

NORTH LINCOLNSHIRE COUNCIL

AUDIT COMMITTEE

21 July 2021

PRESENT: - Councillor K Vickers (Chairman)

Councillors T Foster (Vice-Chair), Wilson, L Yeadon and D Wells

The meeting was held in the Conference Room, Church Square House.

623 **SUBSTITUTIONS (IF ANY)** - Councillor D Wells substituted for Councillor T Mitchell.

624 **DECLARATIONS OF DISCLOSABLE PECUNIARY INTERESTS AND PERSONAL OR PERSONAL AND PREJUDICIAL INTERESTS (IF ANY)** - There were no declarations of disclosable pecuniary interests and personal or personal and prejudicial interests.

625 **TO TAKE THE MINUTES OF THE MEETING HELD ON 8 APRIL 2021 AS A CORRECT RECORD AND AUTHORISE THE CHAIRMAN TO SIGN - Resolved** – That the minutes of the proceedings of this committee held on 8 April 2021, having been printed and circulated amongst the members, be taken as read and correctly recorded and signed by the Chairman.

626 **TO NOTE THE SCHEDULED DATES AND TIMES OF THE AUDIT COMMITTEE - Resolved** – That dates and times of future meetings of the committee be held on –

- 21 July 2021 at 10:00 am
- 22 September 2021 at 10:00 am
- 24 November 2021 at 10:00 am
- 26 January 2022 at 10:00 am
- 23 March 2022 at 10:00 am.

627 **EXTERNAL AUDIT PROGRESS REPORT - REPORT OF MAZARS** - The Chairman welcomed representatives of the council's External Auditors Mazars to the meeting, and invite them to present the council's audit progress report for July 2021.

The report provided the Audit Committee with an update on progress in delivering Mazars responsibilities as the council's external auditors and also included, at Section 2, a summary of recent reports and publications.

Following the verbal presentation, the Chairman facilitated a discussion between Panel Members and the council's External Auditors.

Resolved – That the audit progress report for July 2021 be received with thanks.

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628 **AUDIT COMMITTEE ANNUAL REPORT 2020-21** - The Director: Governance and Partnerships submitted the Audit Committee Annual Report for 2020-21 for consideration by the Committee. The Annual Report was designed to inform Council of the Committee's activities during the Council year (May 2020 – to April 2021), and how it had discharged its responsibilities. The report demonstrated that the committee operated in line with expected practice, and also identified areas for further development.

The report also included 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.

The main conclusions of the report were that the Committee had effectively discharged its duties, and its design and operation complied with expected practice. This could be further enhanced by -

- The invitation of a wider range of Directors and Heads of Service to obtain assurance as to how they managed risks and internal control in their areas of responsibility
- An invitation to managers with adverse internal audit reports to meet with the Committee to receive assurance on how they were dealing with the issues identified.
- The attendance at a member development session to allow members to assess their core knowledge and skills.

Following the Director's verbal presentation, the Committee discussed its Annual Report for 2020-21.

The Annual Report was attached to the report as an appendix.

Recommended to Council – That the Audit Committee Annual Report for 2020-21 be considered by council to support the requirements of the Code of Governance.

629 **AUDIT COMMITTEE ANNUAL FORWARD PLAN** - The Director: Governance and Partnerships submitted the Committee's Annual Forward Plan for the Municipal Year 2021-22. The Forward Plan was based on the Committee's Terms of Reference and aimed to identify reporting against its key responsibilities.

Members heard that the Audit Committees was a key component of the Council's corporate governance arrangement. It 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

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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 confirmed that to support Audit Committee Members in carrying out their responsibilities, training would be provided during the year in the following areas:

- Member induction (July)
- Accounts (September)
- Fraud and risk (November)
- Treasury management (January)

Following the Director's verbal presentation, the Chairman facilitated a discussion on Committee's Annual Forward Plan.

Resolved – (a) That the Audit Committee Forward Plan for the Municipal Year 2021-22 be agreed, and (ab) that the Director: Governance and Partnerships be authorised to amend the Forward Plan, if required.

630 TREASURY MANAGEMENT MID-YEAR AND ANNUAL REPORT 2020-21 - The Director: Governance and Partnerships submitted the council's Treasury Management Mid-Year and Annual Report for 2020-21.

The Committee was informed that the Chartered Institute of Public Finance and Accountability had defined treasury management as "the management of the organisation's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks".

The Treasury Management Strategy Statement (TMSS) for 2020/21 was approved by Council in February 2020. This statement also incorporated the Investment Strategy.

Whilst the Council had advisors to support effective treasury management arrangements, the Council was ultimately responsible for its treasury decisions and activity. No treasury activity was without risk. The successful identification, monitoring and control of risk was therefore an important and integral element of treasury management arrangements.

The Council had nominated the Audit Committee to be responsible for ensuring effective scrutiny of treasury management arrangements.

The annual treasury management review of activities and the actual prudential and treasury indicators for 2020/21 was attached as an appendix.

Resolved – (a) That the treasury management performance by the council

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for the 2020-21 financial year be noted, and (b) that following consideration of the report and appendix, and discussion of their content, that the Treasury Management Mid-Year and Annual Report for 2020-21 provided adequate assurance in respect of the council's treasury management practices.

- 631 **SICKNESS ABSENCE - REPORT OF THE DIRECTOR: BUSINESS DEVELOPMENT** - The Director: Business Development circulated a report that informed the committee of the council's sickness absence levels for 2020-21.

The committee heard that the average number of working days lost due to sickness absence in 2020-21 was 7.77 days. This indicated a 16.8% decrease (1.63 days) in overall sickness absence levels compared to 2019-20.

Members were informed that on average, a period of absence lasted for 7.9 days in 2020/21 which was longer than in 2019-20 (5.5 days). This indicated that although the number/periods of absence reduced, the average length of a period of absence increased.

61% of the workforce did not have any periods of sickness absence during 2020/21 – this was higher than levels of zero absence in 2019/20, which was 43%. At the end of 2020-21, 88% of council employees met attendance targets as set out in the council's Managing Attendance policy – this meant that they were not meeting or exceeding trigger points based on absence in the 6 months preceding March 2021.

The report also provided detail of the key activities that had been implemented to ensure that the council kept its workforce safe and well during the pandemic.

The Director then responded to members questions.

Resolved – That the sickness absence levels for 2020-21 provided the committee with sufficient assurance that the risk to capacity due to sickness absence was being managed through adequate controls.

- 632 **HEAD OF INTERNAL AUDIT ANNUAL REPORT AND OPINION 2020-21** - Th Director: Governance and Partnerships submitted a report that provided an opinion on the adequacy and effectiveness of the council's internal control environment based upon work carried out by Internal Audit in accordance with the approved 2020/21 audit plan. The report also considered the effectiveness of the audit service. This provides the Audit Committee with an important source of assurance when considering the Annual Governance Statement.

The requirement for Internal Audit was supported by statute in the Accounts and Audit Regulations 2015 and the Local Government Act 1972. The Accounts and Audit Regulations stated that a "relevant body must undertake an effective internal audit to evaluate the effectiveness of its risk

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management, control and governance processes, taking into public sector internal audit standards for guidance”.

Internal Audit operated in accordance with the Public Sector Internal Audit Standards (PSIAS) which defined the way in which the Internal Audit Service should be established and undertake its functions. The PSIAS defined internal audit as: “an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helped an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.”

Members were informed that set out in the standards there was a requirement under PSIAS 2450 that the Chief Audit Executive must provide an annual report to the Audit and Governance Committee, timed to support the Annual Governance Statement. This must include:

- an annual internal audit opinion on the overall adequacy and effectiveness of the organisation's governance, risk, and control framework (i.e. the control environment).
- a summary of the audit work from which the opinion is derived (including reliance placed on work by other assurance bodies); and
- a statement on conformance with the PSIAS and the results of the internal audit Quality Assurance and Improvement Programme.

A copy of the Annual Report and Opinion was attached to the report as an appendix. The main findings from the Annual Report and Opinion were as follows –

- Section 2 of the Annual Report referred to the work carried out from which the audit opinion was derived, and showed the work carried out compared to the original Audit Plan. Due to the continued impact of COVID-19 the audit plan was subject to regular re-prioritisation including particular focus on the impact of it on the control environment. Appendix 2 of the report provided a summary of the work completed by internal audit, whilst the body of the report also referred to how the Council managed the risks to the control environment as a result of the pandemic.
- Section 3 of the report was based on the work carried out by internal audit. Members heard that satisfactory assurance could be provided on the Council's governance, risk, and control framework.
- Section 4 of the report evidenced that the council complied with the standards in all material respects and had effective arrangements in place for monitoring quality. Working with clients to improve the timeliness of audit reporting had again been highlighted as an area for further development.

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Following the Director's verbal presentation, a discussion ensued on the Annual Report and opinion for 2020-21.

Resolved - That the Internal Audit Annual Report for 2020-21 provided satisfactory assurance provided on the adequacy and effectiveness of the council's internal control environment.

- 633 **DRAFT ANNUAL GOVERNANCE STATEMENT 2020-21** - The Director: Governance and Partnerships presented the draft Annual Governance Statement (AGS) 2020-21 for members consideration. The AGS provided assurance on the effectiveness of the council's governance and internal control arrangements as well as commentary on the effectiveness of the council's response to Covid-19.

The AGS set out the council's governance arrangements and considered their effectiveness. The council's governance arrangements were set out in its Code of Governance which was updated in December 2020 and subsequently approved by the Audit Committee in January 2021. The Code was based upon guidance provided by the Chartered Institute for Public Finance and Accountancy (CIPFA) and the Society for Local Government Chief Executives (SOLACE) "Delivering Good Governance in Local Government – a framework" (April 2016).

The committee heard that the three lines of defence assurance model was central to the review of effectiveness of the council's governance arrangements, which included –

- First Line – delivery/operational area. Sources of evidence included functional service area assurance frameworks. Reports to the Executive, Overview and Scrutiny and Committees.
- Second Line - oversight of management activity were separate from those responsible for delivery. Sources of evidence include assurance from senior officers responsible for organisational level policies and procedures including HR, Finance and Legal and a range of reports produced annually or throughout the year which provided assurance from a second line perspective.
- Third line - independent oversight. Sources of evidence from Internal Audit reports, External Audit reports, external and regulatory assessments, or inspections.

COVID-19 had a considerable impact on the delivery of the council's responsibilities and governance arrangements to support them. In line with guidance from CIPFA the council had assessed its response in three areas:

- Adaptations to reflect new ways of working and emergency arrangements.
- Changes to 'business as usual' activities, including cessation or reduced frequency or scale of activities.

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- Longer-term changes to priorities, programmes, strategies and plans because of the impact of the pandemic on the organisation and the local area.

The draft AGS 2020-21 was attached as an appendix. It showed that the council had well-established governance arrangements that were monitored and reviewed on a regular basis. No significant governance issues requiring reporting had been identified apart from the exceptional circumstances of Covid-19.

This conclusion would be updated should any significant issues arise between that date and the completion of the external audit. When the Committee received the audited accounts, it would also receive the final version of the AGS, where it would be asked to recommend to the Leader and the Chief Executive to sign it on the council's behalf.

Resolved - That the draft Annual Governance Statement provided a sufficient level of assurance on the adequacy of the council's governance arrangements to allow the committee to fulfil its role.

634 **ANTI-FRAUD AND CORRUPTION STRATEGY REVIEW** - The Director: Governance and Partnerships submitted the council's updated Anti-Fraud and Corruption Strategy

The committee heard that the anti-fraud and corruption strategy was last updated in January 2018 and was strongly influenced by 'Fighting fraud and corruption locally – The local government counter fraud and corruption strategy 2016-2019'.

In March 2020, this strategy was updated and in doing so had strengthened its emphasis on strong leadership and governance. The bedrock of the strategy was that executive support for the council's anti-fraud activities were clearly demonstrated, setting the tone from the top. The updated Council strategy reflected this emphasis to make it absolutely clear that fraud and corruption would not be tolerated.

Whilst the strategy had been updated, the general themes remained the same. The risk of fraud had not changed, but new opportunities for fraudsters had arisen, such as exploitation of the Covid 19 pandemic. Therefore, it was now as important as ever to ensure that the council's response was as robust as possible to protect public funds, through good governance, awareness of the fraud risks, the ability to prevent and detect fraud and to in taking action against those that seek to defraud us.

The Director then responded to members questions on the Anti-Fraud and Corruption Strategy.

Resolved – (a) That the updated Anti-Fraud and Corruption Strategy be approved, and (b) that the Strategy be signed by the Leader of the Council

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and Chief Executive to endorse the foreword to emphasise the council's zero tolerance to fraud.

- 635 **INTERNAL AUDIT PLAN 2021-22** - The Director: Governance and Partnerships submitted the council's Internal Audit Plan for 2021-22. At its meeting on 9 April 2021, the Committee approved the Internal Audit Plan. Members were informed at that meeting that the section relating to strategic and operational risk / governance was subject to further development so any risks raised through the completion of the Annual Governance Statement could be factored into the Plan. The final detailed Plan was attached to the report as an appendix.

Members discussed the Internal Audit Plan with the Director, who responded to their questions.

Resolved – That the Internal Audit Plan 2021-22 be noted.

- 636 **ANY OTHER ITEMS WHICH THE CHAIRMAN DECIDES ARE URGENT BY REASONS OF SPECIAL CIRCUMSTANCES WHICH MUST BE SPECIFIED**
- There were no urgent items for consideration at the meeting.