
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:	None.
Apologies for Absence:	Jane Nellist

51. Confirmation of Minutes - 13 December 2022

RESOLVED that the minutes of the meeting held on 13 December 2022 be confirmed and signed by the Chair.

52. Matters Arising

Recruitment

The Chair referred to minute number 46 in relation to recruitment to the vacant posts in the Audit Team and requested an update.

Amanda Stanislawski, Audit Manager advised that a Principal Auditor had been appointed subject to completion of the HR process. The recruitment of an Auditor had been unsuccessful, this post would remain vacant for the time being and would go out for recruitment later in the year. A previous employee had been helping with some ad hoc work to deliver the audit plan.

Internal Audit Recommendations

The Chair referred to minute number 48 in relation to the ICT Anti-Malware recommendation which had not been completed. She explained that the Committee was concerned that the deadline was 2 years ago and it had not been completed. She advised that it was resolved at the last Audit Committee to invite Matt Smith, Business Development and IT Manager to attend this meeting to explain why the recommendation had not been completed.

Matt Smith, Business and IT Manager circulated a briefing note to the committee and explained that the recommendation had been considered but it had not been implemented due to a number of specific reasons.

Amanda Stanislawski, Audit Manager, advised that she had been liaising with the Director of Housing and Matt Smith and she was satisfied with the processes that were in place and was happy to agree the removal of the recommendation.

53. Declarations of Interest

No declarations of interest were received.

54. 2022 Homes England Compliance Audit Results

Paula Burton, Housing Strategy & Investment Manager:

- a. presented a report to request that Audit Committee note the result of the Homes England Compliance Audit for the Next Steps Accommodation

Programme (NSAP) which took place during Q2 of 2022/23

- b. highlighted that the Council was currently under contract with Homes England (HE) to deliver new homes at Rookery Lane via grant funding
- c. stated that the annual Compliance Audit Programme provided assurance that the Council had met all of HE's requirements and funding conditions; and had properly exercised its responsibilities as set out in HE's Capital Funding Guide (CFG)
- d. explained that on the 13th June 2022, HE advised the Council that 3 x compliance audit schemes had been opened for assessment in line with the individual grant funding terms/contracts and CFG. The schemes that were audited were:
 - Affordable Homes New Build Programme – in year audit – Rookery Lane
 - Next Steps Accommodation Programme (NSAP) x one property; and
 - Rough Sleeping Accommodation Programme (RSAP) x one property
- e. advised that as set out in the standardised terms by HE, the Council was required to appoint an independent auditor to undertake the compliance audit. This work could not take place by the appointed external auditor Mazars due to Financial Reporting Council (FRC) guidelines and potential conflict of interest. Therefore, on the 4th August 2022, Beevor & Struthers Chartered Accountants and Business Advisors were appointed to complete the external audit following direct approach procurement processes and authorisation.
- f. advised that on the 23rd November 2022, Homes England issued the Audit report to confirm a successful Green rating for all three schemes.. The report confirmed that the scheme met all requirements with zero breaches and also had no areas for improvement

RESOLVED that the successful Green rating for Audit Compliance as per paragraph 3.2 of the report be acknowledged and noted.

55. Treasury Management Policy and Strategy (To Follow)

Collen Warren, Financial Service Manager:

- a. presented a report for Audit Committee to scrutinise and recommend to Council for approval and the adoption of the:
 - Treasury Management Strategy 2023/24;
 - Prudential Indicators;
 - Minimum Revenue Provision (MRP) Policy Amended from 2022/23
 - Treasury Management Practices (TMPS's)
- b. referred to training undertaken prior to the start of this meeting in relation to Treasury Management in order to help members take an informed view on the contents of this report

- c. summarised the key prudential indicators which had been incorporated into the 2023/24 strategy; the projected capital expenditure would determine the capital financing or borrowing requirement, which would in turn determine the actual level of external borrowing taken and hence, cash balances available for investment
- d. referred to paragraph 3.2 of the report in relation to the Liability Benchmark and explained that this new Treasury Indicator had been adopted in the Treasury Management Strategy 2023/24
- e. referred to paragraph 4 of the report and detailed the proposed changes to the MRP Policy, the advantages and disadvantages to changing the policy and concluded that the number of advantages outweighed the disadvantages
- f. outlined the operation of the Council's prudential indicators, its treasury function and its likely activities for the forthcoming year, incorporating the four key Council reporting requirements as follows:
 - Prudential and Treasury Indicators
 - Minimum Revenue Provision (MRP) Statement
 - Treasury Management Strategy
 - Investment Strategy
- g. requested that Audit Committee review the content of the report and its associated appendices and recommend to Council for approval.
- h. invited questions and comments

Question: Referred to the changes to the MRP Policy and asked if there was any risk involved in changing to the annuity method.

Response: It was just an alternative method, there was no risk involved.

Question: Commented that there were 60% of Councils that had adopted the annuity method and asked why 40% of Councils had not adopted this method.

Response: Advice was provided by the Treasury, there were other strategies that could be used but this method was the best fit for this Council.

Question: Asked why the changes to the MRP Policy had not been made sooner.

Response: The MRP Policy was reviewed every 5 years, it would not be reviewed annually as this would make capital planning difficult.

Mike Norman, Mazars commented that this method had regard to the regulations and did not exhibit aggressive practices. The proposed policy was consistent with what would be expected.

Question: Asked where was the majority of the debt.

Response: The debt was not physically being paid back but the money was set aside to pay the debts on maturity.

Jaclyn Gibson, Chief Finance Officer, explained that the Council had purchased commercial properties, where the money had not been set aside for that debt, the

saving made from moving to the annuity method has allowed the Council to put the money aside for that debt. All of the Council debts now have MRP provision.

Question: Referred to appendix 5 of the Treasury Management Practices and asked if the Allpay contract had been renewed.

Response: The contract had been renewed for an additional 2 years and the document would be updated to reflect this.

The Chair referred to the Environmental, Social and Governance Considerations and commented that this was raised at last year's Audit Committee and she was pleased to see that it had been included.

RESOLVED that:

1. The Treasury Management Strategy 2023/24 including the Prudential Indicators be recommended to Executive and Council for approval.
2. The Minimum Revenue Provision Policy amended from 2022/23 be recommended to Executive and Council for approval.
3. The Treasury Management Practices be recommended to Executive and Council for approval.

56. **External Audit - Progress Report**

Mike Norman, representing Mazars, External Auditor:

- a. provided the External Audit progress report to Audit Committee which gave an update on progress in delivering their responsibilities as external auditor to the City of Lincoln Council
- b. advised that the External Audit progress report attached at Appendix A of the report covered the following areas:
 - Audit progress
 - 2020/21 audit and assurance Work
 - 2021/ 22 Audit
 - 2022/23 Audit
 - A summary of recent relevant reports and publications for information
- c. invited members' questions and comments;

Question: Referred to the Financial Statements Audit and asked for clarification on the Public Interest Entity Status.

Response: This related to an old debt from the 1920's, the money was used to build a council building, interest was being paid on the stock at a rate of 3%. The Council had since bought back the bonds, as it was decided through a business case that this would save money for the Council.

Question: Referred to the National Publication “CIPFA: Audit Committees Practical Guidance for Local Authorities and Police 2022 edition” and asked if a copy of the document was available.

Response: The document had been purchased and a report would be brought to Audit Committee in June 2023 once the implications for the Committee’s Terms of Reference and work programme had been assessed.

Comment: There was a substantial amount of changes to publications.

Response: They were updated when there was changes to legislation.

RESOLVED that the content of the report be noted.

57. Appointment of External Auditor

Jaclyn Gibson, Chief Finance Officer:

- a. advised that the Council’s contract with our current external auditors (Mazars LLP) would come to an end following the audit of the 2022/23 accounts
- b. confirmed that as part of the process for appointing our future external auditors, the Council agreed to opt-in to the appointing person arrangements made by Public Sector Audit Appointments (PSAA) for the appointment of its external auditors for period covering the accounts 2023/24 – 2027/28
- c. reported that following a tender process to procure audit services the PSAA had appointed KPMG as the Council’s external auditor for five years from 2023/24, with the appointment commencing on 1st April 2023. This represented a change from the existing appointed auditor; Mazars LLP
- d. invited committee’s questions and comments

Question: Commented that there had been issues with staffing when KPMG were the Councils auditors previously, and asked if there would be similar issues this time.

Response: A meeting with KPMG would take place in due course, we do not currently know their proposals for staffing and resources. They would be auditing all of the Lincolnshire Authorities.

Question: Referred to the 150% raise in fees and asked why they had increased.

Response: Five years ago the auditor prices dropped and there were concerns how they could deliver the services at that price. There were issues with recruitment and retention of staff, and therefore it was not a surprise that the fees had been increased.

Question: Further asked if the price was fixed over the five year period.

Response: The fees were scaled, there would be an additional fee for next year, the base fee was agreed nationally for Local Authorities.

RESOLVED that the appointment of KPMG by PSAA as the Council’s external auditor for a period of 5 years from 1 April 2023 be noted by Audit Committee

58. 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:

RESOLVED that the contents of the Audit Committee work programme 2022/23 be noted.