

## **NORTH LINCOLNSHIRE COUNCIL**

### **AUDIT COMMITTEE**

#### **AUDIT COMMITTEE ANNUAL REPORT 2019-20**

##### **1. OBJECT AND KEY POINTS IN THIS REPORT**

- 1.1 To consider the annual report of the Audit Committee under the council's governance arrangements for the year 2019-20.
- 1.2 Key points in the report are:
  - 1.2.1 The Annual Report of the Audit and Committee is designed to inform the full Council of the Committee's activities during the Council year (May 2019 – to April 2020), and how it has discharged its responsibilities.
  - 1.2.2 The report demonstrates that the committee operates in line with expected practice, and also identifies areas for further development.

##### **2. BACKGROUND INFORMATION**

- 2.1 A draft of the annual report of the Audit and Governance Committee is attached. It summarises the activities of the Committee, and demonstrates how it has discharged its duties. The report includes the outcome of the updated self-assessment against good practice identified by the Chartered Institute of Public Finance and Accountancy (CIPFA) that was carried out by the committee.
- 2.2 The main conclusions of the report are that the Audit Committee has effectively discharged its duties, and its design and operation complies with expected practice and this can be further enhanced as follows:
  - Promote the role and purpose of the audit committee across the council, and include the role of the Audit Committee in member induction
  - Increase the Committee's knowledge of Value for Money

- Invite managers with adverse internal audit reports to meet with the Committee to receive assurance on how they are dealing with the issues identified

### **3. OPTIONS FOR CONSIDERATION**

- 3.1 That Audit Committee receive the report and agree its presentation to Full Council.
- 3.2 The Audit Committee may wish to consider ongoing developments and current trends, including good practice guidance to ensure local governance and assurance arrangements remain robust.

### **4. ANALYSIS OF OPTIONS**

- 4.1 Although not mandatory an annual report is considered good practice as it promotes the role of the Audit Committee and demonstrates how it discharges its duties. By including a self-assessment it also ensures that the Audit Committee can ensure that its operations in line with good practice, and provide supporting evidence for the Annual Governance Statement (AGS)
- 4.2 Publishing an annual report provides a mechanism to transparently demonstrate the effectiveness of the audit committee and provide assurance on the effectiveness of its role.

### **5. FINANCIAL AND OTHER RESOURCE IMPLICATIONS (e.g. LEGAL, HR, PROPERTY, IT, COMMUNICATIONS etc.)**

- 5.1 None

### **6. OTHER RELEVANT IMPLICATIONS (e.g. CRIME AND DISORDER, EQUALITIES, COUNCIL PLAN, ENVIRONMENTAL, RISK etc.)**

- 6.1 None

### **7. OUTCOMES OF INTEGRATED IMPACT ASSESSMENT (IF APPLICABLE)**

- 7.1 Not applicable

8. **OUTCOMES OF CONSULTATION AND CONFLICTS OF INTERESTS DECLARED**

8.1 Not applicable

9. **RECOMMENDATIONS**

9.1 That the Audit Committee consider the draft report, taking action as deemed appropriate

9.2 That the Audit Committee request the Director Governance and Partnerships to submit the approved annual report to Council for further discussion to support the requirements of the Code of Governance.

**DIRECTOR: GOVERNANCE AND PARTNERSHIPS**

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Church Square House  
SCUNTHORPE  
North Lincolnshire

Author: Peter Hanmer, Head of Audit and Assurance

Date: 30 June 2020

**Background Papers used in the preparation of this report –**

Audit Committees: Practical Guidance for Local Authorities and Police (2018).

**North Lincolnshire Council  
Audit Committee Annual Report**

**2019/2020**

## **FOREWORD**

I am pleased to introduce this annual report of the Council's Audit Committee.

The Audit Committee provides a key component of corporate governance. Over the past 12 months the committee have provided a high-level focus on assurance and the organisation's arrangements for governance, managing risk, maintaining an effective control environment, and reporting on financial and non-financial performance.

The Committee has also welcomed the two development sessions that members have attended. These sessions provided the opportunity for members to receive a more in depth understanding of issues in relation to the Statement of Accounts and Treasury Management

I am confident that the Council operates within robust assurance and governance frameworks, providing a strong foundation upon which to deliver excellent outcomes for our residents. During 2020/21 we will continue to focus on promoting the important role of the Committee in promoting good governance. In conclusion, I would like to thank all Members of the Committee for their support and diligence during the year.

**Cllr Keith Vickers**

**Vice- Chairman of the Audit Committee**

## 1. INTRODUCTION

The role of the Audit Committee is defined in its terms of reference, as laid out in the Council's constitution, as shown on Annex B. The areas covered within them are consistent with those identified as good practice by the Charter Institute of Public Finance and Accountancy and Finance (CIPFA) in its document "*Audit Committees: Practical Guidance for Local Authorities and Police*" (2018).

This report informs the full Council of the Committee's activities during the Council year (May 2019 to April 2020), and how it has discharged its responsibilities.

## 2. COMMITTEE INFORMATION

### **Audit Committee Membership, Meetings and Attendance**

An analysis of committee meetings held during the year is shown on Annex B. Five committee held, plus two special training workshops. A meeting was due to be held on 1 April 2020, but this was postponed because of Covid-19 impacting on meetings; a virtual meeting was instead held early in the following Municipal Year on 20 May 2020. During the year, the Committee had seven members, plus substitutes where appropriate. Taking account of substitutes there was full attendance at each meeting.

At its meeting on 31 October 2019 Members considered a report from the Director of Governance and Partnerships considering the advantages and disadvantages of having a co-opted independent Member. Following consideration of the report and facilitated discussion, Members concluded that they wished to continue with its current membership of seven councillors

### **Training and Development**

The Council recognises the importance of providing Committee Members with the knowledge and skills to allow them to effectively carry out what can be a demanding and technical role. In 2019/20 two development sessions were held.

- North Lincolnshire Council Accounts (12 June 2019) – How to provide Assurance on the Use of Public Money
- Treasury Management (18 September 2019) - Link Asset Services delivered a presentation on –
  - What Treasury Management involves.
  - How Treasury Management is undertaken.
  - The role of Officers and Members in Treasury Management decisions.
  - The risks and opportunities in Treasury Management and how they should be managed.
  - The skills and knowledge required to take Treasury Management decisions.

### **3. HOW THE AUDIT COMMITTEE HAS DISCHARGED ITS RESPONSIBILITIES AND ADDED VALUE**

The Committee has discharged its responsibilities in 2018/19 and added value as shown below.

#### **The statement of accounts**

- Approved Statement of accounts 2018/19 and received the external auditor report (July 2019)
- Approved Accounting policies 2019/20 (January 2020)

#### **Governance**

- Approved the Annual Governance Statement 2018/19 (June 2019) and recommended formal adoption by the Council
- Approved updated Code of governance (January 2020)

#### **External audit**

- Received the Annual Audit Letter (October 2019)
- Received an update report from the Council's external auditors (January 2020)

#### **Internal audit**

- Received the Internal Audit Annual Report and Opinion 2018/19 (June 2019) - included receiving assurances that sufficient work had been carried out to form an opinion on the council's control environment and Internal Audit's quality assurance processes
- Received Internal Audit Interim report (January 2020) - update on the delivery of the audit plan, amendments to the audit plan, any material issues identified by audit, approve the updated audit charter
- Due to receive the Internal Audit plan 2019-20 in March 2020 but this was postponed until July 2020 due to the meeting having to be cancelled (March 2019) - received assurances on the compilation of the audit plan including compliance with auditing standards

#### **Counter Fraud**

- Received Counter Fraud Update Report (October 2020) - received assurance on Counter Fraud activities
- Due to receive Annual Fraud Report (March 2019) but this was postponed until May 2020 - received assurance on the Council's counter fraud activities

#### **Risk Management**

- Received Risk Management Update Report (October 2020) - received assurance on the development of the Council's approach to risk management

## Treasury Management

- Received Treasury Management and Investment Strategy Mid-Year Report 2019-2020 and a report on Treasury Management Practices (October 2019) - received assurance on the council's approach to Treasury Management

## Other sources of assurance received by the committee

- Received Information Governance and ICT Security Annual Report (July 2019) - Assurance on the Council's information security policies, in particular the implementation of the General Data Protection Regulations (GDPR).
- Received Attendance Management Report (July 2019) - received assurance from the Director of Business Development about the Council's workforce attendance position and the approaches in place to maintain and improve attendance levels.
- Received a presentation from the Director of Public Health (October 2019): The Director of Public Health guided Members through the governance framework that was in place in respect of all financial, assurance and operational matters within her portfolio

## 4. AUDIT COMMITTEE SELF-ASSESSMENT

At the Audit Committee meeting on 27 March 2019, members carried out a self-assessment based on a self-assessment checklist developed by CIPFA in its report "*Audit Committees: Practical Guidance for Local Authorities and Police*" (2018). The self-assessment considered the scope of the Committee's work and its effectiveness. One outcome of the self-assessment was that Members felt that the Committee's knowledge of Partnerships and Collaboration and Value for Money should increase. Subsequently, although it was postponed in April 2020, Members received a report on the Partnership protocol in July 2020.

The self- assessment was updated in June 2020 as part of the compilation of this report (Annex C). It confirmed that the Audit Committee operated in line with expected practice and was provided with good support from officers. It did identify that further consideration and oversight on the three areas identified in the previous self-assessment was needed and that an action plan should be put in place so that implementation was monitored:

- Promote the role and purpose of the audit committee across the council, and include the role of the Audit Committee in member induction
- Increase the Committee's knowledge of Value for Money
- Invite managers with adverse internal audit reports to meet with the Committee to receive assurance on how they are dealing with the issues identified

## Annex A

### AUDIT COMMITTEE - TERMS OF REFERENCE

#### Internal and External Audit

- (a) To approve the audit charter and annual audit plan;
- (b) To consider the head of internal audit's annual report and opinion, including:
  - a summary of internal audit activity (actual and proposed);
  - the level of assurance it can give over the Council's control framework; and
  - the performance and effectiveness of internal audit (including compliance with Public Sector Internal Audit Standards, results of the Quality Assurance and Improvement Programme, and relevant external inspections).
- (c) To consider significant issues arising from internal audit reviews carried out and high risk agreed actions not implemented within a reasonable timescale.
- (d) To consider the external auditor's annual letter, relevant reports, and the auditors ISA 260 report on the conclusion of the accounts
- (e) To consider specific reports as agreed with the external auditor.
- (f) To comment on the scope and depth of external audit work and to ensure it gives value for money.
- (g) To be kept informed of over the appointment of the Council's external auditor by Public Sector Appointments Limited (PSAA).
- (h) To provide the Audit Committee the opportunity to meet in private with Internal / External Audit without any other officers present at the end of each meeting, if required.
- (i) To support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by PSAA (if applicable).

#### Regulatory Framework

- (a) To maintain an overview of the Council's constitution and governance arrangements in respect of contract procedure rules, financial regulations and the shared services programme with North East Lincolnshire Council, including the joint committee established thereunder.
- (b) Consider the effectiveness of the authority's risk management arrangements. Review the risk profile of the organisation and assurances that action is being taken on risk-related issues, including partnerships with other organisations. This includes:
  - Receiving an annual report from the Director of Governance and Partnerships on the effectiveness of the Council's risk management arrangements (and periodic updates where applicable).
  - Approval of the risk management strategy

- (c) To consider the effectiveness of the Council's anti-fraud and corruption arrangements. This includes:
  - Receiving an annual report of the outcome Council's anti- fraud and corruption activities (and periodic updates where applicable)
  - Approval of the anti-fraud and corruption strategy and supporting policies such as the whistle-blower's charter.
- (d) To review the assessment of fraud risks and potential harm to the Council from fraud and corruption.
- (e) To review, and recommend approval of, the Annual Governance Statement and consider whether it properly reflects the risk environment and supporting assurances, taking into account internal audit's opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.
- (f) To consider the Council's arrangements for corporate governance and agreeing necessary action to ensure compliance with CIPFA / SOLACE governance framework and approval of the Code of Corporate Governance.
- (g) To consider the Council's compliance with its own and other published standards and controls.
- (h) To consider the Council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
- (i) Reviewing and monitoring treasury management arrangements in accordance with the CIPFA Treasury Management Code of Practice.
- (j) To review the governance and assurance arrangements for significant partnerships or collaboration.
- (k) To report to Full Council on a regular basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.

## **Financial Reporting**

- (a) To approve the accounting policies to be used to prepare the accounts.
- (b) To review and/or approve the annual statement of accounts. Specifically, to consider whether the approved accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.
- (c) To consider the auditors ISA 260 report on the conclusion of the accounts.

## Annex 2: Audit Committee Attendance 2019/20

Member	12 June 2019	26 June 2019	26 July 2019	18 Sept 2019	31 Oct 2019	27 Jan 2020	1 April 2020	Total (6)
P Clark	✓	✓	✓	✓	✓	✓	C	6
T Ellerby	x	x	x	✓	✓	✓	A	3
I Glover	✓	✓	x	x	x		N	2 (5)
Vacant seat						x	C	n/a
T Gosling	x	x	x	x	✓	✓	E	2
M Kirk	✓	x	✓	x			L	2 (4)
T Foster	✓	✓	✓	✓	✓	✓	L	6
K Vickers	✓	✓	x	✓	✓	✓	E	5
L Yeadon						✓	D	1 (1)

M Ali	Sub Lab							1
R Allcock			Sub Con					1
M Armiger		1.37(b)						
J Briggs		1.37(b)						
A Davison	Sub Lab							1
M Grant		Sub Lab						1
D Longcake						Sub Con		1
L Foster		Sub Lab						1
T Mitchell								
H Mumby-Croft			Sub Con	Sub Con	Sub Con			3
C O'Sullivan			Sub Lab	Sub Lab	Sub Lab			3
S Wilson		Sub Lab						1
L Yeadon			Sub Lab					1

	No longer a member of the Audit Committee
	Development Workshop

## Annex C: Audit Committee Self-Assessment June 2020

	Yes	Partial	No
1 Does the authority have a dedicated audit committee?	Y		
2 Does the audit committee report directly to full council?	Y		
3 Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's Position Statement?	Y		
4 Is the role and purpose of the audit committee understood and accepted across the authority?		Y	
5 Does the audit committee provide support to the authority in meeting the requirements of good governance?	Y		
6 Are the arrangements to hold the committee to account for its performance operating satisfactorily?		Y	
<b>Functions of the committee</b>			
7 Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement? „good governance „ assurance framework, including partnerships and collaboration arrangements „ internal audit	Y		

<p>„ external audit          „financial reporting          „risk management          „value for money or best value          „ counter fraud and corruption          „ supporting the ethical framework</p>			
<p>8 Is an annual evaluation undertaken to assess whether the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas?</p>	Y		
<p>9 Has the audit committee considered the wider areas identified in CIPFA’s Position Statement and whether it would be appropriate for the committee to undertake them?</p>	Y- receives reports in relation to treasury management		
<p>10 Where coverage of core areas has been found to be limited, are plans in place to address this?</p>	Y- the committee now receives updates on partnership governance following previous review		
<p>11 Has the committee maintained its advisory role by not taking on any decision-making powers that are not in line with its core purpose?</p>	Y		

Membership and Support			
<p>12 Has an effective audit committee structure and composition of the committee been selected? This should include:</p> <ul style="list-style-type: none"> <li>„ separation from the executive</li> <li>„ an appropriate mix of knowledge and skills among the membership</li> <li>„ a size of committee that is not unwieldy</li> <li>„„consideration has been given to the inclusion of at least one independent member</li> </ul>	Y		
<p>13 Have independent members appointed to the committee been recruited in an open and transparent way and approved by the full council</p>	N/A- after discussion committee decided not to appoint independent members		
<p>14 Does the chair of the committee have appropriate knowledge and skills?</p>	Y		
<p>15 Are arrangements in place to support the committee with briefings and training?</p>	Y (although have not yet had induction session as planned for new members due to Covid-19)		
<p>16 Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?</p>			N
<p>17 Does the committee have good working relations with key people</p>	Y		

and organisations, including external audit, internal audit and the CFO?			
18 Is adequate secretariat and administrative support to the committee provided?	Y		
<b>Effectiveness of the committee</b>			
19 Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?			N
20 Are meetings effective with a good level of discussion and engagement from all the members?			
21 Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks, and action plans with the responsible officers?		Y	
22 Does the committee make recommendations for the improvement of governance, risk and control and are these acted on?			N
23 Has the committee evaluated whether and how it is adding value to the organisation?			N
24 Does the committee have an action plan to improve any areas of weakness?		Y (3 areas for improvement were identified in 2018/19 annual	

		report but have not been subsequently monitored)	
25 Does the committee publish an annual report to account for its performance and explain its work?	Y		