

<b>Present:</b>	Councillor Geoff Ellis ( <i>in the Chair</i> )
<b>Councillors:</b>	Laura McWilliams, Thomas Dyer, Gary Hewson, Jackie Kirk, Rebecca Longbottom and Bill Mara
<b>Independent Member:</b>	Jane Nellist
<b>Apologies for Absence:</b>	None.

**96. Confirmation of Minutes - 2 February 2021**

RESOLVED that the minutes of the meeting held on 2 February 2021 be confirmed.

**97. Declarations of Interest**

No declarations of interest were received.

**98. 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 January 2021 to March 2021, 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
  - Implementation of Audit Recommendations
  - Current Areas of Interest Relevant to the Audit Committee
- d. invited committees questions and comments

**Question:** Referred to Council Tax Key controls and asked what had been the scale of the issues?

**Response:** We looked at the process rather than the numbers but there was not a significant number of issues, the figures could be circulated following the meeting.

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

**99. Internal Audit Recommendation Follow Up**

John Scott, Audit Manager:

- a. presented an update to Audit Committee on outstanding audit recommendations including recommendations over 12 months old.
- b. referred to Appendix A attached to his report which provided details of relevant audits, outstanding recommendations, agreed actions and the current position/explanation from the service manager
- c. invited members' questions and comments.

**Question:** Expressed concern over an increase in cyber crime and asked what measures the Council had taken to prevent it?

**Response:** IT had received substantial assurance. The Council had invested money into protecting our systems and a lot of work had been done around malware. New equipment was being rolled out to staff which would also improve security.

**Comment:** It was disappointing to see that the IT recommendations were still outstanding.

**Response:** They had been deferred due to Covid-19. It was essential that the council could continue to operate critical services during this time. It was important that these recommendations would be completed, however they had been prioritised.

**Question:** Referred to Housing Allocations and asked why the system upgrade had been more complex than anticipated?

**Response:** The system was hosted off site so the issue was regarding the configuration of the system. This would be resolved by the end of June 2021.

RESOLVED that updates on Audit Recommendations older than 12 months be noted.

## **100. Annual Governance Statement Monitoring**

Heather Grover, Principal Policy Officer:

- a. presented a progress update on those areas identified as 'significant governance issues' as set out in the 2019/20 Annual Governance Statement (AGS), which Audit Committee had a role to review
- b. stated that the report provided details of the monitoring arrangements for the significant internal control issues raised in the latest AGS, as detailed at Appendix A of the report
- c. advised that key actions would be reviewed by the Service Manager's Group and be overseen by Corporate Leadership Team as well as monitored by Audit Committee
- d. reported that IT Disaster Recovery Plan in place for IT arrangements was red status and was carried forward from the previous AGS, and had one action remaining. The delay had been in part due to the pandemic and in part due to the need to construct a purpose built facility.

- e. advised that there were two new significant issues identified for the first time in the 2019/20 AGS, the first of which was considered by the responsible officer to turn from green to amber and the second to remain amber.
  - I. Review of impact of Coronavirus on the council's service delivery and embedding new ways of working for staff.
  - II. Vision 2025 needed to be re-profiled and communicated to a wider audience in the light of COVID-19
- g. requested that members of Audit Committee give consideration to the content of the report.

**Question:** Pleased to see that Vision 2025 would be communicated to a wider audience would this include Councillors?

**Response:** Vision 2025 was approved by Council in February 2020 following a full consultation, the objectives had not changed. Vision 2025 would be re-profiled, if projects were added they would need to be approved by members through the committee process.

**Question:** Was Vision 2025 a realistic target?

**Response:** It was too early to tell at present but we would do everything we could to achieve this.

**Question:** Do you foresee projects being removed from Vision 2025?

**Response:** The position of the Council and City had changed since the adoption of the vision in 2020. A lot of the projects were about getting the vibrancy of the city back. Members would be asked which projects needed re profiling.

**Question:** When would Members be consulted on?

**Response:** Consultation would take place following the election.

RESOLVED that the content of the report be noted and monitoring arrangements be continued.

## 101. **Combined Assurance report**

John Scott, Audit Manager:

- a. presented the combined assurance report which grouped the different sources of assurance in a single model to provide the basis for Senior Management and the Audit Committee to gain a better understanding of their organisation's assurance status and needs, as detailed at Appendix A to the report
- b. summarised the assurance levels for different areas of Council business
- c. advised that despite the impact of Covid-19 on the Council and the changes in services, systems and processes etc that it had to make, the overall levels of assurance were broadly consistent with previous years with a combined assurance of 63% services designated green, 36% amber and 1% red.

- d. further advised on the actions being taken to address those amber and red assurance levels detailed in Appendix A of the report

The Chief Executive further added the previous 12 months had been difficult for everyone. She commented that assurance with delivering services was reassuring to Officers.

RESOLVED that the content of the Combined Assurance report be noted.

## **102. Draft Internal Audit Plan 2021-22**

John Scott, Audit Manager:

- a. presented the Internal Audit Plan 2021-22 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 Council's Towards Financial Sustainability Programme the level of Internal Audit resources had reduced since 2020/21 which contributed an annual saving of £17,870 to the target
- f. further advised that it was proposed to reduce the Audit Plan to 300 days from 400 days which still 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 annual opinion
- g. explained that the planned audit days in 21-22 were 275 as April was being used to complete some 2020-21 work that had been delayed due to Covid and Covid related support.
- h. invited members' questions and comments.

**Question:** Where was the decision made to reduce the hours spent on internal audit?

**Response:** Finance savings targets had been brought to previous Audit Committees. Also there had been a reduction because April had to be used to complete the Audit work from 2020. It was a satisfactory amount of time that could be used for assurance.

**Question:** How would the reduction in hours impact on how the work would be completed?

**Response:** There would be a slight reduction in the number of projects completed and we would assess the risk ratings to prioritise the work.

**Question:** Referred to the Western Growth Corridor in the Internal Audit Plan and asked if there were concerns affecting phase 1a of the project.?

**Response:** There were no concerns with governance issues. The project had been included within the plan due to its size and scale.

**Question:** Due to the reduction in time there would be some areas that would not be looked at. Were there any areas where there were concerns that would be not covered?

**Response:** No, the amber and red areas would be monitored.

RESOLVED that the Internal Audit Plan 2021-22 be approved.

### **103. Statement of Accounting Policies**

Jaclyn Gibson, Chief Finance Officer

- a. presented for consideration the Council's accounting policies used to prepare the 2020-21 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 of Practice on Local Authority Accounting (the Code), based on International Financial Reporting Standards (IRFS) and that it remained relevant to the Council
- c. referred to the accounting policies for 2020/21 Statement of Accounts as detailed in Appendix 1 and advised that there were no changes to the accounting policies in 2020/21 other than some wording adjustments (highlighted in the Appendix)
- d. reminded members that by statute, the preparation of draft accounts had to be completed by 31<sup>st</sup> May and the audited statements needed to be published by 31<sup>st</sup> July following the relevant year, however, advised that MHCLG were currently consulting on proposed amendments to the Accounts and Audit regulations 2015 to move the date to 30<sup>th</sup> September for a period of 2 years for the accounts 20/21 and 21/22 due to the Covid-19 pandemic.
- e. advised that the consultation response had been received from the Government and the deadline for accounts had been pushed back to 31<sup>st</sup> July and the audit deadline had been pushed back to 30<sup>th</sup> September.
- f. requested that members review and note the Accounting Policies to be used for the 2020/21 accounts.

RESOLVED that the Accounting Policies to be used for the 2020/21 accounts be noted.o

### **104. External Audit Enquiries - 20/21 Statement of Accounts**

Jaclyn Gibson, Chief Finance Officer

- 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 2020/21
- 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.

**Question:** Had there been any checks and balances in relation to issuing of the government grants?

**Response:** Audit had supported the team with issuing of the government grants to ensure the checks and reporting were in place. There was a very thorough process to follow.

**Question:** Had fraud awareness training been arranged for the committee yet?

**Response:** The counter fraud/ fraud awareness guidance would be updated and a date for training would be arranged.

RESOLVED that the proposed responses to the enquiries to those charged with governance for the 2020/21 Statement of Accounts be agreed and submitted to Mazars, External Auditor.

**105. IAS19 - Assumptions used to Calculate Pension Entries in the 2020/21 Statement of Accounts**

Jaclyn Gibson, Chief Finance Officer:

- 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 2020/21 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 2020/21

- 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 5 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 2020/21 Statement of Accounts.

RESOLVED that the IAS19 assumptions the pension fund actuary proposed to use in preparing IAS19 figures for inclusion in the 2020/21 Statement of Accounts be approved.

#### **106. External Audit Planning and 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
    - 2019/20 Audit
    - 2020/ 21 Audit
    - Code of Audit Practise – value for money in use of resources
    - National Publications
- c. advised that the audit of the 2019/20 financial statements had continued and was close to completion.
- d. reported that there was work in progress on the 2019/20 Housing Benefit Subsidy Claim and it was expected that this work would be completed and the required assurance would be reported by the 31 March 2021 deadline.
- e. explained that work had commenced on audit planning for 2020/21 and the Audit Strategy would be presented to the next Audit Committee.

RESOLVED that the content of the report be noted.

#### **107. The CIPFA Financial Management Code**

Jaclyn Gibson, Chief Finance Officer,

- a. presented a report to inform Members of the new CIPFA Financial Management Code which was applicable in shadow form during 2020/21 with compliance expected from 2021/22
- b. advised that the code was not statutory but provided guidance for good and sustainable financial management in local authorities.
- c. explained that the code was developed in response to recent concerns (even before Covid-19) around financial resilience of Councils. The new Financial

Management Code was part of a package of measures that CIPFA were putting in place.

- d. highlighted the 7 areas of focus within the code:
  - The Responsibilities of the Chief Finance Officer and Leadership Team.
  - Governance and Financial Management Style
  - Long to Medium Term Financial Management
  - The Annual Budget
  - Stakeholder Engagement and Business Plans
  - Monitoring Financial Performance
  - External Finance Reporting
- e. referred to paragraph 4.8 of the report and highlighted the further actions that had been identified from the self-assessment, the majority of which were already planned areas of work for 2021/22.
- f. invited members questions and comments

**Question:** Could a separate meeting be held to discuss this in more detail?

**Response:** It would be presented to Committee as part of the Annual Governance Statement.

**Question:** Asked how stakeholders could get involved and what could be done to help with understanding the finances?

**Comment:** An abbreviated version of the accounts would make them more readable to the general public.

**Response:** Going forward we would look at ways of standardising the accounts.

RESOLVED that

- 1) the content of the report be noted
- 2) the actions identified would be monitored by Audit Committee through the Annual Governance Statement monitoring process.

## 108. **Money Laundering Policy**

John Scott, Audit Manager

- a. presented the updated Anti-Money Laundering Policy for comment and approval
- b. advised that whilst local authorities were not specifically covered by the money laundering regulations, it was good practice to adopt a suitable policy and ensure that the main requirements were adhered to, including reporting suspected cases of money laundering.
- c. explained that a few minor changes had been updated in the policy which provided some additional clarification for policy users and the policy also referred to the latest Money Laundering Regulations 2019



- d. highlighted the Money Laundering regulations changes included various new requirements including:
  - an expanded definition of “tax advisors” that come within the scope of the Regulations
  - additional requirements relating to Customer Due Diligence checks; and
  - a new requirement to report discrepancies on the register at Companies House

RESOLVED that the revised Money Laundering Policy be approved.

#### **109. Information Governance update**

Sally Brooks, Data Protection Officer:

- a. presented a report to update Audit Committee on progress made with Information Management monitoring the councils compliance with data protection legislation including the General Data Protection Regulation (GDPR) and the Data Protection Act 2018 (DPA)
- b. highlighted that update reports were submitted to Audit Committee on a bi-annual basis, given the implementation of GDPR in May 2018 and compliance now becoming business as usual for the council
- c. advised that Information Management resources had been utilised in the governance arrangements surrounding the increased sharing of data required in the response to the pandemic, whilst continuing to ensure data protection compliance
- d. reported on the ‘Business as usual’ compliance for the Council as detailed at paragraph 2.3 of the report.
- e. advised on data protection training that was underway by the council at paragraph 5 of the officers report which was a legal requirement under the GDPR and the ICO
- f. reported on work completed in relation to contracts, Brexit and UK GDPR as detailed at paragraph 6 of the report
- g. updated members of Audit Committee in relation to progress made with Information Management in the following areas:
  - a. Policies
  - b. Implementation of 365
  - c. Increased Home Working
  - d. Brexit
- h. reported that the Annual Governance Statement (AGS) status for Information Governance had been downgraded from Red to Amber due to progress made in the implementation of the GDPR and had since been removed from the AGS although remained a ‘watching item’ to be monitored by High Performing Services Group
- i. requested that the report and outcome of the audit be noted by members

RESOLVED that the content of the report be noted.

**110. Audit Committee Work Programme**

John Scott, Audit Manager:

- a. presented a report to inform members of Audit Committee on the work programme for 2021/22 as detailed at Appendix A of the report.
- b. advised that the frequency of meetings had been reviewed and revised to take into account impacts relating to the pandemic and was considered appropriate for 2020/21.

RESOLVED that the contents of the Audit Committee work programme 2021/22 be noted.

**111. Redmond Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting**

Jaclyn Gibson, Chief Finance Officer,

- a. provided the Audit Committee with a summary of the Redmond Review into the effectiveness of local audit and the transparency of local authority financial reporting, the recommendations made to the Government , along with the Government's response and the potential implications for the Council.
- b. explained that the Government published the results of the independent review on 8 September 2020 and advised that the review contained 23 recommendations over 4 categories:
  - External Audit Regulation
  - Financial Resilience of local authorities
  - Smaller Authorities Audit Regulation (Not applicable to the City Council)
  - Transparency and reporting
- c. referred to paragraph 4.5 of the report and advised that the recommendations were likely to directly impact the Council in the following ways:
  - Increased external audit fees; (an additional £15m will be allocated to local authorities to help fund additional costs arising from the change in audit fees in 2021/22).
  - An annual report being submitted to Full Council by the external auditor;
  - The production of additional statutory financial information (although this could be offset by a removal of other disclosures following a review by the Local Authority Code Board); and,
  - An extension to audit deadlines (2-year extension currently in place)
  - Introduction of a governing body to manage, oversee and regulate
  - A review of governance arrangements and accounting codes;
  - Ensuring local auditors were provided with the requisite skills and training and statute be amended to ensure audit firms with these skills were not excluded from bidding from local authority work; and,

- That External Audit recognises that Internal Audit work in appropriate circumstances.

RESOLVED that the Redmond Review and potential implications for the Council be noted.