

Present:	Councillor Geoff Ellis (<i>in the Chair</i>)
Councillors:	Thomas Dyer, Gary Hewson, Ronald Hills, Laura McWilliams and Pat Vaughan
Independent Member:	Jane Nellist
Also Present:	Mark SurrIDGE, Jon Machej, Modika Bah (Mazars LLP)
Apologies for Absence:	Councillor Sue Burke and Councillor Jim Hanrahan

54. Confirmation of Minutes -7 February 2019

RESOLVED that the minutes of the meeting held on 7 February 2019 be confirmed.

55. Declarations of Interest

Councillor Pat Vaughan declared a Personal Interest with regard to the agenda item titled 'External Audit Inquiries - 2018/19 Statement of Accounts'.

Reason: His Granddaughter worked in the Finance department at the City of Lincoln Council.

Councillor Pat Vaughan declared a Personal Interest with regard to the agenda item titled 'External Audit - Audit Strategy Memorandum 2018/19'.

Reason: His Granddaughter worked in the Finance department at the City of Lincoln Council.

Councillor Pat Vaughan declared a Personal Interest with regard to the agenda item titled 'IAS19 -Assumptions Used to Calculate Pension Entries in the 2018/19 Statement of Accounts'.

Reason: His Granddaughter worked in the Finance department at the City of Lincoln Council.

Councillor Pat Vaughan declared a Personal Interest with regard to the agenda item titled 'External Audit- Certification of Claims and Returns Annual Report'.

Reason: His Granddaughter worked in the Finance department at the City of Lincoln Council.

56. Change to Order of Business

RESOLVED that the order of business be amended to allow the Internal Audit Progress Report to be considered before the remaining agenda items.

57. Internal Audit Progress Report

John Scott, Audit Manager:

- a. presented the Internal Audit Progress Report to Audit Committee, incorporating the overall position reached so far and summaries of the

outcome of audits completed during the period January 2019 - March 2019, as detailed at Appendix A

- b. highlighted that Audit Committee had the responsibility for receiving a regular progress report from Internal Audit on the delivery of the Internal Audit Plan as a key requirement of public sector internal audit standards
- c. detailed the content of the report covering the following main areas:
 - Progress Against the Plan
 - Summary of Audit Work
 - Implementation of Audit Recommendations
 - Current Areas of Interest Relevant to the Audit Committee
- d. highlighted audits carried out in the following areas given assurances as follows:
 - Bank (Key Controls): High Assurance
 - Council House Sales: Substantial Assurance
- e. reported on other significant work ongoing in relation to:
 - Audit Plan 2019/20
 - Combined Assurance Map
 - De Wint Court
 - Counter Fraud
 - Northamptonshire County Council – Governance and Financial Issues
 - Private Sector Housing HMO Licensing and Hazards-Follow Up
- f. advised on audits currently in progress as detailed at paragraph 6 of the report
- g. provided a summary of all audits where recommendations were overdue/extended/implemented and not yet due as detailed at paragraph 7 of the report
- h. reported on an outstanding recommendation from Boultham Park Refurbishment audit in 2017/18; an update would be given at tonight's meeting by the appropriate officer
- i. detailed the contents of the Audit Plan Schedule at Appendix 2 of the report
- j. highlighted performance against annual planned work targets as detailed at paragraph 8 and Appendix 4 of the report
- k. requested members' consideration on the content of the report.

Members discussed the content of the report in further detail, asking whether the option available to tenants of 'Right to Buy' at three years occupancy in a council house was the same for newly built housing stock.

Jaclyn Gibson, Chief Finance Officer advised that she would seek clarification on this matter and respond to members of Audit Committee before the next meeting.

Caroline Bird, Community Services Manager, updated Audit Committee on progress made in relation to the signing of the Partnership Agreement for Boutham Park Refurbishment, covering the following main points:

- An existing agreement was held with Linkage Community Trust which was serving us well.
- Good progress had been made on agreeing the terms of the revised Partnership Agreement with Linkage.
- There were just a few details to finalise which neither party envisaged would cause any problems.
- The delay had been due to a lack of staff resources the scheme being without a dedicated Project Manager for more than a year.
- It was hoped that the Partnership Agreement would be finalised by 31 August 2019.

Members highlighted that ward councillors had not always been made aware of changes as the project moved forward probably due to the project manager having left before the scheme was finalised. Although verbal agreement may have been made prior to this, the need to keep records in writing was emphasised in order that achievements on the ground could be monitored.

Caroline Bird confirmed that project staff tended to move on as schemes came to an end. She highlighted the need to have good hand over agreements. She advised that the only issues she was aware of was where there had been problems with the path which hadn't been laid properly. This issue was being addressed through negotiations with the contractors.

Members asked whether the issues with the path were due to the way the project was monitored or down to contractor error.

Caroline Bird advised that the path had to be laid subject to certain weather conditions. The contractors had taken the risk of laying it close to the border line when the job shouldn't have been done. The contractor would have to replace it at their own expense.

RESOLVED that:

1. An update on options available to 'Right to Buy' customers moving into new build council housing be provided to members of Audit Committee before the next meeting.
2. The contents of the report and continuation of further monitoring arrangements be noted.

58. External Audit Inquiries - 2018/19 Statement of Accounts

Jaclyn Gibson, Chief Finance Officer:

- a. presented a report to inform members of the External Auditor's requirement for the provision of information regarding the Council's approach to dealing with fraud, litigation, laws and regulations, together with some areas specific to the accounts such as related parties and estimates used in the accounts as part of their audit of the Council's Statement of Accounts for 2018/19

- b. advised that the purpose of the report was to allow members to comment on officers' responses related to 'Those Charged with Governance'
- c. drew members' attention to the proposed responses to the inquiries provided by officers and requested members' views regarding their submission.

RESOLVED that the proposed responses to the inquiries to those charged with governance for the 2018/19 Statement of Accounts be agreed and submitted to Mazars, External Auditor.

59. External Audit - Audit Strategy Memorandum 2018/19

Jaclyn Gibson, Chief Finance Officer, presented a report to receive and comment upon the External Audit-Audit Strategy Memorandum for 2018/19, which described the External Auditor's (Mazars LLP) approach in delivering the financial statements audit work for City of Lincoln Council along with their approach to Value for Money (VFM) work for 2019, highlighting significant audit risks and areas of key judgement as well as providing details of the audit team.

Mark Surridge, representing Mazars, External Auditor:

- a. presented Mazar's Audit Strategy Memorandum for the City of Lincoln Council for the year ending 31 March 2019
- b. highlighted that the Strategy Memorandum set out Mazar's overall adopted approach on risk associated with financial statements and the audit process
- c. reported that the document, which had been prepared following initial planning discussions with management, formed the basis for discussion of its audit approach and invited any questions or input the council may have on its role as external auditor
- d. advised that the external audit was planned and performed to provide reasonable assurance that the financial statements were free from material error to give a true and fair view of the financial performance and position of the Council for the year
- e. added that the external auditor was also required to issue a value for money conclusion as to whether the Council had proper arrangements in place to secure economy and effectiveness in its use of resources
- f. highlighted that the small amount of debt listed by the Council made it a 'Public Interest Entity' which required more detailed reports
- g. invited members' comments and questions.

Jon Machej, representing Mazars, External Auditor, further detailed the content of the Audit Strategy Memorandum covering the following main areas:

- Engagement and responsibilities summary
- Your audit engagement team
- Audit scope, approach and timeline
- Materiality and misstatements
- Significant risks, key audit matters and other key judgement areas
- Value for money conclusion

- Fees for audit and other services
- Our commitment to independence

Members considered the content of the report in further detail, requesting clarification on the meaning of a 'Pooling Report'.

Jon Machej, representing Mazars, External Auditor, responded that a pooling report was a specific report to the Government, for example on Housing Capital Receipts.

RESOLVED that content of the External Audit Memorandum 2018/19 be noted.

60. Risk Management - Annual Update

Jaclyn Gibson, Chief Finance Officer:

- a. reported on the risk management framework adopted by the council and risk management activity during 2018/19
- b. advised that the Council's Risk Management Strategy, presented tonight for members information, had recently been reviewed based on a risk appetite methodology approach to the management of the Council's risks, to reflect the environment in which it operated
- c. advised that a key element of the Council's management of its risks involved the development and monitoring of the key strategic risks which could affect the Council's ability to achieve its priorities during the year; the Council's Strategic Risk Register currently identified ten strategic risks as detailed within the report and associated appendices
- d. outlined the framework of the risk management strategy in further detail, covering the following main topic areas:
 - Risk Management Strategy
 - Formulation of the Strategic Risk Register (Appendix A)
 - Formulation of the Directorate (Operational) Risk Registers
 - Risk Advisory Group
 - Training
 - Risk Management Benchmarking
 - Greater Lincolnshire Risk Management Group
 - Internal Audit
- e. reported that an Internal Audit of the Council's risk management arrangements undertaken during 2018/19 had concluded there was substantial assurance that the Council had effective risk management arrangements in place
- f. requested members' consideration on the content of the report.

Members considered the report in further detail.

Jane Nellist, Independent Member, suggested that the risk management strategy seemed inward looking in terms of council process. For example, there was no mention of external risks such as the University in terms of financial sustainability impact. The University was encountering a reduction in 18 year olds in attendance and potential staff redundancies.

Members referred to other large companies in the City such as Siemens which potentially could have an impact on financial sustainability.

Jaclyn Gibson, Chief Finance Officer highlighted that only high level strategic risks were included on the Strategic Risk Register. The register covered probable risk at the current time which may have an impact on the Council. She would however take the above comments back to Corporate Leadership Team for a potential steer.

RESOLVED that:

1. Comments in relation to financial sustainability risks as detailed above be fed back to Corporate Leadership Team.
2. The risk management framework adopted by the Council and the risk management activity undertaken during the year 2018/19 be noted.

61. Statement of Accounting Policies 2018-19

Jaclyn Gibson, Chief Finance Officer:

- a. presented for consideration the Council's accounting policies used to prepare the 2018 -19 Statement of Accounts, as detailed at Appendix 1 of her report
- b. advised that each year the content of the accounting policies was reviewed to ensure it reflected the requirements of the Code of Practice on Local Authority Accounting (the Code), based on International Financial Reporting Standards (IRFS) and that it remained relevant to the Council
- c. reported on significant changes to the 2018/19 CIPFA Code of Practice on Local Authority Accounting which came into effect on 1 April 2018 due to the adoption of IRFS 15 and IRFS 9, which constituted a change to accounting policy requiring adjustments to be made as detailed at paragraphs 3.3 -3.7 of her report
- d. referred to the accounting policies for 2018/19 Statement of Accounts as detailed in Appendix 1, with all amendments for review highlighted, which were not expected to have a material impact on the 2018/19 accounts
- e. requested that members review and note the Accounting Policies to be used for the 2018/19 accounts.

Members suggested that the amendments were obligatory anyway.

Jaclyn Gibson, Chief Finance Officer, confirmed that the authority must comply with the Code of Practice on Local Authority Accounting and make arrangements to update the council's policies to reflect any changes.

RESOLVED that the Accounting Policies to be used for the 2018/19 accounts be noted.

62. IAS19 -Assumptions Used to Calculate Pension Entries in the 2018/19 Statement of Accounts

Jaclyn Gibson, Chief Finance Officer:

- a. presented a report to allow the committee to consider the assumptions the pension fund actuary proposed to use in preparing IAS19 figures for inclusion in the 2018/19 Statement of Accounts
- b. advised that IAS19 represented the accounting standard for pension costs, based on the simple principle that an organisation should account for retirement benefits when it was committed to give them
- c. informed members that in order to calculate the costs of earned benefits for inclusion in the statement of accounts, the scheme actuaries used assumptions to reflect expected future events which led to best estimates of future cash flows arising under the scheme liabilities
- d. advised that the council planned to use the calculated costs and the underlying assumptions, based upon the specialist advice of the actuary of the Lincolnshire County Council Pension Fund in preparing the Statement of Accounts for 2018/19
- e. detailed further financial and demographic assumptions as detailed at paragraph 3 and 4 and Appendix A of the report and relevant financial implications at paragraph 5 of the report
- f. requested that members approve the IAS19 assumptions the pension fund actuary proposed to use in preparing IAS19 figures for inclusion in the 2017/18 Statement of Accounts.

Members discussed the content of the report in further detail.

RESOLVED that the IAS19 assumptions the pension fund actuary proposed to use in preparing IAS19 figures for inclusion in the 2018/19 Statement of Accounts be approved.

63. Annual Governance Statement Monitoring

John Scott, Audit Manager, on behalf of Pat Jukes, Business Manager, Corporate Policy:

- a. presented a progress update on those areas identified as 'significant governance issues' as set out in the 2017/18 Annual Governance Statement (AGS), which Audit Committee had a role to review
- b. stated that the report provided details of the monitoring arrangements for the significant internal control issues raised in the latest AGS, as detailed at Appendix A of the report
- c. advised that key actions would be reviewed by the Service Manager's Group and overseen by Corporate Leadership Team as well as monitored by the Audit Committee
- d. reported that just one significant issue, Information Management remained, which was now considered by the responsible officer to be amber
- e. highlighted the following five areas not considered as significant issues although designated as 'Areas of Interest' and areas that had been subject to

change or would benefit from having a governance overview, as detailed at Appendix A to the report:

- Partnership Companies
- Compliance to Lincoln Project Management Model
- Western Growth Corridor
- Use of Professional Advice
- Some Housing Responsible Officers

f. requested that members of Audit Committee give consideration to the content of the report.

RESOLVED that the content of the report be noted and monitoring arrangements be continued.

64. Combined Assurance Report

John Scott, Audit Manager:

- a. presented the combined assurance report which grouped the different sources of assurance in a single model to provide the basis for Senior Management and the Audit Committee to gain a better understanding of their organisation's assurance status and needs, as detailed at Appendix A to the report
- b. summarised the assurance levels for different areas of Council business
- c. provided the key messages out of the 187 areas of critical services/systems, projects and strategic risks:
 - 141 had green assurance (75%)
 - 45 had amber assurance (24%)
 - 1 had red assurance (1%)
- d. advised that overall percentage assurance ratings had changed from Green to Amber compared to 2017/18
- e. reported that the audit risk scores for Red and Amber areas had been increased accordingly and considered for inclusion in the Annual Governance Statement and the 2019/20 Audit Plan
- f. highlighted that this was a positive report with plans in place to mitigate amber/red assurance areas
- g. invited members' questions and comments.

Members discussed the content of the report in further detail.

Jane Nellist, Independent Member, referred to mention within the status report on challenging targets for the accountancy closedown due to staff shortages, which raised concerns as this had been a problem the previous year.

Jaclyn Gibson, Chief Finance Officer gave an assurance that procedures were in place to ensure effective and efficient close down of the year end accounts including the following measures in place:

- A new Financial Services Manager now in post
- An accounts timetable
- Interim Audit training courses
- Project Management Plan

RESOLVED that the content of the Combined Assurance report be noted.

65. Audit Committee Work Programme

John Scott, Audit Manager, presented a report to inform members of Audit Committee on the work programme for 2019/20 as detailed at Appendix A.

RESOLVED that that the contents of the Audit Committee work programme 2019/20 be noted, subject to corrections to typographical errors of meeting dates for the following year to read 2020 and not 2019.

66. External Audit- Certification of Claims and Returns Annual Report

Jaclyn Gibson, Chief Finance Officer:

- a. reported that External Audit was required to report annually the results of grant certification work
- b. requested that members receive and comment on the findings of the External Audit Grant Claims and Returns report for 2017/18, which was in a different format to that of previous years due to the appointment of a new External Auditor, Mazars
- c. reported on certification work undertaken by the former External Auditor KMPG LLP under the Public Sector Audit Appointment (PSAA) certification arrangements for 2017/18, resulting in adjustments having been made to the council's housing benefit claim totalling £607, as in previous years subject to a qualification letter, which would be sent to the DWP for review
- d. referred to the annual report letter from KMPG LLP for the certification of claims and returns work undertaken for 2017/18 attached at Appendix A as information exempt from the public domain due to a confidentiality aspect
- e. advised that as the Housing Pooling Return was outside the scope of the PSAA certification arrangements the Council had appointed its new External Auditors, LLP to undertake this work
- f. reported that as there was no requirement to report the outcomes of the Housing Pooling Return certification process there was no separate report to consider, however, Mazars LLP were in attendance and happy to provide verbal feedback if required
- g. confirmed that under the Council's responsibility for appointing its own reporting accountant in accordance with the Housing Benefit Assurance Process (HBAP), it had appointed Mazars LLP to undertake the certification of the housing subsidy claim in 2018/19 but was yet to appoint an auditor for the Housing Pooling Returns for 2018/19
- h. requested members' comments on the content of the report.

Members discussed the content of the report in further detail.

RESOLVED that the content of the report be noted.

67. Exclusion of Press and Public

RESOLVED that the press and public be excluded from the meeting during consideration of the following item(s) of business because it was likely that if members of the public were present there would be a disclosure to them of 'exempt information' as defined by Section 100I and Schedule 12A to the Local Government Act 1972.

68. Appendix A External Audit- Certification of Claims and Returns Annual Report

RESOLVED that the content of Appendix A External Audit-Certification of Claims and Returns Annual Report be noted.