

NORTH LINCOLNSHIRE COUNCIL

AUDIT COMMITTEE

20 May 2020

PRESENT: - Councillor K Vickers in the chair.

Councillors Clark, Ellerby, T Foster, Gosling, Mitchell and Yeadon.

Councillor Kirk attended the meeting in accordance with Procedure Rule 1.37(b).

This was a Microsoft Teams Virtual Online Meeting

- 570 **DECLARATIONS OF DISCLOSABLE PECUNIARY, PERSONAL OR PERSONAL AND PREJUDICIAL INTERESTS** – There were no declarations of disclosable pecuniary interests and personal or personal and prejudicial interests.
- 571 **MINUTES – Resolved** – That the minutes of the proceedings of this committee held on 22 January 2020, having been printed and circulated amongst the members, be taken as read and correctly recorded and signed by the Chairman.
- 572 **AUDIT COMMITTEE ANNUAL FORWARD PLAN** – The Director: Governance and Partnerships circulated the annual forward plan for the business of the Audit Committee for 2020-21.

Members were reminded that the Audit Committees was a key component of the council's corporate governance arrangement. The committee 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 Audit Committee Terms of Reference was based upon the Chartered Institute of Public Finance and Accountancy (CIPFA) publication 'Audit Committees: Practical Guidance for Local Authorities and Police (2018 edition)'.

The forward plan was intended to be a reference point used at each meeting to ensure that each agenda item provided the necessary assurance to enable the committee to fulfil their responsibilities effectively.

The Director responded to members questions on aspects of her report.

Resolved – (a) That the forward plan and schedule of work for the municipal year 2020-21 be agreed, and (b) that, in consultation with the Director: Governance and Partnerships, the forward plan be amended throughout the municipal year as necessary.

- 573 **ACCOUNTS 2019-20 UPDATE REPORT** – The Director: Governance and Partnerships circulated a report that updated the committee on the changes to the Accounts process for the 2019-20 Accounts due to the Coronavirus emergency.

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The report also informed committee members of the Public Sector Audit Appointments approach to the setting of audit fees and the proposed fees for the audit of the 2020-21 accounts.

The committee was informed that the production and audit of the council's annual statement of accounts was a statutory process. It must be completed within a set timescale. The legislation which set out the timescale was the Accounts and Audit Regulations 2015. This set out that the council's draft accounts had to be approved by its Chief Financial Officer (CFO) and published by 31 May each year. Following the publication of draft accounts a public inspection period had to take place, incorporating the first 10 working days of June. The accounts had to be audited and a final version published by 31 July each year.

The form of the accounts was prescribed by CIPFA's Accounting Code of Practice. For 2019/20 this included additional disclosures relating to Leases.

Due to the Coronavirus Pandemic a number of changes had been made to the requirements. The changes and amended timetable were described at Appendix of the report.

The council, like most of the sector, utilised the services of Public Sector Audit Appointments (PSAA) to appoint its external auditors. PSAA recently published the scale of fees for the audit of the 2020-21 accounts, which were included at Appendix 2.

The Director informed the committee that the legislation relating to the timescale for the production and audit of the accounts had been amended for this year in light of the Coronavirus Pandemic. The draft accounts must now be produced by the 31 August. The accounts must then be audited by 30 November 2020. The inspection period must begin on or before 1 September.

There had also been some changes to the requirements of the code of practice. The main change affecting the council was that the implementation of IFRS 16 Leases had been postponed.

The Director responded to members questions on aspects of her report.

Resolved – (a) That the changes to the closure of accounts timescales and the accounting and disclosure requirements be noted; (b) that the proposed draft accounts completion date of 30 June 2020 be approved, and (c) that the proposed scale of External Audit fees and the approach of the PSAA to the setting of fees be noted.

574 **EXTERNAL AUDIT PROGRESS REPORT** – The Director; Governance and Partnerships introduced the council's external auditors Audit Progress Report for May 2020.

The update provided members with a high level overview on progress in delivering Mazars responsibilities as the council's external auditors.

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Members commented on particular aspects of the report to which the Director: Governance and Partnerships responded to.

Resolved – That following consideration of the reports and discussion of their content, the committee agreed that the progress report be received and noted.

- 575 **ANNUAL FRAUD REPORT 2019-20** – The Director: Governance and Partnerships submitted a report that demonstrated to the public, councillors, staff and partners the progress made during 2019/20 in developing an anti-fraud culture;

The council's framework to combat fraud, corruption and misappropriation was approved by the committee in April 2018. The framework followed national guidance as laid out in the document 'Fighting Fraud and Corruption Locally -The local government counter fraud and corruption strategy 2016-2019'. The document was published by the Chartered Institute of Public Finance and Accountancy (CIPFA) Counter Fraud Centre and was based upon three key principles:

- Acknowledging and understanding fraud risks
- Preventing and detecting fraud
- Pursue - Being stronger in punishing fraud and recovering losses

The annual report was attached to the report as an appendix. It highlighted the work carried out in each of these areas, and demonstrated the council's continuing commitment to minimise the risk of fraud.

The Director responded to members questions on aspects of her report.

Resolved – That following consideration of the report and appendix, and discussion of their content, that the Annual Fraud Report 2019-20 provided adequate assurance in respect of the council's counter fraud arrangements.

- 576 **HEAD OF INTERNAL AUDIT PROGRESS REPORT** – The Director: Governance and Partnerships submitted a report that provided an update to members on the progress in delivering the Audit Plan 2019-20, the production of the 2020-21 Audit Plan and the impact of COVID-19 on the activities of Internal Audit.

Members were informed that as at 31 March 2020, 85% of the audit plan had been completed, which was in line with target completion dates.

Members heard that COVID-19 had had an impact on the completion of the audit plan for the following reasons:

- for a number of key services their focus had understandably been on dealing with the council's response and this had delayed the completion of audit work in these areas;

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- audit resource had been prioritised on areas to support the council’s response to COVID-19, such as the distribution of Business Grants where audit had played a key role in carrying out checks on applicants, as well supporting managers in designing control frameworks for new activities such as the shielding hubs, adult social care payments, and support to suppliers; and
- some schools audits scheduled for late March and early April had been postponed as a result of the partial closure of schools.

The Director added that although a substantial amount of the audit plan had been completed and reported, there was still some work that required completion. This was to complete, and report on, as much of the outstanding work by 30 June and present a draft Head of Internal Audit Annual Report and Opinion to the Audit Committee at its meeting on 8 July 2020, with a final version to be presented alongside the final Annual Governance Statement.

The Director also provided an update on the progression of the 2020-21 audit plan.

The Director then responded to members questions on aspects of her report.

Resolved - That following consideration of the report and appendix, and discussion of their content, that the 2019-20 audit plan provided adequate assurance in respect of the council’s completed audit reports.

577 **ANNUAL GOVERNANCE STATEMENT 2019-20** – The Director: Governance and Partnerships submitted a report that informed members of the changed timetable for the production of the Annual Governance Statement (AGS) as a result of Covid-19. The report also identified the changes as a result of Covid-19 on the assessment of the effectiveness of the council’s governance and internal control arrangements.

The Director added that the draft annual governance statement would be produced by 30 June 2020 in line with the production of the draft accounts, and be considered by the Audit Committee at its meeting on 8 July. The final version will be presented to the Audit Committee alongside the audited accounts. The final deadline for this was 30 November 2020. The briefing paper also explained that there may be a greater number of adjustments between the draft and final versions than would normally be the case and how assurance in relation to the council’s response to Covid-19 would be reported in the Annual Governance Statement.

The Director responded to members questions on aspects of her report.

Resolved - That following consideration of the report and discussion of their content, that the production and approval of the Annual Governance Statement provided the committee with a sufficient level of assurance to fulfil its role.

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578 **COVID-19 ASSURANCE UPDATE** – The Director: Governance and Partnerships circulated a report that informed the committee of the mechanisms that are in place to provide assurance in respect of the council’s response to the COVID-19 pandemic.

Members heard that the UK Government published an action plan on 3 March 2020 setting what was known about the virus, the planning that had been done for an infectious disease outbreak, actions taken so far in response to the current coronavirus outbreak, what was being planned for next, depending on the course the outbreak took and the role the public had in supporting the response.

Appendix A summarised the national and local responsibilities for pandemic preparedness and response. This provided the context to the council’s role in response to current coronavirus pandemic.

As part of the council’s civil contingencies responsibilities, preparedness for responding to emergencies was considered at two level depending on the nature of critical event or emergency. The council’s Business Continuity arrangements were put in place following the government’s action plan being published. This mechanisms provided the governance for local decision making on service delivery prioritisation. The second mechanism was the council’s role on the Humber Local Resilience Forum (LRF). Emergency status was declared by the LRF mid-March 2020.

Following the UK Government’s announcement on 23 March for a UK-wide partial lockdown, to contain the spread of the virus, Royal Assent was received for two major pieces of legislation: Coronavirus Act 2020 and Health Protection (England) Regulations 2020 to enable the restrictions to be implemented and enforced.

The council took necessary actions to implement legislative changes and respond to changes in government guidance. In respect of providing assurance as to the effectiveness of the response a section of narrative would be included in the Annual Governance Statement. This would focus on the following areas which were based upon guidance from Chartered Institute of Public Finance and Accountancy:

- Impact on business as usual in the delivery of services;
- New areas of activity as part of national response and any governance issues arising;
- The funding and logistical consequences of delivering the local government response; and
- Assessment of the longer term disruption consequences arising from the coronavirus pandemic.

Mechanisms that were in place to obtain the necessary assurance had been incorporated into the Annual Governance Statement process. Sources of evidence would include:

- The Risk Register related to Covid-19
- Directors Assurance Statements - a section on COVID had been added.
- Consideration via evidence based self-assessment checklists on how the council had responded to the new activities and any governance issues arising from them.

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- Relevant reports to the executive including Cabinet, Cabinet Member and Officer delegated decisions relating to COVID.

Latest national guidance had been published following the Prime Ministers statement on 10 May 2020 and the UK Government's Recovery Strategy 'Our Plan to Re-build'. This included 'Working Safely during coronavirus', which provides guidance on how workplaces can be as safe as possible. At the time of writing the report officers were assessing this guidance and updating risk assessment processes and sign off. The details of this would also form part of the assurance statement evidence.

The Director responded to members questions on aspects of her report, with particular emphasis on North Lincolnshire school aged children returning to mainstream education.

Resolved - That the mechanism for reporting assurance in respect of the council's COVID-19 response be noted.

(Councillors Ellerby, Gosling and Yeadon wished to be recorded as dissenting from the above decision).

- 579 **RISK MANAGEMENT PROGRESS REPORT** - The Director: Governance and Partnerships submitted a report that informed members of the key issues arising from risk management work.

The committee heard that regular reporting on risk management issues was an important source of assurance for members to enable them to fulfil their role and to provide supporting evidence for the annual approval of the Governance Statement.

The report provided a comprehensive update of the initiatives and developments that were in place to manage risk. The council's Risk Roundup magazine was attached to the report as an appendix.

The Director and council officers responded to members' questions on aspects of the report.

Resolved – That following consideration of the report and appendix, and discussion of their content, the Risk Management Progress Report provided adequate assurance in respect of the council's risk management arrangements.