



AUDIT COMMITTEE 15 JUNE 2020

PRESENT: COUNCILLOR MRS S RAWLINS (CHAIRMAN)

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

Officers in attendance:-

Andrew Crookham (Executive Director Resources), Dianne Downs (Team Leader - Counter Fraud and Investigations), Cheryl Evans (Democratic Services Officer), Michelle Grady (Assistant Director for Strategic Finance), Sue Maycock (Head of Finance (Corporate)), Mike Norman (External Auditor, Mazars), Lucy Pledge (Head of Internal Audit and Risk Management), Alastair Simson (Principal Auditor), Matthew Waller (Internal Audit Manager) and Rachel Wilson (Democratic Services Officer)

52 APOLOGIES FOR ABSENCE

There were no apologies for absence.

53 DECLARATIONS OF MEMBERS' INTERESTS

There were no declarations of interest at this point in the meeting.

54 MINUTES OF THE MEETING HELD ON 10 FEBRUARY 2020

RESOLVED

That the minutes of the meeting held on 10 February 2020 be signed by the Chairman as a correct record.

55 STATEMENT OF ACCOUNTS 2019/20 - ACCOUNTING POLICIES

Consideration was given to a report by Sue Maycock, Head of Finance – Corporate, which summarised changes to the Code of Practice on Local Authority Accounting. These changes would be incorporated into the 2019/20 Statement of Accounts for Lincolnshire County Council and the Lincolnshire Pension Fund; the broad requirements of the Accounts and Audit Regulations 2015, that confirmed that there were no changes to these which would impact on the 2019/20 Statement of Accounts themselves; the key change to the reporting timescales, as set out in the Accounts and Audit (Coronavirus) (Regulations) 2020; and the review of the Council's Accounting Policies for both the main financial statements and the Lincolnshire Pension Fund statements.

Members were provided with the opportunity to ask questions to the officers present and some of the points raised during discussion included the following:

- Queries were raised regarding the value of property, and that opinions on what properties were worth could be particularly difficult in relation to commercial properties. However, the Committee was advised that most of the properties owned by the Council were not commercial. The disclosures would report the valuations that had been made. The Council's external auditors advised that some correspondence had been prepared with valuations, and it was acknowledged that there were difficulties in getting market valuations at this time, however, their own valuers had given advice regarding the valuations which had been discussed with officers.
- It had been explained to the Committee that there were no changes that would have a financial impact, and it was suggested whether it could be set out clearly in the report that the financial team had reviewed the information and there would be no significant impact on the accounts. Officers advised they would take this suggestion on board when they were preparing the following years report.

RESOLVED

1. That the Committee changes required to the Statement of Accounts from the Code of Practice 2019/20 be noted;
2. That the amended deadline of 30 November 2020 for publication of the audited Statement of Accounts 2019/20 be noted;
3. That the Statement of Accounting Policies (as attached at Appendix A to the report) be approved for use in preparing the Council's accounts for the financial year ending 31 March 2020.
4. That the Statement of Accounting Policies (as attached at Appendix B of the report) be approved for use in preparing the Local Government Pension Scheme (LGPS) Pension Fund for the financial year ending 31 March 2020.

56 REVIEW OF GOVERNANCE FRAMEWORK AND DEVELOPMENT OF THE ANNUAL GOVERNANCE STATEMENT 2019/20

Consideration was given to a report by Lucy Pledge, Head of Internal Audit and Risk Management, which provided the Committee with the opportunity to review the contents of the draft Annual Governance Statement to ensure it accurately reflected the Committee's understanding of the Council's governance and assurance arrangements.

Members were provided with the opportunity to ask questions to the officers present in relation to the information contained within the report and some of the points raised during discussion included the following:

- Reference was made to progress that had been made in IT governance, and it was queried whether there could be any more detail on this included such as improvements which had been implemented.

- It was queried whether the Business World re-engagement progress could be reworded as it was due to be delivered by December 2019, and so it was not on track as suggested.
- It was queried whether there could be more detail added in relation to the new capital strategy processes which had been introduced in April 2020.
- The Overview and Scrutiny Management Board was due to have a paper at its meeting at the beginning of July looking at new ways of monitoring the IT improvements. This would be circulated to all members of the Audit Committee for information.
- It was noted that the medium term financial plan would be reviewed and revised over summer 2020 and there were plans in place to capture all additional costs from the Covid-19 pandemic.
- The capital strategy had not been reported to the Audit Committee as it was part of the budget papers which had been considered by the Overview and Scrutiny Management Board and Executive.
- It was noted that the Council had received £35million as an emergency grant from government for the Covid-19 pandemic.
- It was noted that unlike districts, the County Council did not rely on income from things such as car parks, etc. It was queried whether the grant would be sufficient to cover all the additional costs. Members were advised that specific cost codes had been set up so costs could be easily monitored. Budget holders were reporting back to the finance team on a regular basis.
- Districts had been affected to a greater degree financially, due to a loss of income from parking fees, planning fees and other discretionary income.
- Previously, the Chief Executive had highlighted some areas of concern regarding the workforce, specifically challenges around recruitment in key areas, such as social work. It was noted that this did not seem to be highlighted in the risk register. Members were advised that this was still an issue for the Council, and the dynamics had changed significantly since the pandemic was declared, particularly around wellbeing, and recruitment and retention of staff. There had also been an impact on communities and how the Council worked. Officers would go back to the Chief Executive to see if a report needed to be brought back to the Committee with more detail around this.

RESOLVED

1. That it be recorded that the contents of the draft Annual Governance Statement 2020 accurately reflected how the Council was run.
2. That the Statement included the significant governance issues/key, risks which the Committee would expect to be published.

(NOTE: Councillor A Spencer left the meeting at this point and did not rejoin)

**57 EXTERNAL AUDIT STRATEGIES - LINCOLNSHIRE COUNTY COUNCIL
AND LINCOLNSHIRE PENSION FUND 2019/20**

Consideration was given to a report by Mike Norman, Mazars, the Council's external auditors which presented three reports on their 2019/20 audit strategies for Lincolnshire County Council and the Lincolnshire Pension Fund and a progress report on these.

Members were provided with the opportunity to ask questions to the officers present in relation to the information contained within the report and some of the points raised during discussion included the following:

- In terms of management override of controls (p.134 of the agenda pack) it was queried how it would be ensured that this management oversight would be delivered. It was clarified that this was more about a value for money point of view and whether the Council had adequate controls in place to deliver the budgets.
- In terms of the risk identified in the Annual Governance Statement around management oversight, this had been picked up in the peer review carried out in September 2019.
- The pensions investment valuations were highlighted as a concern as they were based on unquoted investments.

RESOLVED

That the external audit strategies and progress report be noted.

58 COUNTER FRAUD ANNUAL REPORT 2019/2020

Consideration was given to a report presented by the Head of Internal Audit and Risk Management which provided information on the overall effectiveness of the authority's arrangements to counter fraud and corruption and reviewed the delivery of the 2019/20 counter fraud work plan.

Members were provided with the opportunity to ask questions to the officers present in relation to the information contained within the report and some of the points raised included the following:

- In relation to p.144 of the agenda pack, it was highlighted that the level of funds recovered was £124k but in the Annual Report the figure was £114k. It was clarified that the figure for 2019/20 was £114k
- In terms of the benchmarking of data, which was acknowledged was difficult due to the different risk profiles of different organisations, it was queried how extensive were the counter fraud teams of authorities around the country. Members were advised that not all authorities had a dedicated counter fraud team. Lincolnshire had had an established team since around 2010. Data was benchmarked against the CIPFA code of practice.
- There had been some pro-active staff, particularly around identifying fraudulent claims in relation to Covid-19.

- It was noted that counter fraud was not a mandatory activity, and in terms of best practice, Lincolnshire County Council had been recognised on a number of occasions. The County Council had also been credited in a number of case studies as examples of delivering good practice.
- It was queried where it was thought the vulnerabilities were in relation to fraud around Covid-19. Members were advised that the Finance Team had done a lot of work around due diligence and where the authority was passporting funding, that it was appropriate and there were a reasonable level of controls in place. It was also planned to re-examine the counter fraud plan and look at the fraud risk register around Covid-19. It was also noted that the government was sharing intelligence where there had been a spike in fraud and scams. There was also co-ordinated work taking place within the council with Trading Standards.
- The government had previously highlighted that there was a heightened risk of fraud during emergency situations. Unusual payments were being reviewed and the Counter Fraud Team was working closely with Business Support. It was noted that there was a current live investigation following proactive work with payments analysis.
- It was commented that 87% of the fraud plan had been completed, and it was queried whether there was an issue with resources being made available to the Team. It was acknowledged that the Team did have stretch targets, as it was a high performing team. The areas of the plan that were not completed were regarding policy updates which were due to be completed in February 2020, however the Team had to respond to the developing emergency situation.
- It was highlighted that expenses fraud was an area that officers had particular concerns about, but the increase in referrals had not come from awareness work, but from managers identifying claims and officers had been working with HR colleagues.
- In terms of social care and financial abuse, it was more likely the risk would be to the service user than the council directly. It was noted that a lot of proactive work was carried out in this area, and the Team worked with Trading Standards and the Police to raise awareness of scams.
- Officers were congratulated for a thorough report and for the hard work of the Team.
- It was confirmed that a report could be brought back to a meeting later in the year which updated the Committee on how the emergency was responded to and how the additional money received from government was spread between directorates.

RESOLVED

That the overall effectiveness of the Council's arrangements to counter fraud and corruption and the progress made to implement policy be noted.

59 INTERNAL AUDIT PROGRESS REPORT

Consideration was given to a report presented by the Principal Auditor which provided the Committee with details of the audit work completed to 22 May 2020; advised on progress of the 2019/20 plan and advised on progress of the 20/21 plan and the impact of Covid-19.

Members were provided with the opportunity to ask questions to the officers present in relation to the information contained within the report and some of the points raised during discussion included the following:

- It was planned for the original plan for 2020-21 to be revised in September, and the areas of safeguarding for adults and children and work with the Lincolnshire Resilience Forum (LRF) would be picked up by this.
- It was noted that the Corporate Leadership Team received regular updates on strategic and operational risks including safeguarding.
- In relation to the LRF, governance structures and how they aligned with the authority's working processes would be examined and assurance around this area would be reported.
- It was clarified that the audit in relation to the Mosaic system was conducted in relation to a very narrow area. Mosaic had been highlighted as a key risk area within the Council and a very narrow review of internal use had been carried out.
- In relation to p.173 of the agenda pack, it was highlighted that the work around Property Health and Safety – Legionella Bacteria was of particular importance during this time as many buildings were not in regular use due to council staff working from home for a substantial period of time.

RESOLVED

That the outcomes of Internal Audit's work be noted.

60 FORWARD PLAN

Consideration was given to a report which provided the Committee with information on the core assurance activities scheduled for the 2020/21 forward plan.

Members were reminded that it was planned to hold a workshop in the autumn in relation to fraud and recovery and decision making. It was noted that it was likely that this would be taking place virtually.

It was also noted that some of the agenda items from the March meeting (which had been cancelled due to the Covid-19 pandemic) had been rescheduled for meetings later in the year.

RESOLVED

1. That the Forward Plan, as presented, be noted.

2. That the actions identified in the Action plan, be noted.

61 REPORTS FOR INFORMATION

62 FEE SCALE FOR THE AUDIT 2020/21 AND UPDATE ON 2019/20

The letter in relation to the Fee Scale for the Audit 2020/21 and update on 2019/20 was attached to the agenda pack for information.

The meeting closed at 11.36 am

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