



**AUDIT COMMITTEE
16 NOVEMBER 2020**

PRESENT: COUNCILLOR MRS S RAWLINS (CHAIRMAN)

Councillors P E Coupland, A P Maughan, R B Parker, 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:-

Julie Castledine (Principal Auditor), Andrew Crookham (Executive Director Resources), Matt Drury (Principal Investigator), Michelle Grady (Assistant Director for Strategic Finance), Sue Maycock (Head of Finance (Corporate)), Lucy Pledge (Head of Internal Audit and Risk Management), Mark Surridge (External Auditor, Mazars), Jill Thomas (Principal Auditor), Matthew Waller (Internal Audit Manager) and Rachel Wilson (Democratic Services Officer)

20 APOLOGIES FOR ABSENCE

There were no apologies for absence.

21 DECLARATION OF MEMBERS' INTERESTS

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

22 MINUTES OF THE MEETING HELD ON 28 SEPTEMBER 2020

RESOLVED

That the minutes of the meeting held on 28 September 2020 be signed by the Chairman as a correct record.

23 UPDATED AUDIT COMPLETION REPORT 2019/20 - LINCOLNSHIRE COUNTY COUNCIL

Consideration was given to a report by the Council's external auditors, Mazars LLP, which presented an updated Audit Completion Report for their audit of the 2019/20 Lincolnshire County Council Financial Statements.

The report issued was broadly unchanged from that issued a month previously, and the external auditors conclusions were unchanged and the value for money opinion would be an unqualified or unmodified opinion which confirmed that the Authority had appropriate arrangements in place. Financial statements had moved on slightly, but

an unqualified opinion would still be issued. They would include a slightly extended disclosure note, reflecting that Covid-19 had created some instability in the market.

It was highlighted that the finance team had been very helpful in assisting with this work.

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 page 24 of the agenda pack and the uncertainties in property valuations, and it was queried whether it was correct that this Council was extremely prudent in this regard and therefore the risk was low. Members were advised that there were two main aspects to this, firstly that all local authorities would be affected equally by the material valuation on the majority of assets such as land and buildings. Secondly, those authorities that had taken on commercial properties as a method of income generation would be facing greater challenges due immediate and long term impact of Covid-19 in maintaining those assets and the income. Lincolnshire County Council had a material suite of investment properties through county farms, and had not pursued the commercial property strategy, whilst this was not zero risk, it was a different investment strategy.
- In relation to the Agresso access controls (page 27 of the agenda pack), members commented that they were disappointed to that the user accounts of 173 leavers had not been disabled and raised concern regarding the management response. The Committee was reassured that this did not mean that the user still had access to the system. Officers advised that they would take this away and deal with it using the internal control processes, and would come back to the Committee at a later date.
- In relation to the proposed uplift in the audit fees, it was queried whether this was a commercial decision by the auditors or was it PSAA directed, and whether it was felt that this was reasonable. Members were advised that as part of the audit strategy an underlying fee element was recognised, due to the additional work which had been required to meet the regulatory standard, particularly in relation to the valuation of land and buildings. Benchmarking had been carried out to ensure that the fees were fair for the work required. Consultation with the PSAA had also taken place. It was also noted that there would be a review of fees for 2021/22 following the Redmond Review.

RESOLVED

That the updated Audit Completion Report be noted.

24 COUNTER FRAUD PROGRESS REPORT

Consideration was given to a report which provided an update on fraud investigation activities and information on progress made against the Council's Counter Fraud Work Plan 2020/21.

The Committee was advised that the report covered the six months to 30 September 2020 and the first six months of this year had brought some unprecedented times and challenges, fraudsters tended to prey on this kind of uncertainty and vulnerability, and the risks of fraud were raised. Therefore the Council has had to respond accordingly to ensure fraud controls were maintained and applied.

Despite the circumstances, the Council had been able to deliver numerous areas of proactive counter fraud work including updating the fraud risk register, submission of data for the National Fraud Initiative exercise, been able to review the internal arrangements. Regular communications had taken place. The Team was now involved in post-Covid-19 fraud reviews of key risk areas and would report back to the Committee in the annual report. It was felt that despite the challenging times the report demonstrated that Lincolnshire County Council had a robust response to fraud.

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

- Members commented that they were pleased to see that as the risk and covid-19 situation had changed the approach had changed and this came through clearly in the report. It was also commented that it could be seen that a good proportion of the work had been completed and the rest was ongoing.
- In terms of the Senior Leadership Team briefings that remained outstanding, it was reported that it was the intention to carry them out later in the year, and liaison was taking place with the risk owners.
- It was commented that the Council was now in new territory with large numbers of staff working from home, and it was queried whether there were any emerging potential frauds associated with such remote working. Officers advised that a spike in fraud had not been noticed (either locally or nationally) due to the changed circumstances of working. It was highlighted that disciplinary procedures had recently been updated and a lot of work had been carried out with managers including awareness training and ensuring there was appropriate supervision of staff.
- It was queried whether officers were comfortable that the types of fraud being reported the previous year were reducing, and also whether the move to remote working had affected the control of data and the authority's ability to detect data loss. Members were advised that when an investigation was carried out, a report and action plan would be produced and any actions would be passed onto the relevant managers, and then a review would also be carried out. There was confidence that resources were directed in the right areas.
- It was queried whether there was other councillor involvement in counter fraud work, for example if there was a specific executive member responsible for fraud. The Committee were advised that the counter fraud champion was Councillor Maughan. It was suggested that officers could work with Councillor Maughan to explore the best way to engage with councillors more proactively around counter fraud work.
- The process and measures put in place to support the Council's contractors through any financial hardships being experienced due to the Covid-19 pandemic was outlined to the Committee.

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RESOLVED

That the outcomes of the Counter Fraud work be noted.

25 ANNUAL WHISTLEBLOWING REPORT

Consideration was given to a report which gave an overview of the Council's whistleblowing arrangements throughout the year 2019/20.

It was reported that the amount of activity had increased on the previous year, and policy breach reports remained the most prominent, and the largest volume related to schools.

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 commented that paragraph 4 of page 72 of the agenda pack showed an encouraging culture development. It was felt that whistleblowing policies were positive and were an important demonstration of an organisation's willingness to listen, which is good for staff morale. However, there was an awareness that they could be mis-used and it was queried whether there was any indication that it was being used in a vexatious or malicious way against line management. It was acknowledged that this had been seen in the past, but there was an experienced team that dealt with the calls and there was no evidence of it being used in this way in recent times. It was also noted that it was included in the Policy that it should not be used for vexatious purposes.
- It was queried whether officers were confident that embedding of the whistleblowing policy was taking place and the Committee was advised that it was felt that it was embedded as there was regular promotion and training of the policy. It was also positive that 66% of people using the service were prepared to give their identity as this showed that people had confidence in the policy.

RESOLVED

That the Committee note the whistleblowing activity for 2019/20 and the ongoing work to raise awareness and provide assurance on the effectiveness of the Council's arrangements for whistleblowing.

26 INTERNAL AUDIT PROGRESS REPORT

Consideration was given to a report which provided details of Audit work completed up until 12 October 2020 and advised on progress on the revised 2020/21 plan.

It was reported that 75% of the actions had been completed, 9% of them were not yet due and the remaining 16% had been deferred to a later date. It was noted that where actions had been delayed, this was due to the implications of Covid-19 and the differing priorities.

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 relation to the Transformation project and business world redesign, it was noted that there have been problems in the past, and it was queried how audit was engaging in development of the project. It was clarified that the reference to Information Assurance was the Council's Information Assurance team which was led by David Ingham. This team had been very much involved to ensure that the data being handled in a secure fashion. In terms of wider assurance, the Executive Directors for Resources and Commercial were on the BW Project Board. Work was underway to ensure that lessons have been learned. Payroll was a particular area of interest with a focus on how data was being prepared and transferred before starting to process parallel runs. It was also noted that Audit also had a presence on the Design Authority and Business Change Governance Boards, and officers were able to give general feedback and highlight reports would be produced. Transformation Board Meetings were regular and well attended with good engagement from IT. It was highlighted that there was a wide range of support for this programme. The first update report would be brought to the meeting of the Audit Committee in February 2021.
- Concerns were raised regarding resourcing the work in the Plan. It was queried whether there was the right resource, with the right skills for the right amount of time, and whether the team was on track to deliver the Plan. The Committee was advised that the Team was able to buy in specialist resource, which included some IT resource which was looking at the digital work. It was noted that this was something that the Council was planning to expand its resource and skill set in, in the future. There was awareness that there would be a challenge through winter the months, and time had been incorporated to ensure that there was sufficient time for staff wellbeing. Some additional resource had also been approved for agency staff. Whilst there was confidence that the Team had sufficient resources to deliver the agreed plan, given the turbulent and uncertain time it could not be guaranteed that plans and resources would not be affected for the rest of the year.
- In relation to a question about future resourcing, the Committee was advised that there was a business plan, which included a talent management programme which included support to existing staff, succession planning, coaching and mentoring. It was highlighted that meetings took place regularly to look at resourcing.
- In relation to the comments made regarding payroll, it was commented that a repeat of the situation when Business World was implemented and changed to Serco needed to be avoided. It was believed that many of problems at that time were caused by the TUPE of staff, as well as problems with data cleansing. It was acknowledged that a number of problems had been due to the quality of the data. However, there was now a clear data cleanse policy which been signed off. It was also noted that the same staff were being retained and that it was an experienced team. Following further audits, Payroll and HR now had substantial assurance.

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- In relation to IR35, it was noted that the HR team along with consultant expert, had carried out a lot of work on the process. More detailed guidance was now in place and would shortly be shared with schools and LCC managers. The issue of guidance had been delayed subject to review of the Hoople process. It had been established that the process differed very little from the Hoople standard. Managers should be assessing someone's status for IR35.
- In terms of payroll, it was noted that it was planned to carry out three parallel runs, and it was noted that there was a very experienced Testing Manager. The revised plan was due to go to the project board the following week. It was highlighted that the emphasis was on carrying out quality parallel runs. There was high confidence that the parallel runs would be of good quality and sufficient.

RESOLVED

That the outcomes of the Internal Audit Progress Report be noted.

27 DRAFT AUDIT COMMITTEE ANNUAL REPORT 2019/20

Consideration was given to a report which presented the proposed Annual Report of the Audit Committee for 2019/20 and sought approval for the Chairman to present this report to Council.

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:

- It was clarified that the seven Nolan principles still existed, but one had been extended for public service relating to stewardship, particularly around financial stewardship. It was commented that the 10 principles were more appropriate. Officers advised that a footnote would be added which set out where the 10 general principles had originated from.
- It was commented that it should be recorded that attendance was much improved in 2020, with almost full attendance.
- It was clarified that the quote on the front cover was from CIPFA and the reference would be added back into the final version
- It was suggested whether in future years, the report could be structured around the 10 general principles of public life in order to demonstrate adherence to the principles, or provide examples of where they had led to better levels of assurance. Officers agreed to look further at this for future reports.

RESOLVED

That the Audit Committee Annual Report 2019/20 be presented to the Council for approval.

28 WORK PLAN

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

It was highlighted that the main item for the February meeting would be the Combined Assurance Status reports from the Corporate Leadership Team. Members commented that this was an important item and the one opportunity during the year to get the executive team to the meeting, and there was agreement for this to stay as a one item agenda.

RESOLVED

That the work plan as presented be noted.

The meeting closed at 11.34 am

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