

Present: Councillor Rebecca Longbottom (*in the Chair*)

Councillors: Helena Mair, David Clarkson, Thomas Dyer, Gary Hewson, Rosanne Kirk and Calum Watt

Independent Member: None.

Apologies for Absence: Jane Nellist

37. Confirmation of Minutes - 23 September 2021

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

38. Declarations of Interest

Councillor T Dyer declared a personal interest in minute number 50 as he was a member of the Central Lincolnshire Joint Planning Committee.

39. Annual Governance Statement - Monitoring

Jaclyn Gibson, Chief Finance Officer:

- a) presented a progress update on those areas identified as 'significant governance issues' as set out in the 2020/21 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) advised that of the two significant issues, both were considered to have reduced in significance from Red to Amber status.
 - I. The IT Disaster Recovery plan alignment with current Business Continuity plans.
 - II. Vision 2025 needed to be re-profiled and communicated to a wider audience in light Covid-19
- e) requested that members of Audit Committee give consideration to the content of the report.

Question: Asked if there was a split between the Housing Revenue Account and General Fund to pay for IT services.

Response: Both the Housing Revenue Account and the General fund paid for an element of the IT services.

Question: Asked why the Levelling Up white paper had not been included in the Annual Governance Statement.

Response: The Annual Governance Statement was about the current governance plan, it would be changed in future if necessary.

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

40. **External Audit - Progress Report**

Mike Norman, Mazars:

- a) presented the External Audit Progress Report to provide Audit Committee with an update on progress in delivering responsibilities of the external auditors.
- b) referred to the External Audit progress report attached at Appendix A covering the following areas:
 - an update on progress in delivering the 2020/21 audit assurance work;
 - the 2021/22 audit planning process; and
 - a summary of recent relevant reports and publications
- c) requested that members note the contents of the report and the attached appendix.
- d) invited member's questions and comments.

Question: Referred to paragraph 6.1 of the report and asked if the additional funding was enough to cover the extra expectations.

Response: The funding was sufficient to meet the additional costs.

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

41. **External Audit - Audit Completion report**

The Council's external auditors presented the Audit Completion Report which summarised the findings from the 2020/21 audit.

The external auditor's work on the financial statements was substantially complete and, subject to satisfactory conclusion of any outstanding work, they would propose issuing an unqualified audit opinion by 31 January 2022. As part of the audit, the internal controls in place relevant to the preparation of the financial statements had been considered, with 1 low recommendation resulting from this work made as follows:

- property valuations.

Further details of these recommendations were outlined in section 5 of the external auditors' report at Appendix A.

In relation to misstatements in the accounts, there were five misstatements identified that were above the threshold level of £49k., Two of which were adjusted for as part of the audit process and had been reflected in the Statement of Accounts. The remaining three misstatements were not proposed to be adjusted for, the effects of these uncorrected misstatements were immaterial, both individually and in aggregate, to the financial statements as a whole. Further details of these misstatements were provided in section 5 of the auditors' report at Appendix A.

The Statement of Accounts included on the agenda for this meeting at item 6 reflected a fully amended version of the document.

It was reported that the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources were yet to be completed. At the time of preparing this report, no significant weaknesses in arrangements, that required a recommendation to be made had been identified. However, work continued to be undertaken on the Council's arrangements and a commentary of these would be provided in the External Auditors Annual Report.

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.

Question: Asked for more information on the Whole Government of Accounts.

Response: The Whole Government of Accounts was a process where departments accounts were consolidated. The work was unable to commence in this area until instruction had been received from the National Audit Office. This would not impact on the Audit opinion.

Question: Asked how working from home had affected audit work.

Response: There had been some challenges and also some benefits, but the work had been completed virtually.

The committee expressed their thanks and appreciation to the Finance Team for preparing an accurate Statement of Accounts.

It was RESOLVED:

- (1) That the financial statements be recommended to Council for approval.
- (2) That the draft letter of representation on behalf of the Council be approved, before the external auditors issue an opinion, conclusion and certificate, and that any further amendments to the letter, should any additional issues be raised by the external auditors prior to 31 January 2022 be delegated to the Chief Finance Officer and Chair of the Audit Committee, which any changes reported back to the Audit Committee.
- (3) That any further changes that may be required to the Statement of Accounts as identified during the conclusion of the audit, be delegated to the Chief

Finance Officer and Chair of the Audit Committee, with any changes reported back to the Audit Committee.

42. Statement of Accounts 2020/21

Colleen Warren, Financial Services Manager:

- a) presented the Statement of Accounts for the financial year ended 31 March 2021.
- b) reported that the Statement of Accounts for 2020/21 provided a comprehensive picture of the Council's financial circumstances and were compiled to demonstrate probity and stewardship of public funds.
- c) reported that the Council was statutorily required to publish its Statement of Accounts for 2020/21 with an audit opinion and certificate by no later than 30 November 2021. This date had been extended from the ordinary deadline of 31 July as a result of Covid-19.
- d) noted that the Statement of Accounts for 2021/2 were still subject to final verification by external audit . The audit of accounts was being finalised by Mazars, who had commented the audit in July. Should any material changes be necessary as a result of this final external audit work, these would be reported back to a meeting of this committee by the Chief Finance Officer.
- e) reported that the Council must make the Statement of Accounts available for public inspection for 10 working days. Following notification from the Council's external auditors, this ran from 2 August 2021 until 13 August 2021 and the external auditor was available to answer questions during this period. It was reported that no questions had been asked.
- f) advised that during the completion of the external audit there were five misstatements above the threshold level of £49k, of these two misstatements had been amended in the final version of the Statement of Accounts.
- g) reported that the Council was required to provide a documented annual review of the effectiveness of its governance arrangements which sat alongside the Statement of Accounts, known as the Annual Governance Statement. The overall level of assurance provided in 2020/21 was substantial and was in line with the Council's Code of Corporate Governance.
- h) presented the following aspects of the Statement of Accounts:
 - the Comprehensive Income and Expenditure Statement;
 - the Balance Sheet;
 - general balances;
 - earmarked reserves;
 - liquidity;
 - debtors;
 - creditors;
 - non-current assets;
 - pensions;
 - officer remuneration;
 - borrowing;
 - investments.

- i) invited members' questions and comments.

Question: Referred to page 61 of the report and asked for an update on the mayoral car.

Response: In the current climate there was less of a need for a mayoral car, therefore temporary transport had been hired. Earmarked reserves had been released from the budget, however £27k had been left in the fund which would be enough to purchase a new vehicle if necessary. A review of the mayoral car would take place shortly.

Question: Referred to the assessment of car parks and asked if the 60 year life related to all car parks in the City.

Response: 60 years was the average life of the of all if the car parks in the City which had been estimated by the valuers.

Question: Referred to page 88 of the report and asked for clarification on the sale of PPE.

Response: PPE was in relation to property plant equipment, a glossary of abbreviations would be included in the report.

Question: Referred to the longevity of Council Staff once retired and asked if this was based on national statistics.

Response: The information had been provided by Lincolnshire Pensions therefore it was based on local statistics.

Question: Referred to the table at paragraph 4.2.2 of the officers report and asked if the figure of £0.075m for the HRA balances was incorrect.

Response: This would be updated to the correct figure of £0.75m.

Question: Referred to paragraph 4.2.5 of the report and asked for more information on debtors.

Response: This was in relation to the collection fund. The City of Lincoln Council acted as the billing authority for Business Rates and Council Tax which were both in a deficit. The debtor was due to the County Council owing money, the full deficit had to be shown in the City Council accounts however, the deficit was shared between the Lincoln City Council, Lincolnshire County Council, Lincolnshire Police and the Government.

RESOLVED that

1. the final Statement of Accounts 2020/21 be noted, noting that the external audit was substantially complete.
2. any further changes to the Statement of Accounts, arising from the conclusion of the external audit be delegated to the Chief Finance Officer who would report any changes to the Chair of Audit Committee.

43. Internal Audit Progress Report

Paul Berry, Principal Auditor:

- 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 September 2021 to November 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 members' questions and comments

Question: Referred to the National Audit Office Cyber and Information Security: Good Practice Guide and asked if there would be any further work undertaken.

Response: Any IT issues would be routinely reported to Audit Committee. The Audit Committee Terms of Reference would be reviewed in 2022 and as part of the review advice from the National Audit Office and CIPFA would be taken into account.

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

44. Internal Audit Recommendations Follow Up

Paul Berry, Principal Auditor:

- 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.

The Chair referred to the number of outstanding recommendations in relation to Licensing and requested that a member of the Licensing Team attend a future meeting of Audit Committee to provide more information.

RESOLVED that

1. updates on Audit Recommendations older than 12 months be noted.

2. a representative from Licensing be invited to attend a future Audit Committee to provide information on the outstanding Audit recommendations for the service area.

45. Internal Audit Plan 2021/22 Review

Jaclyn Gibson, Chief Finance Officer:

- a) presented to Audit Committee the revised Audit Plan for 2021/22 which included a change in the number of days in the Audit Plan and to seek views on audit coverage in the second half of the year.
- b) explained that the development of the plan used a combination of the following:
 - The Council's Combined Assurance Model, an assessment of risk – based on the significance and sensitivity of key activities
 - Consultation with Senior Management
 - Issues raised by the Audit Committee
- c) highlighted that using the Combined Assurance Model helped streamline and avoid duplication of effort where assurances could be drawn from other sources.
- d) advised on the reduced resources in 2021/22 as detailed at paragraph 3 of the report and explained that that the current Audit Plan needed to be amended to reflect the lower level of resource.
- e) detailed the audits that had either been complete, were in progress had not yet been started or were suggested deferral outlined at paragraph 4 of the report.
- f) advised that the revised plan focussed on core financial audits and other key areas to enable internal audit to provide an annual opinion on the governance, risk and control environment at the year end.
- g) updated that the Audit Manager position had been filled subject to references and they should be in post by mid to end February 2022.
- h) invited members comments and questions.

Comment : At the previous meeting assurance was provided to committee that there would not be a gap between the Audit position being filled.

Response: Assurance was provided that there would be sufficient resource to provide an Audit opinion. The recruitment process did take time and it was being completed as quickly as possible.

Question: Asked if it was Council Policy that all posts had to be advertised internally before being advertised externally.

Response: All posts had to be advertised in the redeployment pool and the internally before they could be advertised externally.

Question: Asked how long this process had delayed advertising externally.

Response: The post was advertised in the redeployment pool for 3 days and then internally for one week.

RESOLVED that revised Audit Plan 2021/22 be approved.

46. Anti-Bribery Policy

Paul Berry, Principal Auditor:

- a) presented a revised version of the Anti-Bribery Policy as detailed at Appendix A of his report.
- b) explained that the policy was reviewed and updated every two years or upon any significant change to the law.
- c) reported that the Bribery Act 2010 made it an offence to offer, promise or give a bribe, and to request, agree to receive or accept a bribe.
- d) highlighted that the document set out the Council's policy on anti-bribery in accordance with the legislation and guidance.
- e) reported that a comparison to other recent Local Authority Anti-Bribery policies and best practice documents found that no changes to the existing policy was required.
- f) invited members' questions and comments:

RESOLVED that the latest version of the Anti-Bribery Policy be approved.

47. Appointment of External Auditor

Jaclyn Gibson, Chief Finance Officer:

- a) presented a report to recommend to Audit Committee for referral to Full Council that the Council accepts Public Sector Audit Appointments' (PSAA) invitation to opt into the sector-led option for appointment of external auditors to principal government and police bodies for the five-year period from 2023/24.
- b) referred to paragraph 2.1 of the report and outlined the the current auditor appointment arrangements which covered the period up to the end of 2022/23 accounts.
- c) advised that PSAA was now undertaking procurement for the next appointing period which covered audits for 2023/24 to 2027/28.
- d) referred to paragraph 4 of the report and detailed the procurement of the External Auditor as follows:
 - The Appointed Auditor
 - Appointment by the council itself or jointly
 - The national auditor appointment scheme

- Pressure in the current local audit market and delays in issuing opinions
 - The invitation
 - The next audit procurement
- e) explained the assessment of options as detailed at paragraph 5 of the report.
- f) advised that the report concluded that the sector-wide procurement conducted by PSAA would produce better outcomes and would be less burdensome for the Council than a procurement undertaken locally.
- g) explained that if the Council wished to take advantage of the national auditor appointment arrangements, it was required under the local audit regulations to make the decision at Full Council.
- h) invited members' questions and comments:

Question: Commented that there had previously been some issues with Mazars and asked if there was a risk that the Council could be in the same situation again.

Response: It was a national issue not just with Mazars. The Council would be allocated an external auditor through the suggested process.

Question: Asked if it was best practice to change Auditors regularly.

Response: The management team at the External Auditors were rotated regularly.

RESOLVED that Full Council be recommended to accept Public Sector Audit Appointments' invitation to opt into the sector-led option for the appointment of external auditors to principal local government and police bodies for the five financial years from 1 April 2023.

48. **Audit Committee Work Programme**

Jaclyn Gibson, Chief Finance Officer:

- 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) referred to paragraph 3 of the report and highlighted the changes to the work programme.
- c) advised that the Audit Committee Terms of Reference was attached at Annex A of the report for information.
- d) referred to paragraph 4 of the report and gave an overview of the learning and development plan to support members in the delivery of their roles.

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

49. **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.

50. Partnership Governance

Jaclyn Gibson, Chief Finance Officer:

- a) presented an overview of the governance arrangements in place for any partnerships that the Council was part of, and of which of those partnerships had been assessed as being 'significant' and as such would be subject to an annual assurance report to Audit Committee.
- b) gave the background to the report as detailed at paragraph 2 of the report.
- c) highlighted The Council's Partnership Guidance attached as Appendix A of the report.
- d) advised on the Partnership Registers and Significant Partnerships which would require an annual assurance assessment and would be presented to Audit Committee on 22 March 2022.

The committee discussed the contents of the report.

RESOLVED that

1. the list of significant partnerships as set out in paragraph 4.1 of the report be noted.
2. assurance assessments for each of these partnerships would be presented to Audit Committee on 22 March 2022 be noted.