



**AUDIT COMMITTEE  
15 NOVEMBER 2021**

**PRESENT: COUNCILLOR MRS S RAWLINS (CHAIRMAN)**

Councillors M G Allan (Vice-Chairman), S Bunney and A N Stokes

Also in attendance: Mr I Haldenby (Independent Added Member) and Mr A Middleton (Independent Added Member)

Councillor: J L King and M A Whittington observed virtually the meeting

Officers in attendance:-

Robert Close (Democratic Services Officer), Andrew Crookham (Executive Director Resources), Michelle Grady (Assistant Director – Finance), Tony Kavanagh (Assistant Director – Human Resources and Organisational Support), Lucy Pledge (Head of Internal Audit and Risk Management) and Matthew Waller (Internal Audit Manager)

The following officers joined the meeting remotely via Teams:-

Karen Cassar (Assistant Director Highways and Smarter Working Lead), James Drury (Executive Director – Commercial), Matt Drury (Principal Investigator), Nicole Gray (Principal Auditor) and Sue Maycock (Head of Finance – Corporate)

Also in attendance via Teams:-

John Pressley (External Auditor, Mazars) Mark Surridge (External Auditor, Mazars) and Cameron Waddell (External Auditor, Mazars)

**30      APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillors P E Coupland, J L King and P A Skinner.

**31      DECLARATIONS OF MEMBERS' INTERESTS**

No declarations of interest were made with respect to any items on the agenda.

**32      MINUTES OF THE MEETING HELD ON 27 SEPTEMBER 2021**

In relation to minute number 26, Members asked if any further details could be offered surrounding Adult Social Care financing. It was advised that further examination would form part of the combined assurance status reports to be considered in February 2022. In

addition, it was noted that financiers were in communication with adult social care providers ahead of the more to gross payments to identify the levels of debt.

RESOLVED

That the minutes of the meeting held on 27 September 2021 be confirmed and signed by the Chairman as a correct record.

33      STATEMENT OF ACCOUNTS 2020/21 – LINCOLNSHIRE COUNTY COUNCIL AND  
LINCOLNSHIRE PENSION FUND

Consideration was given to a report presented by the Head of Finance – Corporate which updated the Committee on the changes made so far to the Statement of Accounts for 2020/21 and sought approval to delegate responsibility for the Statement of Accounts to the Executive Director – Resources, in consultation with the Chairman of the Audit Committee.

The Committee asked when the final accounts were expected to be delegated for final approval. Mark Surridge, Mazars, confirmed that they felt confident that their options would likely be completed by the end of November 2021. Although there was missing information resulting from schools valuation, it was noted that this was immaterial. Any further changes would be detailed within a follow up letter prior to their opinion.

RESOLVED

1. That the changes made to the updated Statement of Accounts 2020/21 be noted.
2. That authority be delegated to the Executive Director – Resources, in consultation with the Chairman of the Audit Committee, the responsibility for considering the Audit Completion Report of the External Auditor for Lincolnshire County Council 2020/21, approving and signing the Letters of Representation on behalf of the Council to enable the Audit Opinion to be issued following the finalisation of the External Auditor's report and approving the audited Statement of Accounts for 2020/21

34      EXTERNAL AUDITOR'S ANNUAL REPORT AND AUDIT COMPLETION REPORTS  
2020/21

Consideration was given to a report presented by Mazars, External Auditors, which detailed the draft Auditor's Annual Report for Lincolnshire County Council and an Audit Completion Report for Lincolnshire Pension Fund, and a draft Audit Completion Report for Lincolnshire County Council.

Mr Mark Surridge, External Auditor - Mazars, delivered the update for the Lincolnshire County Council audits.

The Committee sought further detail in the determining schools' and county farms' valuations and if any lessons could be learned in the future. Mr Surridge explained that one determining factor for schools' valuations were the size of the premises footprint. Upon a sample test, the figures listed in the undelaying records differed from that identified by the valuer. As a result of this, the external auditors had to understand what the impact of those differing figures were to the valuation. Moving forward the Council would have to review its records and ensure they're kept up to date. A supplementary point of clarification was made, noting that schools' funding was determined by the number of students on roll rather than the footing of the premises.

On the issue of county farms' valuations, Mr Sturridge advised one element of consideration was based on a judgment by the Council's valuer, who used special considerations when determining the long term life of the leases that supported the county farms. This resulted in a difference in the valuations but only to an insignificant extent. Dependent of the judgement of the Council's valuer, these issues may because apparent again in future audits.

In follow up comments, Members noted that they'd appreciate an overview of the practical implications of inaccurate valuations to be included as part of the Auditors' letter and further clarity from the narrative extrapolation for the unadjusted sample.

Members asked if the Covid-19 grant recognition presented any unexpected issues when auditing the Council's accounts. Mr Surridge noted that accounting for Covid-19 grants ultimately wasn't as difficult as initially expected.

Making reference to the comment in the report of the large variances to the invoices, Members asked for further details of the inaccuracy for the manual processes. It was advised that the manual accruals resulted from invoices due to be paid from highways contracts. There was a nominal variation in final fees which was identified by the external auditors. Officers would endeavour to address these in the future.

Mr John Pressley and Mr Cameron Waddell, External Auditors - Mazars, delivered the updates for the Lincolnshire Pension Fund audit.

Members made reference to the issue of unquoted investment valuations, seeking clarity if this issue was likely to continue into next year's account's audit and if anything could be done to mitigate the impact. It was explained that at the Executive Director – Resources had been in correspondence with the County Treasurers Network to identify how the Council could work with the scheme advisory board and pension's regulator to ensure a better outcome.

Noting the increasing life expectancy of scheme members, the Committee asked if the fund had considered if increased contributions would have to be made to cover pension expenditures. It was advised the fund was currently at 98 per cent capacity. Furthermore, the fund had recently appointed a new actuary and their first valuation was expected in

2022. Though the Council's budget, provision had been made to cover past deficits which were modelled though medium-term planning.

Making reference to the reported deficiency in the performance of Prudential, Members asked if this was a general issue among Additional Voluntary Contributions (AVCs). It was advised this issue appeared to be limited to the Prudential, noting that funds that didn't used Prudential were unaware of service issues.

#### RESOLVED

That the External Auditor's Annual Report and Audit Completion reports be noted.

#### 35 AUDITOR APPOINTMENT

Consideration was given to a report presented by the Assistant Director – Finance which summarised the options available for procuring the next external auditor contract.

Seeking assurance, Members asked if officers felt confident that opting into the Public Sector Audit Appointments (PSAA) would result in more stable and reliable service. It was advised that officers felt confident that audit service deliver would improve though opting into PSAA; however, it was reminded to Members that this wouldn't take place until 2023. In addition, PSAA would be able to ensure all bodies were allocated an auditor. In a supplementary question, Members asked if more realistic estimates for audit fees could be identified moving forwards. It was advised that the current arrangement for fees was required through PSAA and would continue in this manner.

Members noted their apprehension surrounding the potential financial impact of making a standalone auditor appointment, particularly when taking into account the price pressures of staff.

#### RECOMMENDATION TO COUNCIL

That the Council opt into the national sector-led procurement and appointment of external auditors for the contract period of 1 April 2023 to 31 March 2028 as detailed within option three of the report.

#### 36 COUNTER FRAUD PROGRESS REPORT 2021/2022

Consideration was given to a report presented by the Principal Investigator which summarised the overall effectiveness of the Council's arrangements to counter fraud and corruption and reviewed the delivery of the 2021/22 counter fraud work plan during the year to date.

Members asked if smarter working arrangements contributed to the recent reduction of fraud investigations. It was explained that there was the potential for smarter working to

have played a factor in the reduction of fraud investigations through the decreased opportunities for observational based whistleblowing. It was stressed all usual whistleblowing methods were still available and had been throughout the pandemic.

Appreciating the necessity for innovation that resulted from the Covid-19 pandemic, Members asked if they could be provided with a summary of the changes in processes undertaken to tackle fraud. It was noted that financial assessments were now included within the audit plan to ensure the internal control environments. Further details of changes could be provided outside of the meeting.

Members asked if small scale individual frauds, such as continued claims on deceased pensions and single occupant discounts, were investigated by the fraud team or by the relevant department. It was advised that smaller scale investigations were still undertaken by the fraud team although district councils, as the billing authority, still had a responsibility to ensure investigations were undertaken. Further details would be provided outside of the meeting on the sources of information used to confirm occupancies.

Referencing the move to gross payments for adult social care, Members asked to see how counter fraud preventative measures were fed into the process modelling. Particular consideration should be given to change in behaviour of potential fraud criminals and the opportunity to for criminal networks sharing strategies. It was advised that a long term plan for adult social care had been considered and a detailed update would be brought back to the Committee.

Members asked for an overview of any fraudulent claims for the Covid-19 business recovery grants. It was advised that of the 503 applications made, 15 of those were stopped as they raised indicators of fraud for matters such a bank account and Companies House discrepancies.

RESOLVED

That the Counter Fraud Progress report be noted.

### 37 REVISED AUDIT PLAN

Consideration was given to a report presented by the Principal Auditor on behalf of the Head of Internal Audit and Risk Management. which provided details of the revised audit plan for 2021/22.

Members stressed their endorsement for the revisions made to the audit plan. Observing the size of the contract management audit plan, Members noted that it was important that positive assurance was sought, and stakeholders were aware of what was in scope.

RESOLVED

That the revised audit plan be approved.

38      SMARTER WORKING POLICY

Consideration was given to a report presented by the Assistant Director - HR and Organisational Support and the Assistant Director - Highways and Smarter Working lead which updated the implementation of the smarter working policy.

Appreciating the potential benefits through reduced premises and traveling savings, Members asked if service users and residents could also expect to see a benefit. It was advised that customer satisfaction Key Performance Indicators (KPIs) were well met as reported to the Overview and Scrutiny Management Board through the Corporate Plan. In addition, while complaints had risen for some services, these were not considered to be a result of working from home arrangements. Furthermore, it was noted within the external auditors' value for money report, that the Council managed well throughout the Covid-19 pandemic. Moreover, the scrutiny committees of the Council allowed for scrutinisation of KPIs and, if a situation presented itself where a service was under performing due to smarter working, then arrangements for that service could be reconsidered.

Noting the suggestion of a focus on resource and outcomes within the report, Members asked if any prior performance monitoring was used as a benchmark to assess smarter working arrangements. It was advised that, because of the unexpected working from home mandate as a result of the Covid-19 pandemic, only limited benchmarking was currently available. Highways Services had been used an example of improved service as a result of smarter working arrangements and the technical improvements through the Power BI facility, particularly increasing response times to public enquires and improved KPIs. In addition, more generally, sickness in staff saw a decrease.

Members took the opportunity to stress that not all roles suited working from home arrangements and particular consideration needed to be given to the supervisory skills required to effectively manage a remote member of staff, particularly for those younger employees and apprentices. It was advised that regular checks with staff were carried out through surveys. The annual staff survey was active and due to close in December 2021. It had been observed that monthly supervisions were starting to take place in the office rather than virtually. It was felt that this should be encouraged throughout different directorates. The opportunity to consider workforce metrics as an indicator of smarter working's practicality was not yet available as the Council was still working within Covid-19 working from home parameters albeit with some return to office.

Members asked if employees' contracts of employment had to be revisited as a result of smarter working arrangements. It was advised that formal negotiations to conditions hadn't taken place, however the introduction of the smarter working policy, after consultation with

trade unions, had been accepted within employees' terms and conditions. However, it was made clear that employees' homes would not be made their primary workplaces to avoid costs of travelling and other auxiliary costs.

Appreciating that employees would have capacity to chose whether they'd like to come to the office or not, Members asked where the balance of control lay if managers requested an office presence. It was explained that, contractually, employers had capacity to asked for a complete return to the office, however it was considered that, if employees and managers were supported to agree the most mutually advantageous working arrangement, the greatest service delivery could be achieved.

RESOLVED

That the smarter working update be noted.

39      WORK PROGRAMME

The Head of Internal Audit and Risk Management introduced the Work Programme which provided the Committee with core assurance activities currently scheduled for the 2021 work programme.

It was noted that the Audit Committee Annual Report had been moved to the 7 February 2022 meeting of the Audit Committee to ensure the final external audit report was included to complete the Audit Committee's terms of reference cycle.

Members asked when they could expect to have the opportunity to examine the relevant officers regarding social care assessments. It was advised that the opportunity would be available during the combined assurance report on 7 February 2022 meeting.

RESOLVED

That the work programme as amended above be approved.

The meeting closed at 12.19 pm

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