

Public Document Pack

NORTH LINCOLNSHIRE COUNCIL

AUDIT COMMITTEE

21 July 2021

Chairman: Councillor Keith Vickers **Venue:** Room F01e,
Conference Room
Room F01e
Church Square House

Time: 9.30 am **E-Mail Address:**
(Member Development matthew.nundy@northlincs.gov.uk
Session)

10:30 am
(Public Meeting)

AGENDA

Member Development Session (not public) (9:30 am)

1. The Role of the Audit Committee and Internal Control

Public Meeting (10:30 am)

2. Substitutions (if any)
3. Declarations of Disclosable Pecuniary Interests and Personal or Personal and Prejudicial Interests (if any).
4. To take the minutes of the meeting held on 8 April 2021 as a correct record and authorise the chairman to sign. (Pages 1 - 4)
5. To note the scheduled dates and times of the Audit Committee as follows:

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.

All meetings are at Church Square House, Scunthorpe.

6. External Audit Progress Report - Report of Mazars (Pages 5 - 18)
7. Audit Committee Annual Report 2020-21 (Pages 19 - 38)
8. Audit Committee Annual Forward Plan (Pages 39 - 46)

9. Treasury Management Mid-Year and Annual Report 2020-21 (Pages 47 - 62)
10. Sickness Absence - Report of the Director: Business Development (Pages 63 - 68)
11. Head of Internal Audit Annual Report and Opinion 2020-21 (Pages 69 - 110)
12. Draft Annual Governance Statement 2020-21 (Pages 111 - 126)
13. Anti-Fraud and Corruption Strategy Review (Pages 127 - 142)
14. Internal Audit Plan 2021-22 (Pages 143 - 158)
15. Any other items which the chairman decides are urgent by reasons of special circumstances which must be specified.

Note: Reports are by the Director: Governance and Partnerships unless otherwise stated.

NORTH LINCOLNSHIRE COUNCIL

AUDIT COMMITTEE

8 April 2021

PRESENT: - Councillor K Vickers in the chair.

Councillors K Vickers (Vice-Chair), P Clark, T Ellerby, T Foster, T Gosling, L Yeadon and T Mitchell

This was a Microsoft Teams Virtual Online meeting.

614 **SUBSTITUTIONS (IF ANY)**

Councillor T Mitchell filled the Conservative vacancy at this meeting.

615 **DECLARATIONS OF DISCLOSABLE PECUNIARY INTERESTS AND PERSONAL OR PERSONAL AND PREJUDICIAL INTERESTS (IF ANY).**

There were no declarations made at this meeting.

616 **TO TAKE THE MINUTES OF THE MEETING HELD ON 27 JANUARY 2021 AS A CORRECT RECORD AND AUTHORISE THE CHAIRMAN TO SIGN.**

Resolved – That the minutes of the proceedings of this committee held on 27 January 2021, having been printed and circulated amongst the members, be taken as read and correctly recorded and signed by the Vice-Chairman.

617 **AUDIT PROGRESS REPORT - MARCH 2021 - REPORT BY MAZARS**

The council's External Auditors Mazars circulated its audit progress report up to 31 March 2021. The report informed the committee of Mazars progress in delivering its responsibilities as the council's External Auditors.

The report also contained a summary of national publications that may be of interest to the committee.

Members discussed the content of the audit progress report with the council's External Auditors.

Resolved – That the audit progress report be noted.

618 **AUDIT STRATEGY MEMORANDUM - YEAR ENDING 31 MARCH 2021 - REPORT BY MAZARS**

The council's External Auditors Mazars circulated its Audit Strategy Memorandum for the year ending 31 March 2021. The purpose of this document was to summarise Mazars audit approach, highlight significant audit risks and areas of key judgements and provide the committee with the details of its audit team.

It was a fundamental requirement that an auditor was, and was seen to be, independent of its clients, section 7 of the document also summarised Mazars considerations and conclusions on its independence as auditors.

AUDIT COMMITTEE
8 April 2021

The report informed the committee of Mazars –

- Engagement and responsibilities
- Audit engagement team
- Audit scope , approach and timeline
- Identified significant risks and other key judgement areas
- Assessment on value for money
- Fees for audit and other services
- Commitment to independence
- Assessment of materiality and other misstatements

Members discussed the content of the memorandum with the council's external Auditors.

Resolved - That the Audit Strategy Memorandum the year ending 31 March 2021 be noted and welcomed.

619 INTERNAL AUDIT PLAN 2021-22

The Director: Governance and Partnerships submitted the council's internal audit plan for 2021-22. Members heard that the Accounts and Audit Regulations 2015 required the council to ensure there were sound systems of internal control and to undertake effective internal audit to evaluate the effectiveness of its risk management, control and governance processes. Internal audit must take into account Public Sector Internal Auditing Standards (PSIAS) and guidance.

The PSIAS required that an Internal Audit Plan was agreed by the Audit Committee annually. The audit plan must be risk-based and take into account the organisation's risk management framework and reflect changes in the organisation's business, risks, operations, programmes, systems and controls. The plan also confirmed the resources available and required to support a reliable year-end audit opinion.

The updated Audit Charter, approved by the Audit Committee in January 2020 defined the internal audit activity's purpose, authority and responsibility and defined the scope of internal audit activities. The Head of Audit and Assurance had drafted an audit plan which was attached to the report as an appendix. It provided the committee with an outline of the audit plan, a commentary on the methodology for its compilation, and assurance on compliance with auditing standards.

The committee was informed that as of 31 March 2021, 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. A final detailed plan would be shared with the Audit Committee later in the year.

The Director and the council's Head of Audit and Assurance then responded to questions on the internal audit plan for 2021-22.

AUDIT COMMITTEE
8 April 2021

Resolved – (a) That following consideration of the report and appendix, and discussion of their content, that the internal audit plan provided adequate assurance in respect of the council’s control environment, and (b) that the internal audit plan for 2021/22 be approved, subject to the finalisation of the section on strategic and operational risk/governance.

620 ANNUAL FRAUD REPORT 2020-21

The Director: Governance and Partnerships submitted the council’s annual fraud report for 2020-21. Members were informed that the council’s framework to combat fraud, corruption and misappropriation was approved by the committee in April 2018.

The strategy and response plan were reviewed regularly. 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’, 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 and the council’s Strategic Lead – Fraud then responded to questions on the annual fraud report.

Resolved - That following consideration of the report and appendix, and discussion of their content, that the annual fraud report provided adequate assurance in respect of the council’s counter fraud arrangements.

621 TREASURY MANAGEMENT PRACTICES 2021-22

The Director: Governance and Partnerships delivered a presentation to the committee on the council’s treasury management practices for 2021-22.

The committee was informed that the Local Government Act 2003 required local authorities to have regard to such guidance as the Secretary of State may by regulations specify. The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2020 specified the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance (The Code) as such guidance.

CIPFA had adopted the following as its definition of treasury management activities “the management of the organisation’s investments, borrowing and cash flows, its banking, money market and capital market transactions; the

AUDIT COMMITTEE
8 April 2021

effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks”.

The high-level objectives of the council’s treasury management activities were set out in the Treasury Management Policy Statement, attached as Appendix 1 to the report.

The Code also required the council to maintain suitable Treasury Management Practices, setting out the manner in which the organisation would seek to achieve its Treasury Management policies and objectives, and prescribing how it would manage and control those activities, which was attached at Appendix 2 to the report.

Following the presentation and discussion on the report, the Director and the council’s Head of Finance and Commissioning responded to questions from committee members.

Resolved – (a) That following consideration of the presentation, report and appendices, and discussion of their content, the Treasury Management Practices provided adequate assurance on the effectiveness of the council’s treasury management arrangements, and (b) that the Treasury Management Practices for the 2021-22 financial year be noted.

622 **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.

Audit progress report

North Lincolnshire Council

Page 5
July 2021



1. Audit progress
2. National publications

Page 6

01

Section 01:
Audit progress

Audit progress

Purpose of this report

This report provides the Audit Committee meeting with an update on progress in delivering our responsibilities as your external auditors and also includes, at Section 2, for your information, a summary of recent reports and publications.

2020/21 audit

We are in the process of completing our value for money risk assessment and there are no issues to report at this stage.

In this quarter we are carrying out our audit work on the 2020/21 financial statements. There are no significant matters to report to you at this stage of the audit.

Changes to the Engagement Team: Louise Stables is your new Audit Manager. Louise is an experienced auditor and has worked on a complex and diverse range of audits. Louise has a current portfolio of local authority and NHS clients. Louise takes over from Nicola Hallas who is about to go on maternity leave. For 20/21 Rob Walker, a highly experienced Senior Manager, will support the supervision and review processes for the year-end audit.

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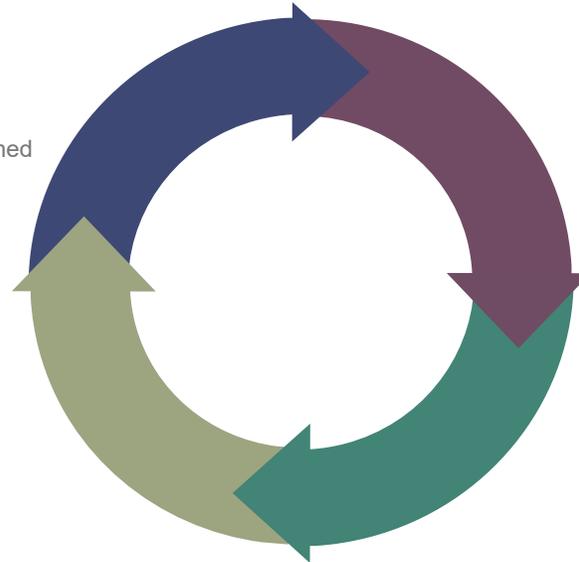
Planning January-March 2021

- Planning visit and developing our understanding of the Council
- Initial opinion and value for money risk assessments
- Considering proposed accounting treatments and accounting policies
- Developing the audit strategy and planning the audit work to be performed
- Agreeing timetable and deadlines
- Preliminary analytical review

Completion September 2021*

- Final review and disclosure checklist of financial statements
- Final partner review
- Agreeing content of letter of representation
- Reporting to the Audit Committee
- Reviewing subsequent events
- Signing the auditor's report

* subject to receipt of Pension Fund auditor assurance



Interim March-April 2021

- Documenting systems and controls
- Performing walkthroughs
- Interim controls testing including tests of IT general controls
- Early substantive testing of transactions
- Reassessment of audit plan and revision if necessary

Fieldwork July-September 2021*

- Receiving and reviewing draft financial statements
- Reassessment of audit plan and revision if necessary
- Executing the strategy starting with significant risks and high risk areas
- Communicating progress and issues
- Clearance meeting

* as per comments to the left

02

Section 02:

National publications

National publications

	Publication/update	Key points
Chartered Institute of Public Finance and Accountability (CIPFA)		
1.	Capital Strategy Guidance: A Whole Organisation Approach	Publication aims to support continuous improvement and includes a checklist.
2.	Successful Collaborations in the Public Services: the role of internal audit	Guide for internal auditors reviewing 'collaborations', but also of use to a wider audience given increased joint working.
Ministry of Housing, Communities and Local Government (MHCLG)		
3.	Update to audit review response	New powers for Audit, Reporting and Governance Authority on local government audit. Public Sector Audit Appointments is reconfirmed as appointing body for audit procurement and contract management.
4.	Methodology for allocating £15 million to local bodies and review of Appointing Person regulations	Consultations were held on allocation of the funds.
5.	MHCLG - Local authority financial reporting and external audit: Spring update, 19 May 2021	A new regulator, the Audit, Reporting and Governance Authority (ARGA), to replace the FRC, preferred system leader. Public Sector Audit Appointments (PSAA) role to continue into next national procurement.
National Audit Office (NAO)		
6	Initial learning from the government's response to the COVID-19 pandemic	Latest NAO report on learning from the government response to the pandemic.
7.	Framework to review programmes update	Framework for reviewing major programmes, along with examples of what 'good' looks like.

NATIONAL PUBLICATIONS

CIPFA

1. Capital Strategy Guidance: A Whole Organisation Approach, May 2021

This guidance focuses on a whole organisation approach to prudent, sustainable and resilient local government investment.

The development of capital strategies has been challenging and difficult to implement fully and it is clear from the examples examined that there is still room for improvement for all local government organisations. The intention of this capital strategy guidance is to learn from what has been achieved to date and to support local government organisations with continuous improvement and refresh. CIPFA has identified areas for improvement that may help in the form of a checklist.

This guidance has been brought to life by including points to consider and extracts from capital strategies reported in 2020, although CIPFA recognises that most were published prior to the more serious impact of COVID-19.

<https://www.cipfa.org/policy-and-guidance/publications/c/capital-strategy-guidance-a-whole-organisation-approach>

2. Successful Collaborations in the Public Services: the role of internal audit, May 2021

The guide considers key concerns for internal auditors as they become involved in collaborative arrangements including the need for a 'singular' entity; how they can safeguard their independence and how assurance can be co-ordinated across providers. The guide also sets out issues for the internal auditor to review at each stage of the collaborative process to help inform audit scope. The publication covers the following:

- collaborative arrangements – the role of the internal auditor: benefits and barriers;
- pressures to collaborate and emerging models;
- stages of collaboration and the role of the internal auditor at each stage; and
- working with other assurance providers and internal auditors.

The guide draws on the good governance principles set out in the *International Framework: Good Governance in the Public Sector* (CIPFA/IFAC, 2014) throughout. It will assist internal auditors to perform effectively in their roles in relation to collaborations and add value for their entities. It will also be useful for others providing assurance on, or looking to establish, collaborative arrangements, including audit committees, external auditors and chief financial officers. It will also assist those, such as members of the wider governing body, wishing to gain a greater understanding of how internal auditors can assist public service entities in achieving the objectives of collaborative ventures.

<https://www.cipfa.org/policy-and-guidance/publications/s/successful-collaborations-in-the-public-services-the-role-of-internal-audit>

NATIONAL PUBLICATIONS

MHCLG

3. MHCLG – update to audit review response, May 2021

Further measures to help ensure taxpayers get value for money by improving the effectiveness and transparency of local government audit, were announced by the government.

The Audit, Reporting and Governance Authority (ARGA) – the new regulator being established to replace the Financial Reporting Council (FRC) – will be strengthened with new powers over local government audit, protecting public funds and ensuring councils are best serving taxpayers. The new regulator, which will contain a standalone local audit unit, will bring all regulatory functions into one place, to better coordinate a new, simplified local audit framework.

ARGA will continue to act as regulator and carry out audit quality reviews as the FRC does now. It will now also provide annual reports on the state of local audit and take over responsibility for the updated Code of Local Audit Practice – the guidelines councils are required to follow.

The government has confirmed that the Public Sector Audit Appointments (PSAA) will continue as the appointing body for local audit, in charge of procurement and contract management for local government auditors.

<https://www.gov.uk/government/news/government-publishes-update-to-audit-review-response>

4. MHCLG - Methodology for allocating £15 million to local bodies and review of Appointing Person regulations, 20 April 2021

The Ministry of Housing, Communities & Local Government (MHCLG) announced as part of its response to the Redmond Review, that it would provide £15 million in additional funding in 2021/22 towards external audit fees and the development of the proposed new standardised statement of service information and costs. The department carried out a short, four-week consultation, seeking views on the methodology for allocating these funds to local bodies.

<https://www.gov.uk/government/consultations/consultation-on-allocation-of-15-million-to-local-bodies-for-audit/redmond-review-response-changes-to-the-audit-fees-methodology-for-allocating-15-million-to-local-bodies>

Running alongside this, the department carried out a separate six-week consultation on the implementation of changes to the fee setting process for principal bodies set out in the Local Audit (Appointing Person) Regulations 2015. The consultation primarily was seeking views on amending the timescale for setting fee scales, enabling the appointing person to consult on and approve a standardised additional fee, and for such payments to be made in year rather than at the completion of the audit.

<https://www.gov.uk/government/consultations/amendments-to-local-audit-fee-setting-arrangements>

NATIONAL PUBLICATIONS

MHCLG

5. MHCLG - Local authority financial reporting and external audit: Spring update, 19 May 2021

In December 2020, MHCLG delivered its response to the Redmond Review. This report details the actions already taken to implement the Redmond Review recommendations, and also sets out the government's thinking on the recommendations relating to systems leadership.

In March 2021 the government published a White Paper setting out its plans to reform corporate audit, reporting and governance. The White Paper set out details of how the government proposes to establish a new regulator, the Audit, Reporting and Governance Authority (ARGA), to replace the FRC. It also set out government plans to create a new audit profession that is distinct from the accountancy profession, and to encourage competition in the market for audit of large listed companies. We have looked at options for local audit in the context of these wider reforms.

In this context, it is our view that ARGA, the new regulator being established to replace the FRC, would be best placed to take on the local audit system leader role.

The Department welcomes the changes made in the latest Code of Audit Practice in relation to VFM reporting. Until recently, the Code required auditors to give a binary opinion on whether the proper arrangements were in place. However, this was revised in the recent update to the Code, which now requires auditors to provide a narrative statement on the arrangements in place. The department welcomes this change, as it is our view that the binary value for money judgement required under the previous Code did not provide sufficient information for taxpayers or local bodies, particularly in a context where the complexity and commercialisation of local authority finances has increased. The new value for money requirements in the updated Code including a new commentary on governance, arrangements for achieving financial sustainability, and improving economy, efficiency and effectiveness - should help to address this.

MHCLG has confirmed that PSAA is the organisation best placed to act as the appointing body, including overseeing the next procurement of audit contracts. There is a balance to be struck between cost and quality. Historically, there were concerns that fees were too high and it was right that real savings were delivered for the taxpayer following the abolition of the Audit Commission. However, the context has changed since 2014, including the structure of the market, plus new obligations and the complexity of the work. It is striking that local audit scale fees reduced by 40% between 2014/15 and 2018/19, while central government and FTSE100 fees have increased by 20%. We have been working closely with PSAA in recent months to develop our plans for allowing greater flexibility to reflect additional costs in audit fees, and are allocating £15m to local bodies to help with this and the additional requirements associated with implementing Redmond's recommendations.

<https://www.gov.uk/government/publications/local-authority-financial-reporting-and-external-audit-spring-update/local-authority-financial-reporting-and-external-audit-spring-update>

NATIONAL PUBLICATIONS

National Audit Office

6. NAO Report – Initial learning from the government’s response to the COVID-19 pandemic, May 2021

The NAO has recently published its *Initial learning from the government’s response to the COVID-19 pandemic* report, which is part of a programme of work the NAO is undertaking to support Parliament in its scrutiny of government’s response to COVID-19. The report finds that the COVID-19 pandemic has stress-tested the government’s ability to deal with unforeseen events and potential shocks. Government has often acted at unprecedented speed to respond to a virus which has caused dramatic disruption to people’s lives, public service provision and society as a whole. Government had to continue to deliver essential public services, while reprioritising resources to deliver its response to the COVID-19 pandemic and supporting staff to work from home. In its response, Government has had to streamline decision-making, work across departments and public bodies and use a range of delivery structures.

Departments will need to reflect on the lessons learned to ensure that they capitalise on the benefits and opportunities these new ways of working have brought.

This report draws out learning from the reports that the NAO has published to date, as well as other work it has published that covered the COVID-19 pandemic. It sets out this learning across six themes, with a summary shown below:

Risk management

- Identifying the wide-ranging consequences of major emergencies and developing playbooks for the most significant impacts.
- Being clear about risk appetite and risk tolerance as the basis for choosing which trade-offs should be made in emergencies.

Transparency and public trust

- Being clear and transparent about what government is trying to achieve, so that it can assess whether it is making a difference.
- Meeting transparency requirements and providing clear documentation to support decision-making, with transparency being used as a control when other measures, such as competition, are not in place.
- Producing clear and timely communications.

NATIONAL PUBLICATIONS

National Audit Office

6. NAO Report – Initial learning from the government’s response to the COVID-19 pandemic, May 2021 (continued)

Data and evidence

- Improving the accuracy, completeness and interoperability of key datasets and sharing them promptly across delivery chains.
- Monitoring how programmes are operating, forecasting changes in demand as far as possible, and tackling issues arising from rapid implementation or changes in demand.
- Gathering information from end-users and front-line staff more systematically to test the effectiveness of programmes and undertake corrective action when required.

Coordination and delivery models

- Ensuring that there is effective coordination and communication between government departments, central and local government, and private and public sector bodies.
- Clarifying responsibilities for decision-making, implementation and governance, especially where delivery chains are complex and involve multiple actors.
- Integrating health and social care and placing social care on an equal footing with the NHS.
- Balancing the relative merits of central, universal offers of support against targeted local support.

Supporting and protecting people

- Understanding to what extent the pandemic and government’s response have widened inequalities, and taking action where they have.
- Providing appropriate support to front-line and other key workers to cope with the physical, mental and emotional demands of responding to the pandemic.

Financial and workforce pressures

The NAO will continue to draw out learning from the government’s response to the pandemic in its future work.

<https://www.nao.org.uk/wp-content/uploads/2021/05/Initial-learning-from-the-governments-response-to-the-COVID-19-pandemic.pdf>

NATIONAL PUBLICATIONS

National Audit Office

6. NAO Report – Initial learning from the government’s response to the COVID-19 pandemic, May 2021 (continued)

Financial and workforce pressures

- Placing the NHS and local government on a sustainable footing, to improve their ability to respond to future emergencies.
- Ensuring that existing systems can respond effectively and flexibly to emergencies, including provision for spare or additional capacity and redeploying staff where needed.
- Considering which COVID-19-related spending commitments are likely to be retained for the long term, and what these additional spending commitments mean for long-term financial sustainability.

The NAO will continue to draw out learning from the government’s response to the pandemic in its future work.

<https://www.nao.org.uk/wp-content/uploads/2021/05/Initial-learning-from-the-governments-response-to-the-COVID-19-pandemic.pdf>

7. NAO report - Framework to review programmes update April 2021

This NAO publication sets out updated questions to assess how well programmes are delivered and to highlight the risks a programme faces. Although designed for an audit approach, project professionals and those reviewing programmes may find these questions useful to challenge themselves about how well a programme is being delivered.

The framework comprises 18 key questions grouped into the four elements the NAO considers when it audits programmes:

- Purpose: need for programme, portfolio management and dependencies, stakeholder engagement.
- Value: options appraisal, business case, costs and duration, benefits.
- Set-up: governance and assurance, leadership and culture, delivery resources, putting the programme into practice, risk management
- Delivery and variation management: delivery strategy, change control, responding to external change, performance management, lessons learned, transition to business as usual.

<https://www.nao.org.uk/report/framework-to-review-programmes-update-april-2021/>

Contact

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Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

*where permitted under applicable country laws.

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Report of the Director:
Governance and Partnerships

Meeting: 21 July 2021

NORTH LINCOLNSHIRE COUNCIL

AUDIT COMMITTEE

AUDIT COMMITTEE ANNUAL REPORT 2020-21

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 2020-21.
- 1.2 Key points in the report are:
 - 1.2.1 The Annual Report of the Audit and Committee is designed to inform Full Council of the Committee's activities during the Council year (May 2020 – to April 2021), 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 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:
 - Invite a wider range of Directors and Heads of Service to obtain assurance as to how they manage risks and internal control in their areas of responsibility.
 - Invite managers with adverse internal audit reports to meet with the Committee to receive assurance on how they are dealing with the issues identified.

- In the new municipal year have a session with members to allow them to assess their core knowledge and skills.

3. OPTIONS FOR CONSIDERATION

- 3.1 In line with good practice that the Audit Committee receive the report and agree its presentation to Full Council.
- 3.2 The Audit Committee does not produce an annual report and present it to Full Council.

4. ANALYSIS OF OPTIONS

- 4.1 Although not mandatory an annual report is considered good practice as it promotes the role and work of the Audit Committee to the rest of the Council, provides assurance on its effectiveness, 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 Not producing and promoting an annual report would make it more difficult for the Audit Committee to demonstrate how it carries out its roles and responsibilities.

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 The Audit Committee provides a key role in receiving assurance on how potential risks to good governance and an effective control environment are being managed, as well as assurance on the design and operation of the Council's overall risk management arrangements. The annual report demonstrates that the Committee receives the required level of assurance regarding the management of these risks.

7. OUTCOMES OF INTEGRATED IMPACT ASSESSMENT (IF APPLICABLE)

- 7.1 Due to the content of the Annual Report an integrated risk assessment is not required.

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

8.1 Not applicable

9. **RECOMMENDATIONS**

9.1 That the Audit Committee approve the Annual Report and approve it being received by Full Council in October 2021.

DIRECTOR: GOVERNANCE AND PARTNERSHIPS

Civic Centre/
Church Square House
SCUNTHORPE
North Lincolnshire

Author: Peter Hanmer, Head of Audit and Assurance

Date: 6 July 2021

Background Papers used in the preparation of this report –

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

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North Lincolnshire Council
Audit Committee Annual Report
2020/2021

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 continued to provide 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 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 providing assurance on the use of public funds and the findings of the 'Redmond Review'. We also spent time undertaking a self-assessment of our effectiveness to ensure we operate to the required standards. Linked to our self-assessment we took the time to observe Audit Committees of other councils to consider to inform our continuous development.

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 2021/22 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
Chair 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 A. 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 2020 to April 2021), 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. Six meetings were held, including an additional meeting in May 2020 to keep Members informed of how the Council was responding to the potential impact of COVID-19 on governance and internal control arrangements. All meetings were held virtually as a result of the pandemic.

During the year, the Committee had seven members, plus substitutes where appropriate. Taking account of substitutes there was full attendance at each meeting.

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 2020/21, the following development sessions were held.

- North Lincolnshire Council Accounts (9 September 2020) – How to provide Assurance on the Use of Public Money.
- Audit Committee Self-Assessment (8 April 2021).
- Briefing on 'the Redmond Review', including the response from the Ministry of Housing, Communities and Local Government (8 April 2021).

In addition, as a result of the pandemic, all committee members took the opportunity to observe neighbouring council's Audit Committee meetings that were being streamed via the world wide web. This allowed the committee to observe and compare and contrast the council's Audit Committee with that of its neighbours. On 8 April 2021, members discussed at length their observations of the meetings, sharing best practice and suggesting ways to enhance the council's committee.

The Vice-Chairman also attended a virtual Chartered Institute of Public Finance and Accountancy webinar on "the role of the Audit Committee" (8 September 2020).

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

The Committee has discharged its responsibilities in 2020/21 and added value as shown below.

The statement of accounts

- The committee was updated on the changes to the Accounts process for the 2019-20 Accounts due to the Coronavirus emergency (May 2020)
- Approved the Statement of accounts 2019-20 and received the external auditor report (November 2020)
- Approved Accounting policies 2020-21 (January 2021)

Governance

- The committee was informed 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 to the guidance on the content of the AGS, which required an assessment on the impact of Covid-19 on effectiveness of the council's governance and internal control arrangements (May 2020)
- Approved the draft Annual Governance Statement 2019-20 and recommended formal adoption by the Council (July 2020)
- Approved the final Annual Governance Statement 2019-20 and recommended formal adoption by the Council (November 2020)
- Approved the updated Code of governance (January 2021)

External audit

- Received the External Audit Strategy Memorandum 2019-2020- the document summarised the external audit approach, highlighting significant audit risks and areas of key judgements relating to the audit of the 2019-20 statements of accounts (July 2020)
- Received the Annual Audit Letter (January 2021)
- Received the External Audit Strategy Memorandum 2020-2021- the document summarised the external audit approach, highlighting significant audit risks and areas of key judgements relating to the audit of the 2020-21 statements of accounts. It included assurances of the independence of external audit (January 2021)

Internal audit

- The committee was updated 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. (May 2020)

- Received the Internal Audit Annual Report and Opinion 2019-20 - received assurances that sufficient work had been carried out to form an opinion on the council's control environment and on Internal Audit's quality assurance processes (July 2020)
- Approved the Internal Audit Plan 2020-21- received assurance that the Internal Audit Plan had been produced on a proper basis and would provide sufficient assurance to form a reliable opinion on the Council's control environment (July 2020)
- Received Internal Audit Interim report (January 2021) - update on the delivery of the audit plan, amendments to the audit plan and any material issues identified by audit (January 2021)
- Approved the Internal Audit Plan 2020-21- received assurance that the Internal Audit Plan had been produced on a proper basis and would provide sufficient assurance to form a reliable opinion on the Council's control environment (April 2021)

Counter Fraud

- Received the Annual Fraud Report 2019-20 deferred from April 2020- the report demonstrated to the public, councillors, staff and partners the progress made during 2019/20 in developing an anti-fraud culture (May 2020)
- Received Counter Fraud Update Report- concluded that the counter fraud work programme provided a sufficient level of assurance on the adequacy of the council's counter fraud arrangements (November 2020)
- Received the Annual Fraud Report 2020-21 - received assurance on the Council's counter fraud activities, including the arrangements in relation to business grants (April 2021)

Risk Management

- Received Risk Management Update Report - informed members of the key issues arising from risk management work and provided a comprehensive update of the initiatives and developments that were in place to manage risk. (May 2020)
- Approved the Risk and Opportunities Protocol (January 2021)
- Received Risk Management Update Report- provided an update on risk management activities including the strategic risk register (January 2021)

Treasury Management

- Received the Treasury management Annual Report 2019-20 (September 2020)

- Approved the updated Treasury Management Practices and the Treasury Management Strategy 2021-22 (April 2021)

Other sources of assurance received by the committee.

- COVID-19 Assurance- received assurance on the governance and internal mechanisms in place in respect of the council's response to the COVID-19 pandemic (May 2020)
- Received the Information Governance and ICT Security Annual Report – received assurance on the Council's information security policies (July 2020)
- Received Attendance Management Report- 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. (July 2020)
- Approved the Partnership protocol and joint working framework and guidance (July 2020)
- Received a presentation from the Director of Governance and Partnerships on the Council's Value for Money arrangements (September 2020)

4. AUDIT COMMITTEE SELF-ASSESSMENT

Following the Audit Committee meeting on 8 April 2021 Members updated its self-assessment based on a 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. The outcome of this is shown in this report (Annex C). It confirmed that the Audit Committee continued to operate in line with expected practice and was provided with good support from officers. It did identify three areas for further development:

- Invite a wider range of Directors and Heads of Service to obtain assurance as to how they manage risks and internal control in their areas of responsibility.
- Invite managers with adverse internal audit reports to meet with the Committee to receive assurance on how they are dealing with the issues identified.
- In the new municipal year have a session with members to allow them to assess their core knowledge and skills.

In addition to the self-assessment Committee Members took advantage of "virtual" meetings open to the public to observe how Audit Committee meetings were conducted at neighbouring authorities and identify any notable practice that could be adopted by the North Lincolnshire Audit Committee.

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.
- (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 2020/21

Member	20 May 2020	15 July 2020	16 Sep 2020	23 Nov 2020	27 Jan 2021	8 April 2021	Total (6)
P Clark	✓	✓	✓	✓	✓	✓	6
T Ellerby	✓	✓	✓	✓	✓	✓	6
T Foster	✓	✓	✓	✓	✓	✓	6
T Gosling	✓	✓	✓		✓	✓	5
K Vickers (vice Chair)	✓	✓	✓	✓	✓	✓	6
L Yeadon	✓	✓	✓	✓	✓	✓	6
Chair (vacant)							
D Wells		Sub Con	Sub Con	Sub Con	Sub Con		4
T Mitchell	Sub Con					Sub Con	2
M Kirk	1.37 (b)						1
A Davison				Sub Lab			1

Annex C: Audit Committee Self-Assessment April 2021

	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- via the annual report		
Functions of the committee			
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	Y		

<ul style="list-style-type: none"> ” internal audit ” external audit ” financial reporting ” risk management ” value for money or best value ” counter fraud and corruption ” supporting the ethical framework 			
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?	Y		
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?	Y- e.g receives reports in relation to treasury management, although did not receive required mid-year report in 2020/21		
10 Where coverage of core areas has been found to be limited, are plans in place to address this?	N/A - the committee now receives updates on partnership governance and value for money following previous review		
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?	Y		

Membership and Support			
<p>12 Has an effective audit committee structure and composition of the committee been selected?</p> <p>This should include:</p> <ul style="list-style-type: none"> „ separation from the executive „ an appropriate mix of knowledge and skills among the membership „ a size of committee that is not unwieldy „ „ consideration has been given to the inclusion of at least one independent member 	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, but will be kept under review following the recommendations of the Redmond Report		
<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)		

16 Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?			N- in the new municipal year will look to have a session with members on core knowledge and skills
17 Does the committee have good working relations with key people and organisations, including external audit, internal audit and the CFO?	Y		
18 Is adequate secretariat and administrative support to the committee provided?	Y		
Effectiveness of the committee			
19 Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?		Y	
20 Are meetings effective with a good level of discussion and engagement from all the members?	Y		
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- identified as scope for further development	

22 Does the committee make recommendations for the improvement of governance, risk and control and are these acted on?			N/A – the committee have not identified any gaps on which to make improvement recommendations. If gaps were identified they would make the necessary recommendations.
23 Has the committee evaluated whether and how it is adding value to the organisation?	Y- annual self-evaluation		
24 Does the committee have an action plan to improve any areas of weakness?	Y- an action plan to be incorporated into the annual report relating to issues identified as part of the self-assessment		
25 Does the committee publish an annual report to account for its performance and explain its work?	Y		

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NORTH LINCOLNSHIRE COUNCIL

AUDIT COMMITTEE

AUDIT COMMITTEE ANNUAL FORWARD PLAN

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 The report sets out the annual forward plan for the business of the Audit Committee for agreement.
- 1.2 The forward plan is based upon the Audit Committee Terms of Reference and aims to identify reporting against the key responsibilities of the Committee.
- 1.3 The forward plan is a guide and the scheduling of reports may change during the year and additional items added.

2. BACKGROUND INFORMATION

- 2.1 The Audit committees is a key component of the Council's corporate governance arrangement. They provide 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.
- 2.2 The Audit Committee Terms of Reference is based upon the Chartered Institute of Public Finance and Accountancy (CIPFA) publication 'Audit Committees: Practical Guidance for Local Authorities and Police (2018 edition)'.
- 2.3 The forward plan is intended to be a reference point used at each meeting to ensure that each agenda item provide the necessary assurance to enable the Committee to fulfil their responsibilities effectively.
- 2.4 To support Audit Committee Members in carrying out their responsibilities, training will be provided to them during the year in the following areas:
 - Member induction (July)
 - Accounts (September)
 - Fraud and risk (November)
 - Treasury management (January)

3. OPTIONS FOR CONSIDERATION

3.1 To agree the forward plan for the municipal year 2021/22.

4. ANALYSIS OF OPTIONS

4.1 The forward plan is based upon the Terms of Reference for the Audit Committee.

4.2 Members may wish to request additional items to be included based upon the different aspects of assurance required.

4.3 Additional items for consideration may be added throughout the year as deemed necessary by the Director.

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

5.1 There are no additional resource implications associated with this report.

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

6.1 The scope of the Audit Committees work provides an opportunity for members to be assured that the council operates within all relevant legal frameworks to achieve its strategic priorities and outcomes.

7. OUTCOMES OF INTEGRATED IMPACT ASSESSMENT (IF APPLICABLE)

7.1 An Integrated Impact Assessment is not required for this report.

8. OUTCOMES OF CONSULTATION AND CONFLICTS OF INTERESTS DECLARED

8.1 No identified conflicts of interest. The forward plan is based upon best practice guidance and feedback from previous meetings of the committee.

9. RECOMMENDATIONS

9.1 That Audit Committee agree the forward plan and sets the schedule of work for the municipal year 2021/22.

- 9.2 The forward plan is intended to be a live document and additional items may be added throughout the year as advised by the Director Governance and Partnerships.

DIRECTOR: GOVERNANCE AND PARTNERSHIPS

Church Square House
SCUNTHORPE
North Lincolnshire
DN15 6NL
Author: Becky McIntyre
Date: 26 June 2021

Background Papers used in the preparation of this report –

Audit Committee Terms of Reference
CIPFA Audit Committees: Practical Guidance for Local Authorities and Police (2018 Edition)

Terms of Reference Scope of Activity	Meeting 1 21 July 2021	Meeting 2 22 September 2021	Meeting 3 24 November 2021	Meeting 4 26 January 2022	Meeting 5 23 March 2022
Internal and External Audit					
To approve the internal audit charter and audit plan					√
To consider the head of internal audit's annual report and opinion.	√ (2020/21 final)	√		√ (2021/22 interim)	
To consider significant issues arising from internal audit reviews carried out and high risk agreed actions not implemented within a reasonable timescale	Reporting based upon HIA identifying significant issues				
To consider the external auditor's annual letter, relevant reports, and the auditors ISA 260 report on the conclusion of the accounts		√			
To consider specific reports as agreed with the external auditor	Reporting based upon External Audit identifying significant issues				
To comment on the scope and depth of external audit work and to ensure it gives value for money	Via regular update report from External Audit in accordance with the audit plan timescales.				
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)		Consider whether to sign-up to the PSAA scheme for the procurement of external audit			

Terms of Reference Scope of Activity	Meeting 1 21 July 2021	Meeting 2 22 September 2021	Meeting 3 24 November 2021	Meeting 4 26 January 2022	Meeting 5 23 March 2022
Regulatory Framework					
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	Throughout the year there will be reports and presentations that cover aspects of these 3 responsibilities, including Information Governance and Security annual update (September); HR policy update (September), Procurement update (November), Financial Management (January) and Director updates.				
To consider the council's compliance with its own and other published standards and controls.					
To consider the council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.					
Consider the effectiveness of the authority's risk management arrangements.		√			√
To consider the effectiveness of the Council's anti-fraud and corruption arrangements	Strategy approval		Interim Report		Annual report

Terms of Reference Scope of Activity	Meeting 1 21 July 2021	Meeting 2 22 September 2021	Meeting 3 24 November 2021	Meeting 4 26 January 2022	Meeting 5 23 March 2022
To review the assessment of fraud risks and potential harm to the council from fraud and corruption	Strategy Approval		Interim Report		Interim Report
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	√ (Draft)	√ (Final)			
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				√	
Reviewing and monitoring treasury management arrangements in accordance with the CIPFA Treasury Management Code of Practice	√ (annual report 2020/21)		√ (mid year report 2021/22))	√ strategy and treasury management practices)	

Terms of Reference Scope of Activity	Meeting 1 21 July 2021	Meeting 2 22 September 2021	Meeting 3 24 November 2021	Meeting 4 26 January 2022	Meeting 5 23 March 2022
To review the governance and assurance arrangements for significant partnerships or collaboration			√		
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	√ (annual report 2020/21)			√	√ (self assessment)
Financial Reporting					
To approve the accounting policies to be used to prepare the accounts				√	
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.		√			
To consider the auditors ISA 260 report on the conclusion of the accounts		√			

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NORTH LINCOLNSHIRE COUNCIL

AUDIT COMMITTEE

TREASURY MANAGEMENT MID YEAR AND ANNUAL REPORT 2020/21

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1. To inform Audit Committee of the Council's Treasury arrangements, activity and performance during 2020-21. The key points being:-
 - 1.1.1. The level of borrowing was within Prudential Indicator Limits and the Council was able to maintain its policy of avoiding new borrowing.
 - 1.1.2. Investment returns dropped to near zero due to the impact of the Covid 19 pandemic. The Council has taken a cautious approach to investing.

2. BACKGROUND INFORMATION

- 2.1 CIPFA has 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”

- 2.2 The Treasury Management Strategy Statement (TMSS) for 2020/21 was approved by Council in February 2020. This statement also incorporates the Investment Strategy.
- 2.3 Whilst the Council has advisors to support effective treasury management arrangements, the Council is ultimately responsible for its treasury decisions and activity. No treasury activity is without risk. The successful identification, monitoring and control of risk is therefore an important and integral element of treasury management arrangements.
- 2.4 The Council has nominated the Audit Committee to be responsible for ensuring effective scrutiny of treasury management arrangements.

3. OPTIONS FOR CONSIDERATION

- 3.1 The Mid-Year and Annual Treasury Management Review is at Appendix 1. The key issues include: -
- 3.2 Investments – The Treasury Management Strategy (TMS) for 2020/21 assumed that interest rates would continue at the start of the year at 0.75% rising to 1.25% by 2022/23. As a result of the Covid 19 pandemic, bank rates were cut back to 0.25% and then 0.10% to counteract the impact of the national lockdown on the economy.
- 3.3 Borrowing Requirement – The TMS expected that new borrowing would be required to finance new capital expenditure, replace maturing debt and the rundown of reserves. However, the Council has continued to maintain a position where its need to borrow to finance its capital programme (Capital Financing Requirement (CFR)) was not fully funded by loan debt; cash supporting the Councils reserves, balances and cash flow was used as an interim measure.
- 3.4 Repayment of Debt – During 2020/21 the Council repaid £51.6m at scheduled payment dates.
- 3.5 The cost of servicing the council's debt was £10.9m or 9.39% of the council's net revenue stream. This remained below the 10%-12% range which is seen as the maximum affordable level.
- 3.6 Investment Outturn – The Council maintained an average balance of £49.9m of internally managed funds with an average rate of return of 0.03%.
- 3.7 Borrowing Outturn – A loan of £9m was drawn for cash flow purposes to fund advanced pension contributions resulting in a net saving of £0.283m
- 3.8 No loans were drawn in advance of need and no debt rescheduling was carried out.
- 3.9 Investment income was £13k compared to a budget of £75k.

4. ANALYSIS OF OPTIONS

- 4.1 The investment activity during the year conformed to the approved strategy and the Council had no liquidity issues.
- 4.2 The borrowing requirement strategy was prudent as investment returns were very low and this minimised counterparty risk on placing investments.
- 4.3 The level of debt was within the operational boundary and authorised limits set in the Treasury Management Strategy.
- 4.4 This report is a requirement of the Prudential Code and provides the Audit

Committee with assurance on the council's Treasury Management operation in 2020/21.

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

5.1 The financial implications to this report are covered in section 3.

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

6.1 Not applicable.

7. OUTCOMES OF INTEGRATED IMPACT ASSESSMENT (IF APPLICABLE)

7.1 No impact assessment is required for the purpose of this report.

8. OUTCOMES OF CONSULTATION AND CONFLICTS OF INTERESTS DECLARED

8.1 Not applicable.

9. RECOMMENDATIONS

9.1 That Audit Committee considers the assurance provided by this report on the effectiveness of arrangements for treasury management, and:

9.2 That Audit Committee notes the Treasury Management performance for the 2020/21 financial year.

DIRECTOR: GOVERNANCE AND PARTNERSHIPS

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House High Street
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North Lincolnshire
DN15 6NL

Author: Tracy Elliott
Date: 12th July 2021

Background Papers used in the preparation of this report
CIPFA Treasury Management Code and Guidance Notes
Treasury Management Strategy 2020-21

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SAFE WELL PROSPEROUS CONNECTED

Mid-Year & Annual Treasury Management Review 2020/21

1. Introduction

The Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2020/21. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management, (the Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code).

During 2020/21 the minimum reporting requirements were as follows.

- an annual treasury strategy in advance of the year (Council)
- a mid-year (minimum) treasury update report (Audit Committee)
- an annual review following the end of the year describing the activity compared to the strategy (this report)

The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is, therefore, important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by members.

2. The Council's Capital Expenditure and Financing

The Council undertakes capital expenditure on long-term assets. These activities are financed by a combination of :

- capital resources being capital receipts, capital grants and revenue contributions,
- cash resources (internal borrowing)
- borrowing (external borrowing)

The actual capital expenditure is one of the required prudential indicators. The table below shows the actual capital expenditure and how this was financed.

£m	31.3.20 Actual	30.9.20 Actual	31.3.21 Actual
Capital expenditure	32.15	9.97	28.14
Financed from Capital Resources	17.55	N/A	19.19
Financed from Cash Resources	14.60	N/A	8.95

3. The Council's Overall Borrowing Need

Gross borrowing and the Capital Financing Requirement (CFR) - in order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (2020/21) plus the estimates of any additional capital financing requirement for the current (2021/22) and next two financial years.

This essentially means that the Council is not borrowing to support revenue expenditure. This indicator allowed the Council some flexibility to borrow in advance of its immediate capital needs in 2020/21. The table below highlights the Council's gross borrowing position against the CFR. The Council has complied with this prudential indicator.

£m	31.3.20 Actual	30.09.20 Actual	31.3.21 Actual
Capital Financing Requirement (CFR)	244.33	242.39	248.27
Gross borrowing position	203.84	172.52	161.25
Under / over funding of CFR	(40.49)	(69.87)	(87.02)

The authorised limit - the authorised limit is the “affordable borrowing limit” required by s3 of the Local Government Act 2003. Once this has been set, the Council does not have the power to borrow above this level. The table below demonstrates that during 2020/21 the Council has maintained gross borrowing within its authorised limit.

The operational boundary – the operational boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary are acceptable subject to the authorised limit not being breached.

Actual financing costs as a proportion of net revenue stream - this indicator identifies the trend in the cost of capital, (borrowing and other long term obligation costs net of investment income), against the net revenue stream.

	2020/21
Authorised limit	£309.55m
Maximum gross borrowing position during the year	£203.91m
Operational boundary	£271.55m
Average gross borrowing position	£178.625m
Financing costs as a proportion of net revenue stream	6.65%

4. Treasury Position & Prudential Indicators as of 30th September 2020 and 31st March 2021

4.1 Treasury Position

At the beginning, mid and at the end of 2020/21, the Council's treasury position was as follows:

Mid-Year

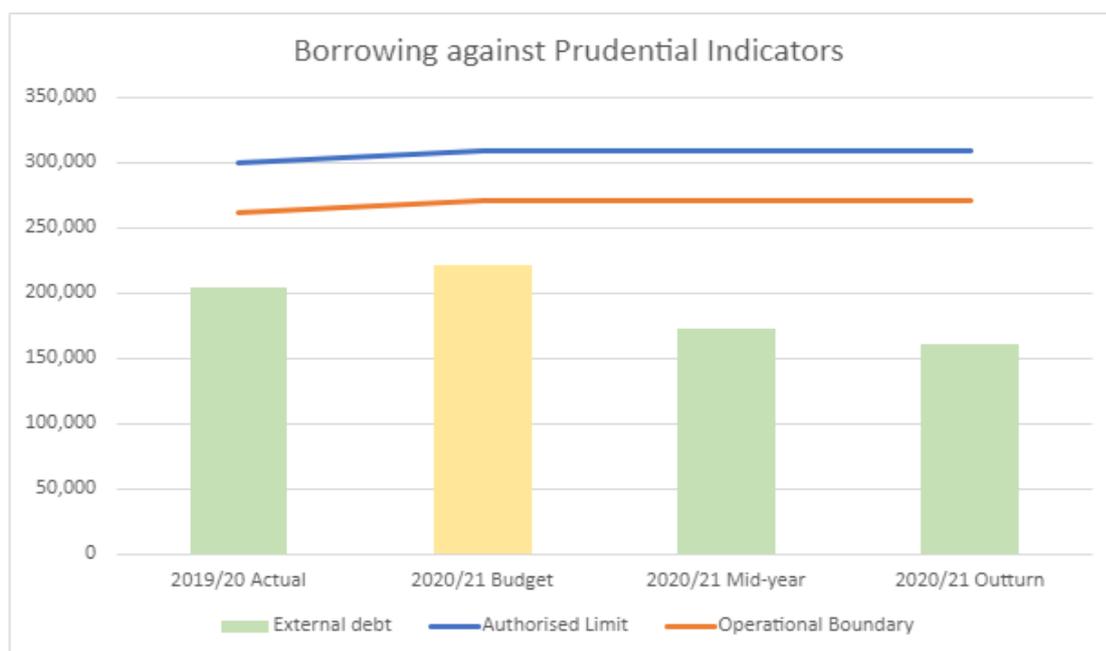
DEBT PORTFOLIO	31.3.20 Principal	Rate/ Return	Average Life yrs	30.9.20 Principal	Rate/ Return	Average Life yrs
Fixed rate funding:	£m			£m		
PWLB	156.84	3.79%	10.85	154.52	3.81%	11.00
Market	47.00	1.14%	0.32	18.00	1.43%	0.70
Total debt	203.84	3.18%	9.05	172.52	3.54%	10.12
CFR	244.33			242.39		
Over / (under) borrowing	-40.49			-69.87		
Total investments	35.27	0.13%	0.01	35.87	0.010%	0.05
Net debt	168.57			136.65		

Year End

DEBT PORTFOLIO	31.3.20 Principal	Rate/ Return	Average Life yrs	31.3.21 Principal	Rate/ Return	Average Life yrs
Fixed rate funding:	£m			£m		
PWLB	156.84	3.79%	10.85	152.25	3.84%	10.67
Market	47.00	1.14%	0.32	9.00	1.32%	0.05
Total debt	203.84	3.18%	9.05	161.25	3.70%	10.06
CFR	244.33			234.15		
Over / (under) borrowing	-40.49			-72.91		
Total investments	35.27	0.13%	0.01	24.00	0.002%	0.05
Net debt	168.57			137.25		

The maturity structure of the debt portfolio was as follows:

	31.3.20 Actual £m	31.3.20 Actual %	31.3.21 Actual £m	31.3.21 Actual %
Less than 1 year	51.60	25.31%	10.56	6.55%
1-2 years	5.63	2.76%	6.11	3.79%
2-5 years	17.34	8.51%	31.85	19.75%
5-10 years	50.24	24.65%	43.77	27.14%
10-20 years	52.08	25.55%	43.73	27.12%
20-30 years	15.27	7.49%	14.25	8.84%
30-40 years	11.68	5.73%	10.97	6.81%
40-50 years	0.00	0.00%	0.00	0.00%



4.2 Prudential Indicators

Year End

PRUDENTIAL INDICATORS	2019/20	2020/21
	Actual £m	Actual £m
Capital Expenditure	32.15	28.14
Ratio of financing costs to net revenue stream	8.06%	9.39%
Gross borrowing requirement General Fund		
brought forward 1 April	193.59	203.84
carried forward 31 March/ 30 September	203.84	161.25
in year borrowing requirement	10.25	-42.59
Gross debt	203.84	161.25
CFR	244.33	248.27
Annual change in Cap. Financing Requirement	-40.49	-87.02

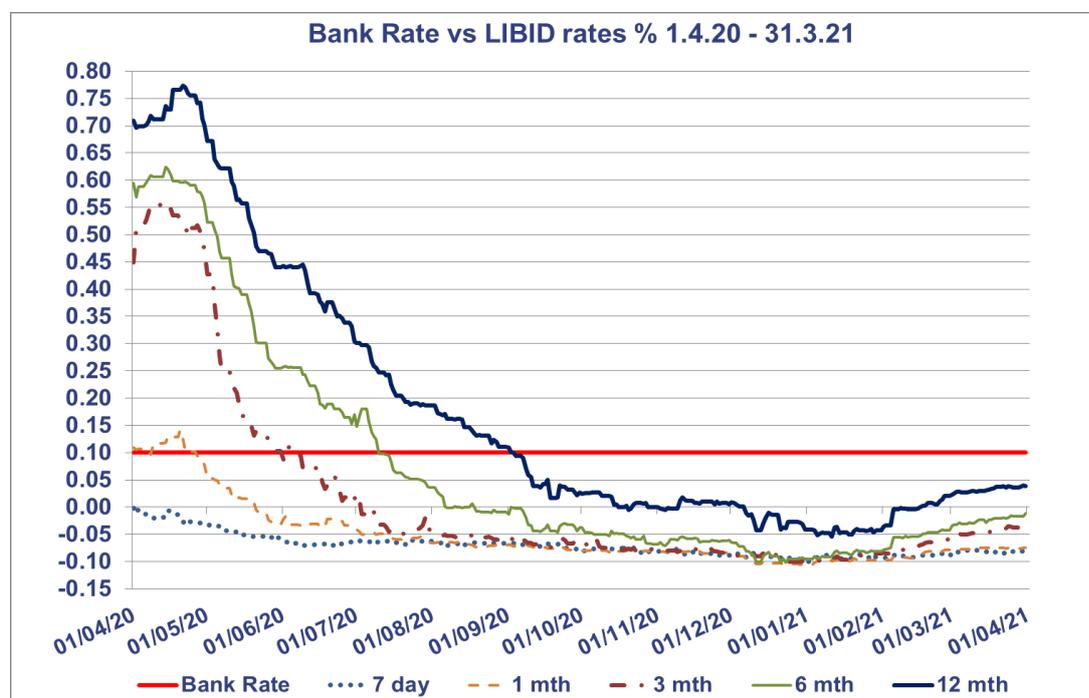
5. The Strategy for 2020/21

5.1 Investment strategy and control of interest rate risk

Investment returns which had been low during 2019/20, dropped during 2020/21 to near zero or even into negative territory. The expectation for interest rates within the treasury management strategy for 2020/21 was that Bank Rate would continue at the start of the year at 0.75 % before rising to end 2022/23 at 1.25%. This forecast was invalidated by the Covid-19 pandemic in March 2020 which caused the Monetary Policy Committee to cut Bank Rate in March, first to 0.25% and then to 0.10%, and introduce schemes and incentives to guard against an unwarranted tightening in financial conditions and support the economy. The Government also supplied Covid-19 grant support funding to local authorities to pass on to businesses. This meant that for most of the year there was much more liquidity in financial markets than there was demand to borrow, with the consequent effect that investment earnings rates dropped.

The table and graph below show interest rate movement during 2020-21 financial year.

	Bank Rate	7 day	1 mth	3 mth	6 mth	12 mth
High	0.10	0.00	0.14	0.56	0.62	0.77
High Date	01/04/2020	02/04/2020	20/04/2020	08/04/2020	14/04/2020	21/04/2020
Low	0.10	-0.10	-0.11	-0.10	-0.10	-0.05
Low Date	01/04/2020	31/12/2020	29/12/2020	23/12/2020	21/12/2020	11/01/2021
Average	0.10	-0.07	-0.05	0.01	0.07	0.17
Spread	0.00	0.10	0.25	0.66	0.73	0.83



While the Council has taken a cautious approach to investing, it is also fully appreciative of changes to regulatory requirements for financial institutions in terms of additional capital and liquidity that came about in the aftermath of the financial crisis.

These requirements have provided a far stronger basis for financial institutions, with annual stress tests by regulators evidencing how institutions are now far more able to cope with extreme stressed market and economic conditions.

Investment balances have been kept to a minimum through the agreed strategy of using reserves and balances to support internal borrowing, rather than borrowing externally from the financial markets. External borrowing would have incurred an additional cost, due to the differential between borrowing and investment rates as illustrated in the charts shown above. Such an approach has also provided benefits in terms of reducing the counterparty risk exposure, by having fewer investments placed in the financial markets.

Council uses 7 days average LIBID rate as benchmark for yield on its investments. For the year 2020-21 LIBID 7 days average was -0.07%. In the environment of extreme low and negative returns on investments, council managed to earn £12,987 at the rate of 0.03% on its overall investments during the year.

5.2 Borrowing strategy and control of interest rate risk

During 2020-21, the Council maintained an under-borrowed position. This meant that the capital borrowing need, (the Capital Financing Requirement), was not fully funded with loan debt, as cash supporting the Council's reserves, balances and cash flow was used as an interim measure. This strategy was prudent as investment returns were very low and minimising counterparty risk on placing investments also needed to be considered.

A cost of carry remained during the year on any new long-term borrowing that was not immediately used to finance capital expenditure, as it would have caused a temporary increase in cash balances; this would have incurred a revenue cost – the difference between (higher) borrowing costs and (lower) investment returns.

The policy of avoiding new borrowing by running down spare cash balances, has served well over the last few years. However, this is being kept under review to avoid incurring higher borrowing costs in the future when this authority may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt.

In 2020-21, council's primary policy was to avoid borrowing. However, following business case evaluation, the council borrowed £9.00 million for cash flow purposes to fund pension contributions for the next 3 years. At the time of borrowing, net savings from prepayment of these pension contributions were £ 283,000:

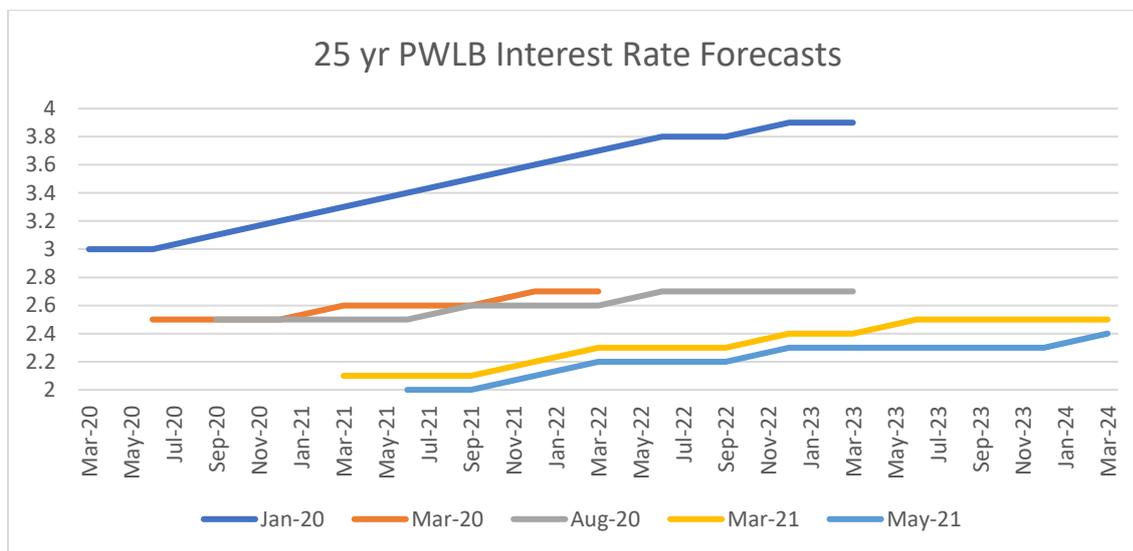
Total savings from 3 years prepayment:	£ 559,000
Interest costs for 3 years borrowing:	<u>£ 276,000</u>
Net savings:	£ 283,000

Against this background and the risks within the economic forecast, caution was adopted with the treasury operations. Treasury team therefore monitored interest rates in financial markets and adopted a pragmatic strategy based upon the following principles to manage interest rate risks

- if it had been felt that there was a significant risk of a much sharper RISE in long and short term rates than initially expected, perhaps arising from an acceleration in the start date and in the rate of increase in central rates in the USA and UK, an increase in world economic activity or a sudden increase in inflation risks, then the portfolio position would have been re-appraised. Most likely, fixed rate funding would have been drawn whilst interest rates were lower than they were projected to be in the next few years.

- If, it had been felt that there was a significant risk of a sharp FALL in long- and short-term rates, (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings would have been postponed, and potential rescheduling from fixed rate funding into short term borrowing would have been considered.

Interest rate forecasts expected only gradual rises in medium- and longer-term fixed borrowing rates during 2020/21 and the two subsequent financial years. Variable, or short-term rates, were expected to be the cheaper form of borrowing over the period.



6. Borrowing Outturn

6.1 Borrowing

Loans were drawn for cash flow purposes to fund pension fund contributions.

The loans drawn were:

Lender	Principal	Type	Interest Rate	Maturity	Average for 2020/21
PWLB	£0.00m	Fixed interest rate	0.00%	-	£0.00m
Market	£9.00m	Fixed interest rate	1.317%	1.67 years	£9.00m

6.2 Borrowing in advance of need

No loans were drawn in advance of need.

6.3 Rescheduling

No rescheduling was done during the year as the average 1% differential between PWLB new borrowing rates and premature repayment rates made rescheduling unviable.

6.4 Repayments

During 2020-21 Council repaid £51.595m at scheduled repayment dates.

7. Investment Outturn

7.1 Investment Policy

The Council's investment policy is governed by MHCLG investment guidance, which has been implemented in the annual investment strategy approved by the Council on 26.02.2020. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data, (such as rating outlooks, credit default swaps, bank share prices etc.).

The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.

7.2 Investments held by the Council

- The Council maintained an average balance of £49.948m of internally managed funds.
- The internally managed funds earned an average rate of return of 0.03%.
- The comparable performance indicator is the average 7day LIBID rate, which was -0.07%.
- Total investment income was £12,987 compared to a budget of £75,000.

INVESTMENT PORTFOLIO	31.3.20 Actual		30.09.20 Actual		31.3.21 Actual	
	£m	%	£m	%	£m	%
Treasury investments						
Banks	1.37	3.88	3.31	9.23%	5.83	24.30
MMF*	6.00	17.01	8.46	23.59%	7.67	31.95
DMADF (H M Treasury)**	27.90	79.11	24.10	67.18%	10.50	43.75
Total managed in house	35.27	100.00	35.87	100.00%	24.00	100.00
Total managed externally	0.00	0.00	0.00	0.00%	0.00	0.00
Treasury investments - Total	35.27	100.00	35.87	100.00%	24.00	100.00
Treasury investments	35.27	91.46	35.87	94.10%	24.00	91.43
Non-Treasury investments	3.29	8.54	2.25	5.90%	2.25	8.57
Total Investments	38.56	100.00	38.12	100%	26.25	100.00

*Money Market Fund

**Debt Management Account Deposit Facility

All treasury investments were up to one year.

8. Other Issues

8.1. Non-treasury management investments.

Council holds non treasury investment of £2.25 million as of 31.3.2021.

8.2. Sources of borrowing

Council has borrowed money from other local authorities mostly up to one year except one loan of £3.00 million with maturity of 3 years.

8.3. Changes in risk appetite

No fundamental change in risk appetite.

8.4. Counterparty limits

Council changed limits of two counterparties during the year. Barclays bank overnight limit was increased from £3.00 million to £5.00 million to meet operational requirements.

Limit of BlackRock MMF was increased from £3.00 million to £10.00 million temporarily until June 2021 to house a large COVID grant received from central government.

8.5. Sovereign limits

There was no change in policy on minimum sovereign ratings during the financial year.

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Report of the Director:
Business Development

Meeting: 21 July 2021

NORTH LINCOLNSHIRE COUNCIL

AUDIT COMMITTEE

SICKNESS ABSENCE

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 To inform the Audit Committee of 2020/2021 sickness absence levels including the year-end position.

2. BACKGROUND INFORMATION

- 2.1 In July 2020, the Audit Committee received a report on sickness absence during 2019/20 and agreed that there was sufficient assurance that the risk to capacity due to sickness absence was being managed through adequate controls.
- 2.2 The Committee requested a further report on sickness absence be submitted detailing the 2020/21 year-end position.

Analysis of 2020/21 sickness absence

- 2.3 The average number of working days lost due to sickness absence in 2020/21 was 7.77 days. This indicates a 16.8% decrease (1.63 days) in overall sickness absence levels compared to 2019/20.

Table 1: Average number of days lost per Full Time Equivalent (FTE) employee					
Length	2016/17	2017/18	2018/19	2019/20	2020/21
Up to 7 days	2.12	2.22	2.00	2.17	1.19
8-20 days	1.08	1.27	1.12	1.20	1.11
20-60 days	2.27	2.41	2.33	2.70	2.29
60+ days	3.89	4.05	4.06	3.33	3.18
Total	9.36	9.95	9.51	9.40	7.77

- 2.4 Table 2 shows the number of FTE days lost due to short term (up to 20 days) and long term (over 20 days) for 2019/20 and 2020/21. During 2020/21, there has been a fall in the number of days lost due to short and long term absence:

Table 2: Number of FTE days lost due to sickness absence			
Category	2019/20	2020/21	Trend
Short term (<= 20 days)	12,956	8,890	↓ 31%
Long term (> 20 days)	23,199	21,181	↓ 9%
Total	36,154	30,071	↓ 17%

2.5 The number of periods of absence has fallen significantly compared to last year as shown in the table below:

Table 3: Periods of sickness absence			
Category	2019/20	2020/21	Trend
Short term (<= 20 days)	5,840	3,191	↓ 45%
Long term (> 20 days)	709	627	↓ 12%
Total	6,549	3,818	↓ 42%

2.6 On average, a period of absence lasted for 7.9 days in 2020/21 which is longer than in 2019/20 (5.5 days). This indicates that although the number/periods of absence reduced, the average length of a period of absence increased. A breakdown by short and long-term absence is provided below:

- Average duration of a period of short-term absence increased to 2.8 days compared to 2.2 days during 2019/20.
- Average duration of a period of long-term absence increased to 33.78 days compared to 32.72 days during 2019/20.

Long-term sickness continues to impact significantly on overall sickness levels and accounts for 70% of all absence.

2.7 61% of the workforce did not have any periods of sickness absence during 2020/21 – this is 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 means that they were not meeting or exceeding trigger points based on absence in the 6 months preceding March 2021.

2.8 Table 4 overleaf sets out the most common reasons for sickness absence during 2020/21:

Table 4: Reasons for sickness absence								
Short term absence			Long term absence			All absence		
1	Infectious disease (COVID-19)	24%	1	Stress & depression	41%	1	Stress & depression	33%
2	Stress & depression	14%	2	Other Musculo-skeletal	18%	2	Other Musculo-skeletal	16%
3	Stomach & digestion	13%	3	Stomach & digestion	6%	3	Infectious disease (COVID-19)	11%

2.9 Stress and depression and musculo-skeletal problems are amongst the most common reasons for absence, which mirrors national trends.

2.10 Sickness absence recorded as COVID-19 related is due to either illness as a result of COVID-19 symptoms or cases of confirmed coronavirus. This accounts for 11% (3,323) of all days lost due to sickness absence during 2020/21 and 13% (480) of all periods of sickness absence. A further 689 days (2%) were lost due to absence related to post-COVID-19 recovery.

2.11 The overall reduction in sickness absence reflects the impact of COVID-19 in terms of staff in self-isolation and shielding (authorised absence), workplace closures during lockdowns, and a large proportion of the workforce working from home throughout 2020/21. We saw an increase in sickness absence as employees returned to the workplace where facilities re-opened. Continued remote working is having a positive impact on levels of sickness absence but needs to be considered against the increased potential for presenteeism in terms of the general health and wellbeing of the workforce, which are being addressed through wellbeing assessments.

2.12 The key activities that have taken place are outlined below and seek to provide assurance that the council has continued to take action to keep the workforce safe and well during the pandemic to support good levels of attendance and reducing sickness absence:

- **COVID-19 FAQs:** Workplace guidance regularly updated throughout the pandemic to reflect government and LGA guidance and communicated to the workforce to ensure safety and accurate and timely reporting of COVID-19 related sickness absence.
- **COVID-19 notification reporting:** Mechanisms for reporting and monitoring self-isolation and confirmed COVID-19 cases alongside contact tracing protocols to reduce transmission of the virus to other employees within the workplace and prevent wider outbreaks. This forms the basis of workforce resilience reporting to SLT.

- **COVID-19 Secure sign off:** Triple sign off process introduced to ensure that council buildings comply with COVID-19 secure guidelines including building operational procedures, use of PPE and safe working practices.
- **Vulnerable Employee Risk Assessment:** Bespoke risk assessment and guidance for employees who may be at greater risk of illness with occupational health support and advice provided where required.
- **Wellbeing Assessment:** 3,000 wellbeing assessments completed – this is a focused conversation between employee and manager to review their mental and physical wellbeing and identify any support required. A further round of wellbeing assessments are currently taking place to review the wellbeing and needs of all employees as part of the council’s Easing of Restrictions roadmap.
- **Be Yourself at Work (BYAW) staff networks:** Staff networks have continued to develop and meet virtually throughout 2020/21. This includes black and minority ethnic staff employees, LGBT+ employees, young employees, disabled employees, veteran employees and Menopause Mates. This is enabling the council to better understand the different experiences of our workforce and promote an inclusive approach to well-being which will have a positive impact on reducing sickness absence levels.
- **Counselling & Welfare Service:** The in house counselling and welfare service provides employees with access to British Association for Counselling and Psychotherapy (BACP) approved counsellors on a self-referral basis. The service has continued to operate remotely throughout the pandemic and provided 1202 telephone/online counselling sessions during 2020/2021.
- **Occupational Health (OH) provision:** People Asset Management (PAM), our external OH provider, support the council to manage attendance through OH referrals and specialist advice and support. PAM are currently delivering OH clinics remotely through telephone consultations with additional COVID-19 risk assessment provision accessed as required. Telephone assessments have been undertaken where appropriate for health surveillance monitoring.
- **Targeted support:** HR business partners continue to provide support to services to identify ‘hotspots’, take action to address high levels of sickness absence and provide support for managing long term, complex cases. HR have worked particularly closely with services to provide advice and support on managing COVID-19 related sickness absence and supporting vulnerable employees at greater risk within the workplace.

- **Monitoring and reporting:** Ongoing monitoring and reporting of sickness absence levels via the workforce reporting schedule including monthly 'trigger reports' for managers highlighting those employees who are approaching or have exceeded trigger points. Work is currently ongoing to develop reporting from the new HR and payroll system.

3. **OPTIONS FOR CONSIDERATION**

- 3.1 The Audit Committee is asked to consider the council's year-end position and determine whether they have sufficient assurance that adequate controls are in place to manage the risk to capacity from levels of sickness absence.

4. **ANALYSIS OF OPTIONS**

- 4.1 Accept the report as assurance that the risk to capacity due to sickness absence is being managed through adequate controls.
- 4.2 Ask for further information/progress reports of the controls in place to manage sickness absence.

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

- 5.1 Sickness absence is costly to the council in terms of lost productivity and the need to provide backfill cover for some frontline positions.

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

- 6.1 We want the same outcomes for our workforce as for we do for North Lincolnshire residents, that they are safe and well, as set out in our Council Plan priority of keeping people safe and well.

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

- 7.1 An Integrated Impact Assessment is not required.

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

- 8.1 Sickness absence is reported to all parties on an ongoing basis.
- 8.2 There are no conflicts of interests to declare.

9. RECOMMENDATIONS

- 9.1 That the Audit Committee determines whether there is a continuing assurance that the risk to capacity due to sickness absence is being managed through adequate controls.

DIRECTOR: BUSINESS DEVELOPMENT

Church Square House
SCUNTHORPE
North Lincolnshire
DN15 6NL
Author: Debbie Searles
Date: 13 July 2021

Background Papers used in the preparation of this report – None

Report of the Director:
Governance and Partnerships

Meeting: 21 July 2021

NORTH LINCOLNSHIRE COUNCIL

AUDIT COMMITTEE

HEAD OF INTERNAL AUDIT ANNUAL REPORT AND OPINION 2020-21

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 This report provides 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. It also considers the effectiveness of the audit service. This provides the Audit Committee with an important source of assurance when considering the Annual Governance Statement.
- 1.2 The Internal Audit Annual report complies with the Public Sector Internal Audit Standards (PSIAS) and The Accounts and Audit Regulations 2015.

2. BACKGROUND INFORMATION

- 2.1 The requirement for Internal Audit is supported by statute in the Accounts and Audit Regulations 2015 and the Local Government Act 1972. The Accounts and Audit Regulations state that a *“relevant body must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into public sector internal audit standards for guidance”*
- 2.2 Internal Audit operates in accordance with the Public Sector Internal Audit Standards (PSIAS) which defines the way in which the Internal Audit Service should be established and undertake its functions. The PSIAS define internal audit as:

“an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.”

- 2.3 As set out in the standards there is 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.
- 2.4 A copy of the Annual Report and Opinion is attached, and its main findings are summarised below.
- 2.5 Section 2 of the Annual Report refers to the work carried out from which the audit opinion is derived, and shows 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 provides a summary of the work completed by internal audit, whilst the body of the report also refers to how the Council managed the risks to the control environment as a result of the pandemic.
- 2.6 As referred to in Section 3 based on the work carried out by internal audit satisfactory assurance could be provided on the Council's governance, risk, and control framework.
- 2.7 As referred to in Section 4 the Audit Team complies with the standards in all material respects and has effective arrangements in place for monitoring quality. Working with clients to improve the timeliness of audit reporting has again been highlighted as an area for further development.

3. OPTIONS FOR CONSIDERATION

- 3.1 It is a requirement of internal auditing standards that the Audit Committee considers the Annual Head of Internal Audit Report and Opinion. The Committee is asked to consider whether Internal Audit's Annual Report provides sufficient assurance on the adequacy of the council's internal control environment in 2020/21. Members may wish to ask questions and seek clarification, as necessary.

4. ANALYSIS OF OPTIONS

4.1 The Internal Audit Annual Report and Opinion 2020/21 complies with professional guidance available and is designed to provide this Committee with the assurance required.

5. RESOURCE IMPLICATIONS (FINANCIAL, STAFFING, PROPERTY, IT)

5.1 There are no specific resource implications related to this report

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

6.1 Section 3 of the report provides a commentary of on the Council's approach to risk management. It identifies opportunities to improve the reporting of risk within reports including proposed key decisions. In addition an assessment of residual risk is included in most audit assignments as shown in Appendix 2 of the report

7. OUTCOMES OF INTEGRATED IMPACT ASSESSMENT (IF APPLICABLE)

7.1 Due to the content of this report, an Integrated Impact Assessment is not required.

8. OUTCOMES OF CONSULTATION AND CONFLICTS OF INTERESTS DECLARED

8.1 The audit plan is derived is subject to consultation with the Audit Committee and Senior Management. The scope of individual assignments is subject to consultation with management, whilst the outcome of such assignments is subject to discussion.

8.2 The Head of Audit and Assurance also has responsibilities around the maintenance of the risk management process though not the risks themselves. To maintain independence, he has therefore placed reliance where applicable on the audit of risk management commissioned from Lincolnshire County Council in 2018/19 and the work of the Strategic Lead for Risk and Governance. Audit team members are asked to complete declaration forms on annual basis. If any potential conflicts are identified, then they are not allocated assignments related to the potential conflict of interest.

9. RECOMMENDATIONS

- 9.1 That the Audit Committee considers the assurance provided by the Internal Audit Annual Report for 2020/21 on the adequacy and effectiveness of the council's internal control environment, and to take account of the content of this report when considering the Annual Governance Statement.

DIRECTOR OF GOVERNANCE AND PARTNERSHIPS

Church Square House
30 – 40 High Street
SCUNTHORPE
DN15 6NL

Author: Peter Hanmer
Date: 7 July 2021

Background Papers used in the preparation of this report:

Internal Audit Plan 2020/21 (May 2020)
Internal Audit Interim Report (January 2021)

**North
Lincolnshire
Council**

www.northlincs.gov.uk

The
Assurance
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**NORTHERN LINCOLNSHIRE
BUSINESS CONNECT**

Head of Internal Audit Annual Report and Opinion 2020/21

North Lincolnshire Council

**Peter Hanmer
Head of Audit and Assurance
July 2021**

1 Introduction

1.1 The requirement for Internal Audit is supported by statute in the Accounts and Audit Regulations 2015 and the Local Government Act 1972. The Accounts and Audit Regulations state that a *“relevant body must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into public sector internal audit standards for guidance”*.

1.2 Internal Audit operates in accordance with the Public Sector Internal Audit Standards (PSIAS) which define the way in which the Internal Audit Service should be established and undertake its functions. The PSIAS define internal audit as:

“an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.”

1.3 As set out in the standards there is a requirement under PSIAS 2450 that the Chief Audit Executive must provide an annual report which must:

- consider the strategies, objectives and risks of the organisation and the expectations of senior management, the Audit and Governance Committee and other stakeholders.
- be supported by sufficient, reliable, relevant and useful information.
- include an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.
- include an opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control; and
- include a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.

1.4 This report provides a summary for each of these areas. At North Lincolnshire Council, the Head of Audit and Assurance carries out the functions of the Chief Audit Executive as defined in the standards.

2 Audit work from which the opinion is derived

- 2.1 Internal Audit carried out its work in accordance with its 2020/21 Audit Plan, which was formally approved by the Audit Committee on 20 May 2020. The plan described how it was compiled, considering the Council's strategies, objectives and risks. The scope of Internal Audit activity is clearly set out in the Audit Charter which is reviewed annually.
- 2.2 As laid out in the audit plan the work of Internal Audit is split into a number of key areas. It is critical that in forming an opinion on the overall control environment, the Annual Plan is designed to ensure that specific assurance is provided for each of these areas all of which can potentially feed into the annual governance statement:
- strategic and operational risks relating to the delivery of the Council's strategic outcomes and/ or a key part of the Council's Code of Governance.
 - the key financial systems to support the S151 Officer's statement provided as part of the Annual Statement of Accounts in relation to the reliability of the systems supporting the accounts.
 - other key areas which support the Council's control environment (e.g. human resources, ICT, procurement).
 - providing assurance on the control environment within maintained schools; and
 - work such as providing advice and support, the mandatory certification of external grants claims, and audit team's contribution to the Council's approach to counter fraud, including specific audits testing anti-fraud controls.
- 2.3 During 2020/21 the audit plan was subject to regular review. As new risks emerged that required audit coverage they were added to the plan, whilst other areas were either taken out because of reduced level of risk due to changing circumstances, or where there had been internal or external reviews either carried out or pending.
- 2.4 As communicated to the Committee when the plan was approved, due the impact of the pandemic there was likely to be a greater degree of ongoing amendment and re-prioritisation to the plan than in previous years. On 21 January 2021, the Audit Committee received an interim report which informed Members as to how Internal Audit had responded to the pandemic was informed of the amendments to the plan, and how it been amended to reflect the following:

- the audit team provided considerable advisory support during the pandemic including Covid-19 related grants (particularly business grants), support for implementation of changes to adult social care payments, advice on stock control for PPE and the deliveries of support to clinically extremely vulnerable people, and advice on applying changes to national procurement guidance resulting from the pandemic (as reflected in the significant increase in advisory time);
- in those areas facing significant challenges leading the Council's response to the pandemic it was agreed to defer some of the less urgent audit work to 2021/22.
- additional work was built into the audit plan to provide assurance on the Council's response to COVID-19 and its recovery programme: this covered three strands: as part of carrying out audit assignments assessing how services have managed the response to the pandemic, providing assurance on the use of additional resources received by the Council, and providing assurance on the governance of the recovery plan; and
- due to the challenges faced by schools during the pandemic, and the delays in starting the schools audit programme, the number of schools' audits to be carried out in 2020/21 was reduced.

The summary of changes to the audit plan reported to the Audit Committee in January 2021 are re-shown in Appendix 1 of this report.

2.5 The position on 30 June 2021 is shown on the table below.

Days charged against the audit plan as of 30 June 2021.

	Planned days	Revised days	Actual days
Strategic and operational risk/ governance	457	368	308
Financial systems	140	140	130
ICT	55	55	39
Procurement and Contract Management	35	35	23
Grant Certification	25	37	39
Schools	100	80	77
Follow up	40	40	42
Fraud, probity, and investigation	75	116	124
Advisory	50	160	196
Management time	75	75	78
Contingency	93	38	
Total	1145	1145	1056

2.6 Overall, as at 30 June 2021 audit delivered a total of 1056 days compared to the plan of 1145, a difference of 89 days. The reason for the differences were as follows:

- some ICT work was deferred to 2021/22 to allow the ICT staff to focus on the challenges brought by the pandemic.
- some of the audits related to strategic and operational risks took quicker to complete than anticipated and the completion of a small number was postponed for the reasons laid out in Appendix 2;
- the planned recruitment of two new staff in early 2021 took slightly longer than anticipated meaning that some lower risk audits needed to be reprioritised.

2.7 A summary of the audit work to support the opinion is shown on Appendix 2. For most audits we provide two opinions as shown below; one relates to the overall control effectiveness, whilst the other relates to the residual risk exposure. Against a planned target of 75 as of 30 June 2021, 67 audits had been completed. We derive our overall opinion on the control framework by considering the outcome of individual audits. Typically, those areas where the assurance on the control environment is “limited”, and the residual risk is at least “medium” will be considered for specific reference in the overall opinion on the Council’s overall control environment, with particular focus on those areas which are critical to the Council’s financial management and governance arrangements, including the potential impact of any weaknesses identified.

Overall Control Effectiveness

Substantial	Strong controls support achievement of the business objectives.
Satisfactory	Controls support business objectives, but some improvements should be made.
Limited	Controls provide some support for business objectives, but improvements are essential.
None	Controls do not support the achievement of business objectives.

Residual Risk Exposure

Priority Level	Action Level
High	Significant possibility for substantial financial, service, reputational or personal safety issue (including the non-achievement of strategic outcomes). Action must be taken to mitigate the risk.
Medium	Potential for financial, service, reputational or personal safety issue (including the non-achievement of strategic outcomes). Depending on risk appetite, action should be taken to either mitigate the risk or accept that an event could occur and manage its impact.
Low	Risk is being suitably managed based on current knowledge. Should be regularly reviewed and monitored.

2.8 In forming our overall opinion, we also consider of the following:

- As shown on Appendix 2, there were some audits where we found that new process or systems were in development and, therefore, we were not able to provide an opinion in 2020/21, but instead have provided a short commentary on the current position. Where appropriate we have taken this work into account when assessing the Council's control environment.
- As listed at Appendix 4, Internal Audit has carried out advisory work for the Council and where appropriate we have considered any issues arising from this work.
- As part of the wider Audit and Assurance Team, Internal Audit makes a significant contribution to the delivery of the Council's approach to anti-fraud and corruption. This was shown in the Annual Fraud Report 2020/21 which was reported to the Audit Committee on 8 April 2021. Although there no issues of significant concern raised in the report, it did identify potential opportunities to further promote the Whistleblowing Policy.

2.9 Covid-19 has inevitably had an impact on the operation of the Council's control environment. Rather than carrying out a separate audit on the response to COVID-19 as described in paragraph 2.4 we have incorporated it into our existing work programme and reviewed key documents and reports about the Council's response as they arose.

Despite the challenges it has brought we have not identified, or aware of, any major control failures directly resulting from it. Our main observations are as follows:

- some planned developments to the control environment had to be deferred as the Council's resources were prioritised to dealing with the response;
- as shown on the summary of our work on Appendix 2 COVID-19 did not significantly impact the control environment on those areas subject to audit, although in some areas it has increased the level of risk;
- the Council quickly set up a log of changes in legislation and guidance and ensured that key staff were aware of it and acted upon it;
- the decision-making process was adapted to allow decisions to be made promptly and transparently during the early stages of the pandemic when meetings could not be held, and subsequently actions were put in place to ensure meetings could be held remotely;
- the Council has put in processes to manage the substantial grant funding it has received in relation to COVID-19, including systems for recording the grants received and payments made. Through our work and support we have identified an effective control environment for things such as business grants and infection control funding. During 2021/22 internal audit will be asked from grant paying departments to provide assurance on a number of grant schemes and we will provide further updates when that work is complete: and
- recovery plans have been put in place and throughout the year Directors have been keeping cabinet informed about the impact of Covid-19 in their area- in December 2020, a half yearly review was taken to Cabinet and a full year review is scheduled for July 2021. The impact of the pandemic is likely to be long lasting and so it is important that the Council continues to monitor its recovery plans throughout 2021/22.

3 Chief Audit Executive Annual Opinion 2020/21

- 3.1 The overall opinion for each of the three areas of the control environment is shown below. This opinion is subject to the limitation of scope and statement of responsibilities laid out in Appendix 4. It is based on work reported by Internal Audit up to 30 June 2021.

Control Framework

- 3.2 Overall, we can provide **satisfactory assurance** on the effectiveness of the Council's control framework in relation to 2020/21 as highlighted on the list of audits shown on Appendix 2. Although COVID-19 has inevitably had some impact on the scope of our work and some planned developments in the control environment, sufficient work has been carried out to provide a reliable opinion, and no major control failures have been identified.
- 3.3 We were able to provide substantial assurance in relation to the audits of those systems which support the annual financial statements. Despite the impact of COVID-19 the Council's key financial systems continued to produce materially reliable financial information. However, it is recognised by the Council that efficiencies will be generated by the adoption of updated financial and human resources systems. The target implementation date of April 2021 for Payroll/ Human Resources was largely met, but the target date of September 2021 for Finance has been pushed back to April 2022. It is important that sufficient focus is provided by management to ensure that this target is met, and that sufficient work is carried out around the design of the new system to ensure that the anticipated efficiencies will be delivered, and at the same time ensuring that they will produce accurate and reliable information.

Governance

- 3.4 Our audit programme is designed around the Council's Code of Governance which was based on the principles designed by CIPFA/SOLACE. Overall, we can provide **satisfactory assurance** in relation to its governance arrangements and the processes which support them, and from our work and other sources we are not aware of any material governance failures occurring in 2020/21. The Assurance Group, has further developed mechanisms to obtain assurance on the effectiveness of the governance arrangements, including Director assurance statements, identification of key measures to demonstrate good governance, and reviewing the outcomes of external inspections. The Council also quickly put in place adaptations to its governance framework in response to the pandemic. The council, however, still needs to carry out an assessment of its scrutiny arrangements against the guidance issued by the MHCLG in May 2019.

Although there is nothing to suggest that the council does not comply with the minimum requirements of this guidance there may, however, be opportunities to enhance the effectiveness of its scrutiny arrangements.

Risk Management

- 3.5 As reported in 2018/19 an audit carried out on our behalf by Lincolnshire County Council's Assurance team provided **substantial** assurance in relation to the Council's risk management arrangements. The key issue identified for further improvement was to further develop the strategic risk register. The strategic risk register is now reviewed by the Audit Committee at least annually, and reports by the Strategic Lead (Risk and Governance) has reported that in most respects the operational risk register is being kept up to date. However, an audit of risk reporting within Cabinet reports identified that there was scope to lay out the risk and opportunities more clearly in relation to the reports in support of proposed key decisions.

4 Quality Assurance Arrangements

- 4.1 A quality assurance process is in place to ensure that work is carried out to Public Sector Internal Audit Standards (PSIAS) and that the opinions provided for individual assignments are supported by sufficient evidence. On 26 January 2017 the team's Quality and Assurance Improvement Programme (QAIP) was presented to the Audit Committee and remains in operation. Under the standards the annual report is obliged to report on the outcome of, and any issues arising from, the QAIP.

- 4.2 An important element of the standards is that every five years audit teams are subject to an external inspection in order to assess compliance with the Public Sector Internal Audit Standards, and where appropriate identify area for further development. As reported in the 2017/18 Head of Internal Audit Report an inspection was carried out in March 2018, and the report was issued in May 2018. Its overall conclusion was that:

"It is our overall conclusion that the internal audit function for North Lincolnshire Council generally conforms with the Public Sector Internal Audit Standards"

- 4.3 'Generally conforms' is the top rating available, and is defined as:

"the internal audit activity has a charter, policies, and processes that are judged to be in conformance with the standards. There may be opportunities for improvement, but these do not represent situations where the internal

audit activity has not implemented the Standards, the Code of Ethics or is not achieving their stated objectives”.

4.4 Other sources of evidence for the QAIP included:

- the annual self-assessment against the standards (Appendix 5).
- Self-assessment against the five principles contained in the updated CIPFA document “The Role of the Head of Internal Audit” (2019). (Appendix 6) demonstrates that we comply with each of the principles.
- Self-assessment against the internal audit principles introduced in January 2017 (Appendix 7). This review demonstrates that the audit team complies with each of the principles, although some potential areas for further development have been identified.
- Every assignment is subject to supervision and any common issues identified are discussed at team meetings and where appropriate have contributed to the update of the audit manual.
- a review carried out by the Head of Audit and Assurance of a sample of assignments including reports; the review found that overall, the work compliant with the team’s quality standards and processes, but there were some opportunities to make improvements, and these will be reflected in an updated action plan and further guidance within the audit manual;
- The post-audit customer satisfaction questionnaires found that of those questionnaires returned, 96% of respondents indicated that they were satisfied with the way the audits were conducted and 92% felt that the audits added value.
- Monitoring performance against key indicators (Appendix 8). They demonstrate that audit operates efficiently and effectively and has good customer satisfaction. It is pleasing to see an improvement in the implementation of agreed actions compared to previous years. However, there is still work to do in conjunction with management in ensuring audits are completed in a timely manner.

5 Closing Remarks

- 5.1 We would like to take this opportunity to thank Members, Management and Staff for their continued support as we carry out audit work during a period of continued significant organisational change. We will strive to continue to

provide an effective and supportive internal audit service as the Council deals with the challenges it faces in the future.

Appendix 1: Changes to the audit plan relating to strategic and operational risks as reported to the Audit Committee in January 2021

Area	Original Planned Days	Revised Planned Days	Reason for change in budget
Strategic and operational risk/ governance	457	368	See below for explanations for major changes to the plan
Schools	100	80	Schools' audits impacted by schools' closures and subsequent restrictions on visiting schools. Some of the time used for two council wide audits.
Grant Certification	25	37	Additional time required time required due to covid-19 related grants
Advisory	50	160	Additional time required for advisory support in relation to the Council's response to Covid-19, particularly considerable time business grants
Probity and Counter Fraud	75	116	Additional time identified to take account of the biennial NFI and additional investigations

New audits or scope expanded.

Audit	Comments
Council Run Nurseries	Review of compliance with relevant guidance in respect of opening council run nursery settings following the COVID-19 pandemic.
COVID-19 Recovery Plan	Review of governance arrangements for the delivery of the COVID-19 recovery plan
Imprest accounts- Financial compliance	Larger sample taken than initially planned due to some issues identified with compliance
HR Recruitment Portal	Brought forward from the 2019/20 audit plan
Residential Care	Scope amended to focus on the application of infection control funding

Audits postponed or scope reduced.

Audit	Comments
Care Leavers	Scope reduced to focus on the arrangements for bringing the previous outsourced arrangements back in house
Community grants	Audit postponed
Kingfisher Lodge - care standards S22	Audit postponed
Children 5-19 public health programme	Audit postponed
Community/ Customer engagement	Reduced resource required as only overview carried out to allow updated arrangements time need time to be embedded
Endemics and Pandemics	Planned work absorbed into the recovery plan audit
Governance arrangements - Partnerships	Reduced resource required as only overview carried out to allow updated arrangements time needed to be embedded. Full audit planned for 2021/22.

Growing the economy	Audit postponed until 2021/22 as the economic plan will be re-considered to take account of the impacts of Covid-19. Economic development team currently focused on business grants and the recovery plan which are covered elsewhere in the audit plan.
Role of the Local Authority Designated Officer	Less time required than originally forecast to complete the audit
Role of the Monitoring Officer	Less time required than originally forecast to complete the audit
Role of the Principal Social Worker	Audit postponed until early 2021/22
Shared services (Joint with NELC)	Audit no longer a priority given the change to the scope of shared services and the governance arrangements during 2020/21

Appendix 2 - Audit work contributing to the 20/21 audit opinion as at 30 June 2021

Audit Assignment	Director	Assurance	Residual Risk	Comments
Governance, Strategic Risks and operational risks				
Adults Safeguarding Referrals	Director of Adults and Wellbeing	Limited	Medium	The opinion was based upon the high number of Section 42 safeguarding enquiries that were ongoing. The service is taking a proactive approach to ensuring enquiries are concluded as well as additional measures to respond to the increased number of referrals, implementing a one service approach and weekly performance monitoring
Adult Social Care Outcomes Framework	Director of Adults and Wellbeing	Substantial	Low	
Adults Data Quality	Director of Governance and Partnerships /Director of Adults and Wellbeing			Although some areas for improvement were identified, there were no significant concerns identified regarding the reliability of Adult Social Care Data
Care Assessments	Director of Adults and Wellbeing	Satisfactory	Medium	
Care Leavers- Transition to new "in-house" delivery arrangements	Director of Children and Community Resilience/ Director of Governance and Partnerships	Substantial	Low	
Children to adults transitions	Director of Children and Community Resilience			Audit work in progress. Will be reported in 2021/22
Children's Direct Payments	Director of Children and Community Resilience			Audit work in progress. Will be reported in 2021/22
Child Criminal Exploitation (CCE), Child Sexual Exploitation (CSE) and Modern Day Slavery	Director of Children and Community Resilience			Audit moved to 2021/22 following discussions with the Director
Council Run Nurseries	Director of Children and Community Resilience	Substantial	Medium	Although a strong control environment is in place, the residual risk as medium. We have made this judgement because there is a risk to service delivery due to the amount of external factors in place in relation to the spread of COVID-19.
Cultural offer	Director of Learning Skills and Culture	Substantial	Medium	The medium risk score reflects that although good internal control arrangements are in place, the impact of COVID-19 has resulted in greater inherent risk in relation to the Cultural Sector in general
Customer Engagement	Director of Governance and Partnerships			Due to the impact that Covid -19 had on the work of the customer service we did not carry out a full audit of customer engagement but reviewed progress in the development of the Council' approach. A lot of work has been to move shift customer engagement, and the need to respond to covid-19 has accelerated this shift. The emphasis has been on moving the Council to be a "community enabler". During 2021/22 we will continue to review progress though some planned audits.
Demand Prevention Strategies	Director of Adults and Wellbeing	Substantial	Low	
Educational Visits	Director of Learning Skills and Culture			Audit work in progress. Will be reported in 2021/22

Audit Assignment	Director	Assurance	Residual Risk	Comments
Energy Management	Deputy Chief Executive	Satisfactory	Medium	
Environmental Strategy	Deputy Chief Executive			The vision, outcomes, goals and aims of "A Green Future" were approved by Cabinet in March 2021. The audit has therefore been deferred until 2021/22 and will review governance and monitoring arrangements for the implementation of the new plan.
EU Transition	Deputy Chief Executive	Substantial	Medium	We have assessed the residual risk as medium because although the Council has been well prepared and have established governance arrangements in place, there remain inherent uncertainties about the long term impact of EU transition
Financial management- code of financial management compliance	Director of Governance and Partnerships			Audit work in progress. Will be reported in 2021/22
Fleet Management	Deputy Chief Executive			Due to the new system for checking grey fleet vehicles and drivers being introduced in April 2021, audit delayed until early 2021/22
Flood Prevention	Deputy Chief Executive	Satisfactory	Medium	
Health and Safety	Director: Business Development	Satisfactory	Low	
Healthy Lifestyles	Director of Learning Skills and Culture	Limited	Medium	Audit testing has highlighted some areas where controls could be improved, these include ensuring a responsible officer is place for budget monitoring, confirming that staff have completed safeguarding training and producing process and procedures for the work of the team. There is also a need to review the team's current computer system to ensure it provides the most efficient way of working.
High Needs Assessment	Director of Learning, Skills and Culture	Substantial	Low	
Highways Maintenance	Deputy Chief Executive			Audit work in progress. Will be reported in 2021/22
HR - data migration and data quality	Director: Business Development	Substantial	Low	
HR- New Recruitment portal	Director: Business Development			The system became fully operational in November 2020 and after some initial teething problems is now working efficiently. A significant number of positive issues were noted in relation to the implementation and only minor weaknesses were noted and remedial action agreed.
HR - Self isolation process	Director: Business Development	Substantial	Medium	There are robust processes in place in relation to the self-isolation process and monitoring is taking place to ensure that guidelines are in line with the relevant guidance and regulations that have been subject to regular change. The medium risk assessment reflects the inherent risk due to the extent of the changing regulations
Infection Control Fund	Director of Adults and Wellbeing			We could provide assurance that the Council complied with the grant requirements in all material respects

Audit Assignment	Director	Assurance	Residual Risk	Comments
Organisational Development	Director: Business Development	Satisfactory	Low	
Risk Management Cabinet Reporting	Director of Governance and Partnerships	Limited	Medium	The cabinet reports template has a section to show how risks are considered. However, most of the cabinet reports reviewed as part of the audit did not contain risk assessments or sufficient narrative to explain the risks associated with the proposed decision.
Role of Local Authority Designated Officer	Director of Children and Community Resilience	Substantial	Low	
Role of the Monitoring Officer	Director of Governance and Partnerships	Substantial	Low	
School Exclusions	Director of Learning, Skills and Culture	Substantial	Low	
Search Fees	Director of Governance and Partnerships	Substantial	Low	
SEND- pre inspection	Director of Learning, Skills and Culture	Substantial	Low	
Town Centre Management	Director: Business Development	Satisfactory	Medium	

Audit Assignment	Director	Assurance	Residual Risk	Comments
Financial systems				
Creditors	Director of Governance and Partnerships	Substantial	Low	
Debtors	Director of Governance and Partnerships	Substantial	Medium	The medium risk score reflects the greater potential for bad debt due to the economic impacts of COVID-19
E- financials	Director of Governance and Partnerships	Substantial	Low	
Income receipting	Director of Governance and Partnerships	Substantial	Low	
Local Taxation and benefits	Director of Governance and Partnerships	Satisfactory	Medium	
Payroll	Director of Business Development	Substantial	Low	
Treasury management	Director Governance and Partnerships	Satisfactory	Low	
New Financial System (joint with NELC)	Director Governance and Partnerships			Due to a number of issues, the anticipated implementation date for the new finance system has been moved from October 2021 to April 2022. However, this revised date is likely to remain challenging, and the Councils will need to ensure that sufficient and specialist resources are put towards it during 2021/22, although we appreciate that this could be difficult due to available capacity. It is critical that the programme plan is kept up to date, that any slippage is escalated to the project board immediately, determine the level of independent assurance required, and that the Project Board takes decisive and prompt action to mitigate risks identified
New HRP System-Implementation process	Director of Business Development			The new Human Resources and Payroll system was implemented In April 2021, and we concluded relevant project management is in place to ensure that the full role out has been substantially completed in accordance with the procured system and to meet the needs of the organisation
Feeder Systems	Director of Governance and Partnerships			To support our audit of the key financial systems we carry out audits of feeder systems on a cyclical basis. We have carried out audits on the early year system, pest control income, social care and fostering payments ("softbox") and the fleet system and no issues of concern were identified
ICT				
Finance System Resilience	Director of Governance and Partnerships	Substantial	Low	Provided assurance that the ICT controls relating to the systems to be replaced in 2021/22 can still be relied upon
Human Resources-Payroll System Resilience	Director: Business Development	Satisfactory	Medium	Provided assurance that the ICT controls relating to the systems to be replaced in 2021/22 can still be relied upon
Cloud Management	Director of Governance and Partnerships			Draft report issued . Will be reported in 2021/22
ICT Helpdesk	Director of Governance and Partnerships	Substantial	Low	
Information Governance	Director of Governance and Partnerships	Satisfactory	Medium	

Audit Assignment	Director	Assurance	Residual Risk	Comments
Procurement				We provide an overall opinion on procurement arrangements by a mixture of a review of overall arrangements and reviewing a sample of procurement exercises
Overall arrangements	Director Resources and Governance			Our current audit is in progress, but we have found that the 2020/21 planned procurement activities have been implemented or well underway: The contract procedure rules and the procurement offering on Top desk have been updated, including checklists and support for expenditure under £100k. Exceptions to the contract procedure rules are captured and monitored, analysis tools are used to monitor council spend. There is also a commitment to embed social value within the Council, with most procurements seeking some form of social value and the Council has engaged the Social Value Portal to support the quantifying, measuring and monitoring of Social Value outcomes for high value procurements planned in 2021/22
Procurement - Business Travel	Director Resources and Governance			No areas of concern identified
Follow up				
Safeguarding Adults Board Multi Agency Action Plan Progress Review	Director of Adults and Wellbeing			All 17 recorded actions from a previous advisory report were considered fully implemented. These actions should be monitored by the service going forward to ensure they are being implemented effectively.
ASC financial assessment follow up	Director Governance and Partnerships /Director of Adults and Wellbeing	Satisfactory	Medium	
Attendance Management	Director of Business Development	Satisfactory	Medium	
Continuing Health Care Follow Up	Director of Adults and Wellbeing	Satisfactory	Medium	
Freedom of Information	Director of Governance and Partnerships	Satisfactory	Medium	
Schools				
Brigg Primary	Director Learning, Skills & Culture	Satisfactory	Low	
Bottesford Juniors	Director Learning, Skills & Culture	Satisfactory	Low	
Humber Estuary Federation Follow up	Director Learning, Skills & Culture	Satisfactory	Medium	
John Harrison CE	Director Learning, Skills & Culture	Satisfactory	Low	
Lincoln Gardens Follow-up	Director Learning, Skills & Culture	Satisfactory	Low	
Messingham Primary	Director Learning, Skills & Culture	Satisfactory	Low	
Trentside Federation	Director Learning, Skills & Culture	Satisfactory	Low	
Winterton Junior and Winterton Infant Federation	Director Learning, Skills & Culture	Satisfactory	Low	

Audit Assignment	Director	Assurance	Residual Risk	Comments
Head Teacher Pay Awards	Director Learning, Skills & Culture			The advisory audit examined additional payments made to head teachers against the Council's local pay policy. With one exception, additional payments tested were within the local pay policy, although it was identified there are some differences between the local pay policy and the Conditions of Service for School Teachers in England and Wales, published by the DfE. A review of the local pay policy, led by HR, is now in progress and ongoing payments will require annual review and approval.
Probity audits				
Agency workers		Satisfactory	Low	
Data Matching	Director of Governance and partnerships			Exercises were carried out matching payroll/ creditors, debtors/ creditors and duplicate payments. No evidence of fraud or significant number of duplicate payments was identified, although some potential systems
Imprest accounts		Limited	Medium	Imprests should only be used for low level and emergency purchases but the audit found that this is not always the case, and thus the required ordering system was not complied with. In addition claims are not always submitted on a monthly basis, and financial procedures have not always been followed.
Normandy Hall Golf Income	Deputy Chief Executive	Satisfactory	Low	
Pest Control - Income	Deputy Chief Executive	Substantial	Low	

Appendix 3: Summary of advisory work provided by Internal Audit in 2020/21

- Certification of grant claims relating to COVID, troubled families, highways and transportation, and bus subsidies.
- Provided considerable support to the Council's response to COVID, including:
 - advice and support for the design of systems for the distribution of COVID related grants, particularly business grants;
 - advice and support on stock control for PPE and supplies to support clinically extremely vulnerable people;
 - advice and support relating to temporary changes for social care payments;
 - advice on the application of procurement rules during the pandemic; and
 - advice to Human Resources on the design of the self-isolation process.
- Continuing to provide advice to the Adult Social Care Financing Transformation Board
- Co-ordinating the production of the Audit Committee Annual Report 2019/20 and 2020/21 including a facilitating the Committee's annual self-assessment
- Providing a briefing paper to Members and senior management on the implications on the Redmond Report
- Providing support and advice on the investigation of potential data breaches
- Attending meetings of the Local Growth Monitoring team
- Facilitating a procurement fraud risk workshop with the procurement team
- Via membership of CIPFA's Better Governance Forum, inform relevant managers of national developments and emerging issues relating to internal control and governance which may impact upon their duties
- As part of audit's probity and fraud work, co-ordinating the submission of data for the 2020/22 National Fraud Initiative
- As part of audit's probity and fraud work supporting investigations into allegations of fraud or financial misconduct
- Advice on disabled facility grants retention schedules.
- Advice to schools relating to internal control queries
- Advice on waste management income collection systems

Appendix 4: Limitations of Scope and Responsibilities

Internal Audit has prepared the Annual Report and undertaken a programme of work agreed by the Council's senior management and approved by the Audit and Governance Committee subject to the limitations outlined below:

Opinion

The Opinion is based, primarily on work undertaken as part of the agreed 2019/20 Audit Plan. Each audit assignment undertaken addressed the control objectives agreed with the relevant, responsible managers.

There may be weaknesses in the system of internal control that we are not aware of because they did not form part of our programme of work or were not brought to our attention. As a consequence, the Audit Committee should be aware that the opinion might have differed if our programme of work, or the scope of individual assignments was extended, or other relevant matters were brought to our attention.

Internal Control

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgement in decision making; human error; control processes being deliberately circumvented by employees and others; management overriding controls and unforeseeable circumstances.

Future Periods

Our assessment of the Council's control framework is based on completed audit work up to 30th June 2021. In a small number of cases the finalisation of audits has been delayed the outcome of this work will be considered for the 2021/22 audit opinion.

This historic evaluation of effectiveness may not be relevant to future periods due to the risk that:

- the design of controls may become inadequate because of changes in operating environment, law, regulatory requirements or other factors; and
- the degree of compliance with policies and procedures may deteriorate.

Responsibilities of Management and Internal Audit

It is the responsibility of management to develop and maintain sound systems of risk management; internal control and governance; and for the prevention or detection of irregularities and fraud. Internal Audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

Internal Audit endeavours to plan its work so that there is a reasonable expectation that significant control weaknesses will be detected. If weaknesses are detected, additional work is undertaken to identify any consequent fraud or irregularities. However, Internal Audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected, and our work should not be relied upon to disclose all fraud or other irregularities that might exist.

Appendix 5: Comparison of Audit Approach against the Public Sector Internal Audit Standards

Conformance with the PSIAS and the Local Government Application Note Standards/Requirements	Evaluation/Comments
Code of Ethics	Requirement met - referred to in the audit charter and communicated to all audit staff. Team members were asked to confirm they have read and understood annually- last request February 2020
Attribute Standards	
1.Purpose, Authority and Responsibility	Requirement met and defined in the audit charter
2.Independence and Objectivity	Requirements met and defined in the audit charter. Potential conflicts are appropriately managed
3.Proficiency and Due Professional Care	Requirements met and defined in the audit charter. Will develop a competency framework and a team training plan in 2021/22.
4.Quality Assurance and Improvement Programme	Requirements met - Quality Assurance and Improvement Programme in place, and the outcome of the annual review of the programme included in the Head of Audit annual report. Five yearly external inspection carried out in 2017/18.
Performance Standards	
1.Managing the Internal Audit Activity	Requirements met
2. Nature of Work	Requirements met
2. Engagement Planning	Requirements met
3. Performing the audit engagement	Requirements met - all assignments are subject to review, and the audit manual is regularly updated
4. Communicating Results	Requirements met - the report template is subject to at least annual review to ensure that reports are clear, insightful and promote improvements.
5. Monitoring Progress	Requirements met. Follow up arrangements were further updated in 19/20 and regular reminders sent out to managers. Exploring ways of improving the reporting of this work
6. Communicating the Acceptance of Risks	Requirements met

Appendix 6: Comparison of Audit Approach against the 5 key principles contained in “The Role of the Head of Internal Audit” (2019)

Principle	How Compliance is demonstrated
<p>championing best practice in governance, objectively assessing the adequacy of governance and management of existing risks, commenting on responses to emerging risks and proposed developments;</p>	<ul style="list-style-type: none"> • Promotes good governance and conduct e.g. facilitates the production of the code of governance and the Annual Governance Statement, lead officer on the update of the council’s anti-fraud and corruption framework, • Promotes the role of internal audit via the “Audit offer” and accompanying “frequently asked questions” • Promotes good governance and internal control through the role on the assurance group, although scope to extend this throughout the organisation • The audit plan is based upon the Council’s strategic risk register, the Council’s governance arrangements and the systems of internal control. • HOIA reports on the adequacy of such arrangements both individually and in aggregate via the annual Head of Internal Audit Report. • Provides commentary on emerging risks both to the Audit Committee and the Assurance Group. • Whilst ensuring it remains management’s responsibility, facilitates the embedding of effective risk management throughout the Council. • Provides comment on proposed developments, with increased involvement at an earlier stage
<p>giving an objective and evidence-based opinion on all aspects of governance, risk management and internal control</p>	<ul style="list-style-type: none"> • The Audit Charter, laying out the role and responsibilities of internal audit, is updated and approved annual by the Audit Committee • Process in place for providing independent assurance for those areas where HAA has managerial responsibilities • Audit plan aligned to the Council’s strategic aims • Producing an evidence based annual internal audit opinion on the organisation’s control environment. • Risk based approach to developing the audit plan, and for carting out audit assignments • Seeks assurance on the Council’s key partnerships • Where applicable, seeks to rely on assurance provided by external audit and inspectorates

Principle	How Compliance is demonstrated
<p>The HIA in a public service organisation must be a senior manager with regular and open engagement across the organisation, particularly with the Leadership Team and with the Audit Committee</p>	<ul style="list-style-type: none"> • Member of the Director of Governance and Partnerships Management Team • Monthly 1 to 1 meeting with the Director of Governance and Partnerships • Consults with the Strategic Leadership Team on the content of the audit plan • Meets with members of the leadership team, • Member of the Council’s Assurance Group chaired by the Deputy Chief Executive • Reports to the Audit Committee in own name • Supports the Audit Committee in assessing its own effectiveness • As laid out in the Audit Charter unfettered access to documentation and staff
<p>The HIA in a public service organisation must lead and direct an internal audit service that is resourced to be fit for purpose.</p>	<ul style="list-style-type: none"> • Sufficient resource and staff mix in place in 2020/21 to deliver a PSIAS compliant Internal Audit Plan and to provide sufficient evidence in relation to the Council’s control environment and key risks to support the Head of Internal Audit opinion statement. • Quality assurance and improvement programme in place, including key performance indicators which are reported upon annually • Staff development programme in place. In the process of enhancing this to continue to ensure that they have adequate skills to meet the changing requirements and expectations of audit • Keeps up to date with developments in governance, risk management, control and internal auditing through professional memberships and membership of CIPFA’s Better Governance Forum, including networking with other HIAs (including membership of CIPFA’s national Audit Special Interest Group). Learns from them and implements improvements where appropriate
<p>The HIA in a public service organisation must be professionally qualified and suitably experienced</p>	<p>CIPFA Member since 1993 and ICAS Member since 2017. Chartered Member of the Institute of Internal Audit (CMIIA) and Qualification in Audit Leadership (QIAL). Also, up to date “Continuing Professional Development” (CPD), 32 years of internal and external audit experience, 19 years of which at senior level, and has carried out the Head of Internal Audit role at NELC since April 2008.</p>

Appendix 7: Comparison of Audit Approach against the 10 principles as laid down in the audit standards)

Principle	How we comply?
Demonstrates integrity.	The code of ethics, including integrity, is included in the audit charter. Team members are asked annually to confirm that they have read and understood the code of ethics, and at least one session a year is held with team members to discuss ethics. Last update April 2021
Demonstrates competence and due professional care.	<ul style="list-style-type: none"> • The required levels of competence and experience are laid out in each job description, and training needs are considered in regular 1 to 1 meeting. • Audit good practice prepared by IIA, and others is discussed at team meetings. • There is a Quality Assurance and Improvement Programme in place to ensure that professional care is maintained. • Sufficient background research as part of engagement planning to have informed discussions with the audit client. • Each assignment is subject to supervision and review. • The performance of each assignment is assessed through supervision sheets. • Auditors engage with and validate fieldwork and findings through ongoing communication with management in the areas under review.
Is objective and free from undue influence (independent)	<p>Potential area for development</p> <p>The development of a competency framework for team members, and to fully develop a team training plan.</p> <ul style="list-style-type: none"> • The code of ethics, including independence, is included in the audit charter. Team members are asked annually to confirm that they have read and understood the code of ethics, and annually declare any interests which could impact on their independence. • The HOIA has responsibilities for risk, counter fraud, and insurance as well as audit. to preserve independence audits in these areas are carried out by other audit organisations.

- The audit manual provides guidance on reporting to ensure that audit communications are clear, factual, reliable, and relevant.
- Functional reporting to the audit committee is defined in the internal audit charter.
- The HOIA has direct access to the audit committee as defined in the internal audit charter.
- Scope of internal audit work is defined in the internal audit charter.
- The HOIA can meet with the Audit Committee) without management present.

Aligns with the strategies, objectives, and risks of the organisation.

- A strategic council wide approach, as opposed to a service based one, is used to prioritise work and compile the audit plan.
- The Council Plan, the Council's strategic outcomes, the strategic risk register and the operational risk registers are key components compiling the audit plan. The key components of an effective control environment, and the risks to it, are also considered.
- The audit strategy is updated based on changes to the internal or external environment.
- The audit plan is updated based on changes in the organisation's strategies and/or objectives.
- Internal audit plan links engagements to a strategic objective and or risks
- Post audit questionnaires indicates that the internal audit activity is operating in alignment with stakeholders' view of priorities.
- The HOIA is invited to and attends strategy discussion meetings e.g., Assurance Board/ Group, extended leadership team, etc.
- The HOIA is a senior enough level in the organisation to give them the appropriate standing, access, and authority in the organisation.
- High percentage of internal audit plan covering strategic projects and/or initiatives.
- Performance management and project management are regularly subject to audit

Is appropriately positioned and adequately resourced.

- The HOIA sits on the CFO's management teams at both Councils.
- The HOIA has unfettered accesses to the CFO, Chief Executive, and audit committee at both Councils. Also sits on both Council's Assurance Board/ Group.

- When compiling the plan, the level of resource available is compared to the resource required to provide a reliable and standards compliant opinion. Although COVID-19 has required the need to re-prioritise audit work, sufficient work was carried out to provide a reliable audit opinion.
- A documented and customised internal audit charter, aligned with the IPPF, is in place.
- Functional reporting to the audit committee and senior management is defined in the charter.
- Internal audit activity's mandate is broad and aligned to organisational needs.
- A sufficient operating budget is available to internal audit.
- Periodic discussions occur with the audit committee on QAIP, resource availability (capability and capacity), and any limitations.
- Access to the Council's Human resources, technology, and tools are provided to internal audit enabling it to execute its engagements effectively and efficiently.
- The HOIA is of a senior enough position within the organisation and is involved in numerous senior management groups e.g., extended leadership team, assurance board/ group etc.
- Evidence that the HOIA has challenged management when needed.
- The results of audit are given due consideration e.g., audit committee, compilation of the AGS, assurance board/ group meetings, senior management groups.

Potential area for the development

Since the demise of CIPFA benchmarking need to develop periodic benchmarking of resources is compared to similar size/profile organisations.

Demonstrates quality and continuous improvement

- A Quality Assurance and Improvement Programme is in place, and the team had a successful five yearly external inspection of its processes.
- All assignments are subject to supervision and review, and the overall arrangements are subject to annual self-assessments.
- Quality issues are discussed at each monthly team meeting and any relevant issues arising are included in the improvement plan.
- An Audit Manual is in place defining methodology is in place and subject to regular update as issues arise.
- Through membership of accounting and auditing bodies keep up to date with developments in audit practice
- Mechanisms are in place to solicit feedback from audit clients and key stakeholders via questionnaires.
- Operational KPIs are defined and monitored, including KPIs to promote internal audit activity improvements and innovations.
- The audit committee is provided with a twice-yearly update on the QAIP.
- Co-sourced internal audit activities (e.g., ICT audit) are required to conform with the IIA's Standards and Code of Ethics, and to have demonstrated that they have had a successful external inspection within previous five years

Communicates effectively.

- The team has a report template which meets the requirements of the audit standards. Reports are subject to regular review and update, and any common issues are included in the quality improvement plan. Team members are provided with guidance on effective reporting, and this updated regularly following on from internal quality reviews and feedback from clients.
- Periodic reporting and some engagement reports are customised for key stakeholders (senior management, audit committee. Assurance Board/ Group) as needed.
- Reports are factually accurate, highlight risk, address root causes, and encourage action from management responsible for the area or process under review.
- Reports are succinct, aligned with key risks, and use graphics or visuals where appropriate.

- Engagement reports and other periodic reporting provide a holistic view of assurance, and positive performance is acknowledged.
- Internal audit activity raises awareness of its role and promotes its value contribution via the FAQs and “Audit Offer”.
- A structure exists to encourage active, two-way communication with stakeholders (receiving and delivering information via client meetings, meetings with senior management teams, assurance board/group
- Internal audit has implemented controls to secure the confidentiality of the data it receives, accesses, and issues e.g., section in manual on GPPR compliance, taking part in council wide mandatory training on data protection, and the team regularly reminded of data protection and confidentiality issues.
- Internal audit reports clearly link to the engagement scope and objectives.
- Feedback from audit client and key stakeholders indicate that internal audit reports are fit for purpose and add value.
- No cases of major errors or omissions are identified after final reports are issued.
- Monitoring is undertaken through the review process and KPIs to ensure that reports are issued within defined timescales.
- No cases of unauthorised or erroneous disclosure of confidential data by internal auditors.

Provides risk-based assurance.

- The strategic and operational risk registers are a key source of evidence for determining the content of the audit plan.
- Both local and national emerging risks are an important part of the audit planning process. Identified through the review of agenda papers, papers and guidance prepared by CIPFA, CIIA and others, and planning discussions with senior managers.
- Internal plan is regularly reviewed throughout the year, and where appropriate amended, to take account of emerging risks.
- Individual engagement objectives target the effectiveness of controls over the most important risks. When considering the work programme for individual assignments team members consider the inherent impact of each of the five key areas of an effective control environment on the area, the local and national risk related to it, and the completeness of the risk register.
- The audit opinion in each audit assignment includes an assessment of the residual risk based on the effectiveness of the controls tested.
- Audit and risk management are both part of the Audit and Assurance team. Although kept operationally separate it fosters very close links between the two functions,

Potential area for development

Scope to be more explicit in reports about the quality of risk management within individual services

Is insightful, proactive, and future-focused.

- Auditors are encouraged to ensure that their reports are insightful, relevant and include agreed actions which add value. Following feedback from the external inspection the reporting template was enhanced in 2018/19, and guidance has been provided to Team Members on effective reporting.
- Both the overall audit plan and the design of individual assignments take accounts of future developments and risks to the organisation and are subject to consultation with relevant officers.
- The team keeps a library of future developments to ensure that future issues (both nationally and locally) are picked up through membership of various bodies (Cipfa, BGF, CIIA) and considered for audit programmes where appropriate.
- Team meetings ensure that service, development and cultural issues, and organisational changes are identified and discussed, and training is delivered where required.
- Increasing use of data analytics to identify risks and provide assurance.
- Makes the organisation aware of emerging governance and control issues through various forums assurance board/ group, Assistant Directors/ Head of Service meetings, management meetings etc.
- The delivery of audit assignments is timed for when they have the greatest potential added value.
- Internal audit reports include commentary on the potential impact of identified gaps in control.
- Where appropriate provide briefing papers to support areas under development and assesses preparedness.
- Post-assignment questionnaires ask whether the audit has added value- consistently positive results.

Potential area for development

Increase the Audit Team's knowledge of data analytics, including the identification and training of more specialists in this field

Promotes organisational improvement.

The audit team promotes organisational improvement in several ways including:

- Aligning the audit programme to the strategic objectives of the council
- Shares emerging good practice with management.
- Ensuring assignments are based on key risks, and reports have meaningful actions which add value.
- Provide advisory work to support the development of an effective control environment.
- Carry out follow up work to provide assurance that actions are being implemented and improvements made.
- Increasingly consulted about business initiatives and process and system transformations during initial assessments and pre-implementations (though scope for it to be more universal)
- Adopted three lines of assurance model and works closely with other sources of assurance e.g., through membership of the assurance board/ group, corporate governance group, role of in management teams etc.

Potential area for development

Continue to identify opportunities and promote the role of audit in supporting new initiatives at the initial assessment and pre-implementation stage.

Appendix 8: Key Performance Indicators 2020/21

	Annual target	Outturn	Variance	Comments
What did we do?				
Actual outturn forecast v budgeted outturn (shared service combined)	£588K	£532K	-£56K	Staff vacancies, 3rd party ICT audit requirement below budget, underspend on travel due to the pandemic, and some additional income above budget
Audit days delivered as at 31/5/21	1145	1037	-112	Staff vacancies, 3rd party ICT audit less than anticipated, some audits deferred to 2021/22 after discussion with client.
Number of audits completed by 30 June 2020	75	67	-8	Audits not completed are shown by 30 June are shown on Appendix 2.
% of audits issued in final within 20 working days of the issue of the draft	90%	57%	-33%	An improvement compared to 2019/20 but still scope to work with managers to ensure audit reports are agreed promptly

	Annual target	Outturn	Variance	Comments
How well did we do it?				
Did we carry out the audit well? (customer satisfaction questionnaires)	96%	100%	+6%	Shows very good customer satisfaction
Chargeable time days per employee excluding HOIA compared to CIPFA average	177	171	-6	Impacted by some staff doing other duties at the beginning of the pandemic in April 2020.
% of audits issued in draft by the agreed date	90%	42%	-48%	Variance caused by a number of factors such as audits taking longer than expected in terms of lapsed time and audit team needing to be more proactive in resetting due dates where applicable

	Annual target	Outturn	Variance	Comments
Did we add value?				
Did we add value? (customer satisfaction questionnaires)	90%	92%	+2%	Demonstrates very good customer satisfaction and how audit adds value
% agreed actions implemented by the agreed date	70%	73%	+3%	Represents an improvement in recent years.

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NORTH LINCOLNSHIRE COUNCIL

AUDIT COMMITTEE

DRAFT ANNUAL GOVERNANCE STATEMENT 2020/21

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 To present the draft Annual Governance Statement (AGS) 2020/21 for members consideration. As well as providing assurance on the effectiveness of the council's governance and internal control arrangements. It also provides commentary on the effectiveness of the council's response to Covid-19.
- 1.2 The key message from this report is that the AGS shows that the council has well-established governance arrangements and no significant governance issues have been identified.

2. BACKGROUND INFORMATION

- 2.1 The AGS sets out the council's governance arrangements in place and considers their effectiveness. The council's governance arrangements are 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 is 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).
- 2.2 The three lines of defence assurance model is central to the review of effectiveness of the council's governance arrangements as follows:
 - First Line – delivery/operational area. Sources of evidence include functional service area assurance frameworks. Reports to the Executive, Overview and Scrutiny and Committees.
 - Second Line - oversight of management activity and 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 provide 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.

2.3 COVID-19 has had considerable impact on the delivery of the council's responsibilities and governance arrangements to support them. In line with guidance from CIPFA the Council has 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.
- Longer-term changes to priorities, programmes, strategies and plans because of the impact of the pandemic on the organisation and the local area.

2.4 The draft AGS 2020/21 is attached (appendix A) and shows that the council has well-established governance arrangements that are monitored and reviewed on a regular basis. No significant governance issues requiring reporting had been identified apart from the exceptional circumstances of Covid-19.

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

3. OPTIONS FOR CONSIDERATION

3.1 The Accounts and Audit Regulations 2015 require the council to publish with its final accounts an Annual Governance Statement (AGS). It also requires for the draft AGS to be published on the council's website alongside the draft accounts and that this statement is reviewed by the Audit Committee.

4. ANALYSIS OF OPTIONS

4.1 The AGS is designed to deliver an overall opinion upon the adequacy of governance arrangements throughout the council.

4.2 Members should seek clarification on its contents as necessary to ensure the AGS provides sufficient assurance to fulfil their role as set out in the Committee's terms of reference

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

5.1 Regular reviews of governance arrangements should safeguard the council's assets and ensure that value for money is achieved in the use of resources.

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

6.1 Risk management is considered as part of the governance process. Any issues in the AGS should be considered for inclusion on the council's risk register.

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

7.1 Due to the nature of this report an Integrated Impact Assessment is not required.

8. **RECOMMENDATIONS**

8.1 That the Audit Committee considers whether the draft AGS provides a sufficient level of assurance on the adequacy of the council's governance arrangements to allow the committee to fulfil its role.

DIRECTOR: GOVERNANCE AND PARTNERSHIPS

Church Square House
30-40 High Street
SCUNTHORPE
North Lincolnshire

Author: Caroline Wilson
Date: 07 July 2021

Background Papers:

CIPFA- Delivering Good Governance in Local Government Framework
The Accounts and Audit Regulations 2015

Code of Governance January 2021

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SAFE WELL PROSPEROUS CONNECTED

**ANNUAL GOVERNANCE
STATEMENT**

Draft

2020-2021

**North
Lincolnshire
Council**

www.northlincs.gov.uk

Executive Summary

The Council has in place strong governance arrangements which we are confident protect the interests of the council and provide necessary assurances to our residents and stakeholders.

Notwithstanding inherent risks facing local government and strategic risks within the local operating environment which are identified and reviewed throughout the year, the Council's governance arrangements provide robust mechanisms to ensure that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

The council has set out a clear ambition for North Lincolnshire in its Council Plan and will strive to seek continuous improvement. The council will continue to provide effective governance arrangements and will make further improvements in line with good practice and external recommendations accordingly.

The operating environment for local government has been significantly impacted on by the coronavirus pandemic over the past 15 months. Locally the council has led the response to the pandemic, working with communities, businesses and partners to minimise and mitigate the impact from COVID for people and place. Our COVID-19 recovery and renewal framework provided a guide for the council's actions through the different transition phases of 'recovery', both short and medium term at both Place and Council level. Each phase guided by national guidance and legislation; Public Health advice and guidance and supported by local evidence, information and intelligence. Our local arrangements were set within governance structures aligned with the Humber Local Resilience Forum to enable a whole system approach with sub-regional partners. With a strong focus on business continuity the council resources were flexibly and agilely deployed to deliver for our residents.

The Annual Governance Statement 2020-21 concludes that there are no significant governance issues that have arisen during the year which require specific reporting apart from the exceptional circumstances of Covid-19.

Becky McIntyre

Director Governance and Partnerships

30 June 2021

1. Council's responsibility for good governance

North Lincolnshire Council (the Council) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the council is responsible for putting in place proper arrangements for the governance of its affairs, which include arrangements for the management of risk, whilst facilitating the effective exercise of its functions.

The Accounts and Audit Regulations 2015 require the council to publish with its final accounts an Annual Governance Statement (AGS). The AGS sets out the council's governance arrangements in place and considers their effectiveness.

2. Council's Governance Framework

The council's governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled and those activities through which it accounts to, engages with and leads its communities. It enables the council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money. Key elements of the council's framework are:

- The [Council Constitution](#) sets out how the council operates and how it makes decisions. The Constitution says what the council must do to make decisions efficiently, transparently and accountably. The statutory Monitoring Officer undertakes a review of the Constitution annually to ensure the council's arrangements remain compliant with legislative requirement and is fit for purpose in supporting the council's strategic objectives.
- The Council Plan, which sets out North Lincolnshire Council's ambition to be best place and the best council it can be, and the outcomes it is committed to achieving for local residents, through whole council transformation.
- The system of internal control, which is based on an on-going process designed to identify and prioritise the risks to the achievement of the council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.
- The [Council's Code of Governance](#) which sets out how the council's strategies, policies, plans, procedures, processes, structures, attitudes and behaviours. The key components are:
 - A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
 - B. Ensuring openness and comprehensive stakeholder engagement

- C. Defining outcomes in terms of sustainable economic, social, and environmental benefits
- D. Determining the interventions necessary to optimise the achievement of the intended outcomes
- E. Developing the entity's capacity, including the capability of its leadership and the individuals within it
- F. Managing risks and performance through robust internal control and strong public financial management
- G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability

3. Review of effectiveness of governance arrangements

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review relates to the governance framework which has been in place at North Lincolnshire Council for the year ended 31 March 2021 and up to the date of approval of the Statement of Accounts. Any issues identified as a significant governance issue are reported within the AGS, and the progress made by management in 2020/21 to address these issues will be reported regularly to the Audit Committee as the body charged with governance.

The review of effectiveness is informed by the work of the senior managers within the Council who have responsibility for the development and maintenance of the governance environment; by the Head of Audit and Assurance Annual Report; comments made by External Auditors and other review agencies and inspectorates. The Council Assurance Group is responsible for co-ordinating the review.

The three lines of defence assurance model is central to this review of effectiveness and is made up as follows.

First Line – (delivery/operational area)

Each Head of Service undertakes a self-assessment as to how assurances are sought to confirm that the services and functions they are responsible for comply with each of the seven principles. The Directors use these to inform their Director Assurance Statements which confirm the arrangements against the assurance framework.

Additionally the council has a performance framework to help assess the effectiveness of its arrangements. Performance is monitored at different levels across the organisation and forms part of the Directors' assurance.

The Director assurance statements review against previous years' actions highlighting areas of good governance actions to further strengthen the control environment. Examples of good governance and improvements progressed include:

- Governance and accountability arrangements for SEND have been strengthened through the introduction of a SEND Standards Board. The membership of this Board includes senior leaders and chief officers from partner agencies

- One Social Work Team Model embedded, ensuring that the statutory responsibilities of the Council are met and enables individual need to be supported at the lowest level of the social care pathway
- In response to complaints feedback, the fly tipping process was redesigned to improve customer reporting, response and feedback.
- Rolling programme of HR policy review provides assurance that the organisation has a legislatively compliant framework in place along with regular updates from LGA on any changes to legislation affecting local government
- Safeguarding in Education Line of Sight meetings provide a management overview of safeguarding within the council's functions for schools and settings and concentrate on exceptions.

In addition Directors produce reports for Cabinet, Scrutiny and committees which provide assurance on governance and the control environment in specific areas e.g.

- **Director of Public Health's Report 2019-20** – presented to Health and Wellbeing Board 14 September 2020. In video format, the review is the DPH's professional judgement and statement about the health of local communities. It highlights good progress being made against the priorities set for 2019-20 and concludes with the priority areas for the next 12 months, including:
 - Supporting positive mental health and wellbeing
 - Taking a whole systems approach to creating healthy environments
 - Encouraging people to be more physically active
- **Virtual School Headteacher Annual Report 2020** – reported to Cabinet 7 December 2020. The role of the Virtual School is to promote the educational achievement of children in care. The report provides an overview of the work undertaken to support children and young people throughout their journey and the impacts and successes over the past year. The virtual school reported that standards have once again been raised for their young people.
- **Local Safeguarding Adults Board Annual Report 2019/20** – presented to Health and Wellbeing Board 18 March 2021 and Cabinet 1 February 2021. The annual report demonstrated that the LASB:
 - listened and responded to the voices of adults with care and support needs, and adults with the lived experience;
 - was effective in providing help and protection to adults with care and support needs;
 - effectively met statutory obligations;
 - benefitted from strong and consistent leadership, and
 - had made good progress on delivering the strategic objectives laid out within the strategic plan

As part of its statutory duties, the board carried out an independent Safeguarding Adults Review (SAR) in relation to Adult A.

Significant work has been undertaken by partners to understand how agencies could work better together to safeguard adults at risk in such circumstances. The SAR has been published on the website and provided the Board with important learning to take forward in the future.

A key priority for the board in 2020/21 is to gain assurance from partner agencies about how any impact of Covid-19 on local safeguarding arrangements is being managed, particularly looking at how the current situation is impacting on adults who have care and support needs and on the effectiveness of safeguarding arrangements within North Lincolnshire

- **Independent Reviewing Service (IRS) Annual Report 2019/20** – presented to the Children and Families Cabinet Member 7 October 2020. It focuses on the IROs for Looked After Children and sets out a range of information about the service, including the extent to which it complies with regulation and best practice. Information contained within the report includes:
 - A total of 634 Looked after and Adoption Reviews have been chaired during the year.
 - North Lincolnshire has maintained a low number of children in care and remains lower than the latest national and statistical neighbour comparators. 129 Children entered care in 2018/19, compared to 51 Children entering care during 2019/20.
 - Over the past year the numbers of children in care has decreased, from 251 at the end of March 2019, to 231 at the end of March 2020. This places North Lincolnshire below the England latest published rate.
- **Special Education Needs and Disabilities (SEND) Annual Report 2019/20** – reported to Children and Education Scrutiny Panel 1 February 2021. The report summaries work undertaken by the council and its partners to implement the SEND Delivery Plan, and also highlights achievements. No issues were identified.
- **Managing Allegations Against People Who Work With Children Annual Report 2019/20** – reported to Children and Families Cabinet Member 18 January 2021. This report provides an overview of the activity and impact of the Local Authority Designated Officer (LADO) function in the year 2019-20. This includes an analysis of the allegations reported to the LADO, including the responses and outcomes. Of the 28 referrals received, a small decrease from the previous year, two were substantiated.
- **Regulation of Investigatory Powers 2000 (RIPA) 2020 Update** – reported to Cabinet 1 February 2021. The report provides information about the council's surveillance activity during 2020 in respect of the RIPA regime. An independent inspection by the Investigatory Powers Commissioner's Office in July 2020 were satisfied that our arrangements demonstrated a good level of compliance and the RIPA policy and procedures currently in place remain fit for purpose.

- **Care Call Service – Annual Report 2019-20** – reported to Cabinet 7th December 2021. The report provides an overview of the service activity and service performance April 2019 to March 2020, including that call handling and feedback statistics exceeded the accreditation scheme standards for a third consecutive year. Future developments include upgrading the hardware and software to improve to offer better resilience and more effective methods of communications for users.
- **Annual review of the Children’s Multi Agency Resilience and Safeguarding Local Arrangements 2019-20** – reported to Health and Wellbeing Board 16 November 2020. The report demonstrates that the local arrangements:
 - effectively meets statutory obligations
 - is effective in providing help and protection to children
 - benefits from strong and consistent leadership
 - has made good progress against its areas of focus
 - listens and responds to the voices of children and young people
 - has swiftly and confidently responded to the challenges posed by COVID-19

The review identifies areas of focus for 2020-21. Safeguarding partners and relevant agencies will continue to listen, learn, review and adapt; continue to deliver the core functions with particular focus on – work with adolescents and their families; emotional health and wellbeing; domestic abuse and emerging harm arising from COVID-19 across the early help and safeguarding system.

Second Line - (oversight of management activity and separate from those responsible for delivery)

The council’s Assurance Group receive a quarterly overview which provides an update on the position against a set of criteria, which help identify whether the council is fulfilling its duties as an organisation and employer. Assurance is evaluated using information and data including management sign-off of critical functions and by referencing specific performance measures for example additional assurance in respect on arrangements for fleet compliance was sought and progress on the implementation of a new system for monitoring compliance within the grey fleet was provided.

As part of the process for completing the AGS those responsible for the oversight of management activity, separate from those responsible for delivery were asked to provide statements on the overall operation of the control environment in their particular areas of oversight:

- **Assurance provided by the Monitoring Officer in relation to operating within the rule of the law and constitutional arrangements including member code of conduct** – no material issues were identified.

- **Assurance provided by the Head of Human Resources and Organisational Development in respect of human resources policy frameworks and arrangements, including organisational health and safety** - no material issues were identified.
- **Assurance provided by the Deputy s151 Officer on finance and procurement policy and procedures** - no material issues were identified.

In addition a range of reports are produced annually or throughout the year which provide assurance from a second line perspective e.g.

- **CIPFA Code of Financial Management Self-Assessment** - The Financial Management Code (FM Code) provides guidance for good and sustainable financial management in local authorities. By complying with the principles and standards within the Code authorities will be able to demonstrate their financial sustainability. The self-assessment has been completed demonstrating compliance against the vast majority of the standards. We have identified balance sheet reporting and financial resilience assessment as areas of focus, although meet the standard, further development has been prioritised to support financial sustainability.
- **Annual Report of the Audit Committee 2020/21** – to be presented to the Audit Committee 21 July 2021 and Full Council 11 October 2021. It summarises the activities of the Committee and demonstrates how it has discharged its duties. It also reports on the outcome of the Audit Committee's self- assessment against good practice.
- **Annual Report of the Standards Committee 2020/21** – to be presented to the Standards Committee on 8 July 2021 and Full Council 11 October 2021. The annual report highlights the work of the Committee over the period and outcomes from complaints made against the Code of Conduct. Although activity has increased in number of complaints received, the report doesn't conclude any particular theme or concern.
- **Fraud Annual Report** - reported to the Audit Committee on 8 April 2021, to assist in discharging its responsibilities for monitoring the effectiveness of the Council's arrangements for managing the risk of fraud. The report highlights the work undertaken to prevent fraud in relation to business grants. It also reported that in 2020/21, significantly fewer referrals relating to allegations of fraud or financial misconduct were received than in previous years. No major frauds were reported.
- **Risk Management Progress reports** – A Risk Management Progress report was presented to the Audit Committee 27 January. This provides an update on the Risk and Opportunities framework and the Council's Strategic Risks. Audit work highlighted improvements to how risk is referred to in Cabinet reports.
- **Treasury Management Policy Statement** - reported to Audit Committee 8 April 2021 – this outlined the policies and objectives of its treasury management activities, as approved by Council. It also set out high-level objectives of the council's treasury management activities.

Audit Committee also receive a mid-year position against the treasury management strategy and an end of year report.

- **Youth Council and Young Voice Annual Report** – reported to Children and Families Cabinet Member 9 December 2020 - this highlights the work undertaken across the Youth Council and wider young voice activities and outlines the impact and outcomes of engagement, predominantly at a service, local, regional and national level. The report also focused on young people’s perspectives and experiences during the pandemic and associated restrictions. No issues were identified.

Third line (independent oversight)

Head of Internal Audit Annual Report and Opinion 2020/21

Presented to the Audit Committee on 21 July 2021 the Head of Internal Audit concludes that the council had a satisfactory control environment with some areas for improvement identified. It also provided a satisfactory opinion on governance identifying that Scrutiny arrangements could be strengthened and substantial opinion on risk arrangements. The report also provided assurance that Internal Audit meets required quality standards.

External Audit

The External Auditor’s opinion on the Accounts and Value for Money arrangements is scheduled to be issued by 30 September 2021. The final version of the AGS will incorporate the outcome of the audit.

Ofsted

Adult Education and Community Learning Interim Visit December 2020 - No judgements given but report was positive with no recommendations made.

Assurance Monitoring Visit (Kingfisher Lodge) – no judgement but noted that it is a well-managed home.

Other External Inspections/Assessments

Other external inspections and verifications carried out in 2020/21 are listed below together with their ratings:

- **Registration Service: Public Protection & Counter Fraud Inspection**, March 2020 - 100% criteria met for monitoring and compliance and all statutory operational standards being met
- **Catering & Cleaning: Food Hygiene Rating Scheme** – 4.89/5.00 score
- **Building Control Quality Management Systems (ISO 9001)** – no nonconformities posted as part of annual review.
- **Defence Employers Recognition Scheme (Gold Award)**
- **The Office of the Information Commissioner** carried out an inspection of the Council’s **Regulation of Investigatory Powers Act (RIPA)** found ‘a good level of compliance’.

- **Department for Transport** – annual self-assessment against set criteria regarding **Highway Asset Management** including asset evaluation and programme management. DFT assessed North Lincolnshire as achieving Band 3 which is the highest rating demonstrating that the council is prioritised investment based on properly assessed needs analysis.
- The council's approach to managing its fleet effectively is subject to external verification by the **Driver and Vehicle Standards Agency (DVSA)**. The DVSA operate a traffic light system to ensure targeted enforcement and the Council currently has a Green rating.
- **Inspection by the Ministry of Housing Community and Local Government around youth homelessness service** – points to consider in future planning were proposed and all feedback received was positive and commented on the vibrant discussion that had taken place.

Local Government and Social Care Ombudsman

The Ombudsman is responsible for independently investigating complaints that have not been resolved by the organisation. There were fewer complaints received by the Ombudsman during 2020/21 compared to previous years, with the majority not progressing to investigation following their initial enquiries. Only one complaint upheld in full and one partially upheld and all remedy recommendations were complied with. The Annual Letter from the Ombudsman will be issued to the Council in August 2021.

4. COVID-19

COVID-19 has had considerable impact on the delivery of the Council's responsibilities and governance arrangements to support them. In line with the guidance from CIPFA the Council has 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*
- *Longer-term changes to priorities, programmes, strategies and plans as a result of the impact of the pandemic on the organisation and the local area*

Since the start of the pandemic the council put the necessary governance arrangements in place both locally and regionally and with partners. Every meeting of the Cabinet a COVID-19 report has been presented, providing updates on the response, recovery and outbreak management and prevention. Alongside reporting to Cabinet, the Health and Wellbeing Board extended its health protection remit to specifically be the publicly accountable oversight committee for the Local Outbreak Management Plan and arrangements. The frequency of meetings was increased for regular oversight to take place. The membership was also extended to ensure system level partners were involved. Overview and Scrutiny Committees also adapted their workplans to consider COVID-19 related matters.

The Council has considered the three areas above, reviewing information, reports and plans in respect of COVID-19 response and recovery which demonstrate that:

- The Council responded quickly to the pandemic, framed around the Council Plan to give a clear priority focus on keeping people safe and well (prevent and reduce the spread); protecting the most vulnerable from the impact of COVID-19; enabling communities to be resilient and protect and enabling the local economy, whilst ensuring business continuity in line with local and national priorities. In response to the emergency new systems and agile working arrangements were established at pace at an early stage. This swift and flexible approach, including the implementation of emergency decision making ensured that the council was able to operate within its agreed governance framework.
- Via the enhanced use of technology, the Council has been able to maintain most of its activities. Inevitably, however, there were some activities which were impacted, as required by government guidelines. Creative solutions were implemented to offer alternative access through technologies. The strong partnerships across North Lincolnshire provided a good foundation upon which to build, adapt and enable higher risk setting, such as schools, care homes and businesses to operate in line with COVID-19 secure guidelines. Where national and local restrictions required some venues and activities to be suspended we were able to direct resources to the COVID-19 response – for example the Shield programme, working across communities to meet the needs our clinically extremely vulnerable residents.
- Overall, no significant control issues have been identified as a result of the pandemic. The financial impacts during 2020/21 have been contained within the additional grant funding received from government. The longer-term financial impact continues to be assessed in the context of national policy and local needs analysis. The Council has recognised that the continued recovery from the pandemic will remain challenging, and as a result it has been identified as an area of focus for 2021/22 as shown in section 5 of the AGS. A strength of the council's approach has been that throughout its response to the covid pandemic it has remained focused on its ambition and priorities set out in the council plan.

5. Governance Challenges

Governance challenges can arise when something has gone or is going wrong which will affect the achievement of the Council's objectives. There is a need to respond and often recover from an issue and in financial terms, responding and recovering may add significant cost to the organisation or its processes. An issue may arise unexpectedly or may result from a poorly managed risk. Determining the significance of a governance issue will always contain an element of judgement.

An issue is likely to be significant if one or more of the following criteria applies:

- It has seriously prejudiced or prevented achievement of a principal objective.
- It has resulted in the need to seek additional funding to allow it to be resolved.
- It has required a significant diversion of resources.
- It has had a material impact on the accounts.

- It has been identified by the Audit Committee as significant.
- It has resulted in significant public interest or has seriously damaged reputation.
- It has resulted in formal actions being taken by the Section 151 Officer or Monitoring Officer.
- It has received significant adverse commentary in external or internal inspection reports that has not been able to be addressed in a timely manner.

Based upon the assurance systems in place and the council's approach to continuous learning through external and internal review and the information considered in the AGS, the conclusion is that there are no significant governance issues that have arisen during the year which require specific reporting apart from the exceptional circumstances of Covid-19.

6. Governance Risks 2021-22

The financial impact of COVID-19 on the council during 2020/21 could be met by the additional funding made available by government. Overall, the net additional cost amounted to £27m (18% of the approved budget). However, the approach taken whilst responding effectively to additional responsibilities mitigated against creating longer term legacy costs or demand and making use of redirected internal resources to minimise costs. This approach contributes to financial resilience for 2021/22 and beyond as it is anticipated that the longer-term impacts of COVID-19 will require re-prioritisation of investment. An exercise has commenced to review the financial sustainability and assess the medium-term financial plan with adapted assumptions on funding and spend. In addition, the review and renewal of the Council Plan and Health and Wellbeing Strategy will take account of the impact of COVID and prioritise recovery and renewal focus on mitigation and reduction of inequalities.

At an organisational level, there are changes within the council's statutory roles. Recruitment has commenced for the Chief Executive and interim arrangements for Director of Children's Services and Director of Public Health roles following the retirement of the current chief officers.

North Lincolnshire Council will benefit from investment as part of the government's 'Build Back Better: our plan for growth' over the next few years. This will require new and strengthened governance arrangements to operate effectively.

The changes to NHS structures and the development of Integrated Care Systems will also impact on local governance arrangements. The Council are a key stakeholder in the development and design of the new ICS NHS body and place-based partnerships, including the transitional arrangement during 2021/22.

NORTH LINCOLNSHIRE COUNCIL

AUDIT COMMITTEE

ANTI FRAUD AND CORRUPTION STRATEGY REVIEW

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1. Effective anti-fraud and corruption arrangements support the delivery of the Council's strategic objectives by contributing to effective governance arrangements designed to underpin them.
- 1.2. This report introduces the Council's updated Anti-Fraud and Corruption Strategy. The approval of the revised strategy will provide a clear and consistent message that the risk of fraud and corruption is real, will not be tolerated and is the responsibility of all Council employees to minimise.
- 1.3. It provides a framework for the effective deterrence, detection, investigation and sanction of fraudulent or corrupt activity.

2. BACKGROUND INFORMATION

- 2.1. 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'.
- 2.2. In March 2020, this strategy was updated¹ and in doing so has strengthened its emphasis on strong leadership and governance. The bedrock of the strategy is that executive support for our anti-fraud activities are clearly demonstrated, setting the tone from the top. The updated Council strategy reflects this emphasis to make it absolutely clear that fraud and corruption will not be tolerated.
- 2.3. Whilst the strategy has been updated, the general themes remain the same. The risk of fraud has not changed, but new opportunities for fraudsters have arisen, such as exploitation of the Covid 19 pandemic. Therefore, it is now as important as ever to ensure that our response is 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.

¹ Fighting fraud and corruption locally – a strategy for the 2020's

3. OPTIONS FOR CONSIDERATION

- 3.1. The committee is asked to consider the content of this report as part of their responsibilities for monitoring and reviewing the council's arrangements in relation to fraud and corruption and to approve the revised anti-fraud and corruption strategy.

4. ANALYSIS OF OPTIONS

- 4.1 No other options have been considered.

5. RESOURCE IMPLICATIONS (FINANCIAL, STAFFING, PROPERTY, IT)

- 5.1. The latest national estimate for fraud losses in Local Government amounts to £7.8bn per year². Therefore, failure to implement this strategy and associated policies and procedures is likely to lead to significant loss to the Council.
- 5.2. There is no additional expenditure required as a consequence of this strategy.

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

- 6.1 Fraud is a risk to both the council's finances and its reputation. Resources lost to fraud, both monetary and through the provision of services are resources that are no longer available to support the council's aims and in turn the community.
- 6.2 Regular reviews of counter fraud arrangements, including this strategy are designed to minimise the risk of fraudulent attacks on Council finances and services.

7. OUTCOMES OF INTEGRATED IMPACT ASSESSMENT (if required)

- 7.1 There is no impact assessment required for this report. Review of this strategy does not constitute a key decision and there are no new material impacts to individuals, the community, workforce, place or other impacts as a result of this review.

² Annual fraud Indicator 2017

8. OUTCOMES OF CONSULTATION AND CONFLICTS OF INTERESTS DECLARED

8.1 There are no conflicts of interests to declare.

9. RECOMMENDATIONS

9.1. The Committee is asked to consider and approve the updated anti-fraud and Corruption strategy.

9.2. The Committee is also asked to consider the appropriate signatories to endorse the foreword to emphasise the council's zero tolerance to fraud.

DIRECTOR: GOVERNANCE AND PARTNERSHIPS

Church Square House
SCUNTHORPE
North Lincolnshire
DN15 6NL

Author: Mark Edwards
Date: 7 June 2021

Background Papers used in the preparation of this report:

Anti-fraud and corruption strategy (January 2018).
Fighting fraud and corruption locally – a strategy for the 2020's.
Annual fraud Indicator 2017

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SAFE WELL PROSPEROUS CONNECTED

Anti-Fraud and Corruption Strategy

Foreword

In keeping with our values, the public are entitled to expect the council to conduct its affairs with integrity, honesty and openness and demand the highest standards of conduct from those working for and with it. Our Council Plan confirms our promise to spend your money wisely and do our best for North Lincolnshire, this means doing all we can to safeguard public funds and ensuring that they are available and used for their intended purpose; to achieve the council's ambition for North Lincolnshire to be the best place to live, work, visit and invest and to ensure it delivers high quality services and improved outcomes for residents.

To deliver high performance at a time of financial constraint, we need to maximise the resources available to us. Any fraud against the council takes money away from services and undermines our ability to achieve our aims.

The message is clear, the council will not tolerate fraud and corruption.

We will take the strongest possible action against those who seek to defraud the Council. This includes our own councillors, officers, contracting partners and external individuals and organisations. Our desire is to be a model of public probity, affording maximum protection to the funds we administer

Introduction

This Strategy sets out the council's approach to minimising the risk of fraud and corruption occurring, detecting its possible occurrence, and the actions it will take when fraudulent activity is suspected and identified.

In developing the strategy, the Council has adopted the five key principles included in 'FIGHTING FRAUD AND CORRUPTION LOCALLY -a strategy for the 2020's'¹. These are:

- Govern – having robust anti-fraud arrangements embedded throughout the organisation
- Acknowledge - acknowledging and understanding fraud risks
- Prevent - preventing and detecting fraud
- Pursue - punishing fraudsters and recovering losses
- Protect – Protecting the council from fraud

The benefits of having a co-ordinated and robust approach to anti-fraud and corruption as laid out in this strategy include:

- Greater ability to prevent losses due to fraud occurring, by improving the understanding of the risk
- Being more resilient to fraud and more aware of new fraud risks
- Providing support to the national agenda for fighting fraud
- Being able to clearly account for the effectiveness of the Council's counter fraud arrangements to the public, partners and national stakeholders. This will feature as a core element in the Annual Governance Statement
- Providing assurance over counter fraud arrangements
- Ensuring that resources for counter fraud activity are in line with the potential risk
- Providing assurance that fraud risk is being managed.

Govern

Tackling fraud is everyone's business. We are all responsible for ensuring the council does not lose vital funds to fraud.

The message is clear – we will not tolerate fraud and corruption

The Council has a robust framework of procedures and controls which provide the major elements of its anti-fraud and corruption governance arrangements. This strategy is an integral part of a range of policies and procedures that provide a corporate framework to help counter any fraudulent activity. These have been

¹ [Fighting fraud and corruption locally, a strategy for the 2020's](#) was published in March 2020

formulated in line with the appropriate legislative requirements and professional best practice and include:

- Fraud response plan
- Raising a Concern (whistleblowing) policy
- Anti-bribery policy
- Anti-money laundering policy
- Code of Corporate Governance
- The Constitution including Contract Procedure Rules and Financial Regulations
- Finance Manual and Procurement Manual
- Human Resources manual
- Codes of conduct for councillors and officers
- Gift and Hospitality Code of Practice
- Risks and Opportunities Protocol
- IT Security Policy

Acknowledge

All organisations are at increasing risk of fraud and corruption. The illegal and hidden nature of fraud makes it hard to measure accurately. To give some idea of the size of the risk, the estimated level of annual fraud loss across local government in 2010 was £0.7bn². In 2016 this figure was estimated at £7.3bn.³ and in 2017 (the latest published) this figure has increased to £7.8bn.⁴

Acknowledging this risk is essential in developing an appropriate and effective anti-fraud response. Recognising fraud must also incorporate a thorough understanding and knowledge about what the fraud problem is, where it is likely to occur, and the scale of potential losses.

The council has many of the components for a strong counter fraud response in place. These include:

- A dedicated, professionally qualified counter fraud team as part of its shared services arrangements for Audit and Assurance with North East Lincolnshire Council to promote awareness of fraud related risks and undertake criminal investigations where necessary to protect public funds

² Annual Fraud Indicator 2010 – National Fraud Authority

³Annual Fraud Indicator 2016 – Experian, PKF Littlejohn & University of Portsmouth Centre for Counter Fraud Studies

⁴ Annual fraud indicator 2017 – Crowe, Experian & University of Portsmouth Centre for Counter Fraud Studies

- Control arrangements for key financial systems that are robust, being underpinned by statutory requirements, council financial regulations and scrutiny through internal and external audit
- Identification of fraud risks facing the council
- An Audit Committee that will review this strategy as part of its responsibility for considering the effectiveness of counter fraud and corruption activities at the council
- Publication of this strategy and of specific fraud initiatives to raise public awareness
- Production of an annual fraud report which is available to the public, which openly acknowledges the fraud risks the council faces, the types of fraud that have occurred during the year
- Participation in collaborative counter fraud work with other agencies, through the National Fraud Initiative
- The use of data matching to identify potential fraud
- Fraud awareness campaigns to raise awareness of fraud, money laundering and bribery within the council and how to report concerns
- An annual self-assessment of our fraud response based on the checklist provided in the CIPFA, 'Fighting Fraud and Corruption Locally' document.
- Independent audit of our fraud arrangements.

The council recognises that new fraud risks are continually emerging and therefore, we will continually review our arrangements, taking into account the latest guidance available to ensure our counter fraud response is robust.

Prevent

More than ever, preventing losses from occurring in the first place is a crucial strand of a robust counter fraud strategy. The council has well established policies, procedures and processes which incorporate efficient and effective internal controls to safeguard the council's resources. The existence, appropriateness, and effectiveness of which are independently monitored and reported on by the council's Internal Audit team.

The council will continue to:

- Ensure that anti-fraud controls are considered when developing new systems and processes
- Ensure that the testing of the effectiveness of the design and operation of those anti-fraud controls is considered when prioritising internal audit work.
- Conduct proactive exercises into high-risk areas.

However, prevention extends beyond making sure that there are appropriate system and process controls in place. It depends on the development of an effective anti-fraud culture that reinforces a zero tolerance to fraud and corruption and deters criminals from committing fraud in the first place. An anti-fraud culture should seek to motivate staff and ensure that they understand the importance of tackling fraud, are able to recognise fraud and abuse and know how and where to report suspicions of fraud.

The council develops its anti-fraud culture by:

- Making new staff aware of their responsibilities as part of the induction process;
- Regularly updating the council's Raising a Concern (whistleblowing) policy so it takes account of updated national guidance and advice, and publicising these changes;
- Publicising its Counter Fraud Strategy and Annual Fraud reports

No matter how good the council's preventative measures are, fraud cannot be completely eradicated. To this end, the council has a robust Fraud Response Plan that provides a framework for the investigation of allegations of fraud.

Additionally, the council will continue to make use of information and technology to verify and validate transactions, or to uncover potential and actual fraud, including the following:

- Continued participation in the National Fraud Initiative, to investigate potential frauds identified through national data matching
- Development of other data matching techniques to prevent and detect fraud in high risk areas
- Providing a suite of fraud awareness materials to enable employees to prevent and detect fraud

Pursue

The Council will take robust and appropriate action to investigate, punish and recover funds from those who seek to defraud it.

We will seek the strongest available sanctions against any member of the public, contractor, member or employee who commit fraud against the council, its clients or the public purse. This may include prosecution and additionally for employees, disciplinary action.

Where appropriate the council will also work with other public authorities, including the Police, DWP and our insurance providers. We will share information to prevent, detect and investigate acts of fraud against the public purse.

The council will always seek to recover any funds or assets that have been lost due to fraud and will use all means available to do so under the council's Debt Recovery Strategy and where appropriate using Proceeds of Crime Act legislation.

The council will seek to publicise the outcomes of such investigations in the Annual Fraud Report, to provide the public with the assurance that public funds are being protected and to act as a deterrent to those that may consider committing fraud in the future.

Protect

By adopting the principles of govern, acknowledge, prevent and pursue, the council can protect itself from fraud and the harm fraud can cause both to the council and to the residents of North Lincolnshire.

This strategy will be reviewed bi-annually against best available practice to ensure that the council stays protected. In addition, the Council will assess its counter fraud arrangements against the checklist produced by CIPFA to complement their 2020's strategy and will act to strengthen its arrangements where necessary.

Appendix 1: Definition of terms

As per the Fraud Act 2006, fraud is a criminal offence. Fraud is any action taken by an individual, group or organisation which is designed to facilitate dishonest gain at the expense of (or loss to) the Council, the residents of North Lincolnshire or the wider national community and can include:

- **Fraud by False Representation:** Dishonestly making a false representation, and intend by making the representation, to make a gain for themselves or another, or cause a loss or expose another to a risk of loss.
- **Fraud by (wrongly) failing to disclose information:** Dishonestly failing to disclose information which they are under a legal duty to disclose, and intend by failing to disclose the information, to make a gain for themselves or another, or cause a loss or expose another to a risk of loss.
- **Fraud by abuse of position:** Occupying a position in which the post holder is expected to safeguard, or not act against, the financial interests of another person, dishonestly abuse that position, and intend by such abuse, to make a gain for themselves or another, or cause a loss or expose another to a risk of loss.

Theft is stealing any property belonging to the council or which has been entrusted to it (i.e., client funds), including cash, equipment, vehicles, data. Theft does not necessarily require fraud to be committed. Theft can also include the stealing of property belonging to our staff or members whilst on council premises.

A person is guilty of theft under the Theft Act 1968 if they 'dishonestly appropriate property belonging to another with the intent of permanently depriving the other of it' or they dishonestly retain a wrongful credit. For example, where they do not report and repay an overpayment of salary or advance.

Corruption is defined as an act done with the intent to give some advantage which is inconsistent with a public servant's official duty and the rights of others. In the public sector it can also be defined as the abuse of power by a public official for private gain. Forms of corruption vary but include bribery, extortion, nepotism, cronyism, embezzlement.

Bribery is defined as the offering, giving, soliciting or acceptance of inducements or reward designed to influence official action or decision making. Under the Bribery Act 2010, organisations are expected to implement anti-bribery measures and both organisations and individuals can face significant penalties for failure to meet these requirements.

Money laundering is the process by which the proceeds of crime are changed so that they appear to come from a legitimate source. Legislation concerning money laundering is included within the Proceeds of Crime Act 2002 (the POCA) and Money Laundering Regulations 2007.

A **Whistleblower** is a person who tells someone in authority about alleged improper, unethical, dishonest or illegal conduct, including fraud occurring in any public or private organisation.

The Public Interest Disclosure Act 1998 provides legal recourse for an employee raising the concern should they feel they have been treated unfairly as a result of "whistleblowing".

Appendix 2: Roles and Responsibilities

Councillors	<ul style="list-style-type: none"> • facilitate an anti-fraud and anti-corruption culture • demonstrate a commitment to this strategy and ensure it has the appropriate profile within the council
Cabinet	<ul style="list-style-type: none"> • ensure the strategy is effectively implemented across the Council
Audit Committee	<ul style="list-style-type: none"> • to approve the corporate fraud strategy • to monitor and review the effectiveness of the council's anti-fraud and corruption arrangements • ensure that there is strong political and executive support for work to counter fraud and corruption • ensure consistency across the council in the implementation of this strategy
Chief Financial Officer	<ul style="list-style-type: none"> • ensure that those working to counter fraud and corruption are professionally trained and accredited for their role and attend regular refresher courses to ensure they are up to date with new developments and legislation • ensure that those working to counter fraud and corruption are undertaking this work in accordance with a clear ethical framework and standards of personal conduct • ensure that there is a level of financial investment in counter fraud and corruption work that is proportionate to the risk that has been identified.
Monitoring Officer	<ul style="list-style-type: none"> • regularly publicise, and monitor compliance with, expected standards of ethical conduct • ensure that the progress in raising standards will be communicated to stakeholders • ensure registers of interests, gifts & hospitality are maintained • ensure Councillors and officers are fully aware of their obligations in relation to probity
Directors and Heads of Service	<ul style="list-style-type: none"> • ensure the risks of fraud and corruption are identified, recorded on the risk register as required and action plans implemented to reduce the risk to an acceptable level • ensure the anti-fraud and anti-corruption strategy is implemented within their area of responsibility • ensure that any allegations or suspicions of fraud are reported in line with the fraud response plan or, if appropriate, the whistleblowing policy • ensure the risk of fraud and corruption is considered in all new processes

<p>Audit and Assurance (including counter fraud team)</p>	<ul style="list-style-type: none"> • support Directors, Heads of Service and their managers in identifying and mitigating risks for fraud and corruption • promote an anti-fraud culture, including awareness campaigns risk assessments, development of tools to identify potential fraudulent activity • ensure all allegations are recorded and risk assessed • conduct investigations in line with legislation, standards and rule of conduct • ensure that those carrying out fraud investigations are adequately trained • notify HR & Legal Services at the outset of investigations into employees • make recommendations where weaknesses are identified and ensure action plans implemented to prevent reoccurrences • undertake proactive exercises into areas where the risk of fraud is greatest • take into account fraud risks when determining the annual audit plan and the content of specific audit assignments
<p>Human Resources</p>	<ul style="list-style-type: none"> • ensure that there is an effective propriety checking system (i.e., safe recruitment) implemented by appropriately trained staff in place • ensure employment policies support the anti-fraud and anti-corruption framework • ensure that effective Whistleblowing arrangements are established • monitor effective and appropriate sanctions are applied in all appropriate cases • ensure that all Human Resources staff are aware of the Fraud Response Plan and the action to take if they suspect fraudulent activity • inform Audit and Assurance at the outset of any conduct investigation
<p>Managers</p>	<ul style="list-style-type: none"> • ensure all employees are aware of their responsibilities under the anti-fraud and anti-corruption framework • ensure all employees have read the Employee code of conduct and understand their responsibilities • ensure all employees understand the Raising a concern policy and reporting arrangements • ensure employees are aware of the process for reporting allegations of fraud • ensure accurate and timely reporting of gifts and hospitality
<p>Employees</p>	<ul style="list-style-type: none"> • understanding of expected behaviour and of their responsibility to report suspected fraud or corruption and the appropriate methods to do so

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Report of the Director:
Governance and Partnerships

Meeting: 21 July 2021

NORTH LINCOLNSHIRE COUNCIL

AUDIT COMMITTEE

INTERNAL AUDIT PLAN 2021-22

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 To receive the detailed internal audit plan for 2021-22.

2. BACKGROUND INFORMATION

- 2.1 At its meeting on 9 April 2021 the Audit Committee approved the Internal Audit Plan. At the meeting it was informed 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, and that the final detailed Plan would be subsequently shared with the Committee. The updated Plan is now attached.

3. OPTIONS FOR CONSIDERATION

- 3.1 In line with the Public Sector Internal Audit Standards (PSIAS) it is a requirement for the Audit Committee to be kept regularly updated on the content of the audit plan.

4. ANALYSIS OF OPTIONS

- 4.1 The Head of Internal Audit and Assurance is satisfied that the assignments identified in the detailed plan will provide sufficient evidence to support a reliable year-end annual audit opinion on the council's control environment, although the plan is potentially subject to re-prioritisation as new risks emerge during the year.

5. RESOURCE IMPLICATIONS (FINANCIAL, STAFFING, PROPERTY, IT)

- 5.1 As previously reported, the plan will be delivered from existing resources within the council's internal audit service which is provided through a Shared Service, as well as a third party specialist IT Audit support.

The resource allocation is based upon assumptions about the design and operation of systems and processes; the co-operation of council staff with the audit process and estimated vacancy and absence rates. The resource allocation will be reviewed periodically to take account any changes in these assumptions and the extent of emerging risks.

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

6.1 The compilation of the audit plan is based on risk with those areas with the potential biggest risk to an effective control environment being prioritised. The achievement of the Council's strategic outcomes, its legislative and regulatory responsibilities and the Council's risk register are all considered when compiling the audit plan.

7. OUTCOMES OF INTEGRATED IMPACT ASSESSMENT (IF APPLICABLE)

7.1 An Integrated Impact Assessment is not required.

8. OUTCOMES OF CONSULTATION AND CONFLICTS OF INTERESTS DECLARED

8.1 The detailed plan is subject to consultation discussion with members of the Council's Leadership team and Heads of Service.

8.2 The Head of Audit and Assurance also has responsibility for risk management arrangements, insurance and counter fraud. Applicable audits in these areas will be carried out by a third-party provider to prevent a potential conflict of interest. In addition, at the beginning of each year audit team members, in line with the audit of code of conduct are required to declare any close relationships which could impact on the delivery of particular audit assignment. If relevant such assignments are provided to other members of the team.

9. RECOMMENDATIONS

9.1 That the Audit Committee notes the content of the detailed plan

DIRECTOR OF GOVERNANCE AND PARTNERSHIPS

Church Square House
SCUNTHORPE
North Lincolnshire

Author: Peter Hanmer, Head of Audit and Assurance
Date: 7 July 2021

Background Papers used in the preparation of this report
Internal Audit Plan 2021/22 (April 2021)

	Brief outline	Link to the code of governance	Leadership Team Member	Head Of Service	Original days
Delivery of strategic outcomes and good governance	A risk based programme of audit reviews to provide assurance on the governance arrangements in place to deliver key strategic and service outcomes efficiently and effectively and ensure compliance with laws and regulations				460
Adults Debt Management	A review of the effectiveness of the new Adult Social Care recovery policy in ensuring debt is identified and recovery action is prompt	Managing risks and performance through robust internal control and strong public financial management	Director Governance and Partnerships Director of Adults and Wellbeing	Customer and Digital	
Asset management - operational buildings	Assurance on the arrangements in place to ensure that the Council's operational buildings are efficiently and effectively maintained and comply with laws and regulations, including the impact of Covid-19	Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	Deputy Chief Executive	Assets & Infrastructure	
Blue Badges	Assurance on the cohesive arrangements for badge allocation and review in the wider context of customer transactions	Managing risks and performance through robust internal control and strong public financial management	Director Governance and Partnerships	Customer and Digital	
Capital programme	As part of providing assurance on the Council's financial management processes, following on from the work audit carried out in 2019/20 in relation to reviewing the updated capital bidding process, provide assurance on the operation of the bidding processes and the arrangements for delivering the approved plan .	Managing risks and performance through robust internal control and strong public financial management	Director Governance and Partnerships	Finance & Commissioning	

Delivery of strategic outcomes and good governance	A risk based programme of audit reviews to provide assurance on the governance arrangements in place to deliver key strategic and service outcomes efficiently and effectively and ensure compliance with laws and regulations				460
Care Leavers	Provide assurance on the effectiveness and compliance of the new inhouse arrangements	Determining the interventions necessary to optimise the achievement of the intended outcomes	Director of Children and resilience	Children's Social Care	
CCG recharging assurance	Assurance that payments made on behalf of the CCG are recouped and that further recoupment occurred when NHS funding for new packages of care and changes to care as a result of Covid 19 was in place	Managing risks and performance through robust internal control and strong public financial management	Director of Adults and Wellbeing	Adult Social Care	
Child Exploitation	Assurance on the mechanisms in place to safeguard children from the risk of exploitation	Determining the interventions necessary to optimise the achievement of the intended outcomes	Director of Children and resilience	Children's Social Care	
Commercial Assets / Estates	Assurance on the maintenance of the commercial portfolio, purchases / disposals, leasing arrangements and charging process. To include consideration of any issues coming out of public reports from other councils	Managing risks and performance through robust internal control and strong public financial management	Director of Business Development	Economy and growth	

Delivery of strategic outcomes and good governance	A risk based programme of audit reviews to provide assurance on the governance arrangements in place to deliver key strategic and service outcomes efficiently and effectively and ensure compliance with laws and regulations				460
Complaints process	Assurance on the effectiveness of the complaints process in adhering to revised statutory guidance and ensuring that there is a consistent approach to remedy	Ensuring openness and comprehensive stakeholder engagement	Director Governance and Partnerships	Customer and Digital	
Contaminated land	Assurance on the effectiveness of arrangements for compliance with legislation and mitigation of the risks associated with contaminated land	Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	Deputy Chief Executive	Waste, Fleet & Public Protection	
Customer Standards metrics	To ensure there is robust data quality and capture in collection of data to identify standards are high and meet outcomes	Ensuring openness and comprehensive stakeholder engagement	Director Governance and Partnerships	Customer and Digital	
Emergency planning (lesson learned from the pandemic)	Assurance on the effectiveness of the council's arrangements for emergency planning, particularly in light of lessons learned from Covid-19	Managing risks and performance through robust internal control and strong public financial management	Deputy Chief Executive	Waste, Fleet & Public Protection	
Environmental Strategy	Assurance on the development, implementation and delivery of the council's plan "A Green Future"	Defining outcomes in terms of sustainable economic, social, and environmental benefits	Deputy Chief Executive	Assets & Infrastructure	

Delivery of strategic outcomes and good governance	A risk based programme of audit reviews to provide assurance on the governance arrangements in place to deliver key strategic and service outcomes efficiently and effectively and ensure compliance with laws and regulations				460
Fastt and early help offer	Assurance on compliance with legislation of the Faast team and effectiveness in delivering the early help offer in the context of one family	Determining the interventions necessary to optimise the achievement of the intended outcomes	Director of Children and resilience	Children's Social Care	
Fleet Management	Assurance on the arrangements to meet statutory requirements and provide a safe and reliable fleet, including grey fleet, to support delivery of council services	Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	Deputy Chief Executive	Waste, Fleet & Public Protection	
Growing the Economy - Town Deal / High Street Fund	Assurance on the governance arrangements to achieve the council's objective of growing the economy, concentrating on how the council is managing the risks relating to these high profile and externally funded projects (including the decision making processes for the purchase and disposal of assets)	Determining the interventions necessary to optimise the achievement of the intended outcomes	Director of Business Development	Economy and growth	
Health Reform- Impact of the Integrated Care System (ICS)	Assurance on the development of new governance arrangements and new operating model with the NHS due to the impact of the health white paper. Will also take account the of any changes to contracts and agreements resulting from the changes to local NHS organisations	Defining outcomes in terms of sustainable economic, social, and environmental benefits	Director of Adults and Wellbeing/ Director of Children and resilience	Adult Social Care	

Delivery of strategic outcomes and good governance	A risk based programme of audit reviews to provide assurance on the governance arrangements in place to deliver key strategic and service outcomes efficiently and effectively and ensure compliance with laws and regulations				460
Highways Development control	Assurance on the effectiveness of how highways works with other services in relation to the planning approval process, maximisation of s106 contributions etc.	Determining the interventions necessary to optimise the achievement of the intended outcomes	Deputy Chief Executive	Assets & Infrastructure	
Homefirst	As part of provision of assurance on the delivery of key strategic and service outcomes, review of the mechanisms to ensure clients are effectively supported in their home	Determining the interventions necessary to optimise the achievement of the intended outcomes	Director of Adults and Wellbeing	Access and Safeguarding	
Housing related support	Assurance on arrangements for assessing needs/eligibility and providing support to enable independent living	Determining the interventions necessary to optimise the achievement of the intended outcomes	Deputy Chief Executive	Waste, Fleet & Public Protection	
HR - Organisational Development	Continued assurance on the review, refresh and implementation of the organisational development plan	Developing the entity's capacity, including the capability of its leadership and the individuals within it	Director of Business Development	Organisational Development	
Independent review team	Assurance on the effectiveness of the team in providing assurance on the compliance of the service to legislation and internal policy	Determining the interventions necessary to optimise the achievement of the intended outcomes	Director of Children and resilience	Children's Social Care	
Launch of CQC inspections - preparedness	Preparedness for the new inspection framework to which the council will be subject.	Determining the interventions necessary to optimise the achievement of the intended outcomes	Director of Adults and Wellbeing	Adult Social Care	

Delivery of strategic outcomes and good governance	A risk based programme of audit reviews to provide assurance on the governance arrangements in place to deliver key strategic and service outcomes efficiently and effectively and ensure compliance with laws and regulations				460
Leisure - Financial Viability	Assurance on the arrangements for assessing commercial viability, including the decision-making process for the services and facilities on offer	Managing risks and performance through robust internal control and strong public financial management	Director of Learning, Skills & Culture	Participation & Achievement	
Looked after children - Fostering	Providing assurance on sufficiency of compliant resources to look after children in care specifically fostering and connected persons	Determining the interventions necessary to optimise the achievement of the intended outcomes	Director of Children and resilience		
Regional adoption partnership	Assurance on the effectiveness of the new partnership arrangements in providing adoption services that meet legislation	Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	Director of Children and resilience		
Network Management	Assurance on the effectiveness of the arrangements for managing the highways network to comply with legislation and national reporting requirements	Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	Deputy Chief Executive	Assets & Infrastructure	
Officer decision recording	To consider the effectiveness of the officer decision recording provisions within the Council's Constitution and adherence thereto by officers	Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	Director Governance and Partnerships	Legal & Democracy	
Partnership Protocol	To audit compliance by services with the Partnership Protocol (and Joint Working Framework)	Ensuring openness and comprehensive stakeholder engagement	Director Governance and Partnerships	Legal & Democracy	

Delivery of strategic outcomes and good governance	A risk based programme of audit reviews to provide assurance on the governance arrangements in place to deliver key strategic and service outcomes efficiently and effectively and ensure compliance with laws and regulations				460
Planning	Assurance on the effectiveness of arrangements for planning applications and ensure compliance with statutory requirements and the local plan	Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	Director of Business Development	Economy and growth	
Prosecutions Legal Services	To consider the effectiveness of cross council prosecution practice, including case file preparation, in the context of prosecutions being commenced in accordance with statutory time limits.	Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	Director Governance and Partnerships	Legal & Democracy	
Public Health Responsibilities	Assurance on the capacity of the Public Health function to carry out its key functions, including the continued response to COVID -19 and the implementation on the council's public health service plan for the improvement of health and equality	Developing the entity's capacity, including the capability of its leadership and the individuals within it	Director of Public Health		
Public Health- use of public health grant	Assurance on how the council uses the Public Health grant and how it ensures it supports outcomes relating to the wellbeing of the borough	Determining the interventions necessary to optimise the achievement of the intended outcomes	Director of Public Health		

Delivery of strategic outcomes and good governance	A risk based programme of audit reviews to provide assurance on the governance arrangements in place to deliver key strategic and service outcomes efficiently and effectively and ensure compliance with laws and regulations				460
Residential Care b/f	As part of provision of assurance on the delivery of key strategic and service outcomes, review the processes relating to the market shaping and commissioning of residential care support in the area with CQC approved agencies	Determining the interventions necessary to optimise the achievement of the intended outcomes	Director of Adults and Wellbeing	Access and Safeguarding	
Role of the CFO	To confirm that the Director of Governance and Partnerships is able to obtain the assurances she requires to discharge her duties as S151 officer	Developing the entity's capacity, including the capability of its leadership and the individuals within it	Director of Governance and partnerships		
Role of the Principal Social Worker (adults and children)	Cross cutting audit on compliance to best practice guidance on delivery of social work	Developing the entity's capacity, including the capability of its leadership and the individuals within it	Director of Children and resilience/ Director of Adults and Wellbeing		
Safeguarding (Liberty Protection Safeguards)	Preparedness for LPS. Assurance on a whole system approach to managing section 42 referrals	Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	Director of Adults and Wellbeing	Mental Health and Disability	
Safer Neighbourhoods	Assurance on compliance to the legislation on the making neighbourhoods safe	Determining the interventions necessary to optimise the achievement of the intended outcomes	Director of Children and resilience		

Delivery of strategic outcomes and good governance	A risk based programme of audit reviews to provide assurance on the governance arrangements in place to deliver key strategic and service outcomes efficiently and effectively and ensure compliance with laws and regulations				460
School admissions and fair access	Assurance on the effectiveness of the arrangements for admissions, including compliance with fair access protocols	Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	Director of Learning, Skills & Culture	Standards and Effectiveness	
School Governance	Assurance on the operation of the schools governance function in providing support to schools and ensuring that schools maintain expected governance arrangements	Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	Director of Learning, Skills & Culture	Standards and Effectiveness	
SEND Transport arrangements and decision-making	Assurance on the effectiveness of arrangements for providing transport and escorts for children/young people with SEND, including consistency in decision-making, safeguarding and demand-lead budgeting	Determining the interventions necessary to optimise the achievement of the intended outcomes	Director of Learning, Skills & Culture	Access and inclusion	
Strategic Housing	Assurance on the arrangements in place to ensure the delivery of the council's housing strategy, including the use of external funding	Defining outcomes in terms of sustainable economic, social, and environmental benefits	Director of Business Development	Economy and growth	
Waste collection and disposal	Assurance on governance and delivery of the waste strategy for the collection and disposal of waste	Determining the interventions necessary to optimise the achievement of the intended outcomes	Deputy Chief Executive	Waste, Fleet & Public Protection	

Delivery of strategic outcomes and good governance	A risk based programme of audit reviews to provide assurance on the governance arrangements in place to deliver key strategic and service outcomes efficiently and effectively and ensure compliance with laws and regulations				460
Youth offending services	Assurance on the effectiveness and compliance to legislation following a change in management and process	Determining the interventions necessary to optimise the achievement of the intended outcomes	Director of Children and resilience		
Financial systems	Providing assurance on the design and operation of the fundamental financial systems, including on a cyclical basis those systems which feed into them.	Managing risks and performance through robust internal control and strong public financial management	Governance and partnerships	Finance & Commissioning	145
ICT	Providing assurance on the effectiveness of the Council's approach to ICT and Information governance, and key ICT systems	Managing risks and performance through robust internal control and strong public financial management	Governance and partnerships	Customer & Digital	50
Procurement and Contract Management	Providing assurance on the Council's procurement and contract management processes, including reviews of a sample of key procurement exercises	Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	Governance and partnerships	Finance & Commissioning	25
Probity and counter fraud	Proactive and reactive work to support the Council's approach to anti-fraud and corruption, to provide assurance on the controls in place designed to prevent fraud in areas of high risk	Managing risks and performance through robust internal control and strong public financial management			80

Delivery of strategic outcomes and good governance	A risk based programme of audit reviews to provide assurance on the governance arrangements in place to deliver key strategic and service outcomes efficiently and effectively and ensure compliance with laws and regulations				460
Follow up	Follow up of previous actions Including sending reminders to managers about their outstanding actions, and receiving their responses				35
Schools	Provide assurance on the control environment within maintained schools based upon a cyclical programme of schools audits		Director of Learning, Skills & Culture		100
Advisory work	Providing advice and support on governance and internal control matters				70
Grants	Mandatory certification of grant claims				60
Audit Management					75
Contingency					45
Total					1145

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	Brief outline	Leadership Team Member	Key contact	Original days	Amendment	Revised Days	Comments	
Transport strategy	Provide assurance on the governance, implementation and delivery of the transport plan, including the use of external funding	Deputy Chief Executive	Chris Ramsbottom	13		13	As at April 2021, in middle of developing a new Integrated Transport Strategy. New National Bus Strategy recently published by Government	HA
Care Standards - Kingfisher Lodge (Bf 20/21)	Assurance on the application of Care Standards in home settings	Director of Childrens and resilience		0	0	0	not the highest of risks could come out	DB
Community grants (b/f 20/21)	Assurance on the governance arrangements for awarding grants to the community	Director of Childrens and resilience		0	0	0	not the highest of risks could come out	DB
Website - accesibility and transparency				0		0	I think this can come out. Not a priority compared to some of the other audits	?

School catering, including free school meals	Assurance on the effectiveness of arrangements to provide school meals, particularly free school meals: inclusion, nutrition, H&S, VFM, ordering/invoicing, income, waste	Director of Governance and Partnerships	Jason Whaler	10		10	Also Director of Business Development dependent on scope	HA
Grounds maintenance incl. tree operations	Assurance on arrangements, including H&S compliance and best value	Deputy Chief Executive	Chris Ramsbottom	10		10	Lower priority	HA
Enforcement - littering etc. - external contract	Assurance on the effectiveness of arrangements and the monitoring of the external contract	Deputy Chief Executive	Kath Jickells	10		10	Lower priority, reputational risk Richard Copley	HA
Empty Homes								
DFG								
Building control								