

<b>Present:</b>	Councillor Rebecca Longbottom ( <i>in the Chair</i> )
<b>Councillors:</b>	Liz Bushell, David Clarkson, Thomas Dyer, Calum Watt and Pat Vaughan
<b>Independent Member:</b>	Jane Nellist
<b>Apologies for Absence:</b>	Councillor Helena Mair, Councillor Gary Hewson and Councillor Rosanne Kirk

### 1. **Confirmation of Minutes - 23 March 2021**

RESOLVED that the minutes of the meeting held on 23 March 2021 be confirmed and signed by the Chair.

### 2. **Matters Arising**

The Chair referred to minute number 98 in relation to Council Tax Key controls and asked if there was an update in relation to the scale of the issues?

John Scott, Audit Manager responded that the number of direct debit recalls for Council Tax in 2021 was 2065 which totalled £223k and represented less than 1% of the total direct debits taken. If a direct debit payment was missed another attempt to take the money via direct debit would be attempted, if this failed again another payment option would be offered.

The Chair referred to minute number 99 in relation to the Housing Allocations System upgrade and asked for an update.

John Scott, Audit Manager responded that Officers had been liaising with the software supplier regarding the system update and it had been escalated to Management level. A further update would be provided in due course.

The Chair referred to minute 104 and asked if there was an update on the Fraud Awareness Training.

John Scott, Audit Manager responded that the current system could not be used due to procurement issues, a new system would be sourced and rolled out to Members and Officers.

The Chair referred to minute 106 and asked when the Audit Strategy would be presented to Audit Committee.

Jaclyn Gibson, Chief Finance Officer responded that the Audit Strategy would be presented to Audit Committee on 22 July 2021.

### 3. **Change to Order of Business**

RESOLVED that the order of business be amended to run as follows:

1. Review of Code of Corporate Governance
2. Annual Governance Statement 2021
3. Annual Internal Audit Report
4. External Audit: Completion Report

5. External Audit – Annual Audit Letter
6. Statement of Accounts 2019/20
7. Counter Fraud Policy/ Strategy
8. Fraud and Error Report 2020/21
9. Audit Committee Work Programme

#### 4. **Declarations of Interest**

Councillor Vaughan declared a personal interest in the item entitled “Statement of Accounts” as his Granddaughter worked in the Finance Section of the Council.

#### 5. **Review of Code of Corporate Governance 2021**

Pat Jukes, Business Manager Corporate Policy:

- a. presented a report to inform Audit Committee of the outcome of the annual review of the Code of Corporate Governance
- b. confirmed that City of Lincoln Council adopted a new Code of Corporate Governance in March 2017 and it was agreed that it be reviewed annually to ensure that it remained current
- c. advised that internal audit and Corporate Policy undertook a full assessment of the council’s governance framework which commenced in March 2020/21 through a review of the Council’s Code of Corporate Governance (policies and processes) and its use in the review process to develop the AGS to identify any significant issues. Changes to the code itself were also identified as detailed at paragraph 3.4 and Appendix A of the report
- d. explained that a decision was taken to simplify the format of the code, whilst still being able to provide all of the information, but in an easier and accessible format
- e. reported that no further changes were recommended at this time and it was proposed the next review should be in February 2022.
- f. invited members’ questions and comments; and

**Question:** Referred to the Regulatory table on page 22 of the report and asked why principle E in relation to development and training was not applied to the Audit Committee?

**Response:** A detailed training plan was being developed for the Audit Committee. The Corporate Governance Framework could be updated to reflect this.

RESOLVED that the amendments made to the Code of Corporate Governance including the reformatted structure be noted.

#### 6. **Annual Governance Statement 2021**

Pat Jukes, Business Manager Corporate Policy:

- a. presented a report to inform Audit committee that the Annual Governance Statement (AGS) had been completed and signed off by Leadership

- b. highlighted that officers had concluded that two of the three significant governance issues from 2019/20 needed to remain in the 2020/21 AGS; although both had made significant progress during 2020, they now needed a revised focus as a direct result of the impacts of the COVID-19 pandemic:
  - a. The Disaster Recovery plan in place for IT arrangements.
  - b. Vision 2025 needed to be re-profiled and communicated to a wider audience in light of COVID-19 effects.
- c. recommended that Audit Committee reviewed the contents of the Final Annual Governance Statement with a view to monitoring progress on the significant issue identified over the coming year.
- d. invited members questions and comments.

**Comment** - It was disappointing to see that the IT Disaster Recovery Plan was included as a significant governance issue again and requested that the IT Manager be invited to attend committee to provide further details.

**Comment** – Expressed concern regarding procedure for the loss of City Hall and number of devices in the Disaster Recovery Plan.

**Response** – Significant investment had been made in IT, previously there had not been sufficient resources to provide everyone with a device. The process to roll out Office 365 had commenced before the Covid-19 Pandemic. Significant work on a second base had been undertaken at Hamilton House. A refresh of the IT Disaster Recovery Plan was being undertaken and it would be fed into the revised Business Continuity plans.

**Question** – Could the Glossary be updated to include all of the acronyms?

**Response** – The Annual Governance Statement 2021 Glossary would be updated to include all of the acronyms.

RESOLVED that:

- The contents of the Final Annual Governance Statement 2020/21 with a view to monitoring progress on the significant issue identified over the coming year be agreed.

## 7. Annual Internal Audit Report

John Scott, Audit Manager:

- a. presented the Annual Internal Audit Report to the committee for comments.
- b. explained that the purpose of the annual internal audit report as outlined at Appendix A was to provide a summary of Internal Audit work undertaken during 2020/21 timed to support the Annual Governance Statement by providing an opinion on the organisation's governance, risk management and internal control environment.

c. highlighted that Governance, Risk, Internal Control and Financial Control was working well: no concerns that significantly affected the governance framework and successful delivery of the Council priorities. Internal control was assessed as performing adequately – some improvements were identified over the Council’s Governance, Risk and Control Framework. This included actions such as updating the IT security policy and associated guidance.

d. invited members questions and comments.

**Question:** Was the Council insured against Housing Benefit Fraud?

**Response:** No, the Council sought to recover costs from the individual. The Council did have fidelity insurance which covered some areas of fraud.

**Question:** Referred to Appendix 1 of the report and asked why some of the table was marked as not applicable?

**Response:** Audit did not provide a formal assurance for those areas, they were not a standard assurance piece of work but consultancy which had a more individual focus such as housing benefit subsidy testing or linked to policy review.

**Question:** Referred to Appendix 2 of the report which set out the audits that had been removed from the original plan and asked if there was concern over the level of resource available in the Audit Department?

**Response:** A benchmarking exercise had taken place which showed that the level of internal audit resource was adequate. The reason some of the audits had been removed was due to Covid, audit staff had provided support to business grants instead.

**Question:** How was Audit funded and could the Housing Revenue Account be used?

**Response:** Under accounting practises certain things could be charged to the Housing Revenue Account but there had to be a basis to do it, the full cost of the Audit section could not be moved across to the Housing Revenue Account.

RESOLVED that the contents of the report and appendices be noted.

## **8. External Audit: Audit Completion Report**

Mike Norman, representing the Council’s external auditors, Mazars advised:

The work on the financial statements and Value for Money conclusion for the year ending 31 March 2020 had been substantially completed and there were no significant matters outstanding.

As part of the audit, the internal controls in place relevant to the preparation of the financial statements had been considered, with three recommendations resulting from this work made as follows:

- Production of draft accounts and working papers

- Incomplete disclosures for pension fund plan assets
- Investment property valuations

Further details of these recommendations were outlined in section 4 of the external auditors' report at Appendix A.

In relation to misstatements in the accounts, there were a number of misstatements identified that were above the threshold level of £49,000. Of these there were two misstatements that the Council assessed as not being material and were therefore not adjusted the accounts. These unadjusted misstatements were detailed in section 5 of the report. There was also a number of misstatements that were adjusted for as part of the audit process and had been reflected in the final version of the Statement of Accounts. Further details of these misstatements were provided in section 5 of the report.

It was reported that the Council had proper arrangements in place for securing economy, efficiency and effectiveness. The external auditors therefore proposed issuing an unqualified opinion on the Council's value for money arrangements.

As part of presenting this item, the external auditors took the Committee through each page of the report and highlighted any key issues, particularly with regard to:

- the audit approach;
- significant findings;
- internal control recommendations;
- summary of misstatements;
- value for money conclusion.
- Management Representation Letter

**Question:** Referred to the IT infrastructure for employees leaving the authority and asked what processes had been put in place?

**Response:** This was included in the Audit Recommendations follow up report. There was a leavers process put in place where managers completed an online form for the removal of access to systems. The IT Manager also received a list of HR leavers which is used as a secondary check.

RESOLVED that the contents of the report be noted.

## 9. External Audit - Annual Audit Letter

Mike Norman, representing the External Auditor, Mazaars:

- a. presented a report for Audit Committee to receive and comment on the Annual Audit Letter provided by the Council's External Auditors (Mazars) from its 2019/20 audit of the Council (including audit of the 2019/20 statement of accounts, value for money conclusion and other reporting responsibilities)
- b. advised that the Annual Audit Letter 2019/20; although addressed to members of the authority was also intended to communicate issues to key external stakeholders including members of the public and would be placed on the Authority's website
- c. reported on the key headlines within the report outlined within the Executive Summary as detailed at page 2 of Appendix A.

- d. confirmed that a value for money conclusion by the auditors reported that they were satisfied in all significant respects that the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.
- e. highlighted that the audit of the financial statements by Mazars gave a true and fair view of the Council's financial position as at 31 March 2020 and of its expenditure and income for the year then ended, and that the other information in the Statement of Accounts was consistent with the audited financial statements; and
- f. reported on a final fee for the 2019/20 audit by Mazars of £36,332 in addition Mazars have applied a fee variation to cover additional work required for; extended auditor reporting and requirements as a result of the Council being designated as a EU Public Interest Entity; additional testing on property, plant and equipment and defined benefit pension schemes; and further additional costs relating to 2019/20. These additional fees were estimated to be £17,099 (£6,750 in 2018/19), bringing the total fee for 2019/20 to £53,431.

The committee discussed the report in detail.

RESOLVED that the content of the Annual Audit Letter from Mazars be noted.

#### **10. Statement of Accounts 2019/20**

Jaclyn Gibson, Chief Finance Officer:

- a. presented, for information, the final Statement of Account for the financial year ended 31<sup>st</sup> March 2020, following completion of the audit opinion.
- b. advised that it had been previously agreed that any further changes to the Statement of Accounts be delegated to the Chief Finance Officer; and
- c. referred to paragraph 4 of the report and outlined the amendments to the Statement of Account 2019/20 in relation to the Stradivarius violin.

RESOLVED that the final, audited, Statement of Accounts 2019/20 be noted.

#### **11. Counter Fraud Policy/ Strategy**

John Scott, Audit Manager:

- a. presented the revised Counter Fraud and Anti-Corruption policy/ strategy for comment prior to referral to Executive.
- b. advised that the Council's Counter Fraud Policy/Strategy was updated in 2018. The 2021 version took into account the latest best practice guidance and updated the fraud action plan.
- c. explained that in the main, the Council's updated policy/strategy was similar to the previous one. This version recognised the increased risks to victims and the local community. There was more emphasis on tackling cross-boundary and organised fraud and corruption attempts, as well as addressing new risks such as social care fraud and cyber issues.

- d. advised that the new approach highlighted the key strands as detailed at paragraph 4.4 of the report:
  - i. Govern
  - ii. Acknowledge
  - iii. Prevent
  - iv. Pursue
  - v. Protect
- e. explained that there was a greater emphasis on economic crime – referred to as “a broad category of activity involving money, finance, assets the purpose of which was to unlawfully obtain a profit or advantage for the perpetrator or cause loss to others”
- f. advised that local authorities could ensure that their counter fraud response was comprehensive and effective by considering their performance against each of the six themes as detailed at paragraph 4 of the report.
- g. referred to the work programme at Appendix B of the report and advised how the policy/strategy would be implemented; and
- h. invited members comments and questions

**Question :** Referred to table 11.2 of Appendix A of the report and asked for details regarding the Small Business Rates Relief?

**Response:** : A third party was used to cross check with other authorities to identify small businesses that were claiming Small Business Rate Relief. This was a way to identify businesses that were not entitled to tax relief before it was granted.

**Question:** Referred to table 12.3 of Appendix A of the report and asked what Audit would look at to combat Housing Tenancy Fraud?

**Response:** There were different ways to review possible tenancy fraud including Tenancy Verification which uses a third party to undertake data matching and identify any anomalies (such as possible sub-letting) for the Council to review. There is also the National Fraud Initiative. Matches are currently being reviewed. In the past this had not identified any significant levels of fraud or error. Housing investigate cases of suspected sub-letting or non-occupation.

RESOLVED that the revised Counter Fraud Policy/ Strategy be referred to Executive for approval.

## 12. **Fraud and Error Report 2020/ 21**

John Scott, Audit Manager:

- a. presented the Fraud and Error annual report.
- b. advised that Covid-19 had some impact in terms of delaying some pro-active work for 2020/21 and this was outlined in the report.
- c. advised that the report covered key messages, investigations proactive work, fraud partnerships , referrals and action plans and highlighted the following key areas:

- Housing Benefit/ Council Tax Support
- Cyber Crime and Cyber Security
- National Non Domestic Business Rates and Small Business Rate Relief
- Council Tax – Single Person Discount
- Housing tenancy
- NFI – National Fraud Initiative
- Covid Grants
- Fraud Strategy and Policy Review
- Whistleblowing
- Fraud Awareness/ Scam Awareness
- Fraud Risk Register
- Other fraud/ fraud attempts

d. invited committees questions and comments.

**Question:** Had the whistleblowing reports for 2020/21 been dealt with?

**Response:** Yes the reports had been followed up with the officers concerned. There was no fraud identified in the majority of cases but some had been referred to the Department of Work and Pensions.

**Question:** Referred paragraph 9.1 of the report in relation to Housing Tenancy and asked why there was an increase in 2020/21 compared to 2019/20?

**Response:** There was some fluctuation year to year, more information would be circulated following the meeting.

**Question:** How did the Council identify someone that was living in a student House of Multiple Occupation but they were working full time and should be paying Council Tax?

**Response:** There are checks undertaken to verify student status

**Question:** In relation to students was the onus on the landlord or the tenant to declare that they were working.

**Response:** A response could be circulated following the meeting regarding the controls around students and student discount.

**Question:** Was the Severely mentally impaired discount for Council Tax publicised to encourage people to take up the discount?

**Response:** Officers would liaise with the Council Tax Department and circulate a response following the meeting.

**Question:** Was work still ongoing in relation to loan sharks?

**Response:** The issues had been promoted from a fraud angle around scams, we would liaise with the Policy Team regarding any work that they were undertaking and circulate a response following the meeting.

**Question:** Referred to Cyber Crime and Security and asked if consideration had been given to penetration testing?



**Response:** Penetration testing had been completed as part of the external review.

RESOLVED that the Fraud and Error Report 2020/21 be noted.

**13. Audit Committee Work Programme**

John Scott, Audit Manager:

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

The Chair informed committee that an additional meeting had been arranged for 5pm on Thursday 15<sup>th</sup> July to consider an urgent item in relation to the Homes England Compliance Audit.

Councillor Dyer formally proposed that the IT Manager be invited to attend the Audit Committee to discuss the Disaster Recovery issues and this was seconded by Councillor Clarkson.

The committee discussed the proposal and agreed that the IT Manager be invited to attend the September Audit Committee, with questions to put to the IT Manager being discussed at the Audit Committee due to be held on 22 July 2021.

RESOLVED that

1. the contents of the Audit Committee work programme 2021/22 be noted.
2. the IT Manager be invited to attend the Audit Committee on 23 September 2021.