

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

55. Confirmation of Minutes - 30 January 2024

RESOLVED that the minutes of the meeting held on 30 January 2024 be confirmed and signed by the Chair as a true record.

56. Declarations of Interest

No declarations of interest were received.

57. Statement of Accounting Policies 2023/24

Laura Shipley, Financial Services Manager:

- a. presented for consideration the Council's accounting policies used to prepare the 2023/24 Statement of Accounts, as detailed at Appendix 1 of the 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 2023/24 accounts.

Jane Nellist, Independent Member commented that it had previously been agreed to highlight the changes to the policies but this had not been done. Jaclyn Gibson, Chief Finance Officer responded that the changes to the policies would be clearly highlighted when reported to Committee next year.

Jane Nellist, Independent Member further compared this years Accounting Policies to the Accounting Policies that were agreed in 2023 and commented that the legislation referenced in the general principles was very different. Was the 2003 legislation listed in this years accounting policies outdated? Jaclyn Gibson, Chief Finance Officer responded that the legislation had been updated several times since 2003. This would be double checked to ensure that the correct legislation was referenced.

RESOLVED that the Accounting Policies to be used for the 2023/24 accounts be noted.

58. IAS19 - Assumptions used to Calculate Pension Entries in the 2023/24 Statement of Accounts

Laura Shipley, 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 2023/24 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 2023/24
- e. detailed further financial and demographic assumptions as detailed at paragraph 3 and 4 and Appendix A 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 2023/24 Statement of Accounts.

RESOLVED that the IAS19 assumptions the pension fund actuary proposed to use in preparing IAS19 figures for inclusion in the 2023/24 Statement of Accounts be approved.

59. External Audit Enquiries 2023/24 Statement of Accounts

Laura Shipley, 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, as part of their audit of the Council's Statement of Accounts for 2023/24
- 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 enquiries provided by officers and requested members' views regarding their submission.

RESOLVED that the proposed responses to the enquiries to those charged with governance for the 2023/24 Statement of Accounts be agreed and submitted to KPMG, External Auditor.

60. Draft Internal Audit Plan - 2024/25

Jaclyn Gibson, Chief Finance Officer:

- a. presented the draft Internal Audit Plan 2024/25 for consideration and approval, as detailed at Appendix A of the report
- b. advised that the plan had been developed using a combination of the Council's Combined Assurance Model, an assessment of risk, consultation with senior management, reference to risk registers, horizon scanning and reference to the cyclical and ICT schedules
- 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 external audit contractor
- 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 an 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. invited members' questions and comments;

Question: With reference to the Critical Activities, what did the Market Operation relate to?

Response: It related to the new Central Market

Question: In 2023/24 the number of days had been reduced by 42 days. Would 310 days be a sufficient number of days for 2024/25?

Response: There had been staffing issues within the team for 2023/24. The Head of Audit had provided assurance that enough work across all areas would be covered, with an Audit Plan of 310 days, for her to provide her annual audit opinion.

Question: Were the changes to the Audit Plan discussed with the Chair of Audit Committee?

Response: The Internal Audit Progress Report was regularly presented to Audit Committee which clearly stated any changes to the Audit Plan.

Question: Was 310 days realistic for 2024/25 given that there were still vacancies within the team?

Response: Yes, there was now more resources within the team. The part-time Auditor post had been made full time, although some time had been deducted to allow for their training. There was also support provided by specialist IT audit contractors. The remaining audit days would be secured through an external audit contractor.

Question: The IT Strategy and Infrastructure and Cloud Computing were identified as areas of importance in last years plan. Why had the IT Strategy and Infrastructure been progressed into the 2024/25 Audit Plan but Cloud Computing was still on the reserve list?

Response: When producing the Draft Audit Plan, consideration had been given to due diligence and governance. It was not possible to include every auditable area that was identified as important.

Question: Why had the number of days per Audit not been included in the report?

Response: The information was unavailable at the time of writing the report and it would be provided to members following the meeting.

RESOLVED that the Internal Audit Plan 2024-25 be approved.

61. Internal Audit Progress Report

Jaclyn Gibson, Chief Finance Officer:

- 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 November 2023 to February 2024, as detailed at Appendix A
- b. highlighted that Audit Committee held 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
 - Current areas of interest relevant to the Audit Committee
- d. invited members' questions and comments:

Question: With reference to delays in receiving management responses and information from auditees. Were staff avoiding being audited? Why was support from Management not being provided?

Response: No, staff were not avoiding being audited. It was reflective of the recruitment and retention challenges at the moment, which put pressure on staff and there was therefore sometimes a delay in responses received. The team were looking at ways to improve this and assist management with providing answers.

Question: Pleased to see that the target for the percentage of invoices that have a purchase order completed had been raised. Could utility bills, procurement cards and other invoices where purchase orders were not appropriate be removed from this target so that a higher percentage could be achieved?

Response: Procurement cards were not included within this performance indicator. To remove other invoices where purchase orders were not appropriate from the performance indicator would be a resource intensive job and currently there was not the capacity within the team.

Question: With reference to the recommendation that procedures and operational guidance that related to key Insurance processes and activities were formally documented, updated and made available for all relevant staff. Why was this not being completed already?

Response: Due to resources in the team work on more critical functions had been prioritised over the completion of procedure/guidance notes. However, since the

audit a new member of the Insurance team had been recruited which would address these overdue known 'housekeeping' tasks.

RESOLVED that the report be accepted.

62. External Audit: Draft Audit Plan & Strategy

Rashpal Khangura and John Blewett, representing KPMG, External Auditor:

- a. presented the External Audit Draft Plan and Strategy for the year ending 31 March 2024 for consideration
- b. gave an overview of the External Audit Draft Plan and Strategy as attached at Appendix A of the report and explained the following key areas:
 - Overview of Planned Scope including Materiality
 - Significant Risks:
 - Valuation of land and buildings
 - Valuation of investment property
 - Management override of controls
 - Valuation of post retirement benefit obligations
 - Other Audit Risks:
 - Revenue expenditure was appropriately recognised as capital expenditure
 - Audit Risks and our audit approach
 - Mandatory Communications
 - Value for Money
 - Summary of risk assessment
- c. explained that the Audit Plan and Strategy would remain as draft until work had completed on the transfer between External Auditors and whilst a number of consultations in the audit sector remained, including:
 - consultations by the National Audit Office (NAO) and Department for Levelling Up, Housing and Communities (DLUHC) regarding addressing the audit backlog
 - consultation by The Chartered Institute of Public Finance and Accountancy (CIPFA) on short-term measures to aid the recovery of local authority reporting and audit.
- d. invited members' questions and comments;

Jane Nellist, Independent Member referred to the entity materiality which was set at 2% of expenditure and the misstatements which were set at £0.08m. This was a significant difference from last year's materiality which was set at 1.5% and almost double the misstatements from last year. What had changed?

Rashpal Khangura, KPMG responded that these could change due to risk assessments of the environment and the local government sector. Also, previously there was debt listed which had now been paid off and this would have had an effect. Benchmarking had taken place and the external auditors were comfortable with the range that had been set.

RESOLVED that the content of the report be noted.

63. Internal Audit Recommendations Follow Up

Jaclyn Gibson, Chief Finance Officer:

- 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 1 High action and 11 Medium actions remaining to be implemented, there were no overdue actions
- d. advised that there was 1 report (Staff Wellbeing) where the actions had all been implemented
- e. invited members' questions and comments:

Question: With reference to the Homelessness audit, the upgrade of the Document Management System was due to go live on 2nd and 3rd March 2024. Had this taken place?

Response: An answer would be circulated following the meeting.

Comment: With reference to the amendment to the tenancy agreements for utility costs at DeWint Court. A response has been received from the Director of Housing and Investment and he had clarified that the completion date for the amendment to the Tenancy Agreement was September 2025 due to the amendment relating to the updating of the whole tenancy agreement and not just for DeWint Court.

Question: With reference to the IT Disaster Recovery recommendation, it stated that the development of a testing schedule was no longer relevant. Could this be clarified?

Response: This recommendation was no longer relevant and would be revised. A meeting would be held with the Business Development and IT Manager to discuss what was appropriate for now. This would be updated and reported to the June Audit Committee.

RESOLVED that updates on Audit Recommendations report be noted.

64. The CIPFA Financial Management Code

Jaclyn Gibson, Chief Finance Officer:

- a. presented the Council's assessment for 2023/24 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 through a set of standards of financial management
- 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 2022/23 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 2022/23 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 as 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 members' questions and comments:

RESOLVED that

- 1. The progress of the actions arising from the 2022/23 self-assessment be noted.
- 2. The 2023/24 self-assessment attached at Appendix A of the report be noted.

65. Audit Committee Work Programme 2023/24

Jaclyn Gibson, Chief Finance Officer:

- a. presented a report to inform members of the Audit Committee on the work programme for 2023/24 as detailed at Appendix B 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.

The committee considered the contents of the report.

RESOLVED that the contents of the Audit Committee work programme 2023/24 be noted.

66. 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.

67. 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

The committee discussed the contents of the report.

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