
Present:	Councillor Rebecca Longbottom (<i>in the Chair</i>)
Councillors:	Jackie Kirk, David Clarkson, Thomas Dyer, Gary Hewson, Calum Watt and Emily Wood
Independent Member:	Jane Nellist
Apologies for Absence:	None.

12. Confirmation of Minutes - 14 June 2022

RESOLVED that the minutes of the meeting held on 14 June 2022 be confirmed and signed by the Chair as an accurate record.

13. Declarations of Interest

No declarations of interest were received.

14. Matters Arising

Minute Number 3 – Matters Arising

Jaclyn Gibson, Chief Finance Officer advised that the Cyber-attack insurance had not yet been implemented. This was due to the requirements of securing the insurance and an assessment may be needed to consider the investment compared to the level of insurance received.

Minute Number 4 – Annual Internal Audit Report

Jaclyn Gibson, Chief Finance Officer advised that as of 18 August 2022, the total percentage of residents who paid Council Tax by direct debit for property bands A-D was 54.4%. The total percentage increased to 65% with the inclusion of property bands E-H.

Officers confirmed that residents who did not pay Council Tax by direct debit would remain eligible for the Council Tax rebate.

15. Internal Audit Recommendations Follow Up

Amanda Stanislawski, Audit Manager:

- a) presented an update to Audit Committee on outstanding agreed actions and revised Recommendations/Agreed Action Follow-up Protocol
- b) referred to Appendix A attached to the report which provided details of relevant audits, outstanding recommendations, agreed actions and the current position
- c) invited members' questions and comments.

Members discussed the content of the report in further detail.

Thanks was given to officers by Jane Nellist who commented that it was positive to see an improvement in the process with more actions and recommendations agreed within deadlines.

Question: Would risk register information contained within the Western Growth Corridor (Governance) recommendation at page 19 of the report be made available to members?

Response: It was not within the Committee's terms of reference to bring the information to Audit Committee.

Positive acknowledgement of the recommendation/agreed action follow up protocol layout was noted. In addition, members commented that the reasons for extension and procedures in place were exceptional.

The Chair gave thanks for a well written and thorough report and suggested the inclusion of an annual revision date. It was added that under section 2.2 of the recommendation/agreed action follow up protocol, some audit committees did not leave it as long as twelve months to receive verbal updates from service managers.

It was noted that under section 1.5 of the protocol, a report for directors of all outstanding actions would be added to the next DMT meeting agenda on at least a 6 monthly basis.

Comments were received regarding the wording of section 3.1 of the protocol. Members shared concerns that interpretation of the wording suggested an extension would be an automatic process. Officers confirmed that a review of the wording would take place.

Question: If the Committee agreed to an annual revision date, could this be brought forward if necessary?

Response: Officers were happy with an annual revision date and confirmed that if anything changed, revision could occur sooner.

Members recognised that regular work ensured recommendations and implementations occurred and were evidenced. Officers confirmed that a verbal update could be expected from the relevant service manager at 12 months if recommendation and implementations were still outstanding. In addition, the report would come before the Committee at every other meeting automatically.

Question: If Members agreed the changes, how will knowledge of implementation be made known?

Response: Internal Audit would check implementation.

Question: How have previous changes been checked?

Response: Historically, this occurred through the use of a monitoring sheet.

RESOLVED that the revised Recommendation/Agreed Action Follow-Up Protocol be agreed subject to an annual review of twelve months and revision to the wording at section 3.1.

16. Annual Governance Statement 2021/22

Jaclyn Gibson, Chief Finance Officer:

- 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 one of the two significant governance issues from 2021/22 needed to remain in the 2022/23 AGS;
 - The Disaster Recovery plan in place for IT arrangements.
- c. explained that one of the significant issues was now deemed as mitigated to the extent that it was no longer a significant issue and had already moved to green status:
 - Vision 2025 needed to be re-profiled and communicated to a wider audience in light of COVID-19 effects.
- d. 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.
- e. invited members questions and comments.

Members discussed the contents of the report in further detail.

Thanks was given to Officers for detailed information at section 3.6 to the report.

Question: Reference was made to the LPMM process at section 3.6 to the report. What is the process based on?

Response: The LPMM (Lincoln Project Management Model) process was based on the principles of PRINCE and adapted for use by Local Government. Adaptations in recent years made it less cumbersome and more user friendly.

Members raised concerns regarding the need for adaption of PRINCE as a national recognition and standardised methodology. In addition, queries were raised regarding the impact of Covid-19 as issues were present prior to the pandemic for approximately five years. Officers confirmed that issues arose from central resource capacity. Projects were managed at various different directorates and as such, project management occurred at different levels, not through a central team.

It was added that there would be proposals for the project register to cease being used and theme groups under Vision 2025 were suspended due to Covid-19. Officers confirmed that issues experienced in the previous five years were not caused by the same reason every year. Officers concluded comments by adding that it was not a wide scale issue and did not cause a governance issue.

Comments were made regarding a lack of central resource capacity when carrying out projects such as the energy rebate with concerns shared of limited capacity.

Question: If a further grant scheme were to be approved later in the year and staff were removed from substantive posts to implement schemes, is capacity sustainable in the long term?

Response: New burdens funding of £59,000 had been received from the Government to assist with the implementation of the Council Tax rebate scheme. A percentage of the funds would support IT and postage with the remaining funds allocated to staffing costs. In the absence of agency staff, implementation would be carried out by existing staff working overtime. It was noted that resources were strained.

Question: Would the lack of resource cause existing staff to burnout in the medium to long term?

Response: It was not mandatory for staff to participate in overtime. The potential would be for reconsideration of work in relevant service areas to ensure prioritisation.

Question: Very little governance was suggested as part of the process at section 3.6, paragraph b of the report. Should it be considered a more significant issue and should it come back on the register?

Response: Professional consideration was given to governance by the Chief Executive, Monitoring Officer, Chief Finance Officer and Leader of the Council and it was not considered a significant issue in this case. It was confirmed the issue would be raised at the next meeting of the Executive.

It was stated that further to page 31 of the Annual Governance Statement 2021-22 (AGS) at appendix A to the report, strength may be needed due to the current health impacts experienced by the United Lincoln Hospitals Trust (ULHT)

Question: Approximately 46% of residents did not use direct debit payment for Council Tax. Further to proposed activities under core principle D of the AGS, what consideration had been given to those without the capacity for online use?

Response: As part of One Council, we try to encourage direct debit payments by default. However, there is a recognition that some individuals choose not to or aren't able to access the internet and online services. It was added that a telephone number remains operable and would be a suitable alternative to access services.

Members commented that the wording of the AGS suggested a pressure to go online. Officers confirmed that it was suggestive of forms not currently online at present that could be.

Question: Further to section 1.5 of the AGS, has health and safety been carried out to support employees in working from home to support their health and wellbeing?

Response: DSE has been undertaken on home working activities.

The Chair added that previously, numbered bullet points made the report easier to follow. Members agreed and requested spaces between paragraphs and bullet points.

RESOLVED that the contents of the Final Annual Governance Statement 2021/22 with a view to monitoring progress on the significant issue identified over the coming year be agreed.

17. **Statement of Accounts 2021/22**

Jaclyn Gibson, Chief Finance Officer:

- a. presented the draft Statement of Accounts for the financial year which ended 31 March 2022, 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.

Members discussed the contents of the report in further detail.

NOTE: - Officers wished it to be noted there was a typing error at section 4.2.2 to the report. The correct figure should read 2.668.

Members commented that historical documents would be checked by external auditors. Council figures would be imputed to a standardised document.

Question: It is stated at section 4.3.6 to the report, that rates are no longer compared to the LIBID rates which ceased in December 2021. Are rates being compared using SONIA?

Response: Work was ongoing with Reassure Management providers to assess if SONIA will be used as a benchmark measure for investments.

Comments were received that if we saw the same change next year, liquidity issues could arise if the ratio changed from 1.5 to 1.3. Officers confirmed that exceptional fluctuations had been experienced over the previous two years. This was a result of grant monies received from the Government whereby funds were received in one financial year but not used until the next financial year. Therefore, it appears as a liability as it remains.

Question: What would be the cost of transferring a number of investments to save money instead of using a bank overdraft?

Response: A fluctuation of £7m would ordinarily not be expected. Interests have not been high recently with an amount of variations. The balance sheet showed issues which made comparisons difficult.

Comment: The report states a lone stock loss of 3% and no requirement for a qualified accountant on the Audit Committee.

Response: Lone stock made the Council a Public Interest entity which would necessitate a higher level of external audit. This would facilitate an annual expenditure of approximately £5000 in audit fees. The cost was considered in comparison to the return and the decision was taken to dispose of the stock. The loss of a qualified accountant on the Audit committee would show in next years finances.

Members noted a spelling error on page 58 of the Statement of Accounts 2021/22 under Performance. The correct spelling of the second bullet point should read 'extra care facility'. Officers noted the comment and advised that it would be changed as part of the audit.

Members noted at page 150 of the Statement of Accounts 2021/22 under Note 38 – Related Parties, the date printed was incorrect. The report incorrectly listed the members appointed for 2022/23, instead of 2021/22. Officers noted the comment and agreed.

Question: Is it a statutory requirement to disclose remuneration to senior employees and does that increase with the rate of inflation?

Response: Disclosure is a statutory requirement and there are limits in place for increases for a number of years.

Question: Under Note 4 at page 104, there was a decrease of 16% in the Council's share (40%) of the balance of business rates appeals amounting to £0.381m. What is the grand total, after considering the Covid grant, to make up the shortfall?

Response: As time approaches for the next revaluation, the number of outstanding appeals reduces. When provisions are set aside for appeals, an external company is instructed to provide an assessment to determine threats and those that have been settled are removed. Therefore, there would be a slow decrease until the next revaluation whereby it would increase. The revaluation is carried out every three years.

Question: Does the Council still receive £1m bonus for business rates relief?

Response: The previous Secretary of State announced there would be a Consultation over the summer, announced at the AGL conference before his resignation but we do not know whether the bonus for business rates relief would continue. The assumption is that we will lose the resource but nothing has been confirmed. Therefore, financial planning becomes difficult.

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

18. Audit Committee Work Programme 2022/23

Amanda Stanislawski, Audit Manager

- a. presented a report to inform members of the Audit Committee on the work programme for 2022/23 as detailed at Appendix A of the report
- b. referred to paragraph 3 of the report which highlighted the changes to the work programme

- c. advised that the Audit Committee Terms of Reference was attached at Appendix A of the report for information
- d. invited members' questions and comments:

Thanks was given to Amanda Stanislawski for the advance publication of the work programme for 2022/23. It was noted that the item would come before every committee meeting and there had been a small number of changes since last presentation.

Members requested the formatting of alphabetised bullet points to include spaces in future publications. Officers noted comments.

RESOLVED that the contents of the Audit Committee work programme 2022/23 be noted.

- e. presented a report to inform members of the Audit Committee on the work programme for 2022/23 as detailed at Appendix A of the report
- f. referred to paragraph 3 of the report which highlighted the changes to the work programme
- g. advised that the Audit Committee Terms of Reference was attached at Appendix A of the report for information
- h. invited members' questions and comments:

RESOLVED that the contents of the Audit Committee work programme 2022/23 be noted.

19. **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 2021/22
- 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. explained that due to Covid-19 pandemic there was a need to prioritise resources and some actions had due in 2021/22 were postponed until 2022/23, these were:
 - A review of the Risk Management Strategy and Framework
 - Communication and training on the Risk Management Framework
 - Benchmarking activity with other Lincolnshire Districts
- d. 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 twelve strategic risks as detailed within the report and associated appendices

- e. 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
- f. reported that an Internal Audit of the Council's risk management arrangements undertaken during 2021/22 had concluded that the overall level of assurance opinion was substantial.
- g. requested members' consideration on the content of the report.

Members discussed the contents of the report in further detail.

Question: In future Committee meetings, would it be possible to formally note a report and proceed with business in full under part B, exempt information?

Response: The format of meetings would depend on the minutes of the meeting and whether questions fall under the domain of public information.

The Chair confirmed that agenda items 7 and 10 would be considered in collaboration with a distinction made between questions that fall within the public domain of information and information exempt under part B.

Members noted on page 215 under 'cyber attacks', a correction to 'Vision 2025' from 'Vision 2020' was needed. There were outstanding issues with IT at Hamilton House. Officers confirmed that the previous risk management strategy was to be reviewed and as such, changes would be made when reviewed.

Members noted that risk review was overdue by one year. Officers confirmed that due to Covid-19 and resource capacity, it had not yet been carried out. As a Council, we worked collaboratively with Lincolnshire County Council and neither have had capacity. Work is due to commence over the coming months.

RESOLVED that the risk management framework adopted by the Council and the risk management activity undertaken during the year 2021/22 be noted.

20. Internal Audit Progress Report

Amanda Stanislawski, 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 2022 to June 2022, 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

Members discussed the contents of the report in further detail.

Question: With consideration given to already being behind, is the plan achievable?

Response: We will not have the staff in place by September and therefore, the plan will not be achievable in the current form. A revised plan will come before the Committee.

Members noted the issues and difficulties in recruitment and appointing new staff. In addition, the issue of national shortage was considered.

Question: Can third party organisation take on extra resource if needed?

Response: Yes and there agencies that can be used. In addition, capacity at Lincoln County Council can be considered for use.

Question: Two areas of improvement were identified under substantial assurance, income fees and charges at page 235 of the Internal Audit Progress Report. Would the areas of improvement cause a significant increase in workload?

Response: A significant increase in workload was not anticipated.

Members commented on the retention of green stickers, held securely by the printer. Officers confirmed that the Council retain a number. Comments received on the need for officers to verify stock before destruction at the end of the year as the design changed yearly. It was concluded that comments should be referred to Steve Bird, Assistant Director of Communities and Street Scene as a subject within his remit.

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

21. Exclusion of Press and Public

22. Risk Management Annual Update - Appendix B

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

23. Internal Audit Progress Report - Appendix D

Only Appendix D Internal Audit Progress Report was contained here as exempt information.