.

12 DECLARATION OF MEMBERS' INTERESTS

There were no declarations of interest.

13 MINUTES OF THE MEETING HELD ON 17 JUNE 2019

RESOLVED

That the minutes of the meeting held on 17 June 2019 be agreed as a correct record and signed by the Chairman.

14 ANNUAL REPORT ON CORPORATE AND STATUTORY COMPLAINTS AND COMPLIMENTS

Consideration was given to a report by Shagofta Noreen (Corporate Project Support Officer), which provided an update on Corporate and Statutory Complaints and Compliments and a description of performance data.

The Corporate Project Support Officer presented the report to the Committee, alongside Cathryn Coates (Business Support Manager), and in doing so advised that the complaints function had transferred from the corporate support services contractor to an in-house service, with in-scope staff transferring to the Council's

employment, (under the TUPE provisions) on 1 March 2019, which would provide the Council with greater control in shaping the future of the complaints service.

The future model for dealing with complaints would result in changes to the staffing structure and ways of working. The future model emphasised the complaints team taking ownership of complaints and working towards early resolution with service areas, where possible. Regular reporting and liaison / feedback with service areas would occur on an increased basis. The introduction of Lagan (an IT system for complaints data) would help the team with providing more effective, reliable and timely reporting. Lagan would also ensure any changes in complaints levels, types and trends were identified and acted upon to drive service improvement.

A renewed focus was being placed on the customer experience and how the Council could improve this. Complainants would, in future, be allocated a single point of contact within the complaints team, which would help deliver a more personal service. It was anticipated that the new model would be fully implemented by 1 August 2019.

The Committee was encouraged to see a reduction in complaint levels across the Corporate and Statutory areas. It was suggested that the Committee receive a further update report in six months, once the new model had been fully implemented and further complaints data was available from Lagan.

It was suggested that County Councillors each received quarterly data on complaints submitted within their locality areas, provided that no information would be released that could lead to identification of the complainant.

RESOLVED

- (1) That the report and comments be noted.
- (2) That a further update on Corporate and Statutory Complaints and Compliments be provided to the Committee in six months.

15 REVIEW AND APPROVAL OF FINANCIAL PROCEDURES - RISK AND AUDIT

RESOLVED

That this item be deferred to the meeting of the Audit Committee scheduled to be held on 23 September 2019.

16 STATEMENT OF ACCOUNTS FOR LINCOLNSHIRE COUNTY COUNCIL & LINCOLNSHIRE PENSION FUND FOR THE YEAR ENDING 31 MARCH 2019

Consideration was given to a report by Michelle Grady (Assistant Director – Strategic Finance), which presented the final Statement of Accounts for Lincolnshire County Council and the Lincolnshire Pension Fund for the financial year 2018/19.

The Audit Committee had been presented with the draft Statement of Accounts for 2018/19 for scrutiny and comment at its meeting on 17 June 2019. Since that meeting the Council's external auditors, Mazars, had largely completed their audit work on the draft statements. Mazars' Audit Completion Reports were detailed at Appendix A to the report. A copy of the Lincolnshire County Council's Statement of Accounts 2018/19 was detailed at Appendix C to the report.

The Assistant Director – Strategic Finance highlighted Appendix D to the Committee, which highlighted amendments to the Statement of Accounts 2018/19 since the meeting of the Audit Committee on 17 June 2019. The Committee was advised that following further developments in a pensions legal case after the financial year end revised pensions valuation reports had been commissioned from the Council's Actuary and, as a result of this, amendments to the accounts were in progress for the main accounts and had been made for the pension fund accounts. This was a national issue affecting all local authorities.

The Committee was advised that, in relation to the draft Audit Completion Report for the Lincolnshire Pension Fund, based on the audit work to date there was one unadjusted identified mis-statement for 2018/19, which was just above the 'trivial' threshold for reporting to the Committee. No other material mis-statements had been identified and no material amendments had been made to the draft financial statements. Details of the unadjusted mis-statement could be found on page 34 of the agenda pack.

Furthermore, it was advised that during detailed testing, Mazars had identified a net £710k difference between the Investment Asset balances recorded in the financial statements and the latest valuation reports. The differences were due to differences between the valuation reports available to officers when the draft financial statements were prepared and the latest valuation reports being based on up to date information.

The Committee was assured that the differences, which were attributable to the timing of the availability of information, were not unusual and the difference was not to be amended by Management. Management would review its accounting practice in relation to the cash flow changes and it was expected changes would be made to the accounting policies in 2019/20 to accommodate this type of non-material fluctuation.

It was highlighted that there was a requirement to publish the Statement of Accounts for 2018/19 by the statutory deadline of 31 July 2019. It was advised that further changes would still take place following the Committee to the Statement of Accounts, which would be agreed between the External Auditor and Senior Officers. These would be primarily due to the amended pensions valuations previously referred to, but may include other changes requested by the auditors during the final stage of the audit. It was suggested that any changes should be agreed in consultation with the Chairman and Vice-Chairman of the Committee.

The Committee was advised that proactive work was being carried out on a budget setting process for 2020/2021 onwards, for which the Council was anticipating a budget shortfall of circa £30m.

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RESOLVED

- (1) That the Audit Completion reports, as detailed at Appendix A to the report, and verbal updates of the External Auditor regarding its audit work on the draft Statement of Accounts, be noted.
- (2) That approval be given to the Letters of Representation, as detailed at Appendices B and B1, on behalf of the Council to enable the Audit Opinion to be issued following the report of the External Auditor.
- (3) That the Statement of Accounts for 2018/19, as detailed at Appendix C, be approved subject to any amendments being made and agreed between the External Auditor and Senior Officers, in consultation with the Chairman and Vice-Chairman of the Audit Committee, to enable publication by the Statutory deadline of 31 July 2019.

17 WORK PLAN

A report by Lucy Pledge (Head of Internal Audit and Risk Management) was considered, which provided the Committee with information on the core assurance activities currently scheduled for the 2019/20 work plan.

Reference was made to the McCloud judgement, which had created uncertainty over whether pension liabilities were fairly stated, and it was queried whether this should be incorporated in the Committee's work programme. In response, it was advised that this would form part of the Pension Committee's remit and work programme. However, updates would be provided to the Committee as part of the external audit's regular reporting.

Further to Minute 14 – *Annual Report on Corporate and Statutory Complaints and Compliments*, it was confirmed that a further update would be provided to the Committee in six months.

Further to Minute 15 – *Review and Approval of Financial Procedures – Risk and Audit*, it was reiterated that this item would be considered by the Committee at its meeting on 23 September 2019.

It was suggested that the Committee receive a briefing report on the assurance framework for the Council's Asset Register.

RESOLVED

That the work plan be approved, subject to the above amendments being made.

The meeting closed at 10.55 am.