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

**16. Confirmation of Minutes - 6 July 2021**

RESOLVED that the minutes of the meeting held on 6 July 2021 be confirmed and signed by the Chair.

**17. Declarations of Interest**

Councillor Vaughan declared a Personal Interest in minute number 20 as his Granddaughter worked in the Finances Department at City of Lincoln Council.

Councillor Dyer declared a Personal Interest in minute number 20 as he was on the board of Lincoln Business Improvement Group.

**18. Matters Arising**

The Chair referred to minute number 2 in relation to the Housing Allocations software upgrade and asked for an update.

John Scott, Audit Manager responded that the upgrade had been delayed to the end of August.

Jaclyn Gibson, Chief Finance Officer referred to minute number 13 in relation to inviting the IT Manager to attend Audit Committee and advised that she had liaised with the Monitoring Officer who had advised that if Members would like a Thematic Review of the IT section then this would need to go to Performance Scrutiny Committee. However, if Members would like to discuss the Disaster Recovery on the Annual Governance Statement or any of the audit recommendation follow ups then it was within the scope of the Audit Committee.

**19. External Audit 2020/21 Planning and Progress Report**

Jon Machej, representing Mazars, External Auditor:

- a. presented an External Audit progress report to provide the Audit Committee with an update on progress in delivering their responsibilities
- b. highlighted the following main points:
  - a summary of the audit planning proposals which formed the basis of the formal 2020/21 Audit Strategy Memorandum (ASM). The formal ASM was subject to external engagement quality review and would be shared with the Committee when confirmed
  - an update on progress in delivering the 2020/21 audit

- a summary of recent relevant national reports and publications.
- c. requested that members note the contents of the report and the attached appendix
  - d. invited members questions and comments.

**Question:** Asked how Officers completed a self-assessment on value for money.

**Response:** Mazars provided a standard template for assessment, Officers had to work through the questions and provide evidence. This would then be used by Mazars as part of their audit work.

RESOLVED that the contents of the report and the attached External Audit Progress Report be noted.

## 20. Draft Statement of Accounts 2020/21

Colleen Warren, Financial Services Manager:

- a. presented the draft Statement of Accounts for the financial year which ended 31 March 2021, together with a short summary of the key issues reflected in the statutory financial statements for scrutiny
- b. highlighted the summary of key issues within the below areas in the Financial Statements:
  - The Comprehensive Income and Expenditure Statement
  - The Balance Sheet
  - Cross Cutting Key Issues
- c. recommended that Audit Committee scrutinise the draft Statement of Accounts
- d. invited members questions and comments.

**Question:** Referred to paragraph 4.1.2 of the report and asked for details regarding the underspend of £148.4k.

**Response:** There had been a lot of fluctuations due to the Covid-19 pandemic. The underspend was presented to Performance Scrutiny Committee and Executive and the details could be found in the reports for both of those meetings.

**Question:** Referred to the 2023/24 reductions detailed at page 62 of the Draft Statement of Accounts and asked how these savings would be made and if Officers were confident that the savings targets could be met.

**Response:** A number of reviews had already been to Executive and a range of business cases were currently being progressed. Officers were confident that the current year (21/22) savings target could be met and a programme was in place for the future years

**Question:** If there was a spike of covid-19 infections in the winter, could there potentially be a detrimental impact on the budgets?

**Response:** Potentially there could be an in-year impact, however, we could not be sure of the impact over the longer term.

**Question:** Asked if the current budget position was currently better or worse than predicted?

**Response:** The team were currently preparing the quarter 1 financial performance position. However, at this early stage, the indications were that there were a few key areas that off target.

**Question:** How much of the earmarked reserves would have to be used?

**Response:** The 2021/22 budget already assumed the use of some earmarked reserves in order to mitigate the impact of Covid-19. Any further use of reserves in year would depend on the overall financial performance during the year.

**Question:** Had there been any income from the civic owned pieces?

**Response:** No, they were just for public display.

**Question:** Referred to page 61 of the Draft Statement of Accounts in relation to the earmarked reserves for the mayoral car and asked for further details.

**Response:** The mayoral car had finished its lease, so it was currently under review.

**Question:** Referred to the shares in Dunham Bridge and asked if the Council could increase the fees?

**Response:** The Council owned some shares but had no voting powers or influence to increase the fees. The share brought in £26k of income per year.

**Question:** Referred to page 91 and 92 of the Draft Statement of Accounts and noted the increase in salaries for the Directors.

**Response:** This was due to a nationally agreed pay award of 2.75%.

**Question:** Referred to page 8 of the Draft Statement of Accounts and commented that there was a mix of units that were being used.

**Response:** This would be updated.

Jane Nellist, the Independent Member commented that it was reassuring that the City of Lincoln Council had tight control of the finances compared to some other authorities.

RESOLVED that the draft Statement of Accounts be received and comments made by the Committee be noted.

## **21. 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 April 2021 to June 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
- Current areas of interest relevant to the Audit Committee

d. invited questions and comments

**Question:** Asked for clarification on which department was leading on the role out of Office 365.

**Response:** This was a large-scale project which was being led by the Organisational Change Lead with support from Business Development and IT. The target for completion had been brought forward from December 2021 to September 2021.

**Question:** Referred to Appendix 4 of the report in relation to Planned Maintenance and asked if the Housing Revenue Account would be charged for the internal audit work.

**Response:** Yes, a portion of the audit teams time is recharged to the Housing Revenue Account.

**Question:** Referred to Debtors Key Control 2020/21 and asked for more detail in the areas that had been identified for improvement.

**Response:** Some debtors were being raised for very small amounts, Audit had questioned if there was a more cost effective way of raising those charges. It was currently being looked at to find if there was a better way of doing this.

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

## 22. Internal Audit Recommendations 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.

**Comment:** Referred to the Transport Hub Post Implementation Review and commented that members would like to see a report on this once the review had been completed.

**Question:** Referred to Housing Rents and queried whether new tenants would start on higher rent than longer term tenants.

**Response:** The new tenant would be at target rent which could potentially be different from the previous rent.

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

**23. Review of Internal Audit and Audit Committee Effectiveness**

John Scott, Audit Manager:

- a. presented a report to review the effectiveness of internal audit and the Audit Committee benchmarking against best practice and audit standards.
- b. advised that a member/officer review group was established to review documents in detail and provide feedback to the Audit Committee.
- c. explained that the review was split into different areas which covered:
  - Internal Audit
    - Audit Standards and quality
    - Audit Performance
    - Resources
    - Feedback
    - Improvement
    - Summary and conclusions
  - Audit Committee
    - CIPFA audit committee assessments
    - Core self-assessment
    - Knowledge and skills
    - Summary and conclusions
- d. summarised the Internal Audit conclusions as detailed at paragraph 5 of the report and the Audit Committee conclusions at paragraph 6.5 of the report.

The Committee discussed the contents of the report and agreed that it would be helpful to include the terms of reference of the committee on each agenda. They further discussed the complexities of the Audit committee and stressed the importance of training and the continuity of membership on the Committee for the Members full elected term.

RESOLVED that

1. the points raised from the review of effectiveness of internal Audit and the Audit Committee be noted.
2. the actions for Internal Audit including QAIP be noted.
3. the actions for the Audit Committee included within the action plan be noted.

**24. External Quality Assessment**

Jaclyn Gibson, Chief Finance Officer:

- a. presented the proposals for the 2022 External Quality Assessment (EQA) for consideration.

- b. explained that the External Quality Assessment was a review of the processes and practices within the Internal Audit function, in line with auditing standards. The scope included a technical and effectiveness review.
- c. advised that as the City Council worked closely with Lincolnshire County Council as part of Assurance Lincolnshire, it was proposed that the external assessor would be jointly procured.
- d. stated that as the final procurement options had yet to be finalised it was proposed that delegated authority be granted to the Chief Finance Officer and the Chair of the Audit Committee to agree the way forward. Any decision would be reported back to the Committee.
- e. invited questions and comments

RESOLVED that the contents of the report be noted and the delegation arrangements set out in paragraph 4 of the report be agreed.

## **25. 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.

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

## **26. Risk Management- Annual Update**

Jaclyn Gibson, Chief Finance Officer:

- a. reported on the risk management framework adopted by the council and risk management activity during 2020/21
- b. advised that the Council's Risk Management Strategy was presented for members information, had recently been reviewed based on a risk appetite methodology approach to the management of the Council's risks, to reflect the environment in which it operated
- c. advised that a key element of the Council's management of its risks involved the development and monitoring of the key strategic risks which could affect the Council's ability to achieve its priorities during the year; the Council's Strategic Risk Register currently identified sixteen strategic risks as detailed within the report and associated appendices
- d. advised that the City of Lincoln Council has had to make dramatic changes as a result of three national lockdowns resulting from the Covid-19 pandemic, not only to ensure that the critical services kept functioning, but also to deliver a community leadership role for the city in times of crisis. Throughout this period

the Council had continued to actively manage the strategic, operational and project risk it faced.

- e. explained that as a result of the pandemic the Council was not in a position to produce an annual risk assessment report in April 2020 due to reprioritising workloads and managing risk management in alternative ways.
- f. outlined the framework of the risk management strategy in further detail, covering the following main topic areas:
  - Risk Management Strategy
  - Formulation of the Strategic Risk Register (Appendix A)
  - Formulation of the Directorate (Operational) Risk Registers
  - Training
  - Risk Management Benchmarking
  - Greater Lincolnshire Risk Management Group
  - Internal Audit
- g. reported that an Internal Audit of the Council's risk management arrangements undertaken during 2020/21 had concluded that the overall level of assurance opinion was substantial.
- h. requested members' consideration on the content of the report.

Jane Nellist, Independent Member, commented that it was good to see that the risk register had continued to be updated with new risks and that despite the current circumstances with Covid-19 the Council was being proactive.

RESOLVED that the risk management framework adopted by the Council and the risk management activity undertaken during the year 2020/21 be noted.

## **27. 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.

## **28. Risk Management - Annual Update**

Only Appendix B Strategic Risk Register was contained here as exempt information.

The Committee discussed the contents of the Risk Register in detail and commented that they would like to see an all member workshop on the Council's Vision 2025.