

Present:	Councillor Rebecca Longbottom (<i>in the Chair</i>)
Councillors:	Jackie Kirk, David Clarkson, Thomas Dyer, Gary Hewson, Calum Watt and Emily Wood
Independent Member:	Jane Nellist
Also in Attendance:	Mark SurrIDGE, Mazars, External Auditor
Apologies for Absence:	None.

1. **Confirmation of Minutes - 22 March 2022**

RESOLVED that the minutes of the meeting held on 22 March 2022 be confirmed and signed by the Chair.

2. **Declarations of Interest**

No declarations of interest were received.

3. **Matters Arising**

Minute Number 68- Annual Governance Statement Monitoring

Members asked whether a summary of the Cyber-attack insurance had been circulated to Audit Committee following the last meeting.

Jaclyn Gibson, Chief Finance Officer advised that once the final insurance was in place it would be circulated to Audit Committee members.

Councillor Clarkson referred to problems he had highlighted at the previous meeting with British Telecom's Voice over Internet Protocol (VoIP) and its effect on monitored alarms. He confirmed that BT had since withdrawn the new system following two days of monitoring, and Off Com were now investigating.

4. **Annual Internal Audit Report**

Amanda Stanislawski, Audit Manager:

- a. presented the Annual Internal Audit Report to the committee for comments.
- b. explained that the purpose of the Annual Internal Audit Report as outlined at Appendix A was to provide a summary of Internal Audit work undertaken during 2021/22, timed to support the Annual Governance Statement by providing an opinion on the organisation's governance, risk management and internal control environment
- c. highlighted that:
 - The three areas, Governance, Risk, Internal Control and Financial Control were working well having no concerns that significantly affected

the governance framework and successful delivery of the Council priorities.

- Internal control was assessed as performing adequately – some improvements were identified over the Council's Governance, Risk and Control Framework. This was due to a number of factors which included recovery from coronavirus, similar levels of assurance to last year and there were a number of actions that remained to be implemented.
- d. explained that there had been no restrictions on the scope of the work to be undertaken; the reduction in time due to the Audit Manager leaving had been covered through the employment of consultants and removal of items from the plan due to unsuitable timing
- e. advised that the performance of the Internal Audit Service remained good with 94% of the revised plan being completed and most performance measures were met.
- f. reported that Assurance Lincolnshire conformed to the UK Public Sector Internal Audit Standards, and that an External Quality Assessment undertaken in early 2022 reported that Internal Audit were found to 'FULLY CONFORM'
- g. invited members questions and comments.

Members discussed the content of the report in further detail, raising the following questions and comments:

Question: Were the Council Tax Rebate payments announced by the Government still being made after the deadline?

Response: The deadline for the payment of Council Tax Rebate was the end of November 2022. There were roughly 44,000 properties eligible, not all of whom paid their Council Tax by direct debit. Those households that did not pay by direct debit had to be contacted through the post in order for their bank details to be validated, which was a lengthy process. We were no further behind than other local authorities.

Question: Was it possible to have details of the percentage number of residents in the City who paid their Council Tax by direct debit?

Response: This information would be e mailed to members of Audit Committee under separate cover.

Question: Would residents not on direct debit payment be sent a cheque?

Response: The majority would be paid via bank transfer.

Question: In relation to staffing levels for the Audit Team, were we where we needed to be or were we reliant on external support?

Response: The Audit Manager was satisfied that relevant checks were in place and was happy with how things were progressing. Until recently, we had been fully staffed, however, two resignations had since been received therefore a recruitment process would take place to fill these posts. It was a very difficult climate in which to

recruit to Audit roles. There was potential to make use of a pool of internal auditors, although the County Council was suffering from the same problem and was also using this source.

Members commended the Audit Manager on an easy to understand and well written Internal Audit Report.

RESOLVED that the contents of the report and appendices be noted.

5. **Annual Fraud and Error Report**

Amanda Stanislawski, Audit Manager:

- a. presented a report to update committee on the performance against the 2021/22 Counter Fraud Work Plan and the outcomes of pro-active fraud work and investigations
- b. summarised the number of fraud cases during 2021/22 compared to the previous year as detailed at paragraph 2.2 of the report and advised that overall, there had not been a significant change in the number of cases but there had been an increase in the number of errors identified through National Fraud Initiative (NFI) matches
- c. gave an overview of the progress that had been made against completing the actions within the Counter Fraud Action Plan as detailed at paragraph 2.3 of the report
- d. further updated members on the following areas of work that had been undertaken as detailed within the report:
 - Whistleblowing Referrals in Relation to Housing Benefit and Single Person Discount
 - Cyber Crime
 - Housing Benefit cases
 - Data Matching within Housing
 - Covid Grants
- e. invited members questions and comments.

Members discussed the content of the report in further detail, making comments/raising the following questions:

Question: As the Single Person Discount Review of Council Tax had come to a close in October 2021, why was there a long delay until December 2022 in making the results available?

Response: This was due to the time taken for the figures to be finalised and reported on. Householders were billed for the correct amount once the authority became aware.

Question: Following a review of empty properties, 199 empty properties had been found to be occupied. How many properties in total had been surveyed, and could this figure be broken down further into Wards?

Response: Officers would be updated on these figures by e mail following the meeting.

Question: Could officers give an update on when the fraud training would be available for members?

Response: The authority was working alongside other districts through the Lincolnshire Counter Fraud Partnership to produce a revised e-learning package for members and staff to be completed in 2022/23 and added to the 2022/23 Action Plan.

Question: Would the 199 properties now occupied be contributing to our Council Tax revenue

Response: Yes they would, and they also made a contribution towards the new Homes Bonus.

Question: Why had the 199 unoccupied properties been missed as occupied? Was there an internal communications problem between teams?

Response: No this was not the case. People moved away temporarily then returned. The properties may be privately owned and not council stock.

Comment: New residents should be told to register on the electoral register when they moved in.

RESOLVED that the contents of the report be noted.

6. Internal Audit Charter

Amanda Stanislowski, Audit Manager:

- a. presented the Internal Audit Charter for annual review
- b. reported that the Audit Charter formally defined Internal Audit's purpose, authority and responsibility, established Internal Audit's position within the Council and defined the scope of Internal Audit activities; it was linked to Internal Audit's roles and responsibilities as set out in the Constitution (Financial Procedure Rules) but provided more detail around compliance with the Accounts and Audit Regulations and Public Sector Internal Audit Standards
- c. advised that the current Charter was approved by the Audit Committee and Council in December 2019 and last reviewed by Audit Committee in February 2021; there had been no new national guidance since then and no changes were suggested at this time
- d. reported on three minor changes to the Charter as detailed at Paragraph 3.3 of the officer's report
- e. requested that consideration be given to changing the frequency the Charter was reported to Audit Committee from annually to every three years, or sooner in the event of any significant changes

- f. invited committees questions and comments.

The committed considered the contents of the report. The following questions were raised:

Question: Did the reference within the Charter to the responsibilities of Internal Audit to the prevention and detection of fraud corruption match up with Corporate Code of Governance in terms of wording?

Response: Yes it did conform with the Code of Corporate Governance.

Question: Was it possible to 'mark-up' any revisions to the Charter in a vertical bar to the right of the relevant paragraph to make it clear which part of the text had changed, and the paragraphs be numbered and sub-numbered rather than using bullet point format for ease of reference?

Response: This request would be actioned.

Question: Would there likely be a lot of changes to the Internal Audit Charter if it was only brought to Audit Committee once every three year period?

Response: This was not likely to be the case.

Members further discussed the merits of reviewing the Internal Audit Charter less frequently. The general census of opinion was that the document should be circulated to all members of Audit Committee at the beginning of each Municipal Year for reference, then reported to Audit Committee every three years, or sooner in the event of any significant changes.

RESOLVED that:

- 1) The content of the current Internal Audit Charter be noted.
- 2) Amendments in terms of format be made to the Internal Audit Charter as follows:
 - Paragraphs to be numbered and sub-numbered.
 - Any revisions to the Charter be marked within the document in a vertical bar to the right of the relevant paragraph.
- 3) The frequency of presentation of the Internal Audit Charter to Audit Committee be changed to every three years, or sooner in the event of a significant change.
- 4) A copy of the Internal Audit Charter be sent to Audit Committee members at the beginning of each Municipal Year.

7. Internal Audit External Quality Assessment (EQA)

Jaclyn Gibson, Chief Finance Officer:

- a. informed members of the result of the external quality assessment undertaken in February 2022 as detailed at Appendix A to the officer's report, conducted

at least once every 5 years as required by the Public Sector Internal Audit Standards (PSIAS) as part of Internal Audit's Quality Assurance Framework

- b. reported that the Council's Internal Audit function was delivered by an in-house team as part of the Assurance Lincolnshire Partnership; a collaborative partnership consisting of Lincolnshire County Council, City of Lincoln Council and Nottinghamshire County Council
- c. advised on how the assessment was conducted by CIPFA as detailed at paragraph 3.3 of the report
- d. highlighted that the Assessor had concluded that:

"It is our opinion that the Assurance Lincolnshire Partnership's self-assessment is accurate and as such we conclude that they FULLY CONFORM to the requirements of the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note."
- e. detailed recommendations and suggestions identified by the Assessor for future development and improvement as outlined at paragraph 4 of the report
- f. requested members' comments on the content of the report.

Members discussed the content of the report in further detail.

Reference was made to the agreed actions, which recommended training focussed on the CIPFA IAA Graduate Scheme. Had the Authority considered the new syllabus for The Association of Accounting Technician (AAT) qualification which included internal and public sector auditing?

Jaclyn Gibson, Chief Finance Officer clarified that the City of Lincoln Council requirement for Auditors was an AAT qualification. She would pass this comment onto the County Council as the lead authority for the initiative.

Members commended officer's on such an excellent report.

RESOLVED that the External Quality Assessments for the Assurance Lincolnshire Partnership, including what it told the Council about compliance with audit standards, the quality of the Internal Audit Service and the assurance over the quality and effectiveness of the Council's Internal Audit Service be noted.

8. **External Audit - Audit Planning Update 2021/22 and Progress Report (To Follow)**

Mark Surridge, representing Mazars, External Auditor:

- a. presented an External Audit progress report to provide the Audit Committee with an update on delivering their External Audit responsibilities
- b. advised that the External Audit Progress report as detailed at Appendix A covered the following areas:

- The 2020/21 audit and any specific matters to date: and
 - A summary of recent relevant national reports and publications
- c. reported on External Audit responsibilities derived from the Local Authority and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office as follows:
- Audit Opinion
 - Value for Money
 - Electors' Rights
 - Reporting to National Audit Office (NAO)
- d. highlighted that in terms of audit approach and timeline, there were no issues arising from work completed to date, completion was scheduled for November 2022 and on track, following further recruitment of external auditors'
- e. requested that members note the contents of the report and the attached appendix
- f. invited members questions and comments.

Members discussed the content of the report in further detail.

Clarification was requested as to how was it possible for Mazars to recruit Audit staff when there was a shortage elsewhere as highlighted in the Internal Audit report discussed earlier?

Mark Surridge explained that Mazars had cast its net far and wide to attract graduates and school leavers. There was still a significant shortage in attracting recruitment to accountancy as a whole, and to retain staff in a career which involved strict regulatory boundaries, which was indeed a challenge.

Members asked how long Mazars had been our External Auditor?

Mark Surridge advised that the contract began in 2019 to run through to 2024. The tendering process was ongoing for the next contract. Members would be consulted in December. He expressed a commitment to delivery of the contract through ongoing recruitment with an aspiration to be here long-term.

Councillor Hewson suggested that the recommendation for this report included a request for members to ask questions as well as to be noted.

Councillor Longbottom highlighted that questions asked would be recorded in the content of the minutes of the meeting.

RESOLVED that the contents of the latest External Audit Planning Update and Progress Report, report together with member comments be noted.

9. **External Audit - Audit Completion Report 2020/21 - Follow Up Letter (To Follow)**

Mark Surridge, representing the External Auditor, Mazars:

- a. presented a report to update members following the issuing of the audit opinion 2020/21 Statement of Accounts on matters that were originally raised in the Audit Completion Report, which was presented the Audit Committee in December 2021
- b. advised that the report included only matters of governance interest that had come to the external auditor's attention in performing the audit; it was not designed to identify all matters that might be relevant to the Authority
- c. reported that the Council's financial statements were an important means by which the Council accounted for its stewardship of public funds, with Council Members having final responsibility for the financial statements; it was therefore important that the Audit Committee considered Mazars findings before recommending the adoption of the financial statements to Full Council (this requirement was fulfilled in December 2021)
- d. explained that at the time of issuing the draft report in December 2021, Mazars work on the financial statements was substantially complete,. the work had now been completed and Mazars had issued an unqualified audit opinion
- e. referred to Appendix A of the report which included a follow up letter, to update Members on the matters that were originally reported in draft report, including a small number of additional reporting matters further to those set out in the draft report
- f. confirmed that the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources were adequate and that Mazars had issued an unqualified opinion on the Council's value for money arrangement
- g. added that legally the 2020/21 Audit Certificate could not be issued until group instructions had been received from the National Audit Office confirming its requirements in relation to the Council's Whole of Government Accounts (WGA) Accounts; the certificate would be released once this matter was concluded.

RESOLVED that the content of the Annual Completion Report 2020/21 follow up letter from Mazars be noted.

10. External Audit - Annual Auditor's Report 2020/21 (To Follow)

Mark SurrIDGE, representing the External Auditor, Mazars:

- a. presented the Annual Auditors Letter for 2020/21 as attached at Appendix A of the report
- b. advised that the Annual Audit Letter 2020/21; although addressed to members of the authority was also intended to communicate issues to key external stakeholders including members of the public and would be placed on the Authority's website
- c. explained that the annual audit itself covered the Statement of Accounts for 2020/21, the Value for Money (VFM) conclusion, other reporting responsibilities and fees

- d. reported that in summary the External Auditors believed the authority's arrangements were adequately operated.

Members highlighted that Councils could be accused of keeping back large sums of money in reserves and questioned why it was prudent to keep reserves.

Matt Surridge explained that it was important to look at the long-term financial sustainability of the organisation. If drawing on reserves would result in the organisation being put at risk then it would fall, however, it was appropriate to hold reserves to maintain financial sustainability.

Members referred to governance in respect of value for money arrangements and commented that it was good to hear that the Audit Committee held management to account.

RESOLVED that the content of the Annual Auditors Report from Mazars including members comments be noted.

11. **Audit Committee Work Programme**

Amanda Stanislawski, Audit Manager

- a. presented a report to inform members of the Audit Committee on the work programme for 2022/23 as detailed at Appendix A of the report
- b. referred to paragraph 3 of the report which highlighted the changes to the work programme
- c. advised that the Audit Committee Terms of Reference was attached at Appendix A of the report for information
- d. invited members' questions and comments:

Councillor Hewson suggested that accounts training be opened up to all members should they wish to attend.

RESOLVED that:

1. An additional item be added to the work programme for the next meeting entitled 'Appointment of External Auditor for Grant Claim'.
2. Audit Committee Effectiveness Training deferred from 6 June 2022 be rescheduled into the diary in the near future.
3. Finance Accounts Training be scheduled into members diaries ahead of the next Audit Committee meeting, opened up to all members invited to attend.
4. The contents of the Audit Committee work programme 2022/23 be noted.