

# Audit Committee Annual Report

Calendar Year 2023

Draft Report

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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 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**

There have been ongoing delays with the finalisation of the Statutory Accounts for 2020/21, 2021/22 and 2022/23. 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. Subject to the issues being resolved, it was anticipated that an unqualified external audit opinion would be received.

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 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.