

NORTH LINCOLNSHIRE COUNCIL

AUDIT COMMITTEE

23 March 2022

PRESENT: - Councillor K Vickers (Chairman)

Councillors J Longcake, T Mitchell, Wilson and L Yeadon.

The meeting was held in Room F01e, Conference Room, Church Square House, Scunthorpe.

659 **SUBSTITUTIONS (IF ANY)** - Councillor J Longcake substituted for Councillor T Foster.

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

661 **TO TAKE THE MINUTES OF THE MEETING HELD ON 26 JANUARY 2022 AS A CORRECT RECORD AND AUTHORISE THE CHAIRMAN TO SIGN - Resolved** - That the minutes of the proceedings of the meeting held on 26 January 2022, having been printed and circulated amongst the members, be taken as read and correctly recorded and be signed by the Chairman.

662 **ANNUAL FRAUD REPORT 2021-22** - The Director: Governance and Communities submitted the Annual Fraud Report for 2021-22, which demonstrated to the public, councillors, officers and partners the progress made during 2021-22 in developing an anti-fraud culture at the organisation.

Members heard that the council's framework to combat fraud, corruption and misappropriation was approved by the committee in July 2021. The framework followed national guidance as laid out in the document "Fighting fraud and corruption locally (FFCL) - the local government counter fraud and corruption strategy 2020, and was based upon five key principles:

- Govern
- Acknowledge and understand
- Prevent and detect
- Pursue
- Protect

The Annual Fraud 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.

Following the Director's verbal presentation, the Chairman facilitated a discussion amongst the members and council officers on the Annual Fraud

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Report 2021-22.

Resolved – That following discussion of the report and appendix, and discussion of their content, the Annual Fraud Report for 2021-22 provided adequate assurance on the adequacy of the council's counter fraud arrangements.

663 **RISK MANAGEMENT ANNUAL UPDATE** - The Director: Governance and Communities circulated a report that provided the committee with an update on the key issues arising from the council's risk management work.

The council's current strategic risks were attached to the report as an Appendix. These risks were reviewed in February 2022. Based on recent reviews the overall strategic risk levels were assessed as medium. This was based upon with the controls and mitigations that had been identified. The risks would be subjected to a further review in six months' time.

A review of the council's operational risk registers was carried out in February 2022. Most of the operational risk had been assessed as medium, although 19% of risks had not been reviewed by the due dates identified in the risk register.

Members heard that review arrangements could be further strengthened and there was a programme of work scheduled to refresh effective risk management at a service level.

As part of the council's contract with its insurer Zurich Municipal (ZM) a health check of risk management arrangements was carried out in late 2021. The health check was conducted by risk specialists employed by ZM to carry out a desk top review of existing policies and procedures and interviewing a cross section of officers across the council. Overall, there were no areas of significant concerns, but areas for potential further development had been identified which would be considered in the review and refresh of the Risk and Opportunities Protocol. The Protocol would be presented to the Committee when it was complete.

In February 2022 Internal Audit carried out an audit to ensure that from a previous audit the agreed actions to address the risk exposures had been implemented in full. The review confirmed that all the actions from the original report had been implemented.

On this basis satisfactory assurance could be provided, although testing showed that there were some areas requiring improvement in ensuring that reporting guidance was followed by managers.

Other key work in relation to risk management was to assist services in using a risk management approach to help deliver operational or project objectives. During 2021/22 the following work was carried out:

- Facilitating workshops to help identify risks

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- Assisting risk leads in generating risks
- Provision of training, support and advice
- Liaison with Risk Champions to ensure registers are up to date.

Following the Director's verbal presentation, the Chairman facilitated a discussion on the risk management annual update for 2021-22.

Resolved – That following consideration of the report and its appendices, including discussion on their content, the risk management annual update provided adequate assurance on the council's arrangements for managing risk.

664 **CODE OF CORPORATE GOVERNANCE**

The Director: Governance and Communities circulated the updated Code of Corporate Governance which had been compiled in accordance with guidance provided by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Government Chief Executives (SOLACE) in their document "Delivering Good Governance in Local Governance Framework" (2016).

In April 2016, CIPFA and SOLACE issued their document "Delivering Good Governance in Local Government: a Framework". It was based on seven principles underpinning the framework, namely

- Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
- Ensuring openness and comprehensive stakeholder engagement
- Defining outcomes in terms of sustainable economic, social and environmental benefits
- Determining the interventions necessary to optimize the achievement of intended outcomes
- Developing the entity's capacity, including the capacity of its leadership and the individuals within it
- Managing risks and performance through robust internal control and strong financial management
- Implementing good practices in transparency, reporting and audit to deliver effective accountability.

In 2016-17, the council updated its Local Code using the principles in the framework. The Code was subject to annual review to ensure that it continued to reflect the current position.

The revised version of the Code as at February 2022 was attached to the report as an appendix. There remained strong evidence that best practice was in place across the seven core principles.

The updated Code showed that overall the council continued to comply with the principles outlined in the CIPFA/SOLACE Framework. The effectiveness of these arrangements would be reported in the Annual Governance Statement.

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Following the Director's verbal presentation, the Chairman facilitated a discussion on the updated Code of Corporate Governance.

Resolved – That the updated Code of Corporate Governance be approved.

665 **EXTERNAL AUDITORS ANNUAL REPORT - YEAR ENDED 31 MARCH 2021 - REPORT OF MAZARS** - The council's External Auditors Mazars circulated its annual report for the financial year ended 31 March 2021. The annual report provided an update on the following –

- Opinion on the financial statements
- Value for money arrangements
- Wider reporting responsibilities.

The report also included Mazars other responsibilities and their fees.

Following Mazars verbal presentation, the Chairman facilitated a discussion on their annual report for the year ended 31 March 2021.

Resolved – That the external auditors annual report for the year ended 31 March 2021 be noted and received with thanks.

666 **INTERNAL AUDIT CHARTER AND INTERNAL AUDIT PLAN 2022-23** - The Director: Governance and Communities circulated the updated Internal Audit Charter and the Internal Audit Plan for 2022-23.

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. A requirement of the regulations was that internal audit must consider Public Sector Internal Auditing Standards (PSIAS) and guidance when carrying out its work. Two key requirements of the PSIAS were:

- The production of an Audit Charter, which was subject to annual review
- An annual Internal Audit Plan which was agreed with the Audit Committee

The Audit Charter was attached to the report as an appendix. It defined the scope of its activities, its purpose, its authority, and its responsibilities. It had been subject to review and had been updated to take account of changes to the reporting lines of the Head of Audit and Assurance and to enhance other areas of the charter such as role of managers in supporting internal audit activity.

The Internal Audit Plan for 2023-23 was also attached to the report as an appendix. It had been prepared by the Head of Audit and Assurance and provided Members with an outline of the audit priorities and activities for 2022-23, how it would be delivered and resourced, a commentary on the

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methodology for its compilation, and assurance on compliance with auditing standards.

As required by the PSIAS the plan must be risk-based and consider 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.

As of 11 March 2022, the section relating to strategic risks / operational risks / governance was subject to final discussion with senior management as well as 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.

Resolved – (a) That the Internal Audit Plan for 2022-23, subject to the finalisation of the section on strategic risk / operational risk / governance be approved; (b) that the Internal Audit Charter be approved, and (c) that following consideration of the report and appendices, and discussion of their content, the Internal Audit plan provided sufficient assurance to form a reliable opinion on the council's control environment.

667 **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.