

Present:	Councillor Rebecca Longbottom (<i>in the Chair</i>)
Councillors:	Jackie Kirk, David Clarkson, Gary Hewson, Calum Watt and Emily Wood
Independent Member:	Jane Nellist
Apologies for Absence:	Councillor Thomas Dyer

59. Confirmation of Minutes - 31 January 2023

RESOLVED that the minutes of the meeting held on 31 January 2023 be confirmed and signed by the Chair.

Councillor Clarkson, referred to the attendance recorded on the minutes and questioned why Officers were not recorded as in attendance.

The Democratic Services Officer confirmed that this was standard practice, this would be raised with Management and a response would be provided following the meeting.

60. Declarations of Interest

No declarations of interest were received.

61. Internal Audit Progress Report (To Follow)

Amanda Stanislawski, 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 from November 2022 to February 2023, as detailed at Appendix A
- b. advised that currently 61% of the revised plan had been completed. There were eleven pieces of work in progress, one of which was at draft report stage
- c. reported that one report had been issued since the previous progress report in November. this was the Stores report which had been given a limited assurance rating
- d. explained that the Combined Assurance work had been completed and the results would be reported in the Annual Report
- e. reported that the issues had been identified with the timeliness of completing the audits and the receiving of agreed actions for the reports. Some of this could be attributed to the staffing levels in the team, but not all. Therefore, work was being undertaken on other processes that could be introduced to improve the engagement process with service areas.
- f. detailed the content of the report covering the following main areas:

- Progress against the plan
- Summary of Audit work
- Current areas of interest relevant to the Audit Committee

g. updated that there was one vacancy for an Auditor within the team which would be advertised for recruitment later in the week

The full Stores report was circulated to the committee for consideration.

Daren Turner, Strategic Director of Housing and Investment addressed the Stores report and raised the following main points:

- There were issues in relation to the Stores arrangements for a period of time where it was handed over from one Store provider to another.
- Gave some context to the issue and explained that the transfer of the managed stores contract occurred during the response to the covid pandemic and also at a time where there was staff turnover.
- The audit process had highlighted that there was a potential risk to practices.
- The recommendations had been accepted and addressed.

Question: Asked if any fraud had been identified as part of these issues.

Response: Explained that there was no fraud identified as part of the issues. Assurance was given that the stores environment was not set out correctly but there had been no detriment to the Council. The recommendations would be followed up in approximately one years' time.

Question: Asked if Officers were confident that no fraud had taken place as a result of the issues.

Response: Officers were confident that no fraud had taken place. Procedures had been put in place and the stores were now running as expected.

Question: Asked for clarification on the stores contract.

Response: It was a managed stores contract, where part of Hamilton House was leased to the stores contractor and they managed and monitored the stores.

Question: Asked why the contract had been set up in this way.

Response: The managed stores contract was more efficient and saved money for the Council.

Question: Asked for clarification on "the lack of formal strategic management oversight"

Response: This related to the strategic meetings that should have taken place on a quarterly basis but had not been happening. These meetings were to discuss changes to products, procedures, or suppliers. The meetings had been arranged on a quarterly basis going forward.

RESOLVED that the report be accepted and the monitoring arrangements be continued.

62. **Internal Audit Recommendations Follow Up**

Amanda Stanislawski, Audit Manager:

- a. presented an update to Audit Committee on outstanding agreed actions.

- b. referred to Appendix A attached to her report which provided details of relevant audits, outstanding recommendations, agreed actions and the current position/explanation from the service manager
- c. explained that within the report there were currently 4 High actions and 8 Medium actions remaining to be implemented, there were no overdue actions.
- d. advised that a spot check review had commenced which would check for evidence that recommendations reported as being implemented had been implemented to ensure that the control weaknesses identified were no longer an issue. A report would be issued on a quarterly basis.
- e. invited members' questions and comments.

Question: Asked for clarification in relation to the reclaiming of VAT that had been incorrectly reported.

Response: Confirmed that this had been resolved with the HRMC. Additional checks in reconciliations had since been put in place to check that VAT was reported correctly.

Question: Referred to the Licensing Audit and asked if the recommendation regarding the review of performance measures had been implemented following the extension to the deadline.

Response: Confirmed that the action had been achieved.

RESOLVED that updates on Audit Recommendations report be noted.

63. **Draft Internal Audit Plan - 2023/24**

Amanda Stanislawski, Audit Manager:

- a. presented the draft Internal Audit Plan 2023-24 for consideration and approval, as detailed at Appendix A to her report
- b. advised that the plan had been developed using a combination of the Council's Combined Assurance Model, an assessment of risk and consultation with senior management
- c. reported that the Internal Audit Plan should focus on the key risks facing the Council, be adequate to support the Head of Audit's opinion taking into account key risks facing the Council when developing the plan, achieving a balance between setting out the planned work for the year and retaining flexibility to changing risks and priorities during the year, via a regular review of any changing activity and risks
- d. gave an overview of the current staffing level at paragraph 4.1 of the report and advised that the impact on the current resource was being managed through the engagement of a casual auditor, although in the longer term it reduced the resilience of the team and the levels of income achievable
- e. advised that the annual planned days were 310, which represented a "good" level of audit resource for an authority of this size and allowed the Head of Internal Audit sufficient resources to comply with standards and provide and appropriate audit opinion. This included work across key financial systems,

other governance and due diligence areas as well as critical systems, ICT and counter fraud

- f. explained that the service continued to provide internal audit days through the Assurance Lincolnshire partnership for which the Council received income to help achieve the internal audit agreed net budget. During 2023/24 this had temporarily been reduced by 50% although there was scope to increase once the vacant post was recruited to. It was anticipated that this would increase back to usual levels in 2024/25
- g. invited members' questions and comments;

Question: Asked if the Audit areas which were taken out of last year's Internal Audit Plan were considered for the new plan.

Response: Confirmed that everything had been considered when formulating the new plan.

Question: Asked that given the current staffing level, was the plan achievable or would it need to be revised.

Response: The plan was achievable as we would work with Lincolnshire County Council. We also had a casual auditor working with us and we would not sell as much of our time outside of the organisation.

Question: Referred to ICT and asked why the RAG status was considered not applicable.

Response: ICT had a special, cyclical audit plan. Therefore the risk assessment was not listed here specifically.

RESOLVED that the Internal Audit Plan 2022-23 be approved.

64. **Money Laundering Policy and Procedure**

Amanda Stanislawski, Audit Manager

- a. presented the updated Anti-Money Laundering Policy and Procedures for comment and approval
- b. advised that the Council's Money Laundering policies set out the definition and legislation around money laundering and the responsibility of the Council and its employees.
- c. explained that the review was carried out on the policy's two-year anniversary. The most noticeable change was the format of the policy which included a document control page and paragraph numbering throughout. The change made to the content was to add the July 2022 legislation to paragraphs 5 and 22 which included:-
 - *Changing the requirement from all discrepancies to be reported to Companies House to Material discrepancies*
 - *Reference to cryptoasset businesses*
 - *Widening the meaning of a 'trust'*
 - *Widening information and intelligence sharing gateways*

RESOLVED that the revised Money Laundering Policy be approved.

65. Statement on Accounting Policies 2022/23

Colleen Warren, Financial Services Manager:

- a. presented for consideration the Council's accounting policies used to prepare the 2022-23 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 and remained relevant to the Council. There were no material changes in the Code that impacted on any of the current Accounting Policies
- c. requested that members review and note the Accounting Policies to be used for the 2022/23 accounts.

Question: Asked why the musical instruments had been removed from the Statement of Accounting Policies.

Response: The main use of the musical instruments was outside of the organisation, therefore they were removed from the balance sheet

RESOLVED that the Accounting Policies to be used for the 2022/23 accounts be noted.

66. IAS19 - Assumptions used to Calculate Pension Entries in the 2022/23 Statement of Accounts

Colleen Warren, Financial Services Manager:

- 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 2022/23 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 2022/23
- 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 6 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 2022/23 Statement of Accounts.

RESOLVED that the IAS19 assumptions the pension fund actuary proposed to use in preparing IAS19 figures for inclusion in the 2022/23 Statement of Accounts be approved.

67. External Audit Enquiries 2022/23 Statement of Accounts

Colleen Warren, Financial Services Manager:

- 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 2022/23
- 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.
- d. invited members' questions and comments;

Question: Referred to the Laws and Regulations [ISA 20.15] and asked if this was still covered by EU Law.

Response: This would be updated to remove the reference to EU law.

Question: Referred to the counter fraud/fraud awareness training that had previously been received by the Audit Committee and commented that this was some time ago.

Response: Counter Fraud/ Fraud Awareness Training would take place after the election. City of Lincoln Council was reliant on Lincolnshire County Council providing the training.

RESOLVED that the proposed responses to the enquiries to those charged with governance for the 2022/23 Statement of Accounts be agreed and submitted to Mazars, External Auditor.

68. External Audit: Draft Audit Strategy Memorandum

Jaclyn Gibson, Chief Finance Officer, presented a report to receive and comment upon the External Audit Draft Audit Strategy Memorandum for the year ending 31st March 2023, which described the External Auditor's (Mazars) approach and highlighted significant audit risks and areas of key judgements and provided the Audit Committee with details of the Audit Team

Mike Norman, representing Mazars, External Auditor:

- a. provided an update on the 2020/21 accounts and advised that whilst the audit opinion had been given, the issuing of the audit certificate had not yet happened, however this was a procedural issue in relation to the Whole of Government Accounts
- b. gave an update on the 2021/22 audit and advised that this should be signed off in the next week. The Auditors External report would be presented to the next Audit Committee.

- c. presented Mazar's Draft Audit Strategy Memorandum for the City of Lincoln Council for the year ending 31 March 2023
- d. highlighted that the Strategy Memorandum set out Mazar's overall adopted approach on risk associated with financial statements and the audit process
- e. 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
- f. 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
- g. 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
- h. referred to Appendix A of the report and gave an overview of the following 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

RESOLVED that content of the External Draft Audit Strategy Memorandum be noted.

69. Annual Governance Statement Monitoring

Jaclyn Gibson, Chief Finance Officer:

- a. presented a progress update on those areas identified as 'significant governance issues' as set out in the 2021/22 Annual Governance Statement (AGS), which Audit Committee had a role to review
- b. stated that the report provided details of the monitoring arrangements for one significant governance issue identified in the 2021/22 Annual Governance Statement presented to Audit Committee in June 2022, This particular issue was monitored throughout 2021/22 and carried forward for monitoring during 2022/23
- c. advised that on the status of the significant issue:
 - i. The IT Disaster Recovery plan in place for IT arrangements and alignment with current Business Continuity plans

- d. explained that there were no new issues identified within the 21/22 Annual Governance Statement
- e. requested that members of Audit Committee give consideration to the content of the report.

Question: Referred to cloud hosting by third parties and asked if the disaster recovery plan of the third parties providing the cloud hosting had been considered.

Response: A response from the Business Development and IT Manager would be provided following the meeting.

RESOLVED that the content of the report be noted.

70. The CIPFA Financial Management Code

Jaclyn Gibson, Chief Finance Officer:

- a. presented the Council's assessment for 2022/23 against standards contained within the CIPFA Financial Management Code and the associated actions arising to ensure compliance
- b. gave the background as detailed at paragraph 2 of the report and advised that the Financial Management Code was designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability
- c. explained that the code focussed on value for money, governance and financial management styles, financial resilience and financial sustainability
- d. advised that the Council's external auditors from 2021/22 now had regard to the Financial Management Code and would be looking to ensure that the Council was meeting the code
- e. referred to the 2021/22 self-assessment as set out at paragraph 3.7 of the report and gave an update on a range of actions that were being undertaken to move towards full compliance
- f. referred to an updated 2021/22 self-assessment contained at Appendix A of the report and highlighted the actions that had arisen from the updated assessment as attached at Appendix A of the report.
- g. explained that the assessment now included a RAG rating against each of the standards detailed at paragraph 3.8 of the report
- h. advised that the areas set out for improvement would be included in the Annual Governance Statement and progress would be monitored through the Audit Committee.
- i. invited committees questions and comments

Question: Referred to the 17 standards listed on page 169 of the report and asked for clarification.

Response: It was considered best practice that they were reported on a regular basis. As part of the CIPFA Prudential Codes the Treasury Management was

reported on a quarterly basis. We were currently reporting in line with best practice but a review would take place to ensure that this was still the case.

Question: Referred to the budget consultation that had taken place and asked if it had been successful.

Response: We received 220 responses to the online survey, it was useful when asked specific questions. The free text for suggestions was not particularly helpful. In future we would work the policy team on how better to undertake consultation, so that we gain meaningful feedback.

Comment: We would support open meetings for consultation, this would provide different feedback than online with more constructive discussions.

RESOLVED that

1. the progress of the actions arising from the 2021/22 self-assessment be noted.
2. the 2022/23 self-assessment attached at Appendix A of the report be noted.

71. Audit Committee Work Programme 2022/23

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

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

72. 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 is 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.

73. Partnership Governance

Jaclyn Gibson, Chief Finance Officer:

- a. presented an overview of the annual assurance assessments for the Council's significant partnerships
- b. gave the background to the report as detailed at paragraph 2 of the report and explained the governance framework
- c. highlighted the Council's Partnership Guidance as detailed at paragraph 3 of the report

d. advised that each Directorate had a partnership register in place and highlighted the annual assurance assessments that had been completed

e. invited members questions and comments;

The Chair commented that she would have like to have seen some outcomes recorded in the annual report.

Jaclyn Gibson, Chief Finance Officer responded that in future she would ask for some outcomes to be included in the report.

RESOLVED that the annual assurance assessments of the Council's significant partnerships and the RAG status for each partnership be noted.