

Present: Councillor Tom Ashton (Chairman), Councillors Alison Austin, George Cornah, Anton Dani, Anne Dorrian, Frank Pickett, Peter Watson and Mr Alan Pickering

In attendance: Councillor Jonathan Noble, Portfolio Holder for Finance

Guests:

Richard Tanner – Portfolio Manager for the Fund and Head of UK Business

Michael Shears – Assistant PM, Asset Management Executive Director)

Kari Clarke – Investor Relations Associate Director

Officers –

Section 151 Officer, Head of Internal Audit (City of Lincoln Council), Principal Auditor (City of Lincoln Council), External Auditor (Mazars) and Senior Democratic Services Officer

64 MINUTES

The minutes of the meeting held on 25th January 2021 were agreed as a correct record and would be signed by the Chairman.

Action: JC

Produce an action sheet after meetings so that timelines can be added to any actions agreed.

65 APOLOGIES

None.

66 DECLARATION OF INTERESTS

None.

67 PUBLIC QUESTIONS

None.

68 APPOINTMENT OF VICE-CHAIRMAN

RESOLVED: That Councillor George Cornah be appointed Vice-Chairman for the remainder of the Municipal Year.

69 FUND MANAGER PRESENTATION

The Committee considered a request from the representatives from AEW Property Fund to receive their presentation in exempt session, owing to the commercial sensitivity of information contained within it; it would only be possible to make the presentation in public by removing integral parts from it, meaning that Members would not receive the full picture.

IT WAS RESOLVED that under Section 100 (A) (iv) of the Local Government Act 1972, as amended by the Local Government (Access to Information)(Variation) Order 2006, the public and press be excluded from the meeting for the following items of business on the grounds that it involved the likely disclosure of exempt information as defined in paragraph 3 of Schedule 12A of the Order.

The AEW representatives then gave their presentation and answered a range of questions.

Action: JC

- Email AEW's PowerPoint presentation to Members;
- Email future PowerPoint documents to Members prior to future presentations.

The Chairman thanked the representatives from their presentation, which had given reassurance to Members that the company was managing the Council's investment well and it was performing.

[Councillor Dorrian left the meeting at this point.]

IT WAS RESOLVED that the meeting be moved back into public session.

70 AUDIT STRATEGY MEMORANDUM - YEAR ENDING 31 MARCH 2020

Mark SurrIDGE presented Mazars' Audit Strategy Memorandum for the year ending 31 March 2020.

The purpose of the document was to summarise Mazars' audit approach, highlight significant audit risks and areas of key judgements, and provide the Committee with the details of the audit team.

The document had been prepared following Mazars' initial planning discussions with management, as the basis for a discussion around their audit approach.

Mr SurrIDGE thanked the finance officers for their complete support, enabling Mazars to carry out their work.

The pandemic had extended the timeline for completion of work; the accounts would be produced by 31st July and published by 30th September 2021.

Mazars had identified the following relevant risks to the audit of the financial statements, which were deemed to be significant:

- 1 Management override of controls
- 2 Net defined benefit liability valuation
- 3 Valuation of land and buildings
- 4 Covid-19 grant recognition

The first three were the same as for the previous year and all were the same as for the majority of local authorities. The report set out a summary of Mazars' audit response to these risks.

Mr Surridge then highlighted Mazars' Value For Money (VFM) work. The new Code of Audit Practice (the Code) had changed the way in which auditors reported their findings in relation to VFM arrangements from 2020/21. Whilst still required to be satisfied that the Council had proper arrangements in place, Mazars would now report by exception in their auditor's report where they had identified significant weakness in those arrangements. This was a significant change to the requirements under the previous Code, which required them to give a conclusion on the Council's arrangements as part of their auditor's report.

Under the new Code, the key output of their work on VFM arrangements would be a commentary on those arrangements, which would form part of the Auditor's Annual Report.

The Code required Mazars to structure their commentary to report under three specified criteria:

1. Financial sustainability – how the Council planned and managed its resources to ensure it could continue to deliver its services
2. Governance – how the Council ensured that it made informed decisions and properly managed its risks
3. Improving economy, efficiency and effectiveness – how the Council used information about its costs and performance to improve the way it managed and delivers its services.

This "commentary report" would be made public and Mr Surridge assured Members it would be of the highest quality.

The Chairman thanked Mr Surridge for his report, which was noted by the Committee.

71 COMBINED ASSURANCE - STATUS REPORT 2020/21

John Scott, Internal Audit Manager, presented the Combined Assurance Status Report for 2020/21.

Combined assurance was obtained by speaking to senior and operational managers, working with corporate functions and using third party inspections and the outcome of Internal Audit work. It would feed into the Annual Audit Plan for 2021/22 and the Council's Annual Governance Statement.

The report concluded that the Council had established and varied assurance arrangements in place to manage risk and ensure services were delivered to a high standard. Internal Audit was pleased to see this was working well and evidenced with high levels of assurance. The Council had a much-improved financial position since joining the Strategic Alliance with East Lindsey District Council (ELDC) and this was helping increase resilience in many service areas. This newfound advantage would be used to improve areas as required.

The Council's Strategic Risk Register was regularly reviewed, and risks were being effectively managed. The Assistant Directors had provided summaries of the risks relating to their service areas and these were set out in the report along with the overall assurance direction of travel, in terms of red, amber or green with respect to critical

activities. There had been changes in the risks, with more rated as amber and fewer rated green, but this was not a particular concern; the same as for other authorities, many related to the impact of the Covid 19 pandemic, and also to the effect of the Strategic Alliance process.

The layout of the report was commended, though explanation of the abbreviations *PCIDSS* and *ROPA* was required.

In response to questions, the Internal Audit Manager explained that the reference to 'lack of visibility of contracts' related to shared visibility following the Strategic Alliance. The Section 151 Officer explained that the text in report for each service area was each Assistant Director's own wording. The Princess Royal Sports Arena had a red rating as its rent had not been paid; the facility was receiving some compensation for its use as a mass vaccination centre, but reported that it was not sufficient to enable the rent to be paid in the current circumstances.

The Chairman commented that the report indicated a significant impact in many areas due to the pandemic.

The Committee noted the report.

72 INTERNAL AUDIT PROGRESS REPORT 2020/21

John Scott, Internal Audit Manager, presented the progress report on Internal Audit work for 2020/21.

All remaining 2020/21 audits had been started and it was expected that the Plan would be substantially complete by the end of the financial year with reports at draft stage but might not be finalised.

One assurance review had been completed, the *Covid Assessment*, which had been given Substantial assurance.

Two audit reports described as at draft stage and three as being in progress were now all at the stage of being finalised:

- Council Tax
- ICT Security Assurance
- Housing Benefits & Council Tax Support
- Payroll
- Accountancy Key Controls

Only one, the *Governance, Risk & Fraud* audit, was still in progress.

Other significant work included the completion of the annual Combined Assurance process, presented elsewhere on the agenda. Internal Audit had worked closely with the East Lindsey District Council (ELDC) Internal Audit team in order to streamline the process for the Strategic Alliance.

Again, the Draft 2021/22 Internal Audit Plan, also presented separately on the agenda, followed close working with the ELDC Internal Audit team. The result was a plan that was relevant to the Alliance and a number of joint audits.

A detailed update giving the position regarding Audit Recommendations as at 31st December was attached at Appendix 3. Recommendations were being implemented and none had needed to be brought to the Committee's attention. A number had been extended to the end of March 2021 or later, either due to the impact of the pandemic or the process of the Strategic Alliance, and a follow-up report would be made at the Committee's next meeting.

The Committee noted the report.

73 DRAFT INTERNAL AUDIT PLAN 2021/22

John Scott, Internal Audit Manager, presented the draft Internal Audit Plan for 2021/22, as at 1st April 2021.

The plan detailed the activities to be audited and the indicative scope for each audit and was presented for Members' comments. The plan delivered assurance within agreed resources, which remained the same as the previous year at 145 days. The plan would be amended throughout the year to reflect changing assurance needs.

The plan had been developed using various sources including external intelligence, local knowledge and the meetings held with Assistant Directors and the Senior Leadership Team as a whole.

The Audit Focus for 2021/22 was set out with information on key audit areas and the rationale for their inclusion in the audit strategy and plan.

The impact of Covid19 on the public sector had been unprecedented. Internal Audit had carried out some assurance work in this area during 2020/21 and the plan remained flexible to take account of this and other evolving risks. Appendix A outlined the various audits to be undertaken within each area. Appendix B contained those areas, which Internal Audit had not been able to include in the plan, but management might wish to consider whether they should be included.

Due to the formation of the Strategic Alliance between the Council and East Lindsey District Council (ELDC) and the Council's partnership with Public Sector Partnership Services (PSPS), Internal Audit had been working closely with ELDC's Internal Audit team, both being part of Assurance Lincolnshire. Many audits were the same or similar; they were undertaken separately, but jointly, as it was beneficial to align them as much as possible.

The Chairman thanked the Internal Audit team for their work and the Committee noted the report.

74 WORK PROGRAMME

Members considered the Committee's work programme.

The Chairman thanked all parties for their input during the year.

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The Section 151 Officer advised the Committee that the next agenda would include a work programme for the full year ahead. Members should e-mail any issues they wished to be included.

Action: AS

Include a work programme for the whole of 2021/22 on the next agenda.

The Meeting ended at 8.45 pm