

Present:	Councillor Geoff Ellis (<i>in the Chair</i>)
Councillors:	Thomas Dyer, Gary Hewson, Ronald Hills, Adrianna McNulty and Laura McWilliams
Independent Member:	Jane Nellist
Also Present:	Jon Machej, Mazars, External Auditor
Apologies for Absence:	Councillor Sue Burke and Councillor Jim Hanrahan

44. Confirmation of Minutes - 11 December 2018

RESOLVED that the minutes of the meeting held on 11 December 2018 be confirmed.

45. Declarations of Interest

No declarations of interest were received.

46. Change to Order of Business

RESOLVED that the order of business be amended to allow the following reports to be considered before the remaining agenda items.

- Internal Audit Recommendation Follow Up
- Information Management Update
- External Audit Progress Report

47. Internal Audit Recommendation Follow Up

John Scott, Audit Manager:

- a. presented an update on all outstanding audit recommendations over 12 months old, to provide members with more information on older audit recommendations and the ability to request managers to provide further feedback
- b. advised that Caroline Bird, Community Services Manager was unable to attend this meeting due to unforeseen circumstances but would attend the next meeting as requested to provide an update on Boutham Park Restoration Scheme.

Matt Smith, Business Development and IT Manager gave the following update on outstanding IT audit recommendations.

- ICT Mobile Devices: An asset register was held in IT. IT were now following options to detect most devices in an automated manner, now largely complete. The Finance Team were in the process of preparing a full inventory on IT devices held in council buildings which would help for comparison purposes.
- ICT Malware: The software Net Consent was now operational which provided the material needed for security management training. Questions were being

developed to ensure the effectiveness of the training which would be in place within the next few weeks. It would be revisited annual or biannually after this.

- IT Applications: Officers were working on a new supplier for upgrading My Info. Once this was in place contractual arrangements would be revised.

Members of the committee asked:

- With the expansion of Cloud computing, were mobile devices disappearing?
- Officer response: Some IT assets were smaller, however, every piece of IT equipment formed part of the inventory.
- These recommendations were over 2 years old. Were officers confident that the revised completion date at the end of March 2019 could be met?
- Officer response: Resources to complete the manual check of IT devices were ongoing and being given priority for completion heading towards the allocated timescale.

Jaclyn Gibson, Chief Finance Officer gave the following update on outstanding IT Disaster Recovery audit recommendations:

- Recommendations 5, 6 and 9 identified within Appendix A of the officer's report were now complete and signed off.
- Recommendation 3 to provide seating allocation at Hamilton House in an emergency situation would be completed within 1-2 months.
- Recommendation 4 to provide alternative accommodation for contractors based at Hamilton House was now in place subject to final clarification on timescales required to vacate the premises should space be required.
- Recommendation 7 to address Recovery Plans would be dealt with over the next six months as part of the refresh of Business Continuity Plans (BCP) for 2019.
- A test plan had been developed to address recommendation 8 to carry out the next BCP desktop exercise which would take place in April 2019.
- Recommendation 10 to plan for loss of services up to 2 weeks would be included in the refresh of BCP's in 2019

Dave Ward, Area Housing Manager (Central) gave the following update on outstanding Tenancy Services audit recommendations:

- A review on the permanent transfer of the voids team to Tenancy Services was due for completion by the end of March 2019.
- Development of a pre-tenancy process to bolster up pre-tenancy work would be linked to the above review, as were all other outstanding audit recommendations.

RESOLVED that

1. The content of the report and officer responses be noted.
2. Caroline Bird, Community Services Manager Park be invited to attend the next meeting of Audit Committee to provide an update on the restoration of Boutham Park.

48. Information Management Update

Matt Smith, Business Development and I T Manager:

- a) presented a report to update Audit Committee on progress made with Information Management reporting on significant progress made as detailed at paragraph 2.3 of his report
- b) highlighted a number of areas requiring further work to be completed as outlined in previous update reports, as detailed at paragraph 2.4 of the report
- c) gave details of how the GDPR Group had considered best to move forwards with the work programme as detailed at paragraph 2.6 of the report, work had already begun to deal with these issues in priority order
- d) advised that further resources had been identified in Chief Executive's Business Administration and Legal and Democratic Services alongside resources within the Business Development service as a whole to be applied initially
- e) reported that as work progressed more information would become available which would be reflected in regular updates to this committee
- f) invited members' questions and comments.

Members welcomed progress being made in respect of the recommendations provided within the report.

RESOLVED that the content of the report be noted.

49. External Audit Progress Report

Jon Machej, 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. stated that Mazars were currently in the process of finalising the Audit Strategy Memorandum and completing its walkthrough at the time of writing, if there were any issues arising to report to this Committee, these would be included in the next audit progress report
- c. advised that the Audit Strategy would be reported to March Audit Committee meeting
- d. confirmed that plans were in place to give an Audit Opinion by 31 July 2019.

RESOLVED that the content of the report be noted.

50. Draft Internal Audit Plan 2019/20

John Scott, Audit Manager:

- a) presented the Internal Audit Plan 2019-20 for consideration and approval, as detailed at Appendix A to his 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 and issues raised by Audit Committee
- c) reported that the Internal Audit Plan should focus on the key risks facing the Council, be adequate to support the Head of Audit 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) drew members' attention to the areas proposed for auditing as detailed at Appendix B to his report
- e) advised that as part of the review of the medium term financial strategy, along with other services, it was proposed to reduce the Audit Plan by 50 days from 450 to 400 in 2019/20, the excess days being sold on at no impact to existing staff
- f) invited members' questions and comments.

Members considered the content of the report in further detail, making comments as follows:

- There seemed to be quite a lot of areas marked as 'red' within the Audit timetable of activities
- Officer Response: The areas marked as red did not necessarily point to a poor service, however, higher at risk assessment.
- Were officers confident to be able to provide the same service delivery with a 50 day reduction in the Audit Plan?
- Officer Response: The service would not be exactly the same as it would be reduced, however, officers were looking at different ways of working to achieve it. Officers were comfortable that the plan still delivered the relevant assurances.

Jane Nellist, Independent Member, referred to a review at Northamptonshire County Council which had revealed a reduction in governance arrangements leading to problems. She asked what procedures were in place to identify potential issues.

Jaclyn Gibson, Chief Finance Officer, emphasised that the authority was satisfied that relevant levels of assurance and audit of areas of key risk could be delivered. Should the Audit Manager feel at any time there was risk of any compromise to this service delivery then levels of assurance would be reviewed. There was a degree of flexibility to allow him to concentrate more on assurance work rather than offering assistance to projects and working groups.

John Scott, Audit Manager, highlighted that there were other councils delivering an Audit Plan at 200 days looking at due diligence only.

Members urged the need to give tighter focus on recommendations remaining outstanding after 6 months.

RESOLVED that:

1. The Internal Audit Plan reduction and associated resources as set out in Section 4 of the officer's report be agreed.
2. The Internal Audit Plan 2019-20 be approved.

51. 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 November 2018 – January 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 the public sector internal audit standards
- c. advised that the report covered 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:
 - Corporate Property Income: High Assurance
 - Malware/Anti- Virus: Substantial Assurance
 - Transport Hub: Substantial Assurance
- e. reported on other significant work ongoing in relation to:
 - Audit Plan 2019/20
 - Combined Assurance Map
 - De Wint Court
 - Counter Fraud
- f. reported on Audit Plan changes
- g. advised on audits currently in progress as detailed at paragraph 9 of the report
- h. provided a summary of all audits where recommendations were overdue/extended/implemented and not yet due as detailed at paragraph 10 of the report
- i. referred to a separate report on tonight's agenda detailing audits reaching one year old with recommendations still outstanding
- j. reported on other matters of interest as detailed at paragraph 12 of the report
- k. detailed the contents of the Audit Plan Schedule at Appendix 2 of the report

- l. highlighted performance against annual planned work targets as detailed at paragraph 11 and Appendix 4 of the report
- m. requested members' consideration on the content of the report.

Members discussed the content of the report, asking whether the delay in completion of the 5th floor of the Central Car Park was causing a loss of income with 20% of the spaces still unavailable for use.

Officers advised that a suitable weather window was awaited to lay the deck finish to the fifth floor. The car park was not at full capacity therefore it was difficult to demonstrate valid options for seeking compensation.

Jaclyn Gibson, Chief Finance Officer advised that the original sub contractors for the scheme had gone into administration which had added to a delay in the work being finalised to the fifth floor. She would ask the Project Manager of the scheme for an update on options for compensation to provide to members of Audit Committee before the next meeting.

RESOLVED that:

1. An update on options for compensation regarding delays in work to the fifth floor of the Central Car Park 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.

52. Prudential Indicators 2018/19 - 2021/22 and Treasury Management Strategy 2019/20

Sarah Hardy, Group Accountant (Technical and Exchequer):

- a. presented a report for Audit Committee to scrutinise and recommend to the Executive for approval the adoption of the 15 statutory prudential indicators and 8 local indicators for the period 2018/19 to 2021/22, together with the 2019/20 Treasury Management Strategy alongside the Medium Term Financial Strategy 2019-24, prior to being reported to Council for final approval
- 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 2019/20 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. reported on the methodology employed for selecting investment counterparties as detailed at paragraph 2.2 of the report
- e. advised that the strategy for 2019/20 had been prepared taking into account changes in the Prudential Code and Treasury Management Code

- 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 Executive and Council for approval.

Members considered further the content of the report.

Jane Nellist, Independent Member, referred to cash balances for short term investments having reduced and queried whether they would stop altogether.

Sarah Hardy, Group Accountant (Technical and Exchequer) advised that a minimum level of £5m available cash balances had been set for short term investment, although it may not go as low as this figure. Temporary short-term borrowing measures could be used to ensure sufficient liquidity of resources managed on a daily basis.

RESOLVED that:

1. The prudential indicators detailed in Section 4.1 and Appendix 1 of the report be recommended to Executive and Council for approval.
2. The Treasury Management Strategy (including the Treasury Management Prudential Indicators and the Investment Strategy) as set out in Section 4.3 and Appendix 3 of the report be recommended to Executive and Council for approval.
3. The revised MRP policy detailed in Appendix 2 of the report be recommended to Executive and Council for approval.

53. Audit Committee Work Programme 2018/19

John Scott, Audit Manager, presented a report to inform members of Audit Committee on the work programme for 2018/19 as detailed at Appendix A.

RESOLVED that that the contents of the Audit Committee work programme 2018/19 be noted, subject to the following revised business for the 26 March meeting:

- Internal Audit Progress report
- Combined Assurance report
- Annual Governance Statement –update report
- Final Internal Audit Strategy and Plan 19-20 – (to be deleted if no changes)
- Risk Management Strategy/Annual report
- Statement on Accounting Policies
- Audit Committee Work Programme
- External Audit Inquiries – 18/19 Statement of Accounts

- IAS19 – Assumptions used to calculate pension entries in the Statement of Accounts and Audit Regulations
- Information Governance Update report
- External Audit Plan
- Grants Report