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NORTH LINCOLNSHIRE COUNCIL

AUDIT COMMITTEE

23 March 2022

Chairman: Councillor K Vickers

Venue: Room F01e,
Conference Room
Church Square House
Scunthorpe

Time: 10.00 am
(Member Development
Session)

E-Mail Address:
matthew.nundy@northlincs.gov.uk

11:30 am
(Public Meeting)

AGENDA

Member Development Session (NOT PUBLIC) (10:00 am)

1. Understanding Risk and Fraud
2. Audit Committee Performance and Self-Assessment

Public Meeting (11:30 am)

3. Substitutions (if any)
4. Declarations of Disclosable Pecuniary Interests and Personal or Personal and Prejudicial Interests (if any).
5. To take the minutes of the meeting held on 26 January 2022 as a correct record and authorise the chairman to sign. (Pages 1 - 4)
6. Annual Fraud Report 2021-22 (Pages 5 - 20)
7. Risk Management Annual Update (Pages 21 - 30)
8. Code of Corporate Governance (Pages 31 - 48)
9. External Auditors Annual Report - Year Ended 31 March 2021 - Report of Mazars (Pages 49 - 70)
10. Internal Audit Charter and Internal Audit Plan 2022-23 (Pages 71 - 92)
11. 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 Communities unless otherwise stated.

Public Document Pack Agenda Item 5

NORTH LINCOLNSHIRE COUNCIL

AUDIT COMMITTEE

26 January 2022

PRESENT: - Councillor K Vickers (Chairman)

Councillors T Mitchell, C Sherwood, S Wilson and L Yeadon.

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

651 **SUBSTITUTIONS (IF ANY)** - Councillor C Sherwood substituted for Councillor T Foster.

652 **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.

653 **TO TAKE THE MINUTES OF THE MEETING HELD ON 3 NOVEMBER 2021 AS A CORRECT RECORD AND AUTHORISE THE CHAIRMAN TO SIGN - Resolved** - That the minutes of the proceedings of this committee held on 3 November 2021, having been printed and circulated amongst the members, be taken as read and correctly recorded and signed by the Chairman.

654 **TREASURY MANAGEMENT STRATEGY AND PRACTICES 2022-23** - The Director: Governance and Communities circulated the Treasury Management Strategy and Practices for 2022-23. Members heard that the council was required to comply with the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management in the Public Services (The Code) as revised in 2017.

In order to comply with the key requirements of the Code, it was advisable for the council to keep under review the following –

- A Treasury Management Policy Statement, stating the policies and objectives of its treasury management activities, as approved by council.
- A Treasury Management Strategy covering the council's borrowing and investing Activities.
- Suitable Treasury Management Practices (TMPs) setting out the manner in which the organisation would seek to achieve those policies and objectives and prescribing how it would manage and control those activities.

The Director reiterated that the Committee was responsible for ensuring effective scrutiny of the treasury management arrangements.

AUDIT COMMITTEE
26 January 2022

The proposed Treasury Management Policy Statement, Treasury Management Strategy Statement (TMSS) for 2022/23 and Treasury Management Practices, developed in consultation with the council's treasury management advisors, Link Group were attached to the report as appendices.

The Chairman then facilitated a discussion on the Treasury Management Policy Statement, Treasury Management Strategy Statement for 2022/23 and its Treasury Management Practices.

Resolved – (a) That the council adopt the Prudential Code 2017, the CIPFA Treasury Management in Public Services Code of Practice and related Ministry of Housing, Communities and Local Government Guidance; (b) that the Treasury Management Policy Statement be noted; (c) that the Treasury Management Strategy for 2022-23 be noted; (d) that the Treasury Management Practices be noted, and (e) that following consideration of the report and appendices, and discussion of their content, the Treasury Management Policy Statement, Treasury Management Strategy and Treasury Management Practices provided adequate assurance in respect of the council's treasury management practices.

- 655 **EXTERNAL AUDIT PROGRESS REPORT - JANUARY 2022** - The Chairman welcomed a representative of the council's External Auditors Mazars to the meeting, and invited them to present the council's audit progress report for January 2022.

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

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

Resolved – That the audit progress report for January 2022 be received with thanks.

- 656 **ACCOUNTING POLICIES 2021-22** - The Director: Governance and Communities informed the meeting that the Code of Practice on Local Authority Accounting in the United Kingdom 2021/2022 (The Code) required each local authority to adopt accounting policies that set principles for recording financial transactions within the Council's accounts.

The Code specified the principles and practices required to prepare a Statement of Accounts to give a true and fair view of the financial position, financial performance and cash flows of the council.

The policies proposed for North Lincolnshire were based upon guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and amended to take account of local circumstances.

AUDIT COMMITTEE
26 January 2022

The local amendments to the standard accounting policies were set out below.

- A de minimis level had been applied to the accrual of income and expenditure. The de minimis level had been applied to reduce the administration surrounding the accrual of income and expenditure, without materially affecting the accounts. For 2021/2022 the level remained unchanged from previous years, being set at £10,000, subject to justified exceptions e.g., where grant conditions applied.
- The council had set a de minimis level of £100,000 for inventories. Any inventories valued at less than £100,000 were not accounted for as inventories. This reduced administration and does not have a material effect on the accounts.
- Accruals were not processed for Housing Benefit Payments, Social Services Income for Home Care. Travel payments & supply Teachers and Property Trading Account Income for commercial properties. The accounts still contained 12 months activity.
- Depreciation normally commenced in the first full year of operational use. In the case of vehicles this was applied from the point of initial use (less estimated residual value) to align with the fleet hire charging policy.

The Director informed the meeting that some of the standard accounting policies within the Code were not relevant to the council and in the interest of clarity, had been removed. E.g., References to Housing Revenue Account (HRA) sales and Private Finance Initiative (PFI) arrangements.

There had been no additions, or amendments, to the accounting policies this financial year.

Delegating approval to the Director: Governance and Communities to amend any existing policies during the production and audit of the financial statements allowed for minor amendments to be made which may be picked up during the audit. Any major amendments to accounting policies would be reported back to this committee at the time of approving the audited version of the accounts.

The Chairman facilitated a discussion between the committee and the Director on the council's accounting policies.

Resolved – (a) That the accounting policies set out in Appendix A of the report be approved, and (b) that the power to make new accounting policies and amend existing policies as may become necessary in the production of the accounts or during the audit of the accounts, with any such changes being reported to the next meeting of this committee be delegated to the Director: Governance and Communities.

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26 January 2022

- 657 **INTERIM INTERNAL AUDIT REPORT - 2021-22** - The Director: Governance and Communities circulated a report that provided the committee with an update on internal audit activity up to 30 November 2021.

The members heard that it was a requirement of the Public Sector Internal Audit Standards (PSIAS) for the Audit Committee to receive regular updates on the activities of Internal Audit, in particular:

- providing assurance that sufficient work would be carried out to provide a reliable risk based annual opinion on the effectiveness of the control environment and any amendments to the audit plan;
- bringing to the committee's attention any issues identified during the course of the 2021/22 audit which could impact on the annual opinion; and
- providing assurance of Internal Audit's compliance with PSIAS.

On 8 April 2021, the Committee formally approved an audit plan consisting of 1145 days. As communicated to the committee there would potentially be ongoing amendment and re-prioritisation to the plan to reflect changes in risk.

Attached to the report as an appendix was an update on the delivery of the audit plan up to 30 November 2021. Although it forecast that sufficient work should be carried out by May 2022 to provide a reliable opinion on the council's control environment during the year the plan had been subject to significant change. Consequently, there was risk to the delivery of the plan which would need to be managed.

A list of final reports issued up to 23 December 2021 was shown within the report. There were currently two limited assurance reports. However, the Director informed the committee that these should not impact on the overall annual audit opinion.

The Chairman and members discussed at length with the Director the interim internal audit report.

Resolved - That that following consideration of the report and appendix, and discussion of their content, the interim internal audit report provided adequate assurance in respect of the council's internal control environment.

- 658 **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.

Report of the Director:
Governance and Communities

Meeting: 23 March 2022

NORTH LINCOLNSHIRE COUNCIL

AUDIT COMMITTEE

ANNUAL FRAUD REPORT 2021-22

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 To demonstrate to the public, members, staff and partners the progress made during 2021/22 in developing an anti-fraud culture;
- 1.2 To publicise the actions taken when fraud or misconduct has been identified.

2. BACKGROUND INFORMATION

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

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

2.2. The attached annual report highlights the work carried out in each of these areas and demonstrates the council's continuing commitment to minimise the risk of fraud.

3. OPTIONS FOR CONSIDERATION

3.1 The Committee is asked to consider whether the Annual Fraud Report provides sufficient assurance on the adequacy of counter fraud arrangements during 2021/22. The Committee is invited to ask questions about the contents of the report and seek clarification as necessary.

4. ANALYSIS OF OPTIONS

- 4.1 The report is designed to provide the Committee with the assurance required to fulfil its role effectively.

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

- 5.1 Regular reviews of counter fraud arrangements should safeguard the council's assets and ensure that value for money is achieved in the use of resources. Minor costs associated with the telephone and publicity for the Hotline will continue to be maintained within the Finance Service budget.

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 should 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. This progress report 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 update.

8. OUTCOMES OF CONSULTATION AND CONFLICTS OF INTERESTS DECLARED

- 8.1 There are no conflicts of interests to declare.

9. RECOMMENDATIONS

- 9.1 That the Audit Committee considers the assurance provided by the Annual Fraud Report on the adequacy of counter fraud arrangements.

DIRECTOR: GOVERNANCE AND COMMUNITIES

Church Square House
SCUNTHORPE
North Lincolnshire
DN15 6NL

Author: Mark Edwards
Date: 04 March 2022

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

None

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SAFE WELL PROSPEROUS CONNECTED

Annual Fraud report 2021-22



Introduction

The North Lincolnshire Council Anti-fraud and corruption strategy sets out our approach to minimising the risk of fraud and corruption occurring, detecting its possible occurrence and the actions we will take when fraudulent activity is suspected and identified.

Our approach to delivering the strategy is led by the Audit & Assurance team, in which the Counter Fraud and Audit functions work collaboratively to deliver the response.

This report highlights the work which has been carried out across the council during 2021-22 under the key principles of:

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

Govern

The council has a robust framework of procedures and controls to minimise the risk of losses due to fraud.

The council's anti-fraud and corruption strategy was updated and approved by Audit Committee in July 2021. The strategy is strongly influenced by 'Fighting fraud and corruption locally (FFCL)- the local government counter fraud and corruption strategy 2020' and provides the basis for our anti-fraud activities.

We have undertaken an assessment of our counter fraud arrangements measured against a checklist provided as part of the FFCL strategy. The conclusion of this work is that the council has many of the components of a strong anti-fraud culture, but has also identified some areas where we can strengthen that culture further. These areas will be addressed in 2022/23.

Consideration is also being given to obtaining an independent audit of our counter fraud arrangements, to provide further assurance that our fraud response is appropriate and meets the needs of the council.

In addition to the Anti-fraud and corruption strategy, both the council's Fraud Response Plan and Reporting a Concern (Whistleblowing) policy have been reviewed and updated to ensure there is a consistent message to support those who wish to report fraud both internally or externally.

The Anti-bribery policy has also been reviewed to ensure it remains fit for purpose. All our policies and plans are published on our website and internally as appropriate to ensure they are available to staff and the general public.

Acknowledge and understand

All public bodies are at risk from fraud in one form or another. Acknowledging this fact is vital in developing an effective anti-fraud response. Individual services need to understand where the risk of fraud lies and the consequences of those frauds (whether that be financial, reputational, or other) to enable them to develop an appropriate risk-based response.

The COVID 19 pandemic created new opportunities for fraudsters to exploit individuals, businesses and central/local government. As a council we were quick to publicise these new dangers and to provide support to local businesses and communities through the various schemes we were tasked to deliver.

There has been a clear understanding of the fraud risks associated with providing financial support under these schemes, demonstrated in particular, through the various business grants schemes the council has administered. By understanding the nature of the risks, the council has implemented robust controls to minimise the impact of fraud. By acting on intelligence disseminated through regular fraud alerts, the team have also identified a serious and organised attack on the grant schemes in our area, thwarting 20 fraudulent applications for grants in the past few weeks.

However, as the country comes out of restrictions and we establish a new 'normal', fraudsters will continue to look to identify and exploit weaknesses. The Audit Team will therefore be reviewing procedures that were revised or relaxed as a consequence of the pandemic, to ensure that processes that were put in place to prevent fraud are still appropriate and being followed.

Additionally, as the economy recovers, we will maintain a focus on areas such as local taxation and benefits to ensure that people are keeping the council updated on any change of circumstances. Particular focus will be placed on those support mechanisms that may have been utilised more during COVID and as the economy recovers, entitlements may have changed.

The methods used by fraudsters are continually evolving. None more so than in the commission of mandate fraud, a deception designed to mislead the council into changing a supplier's bank details to divert funds into the fraudster account. Fraudsters are using technology to hack email addresses and spoof emails to make them look like genuine ones from suppliers. This type of fraud has also become more prevalent over the past few months, with numerous attempts reported by public authorities.

Whilst the council has procedures to mitigate such attempts, unfortunately it was subject to a successful attempt to defraud in August, causing an initial loss of £49K (subsequently £44k of which has been recovered).

As a result, the opportunity was taken to review our procedures in relation to changes to supplier information. A number of improvements were identified and have been implemented, providing additional security to the process.

But key to preventing further losses is understanding the risks associated with changes to supplier information and the methods fraudsters use to steal council money. To raise awareness, we delivered a fraud awareness session on mandate fraud to those tasked with updating supplier information and we have also used fraud awareness tools provided by our banking partner to further increase knowledge and understanding of this fraud risk. More information for services on mandate fraud has been provided in our fraud A-Z on TOPdesk and we issued a council wide communication to emphasise the risks of mandate fraud. As part of our plan to deliver online fraud learning tools, a specific awareness video on mandate fraud has been developed and is currently in production.

The pandemic has brought about changes in how and where we work and it is clear that there will be less of an emphasis on office-based activity. The use of visual fraud prompts and reminders in offices is no longer effective as the majority of colleagues continue to work from home. Therefore, in addition to the mandate fraud video, we have produced a general fraud awareness video that once live will be accessible to all staff via the LearningLincs platform. To coincide with the review of the Anti-bribery policy, a bribery awareness video is also under development and we will continue to produce specific online fraud awareness content to support the awareness and understanding of fraud risk.

The identification of emerging fraud risk is essential if we are to understand and mitigate those risks. We continue to identify and monitor risk through alerts issued by law enforcement agencies and the National Anti-Fraud Network (NAFN). These risks are disseminated to the relevant services including finance, local taxation & benefits, electoral services, blue badge administration and business grants teams. The value of receiving such alerts is clear, as demonstrated by the recent identification of fraudulent business grant applications.

We continue to include topical fraud risks in the 'risk round up' newsletter available to all staff, including tips on how to mitigate the risks and what to do in the event of fraud to increase understanding of fraud risks.

Preventing and detecting fraud

Although the detection and recovery of fraudulently obtained finance and assets is important, it is also costly and there is no guarantee that lost monies will be recovered. Therefore, it is imperative that we take all reasonable steps to prevent fraud from entering our systems in the first place.

The protection of assets is one of the five key elements of an effective control environment, and thus plays a critical role in the work of internal audit. When determining the Annual Audit Plan, as well as scoping the work programmes for individual assignments, the audit team consider those areas at risk of fraud and ensure that sufficient coverage is given to the identification and testing of anti – fraud controls within those services and where appropriate, carrying out substantive testing to establish the effectiveness of the controls and identify any unusual transactions. Improvements are recommended to be made to controls to mitigate any risks identified.

During 2021/22, proactive work has also been completed in relation to the recruitments of agency workers. Spot checks have also been completed on a sample of establishments who receive cash income. The overall management of imprest accounts has also been reviewed.

From the sample tested to date, no issues relating to fraud have been identified. Where appropriate, actions to improve the existing controls have been highlighted to the relevant departments.

Business support grants

We have continued to administer several business grants schemes as part of the government's response to the pandemic.

As part of pre-payment checks we have made full use of the data matching opportunities provided, including limited company checks, sole trader checks and rogue bank account checks to identify fraudulent or ineligible applications. These checks have been supplemented by use of publicly available data, such as that held by the Insolvency Service and open-source data such as social media sites and the internet to provide further assurance.

Intelligence provided in regular fraud alerts identifying bank accounts, e-mail addresses and telephone numbers used in fraudulent applications has also been used, with applications checked against this data to minimise the risk of a fraudulent application being successful. This information was key in identifying the organised fraud attack where 20 applications were stopped prior to payment.

As a result, as of 28th February 2022, we are aware of only 23 fraudulent applications (20 of which were as part of one fraud).

Any payments made will be pursued under the council's debt recovery policy as well as being reported to central government.

To put those these 23 cases into context, since the initial wave of grant schemes announced in 2020, there have been a further 14 grant schemes not including the current Omicron Hospitality and Leisure Grants currently being administered.

Within these 14 schemes the council has made 8,529 grant payments with a value of almost £23.5M to local businesses.

Post assurance work also continues and our risk assessment is regularly updated to reflect new and emerging risks as they are identified and notified to us via various counter fraud agencies.

The result of these robust checks has been that the council has been able to support businesses through this pandemic whilst minimising the risk of fraudulent applications.

Council Tax single residency review

Council Tax single residency discounts (SRDs) are a significant area of risk to fraud and error.

The council has approximately 76,000 Council Tax payers, of which about 26,000 receive a SRD entitling them to a 25% reduction in their Council Tax bill. Evidence suggests that without intervention, the number of SRD's increases due to the failure of a small number of Council Tax payers to report when they are no longer entitled to the discount. This in turn reduces the income available to collect and use on council priorities

To mitigate this risk, we procured the services of a Credit Reference Agency to conduct monthly checks to identify households that may have more than one adult resident. These Council Tax payers receive a letter asking to confirm their entitlement to the SRD, with those failing to reply receiving reminder. Those that still fail to respond have their SRD removed.

As of 1st March 2022, the monthly reviews have achieved the following results:

2654	Letters sent
762	Reminders sent
2064	Responses received with no change reported
402	Responses received reporting a change
285	SRD's removed as a result of a change being reported
121	SRD's removed due to failure to reply
406	Total number of SRD's removed
£145k	Charge generated
£25k	Additional liability for previous years

We continue to monitor every council tax liability that receives a single residency discount on a monthly basis, in order to quickly amend liabilities, thus ensuring that the maximum amount of Council Tax is available for collection.

Participation in the National Fraud Initiative (NFI)

The NFI is a Cabinet Office initiative matching data from a number of public and private organisations to identify potential fraud which takes place on a cyclical basis.

The latest exercise has identified 6,280 matches in 41 separate reports. The Fraud and Audit teams review these matches and act as appropriate to ensure any losses are identified and recovered.

We have currently reviewed the following:

1445	Number of individual matches reviewed
924	Closed – no issue identified
498	Closed – information in match was already known
13	Closed – match relates to Housing Benefit – referred to DWP
19	Investigations are ongoing
0	Number of frauds identified
5	Number of errors identified
£14,602.96	Amount of overpayments identified

The level of fraud/error that has been identified as a result of this exercise continues to be minimal. Less than 1% of matches have been found to be fraudulent or erroneous. This provides assurance that the Council has good data quality and processes in place to identify potential fraud issues.

Internal allegations

Six internal allegations have been reported during 2021/22 of which two constitute a whistleblowing allegation.

Of the allegations received, the following action has been taken:

6	Number of allegations of fraud/financial misconduct reported
0	Number referred to other agencies (e.g., Police)
4	Number of investigations completed (including 1 from previous year)
1	Resigned/Dismissed
1	Other action taken (including management advice, warnings)
2	No issue identified
3	Investigations ongoing

Of the four investigations completed, two established that there was no wrongdoing. One investigation uncovered evidence of potential wrongdoing. The matter was dealt with at a disciplinary hearing where the individual was dismissed for gross misconduct'. In the fourth case, although no wrongdoing was identified, the individual was given management advice as a precautionary measure.

The actions taken demonstrate that the council have robust procedures in place for dealing with internal allegations of fraud and financial misconduct and use these appropriately as necessary to reinforce the council's zero tolerance policy.

School admissions

The process for checking school admission applications to deter fraudulent applications is now fully embedded in the admissions process and uses data matching techniques to undertake a number of matches between school admissions data and Council Tax data to identify discrepancies in the information provided.

This data matching not only identifies cases where the information provided to school admissions may be incorrect, but also where the information is inconsistent with that held for Council tax purposes, for example where a parent completes a school admissions form and provides their address, but Council Tax records show another adult liable at that property claiming they are the only adult resident. These cases are then investigated by the fraud team.

Feedback from the school admissions team indicates that this process enables them to quickly identify potential incorrect applications and take action before a child is offered a place, thus removing the emotive issue of having to withdraw an offer.

Anecdotally, this level of cross checking also provides assurance to the public in general and in particular to the families looking to place their children in schools that the Council is taking all reasonable steps to ensure that school places are allocated correctly.

1716	Applications checked
262	Number of discrepancies identified
12	Allocation addresses updated
0	Number of school places affected
0	Cases taken to appeal
0	Appeals upheld

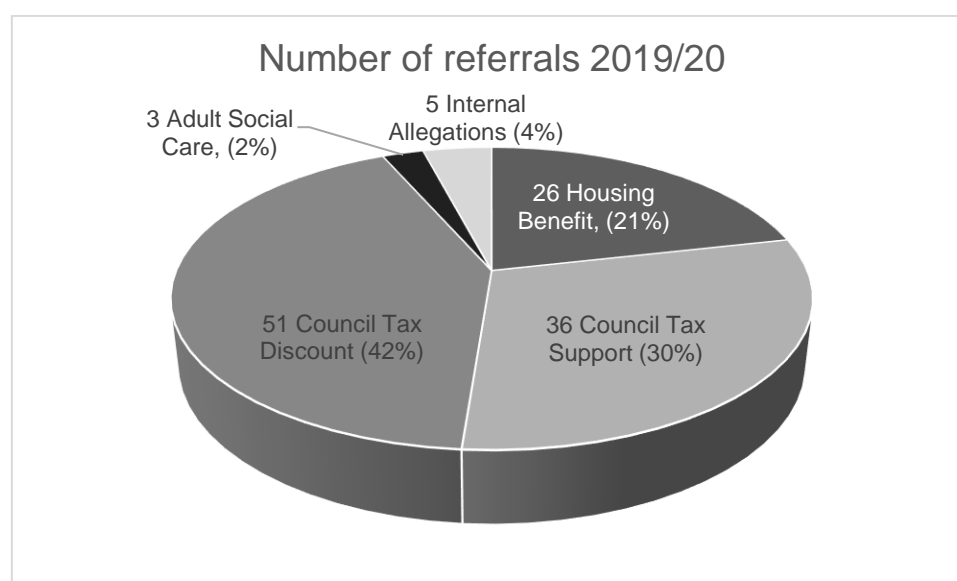
Reactive investigations

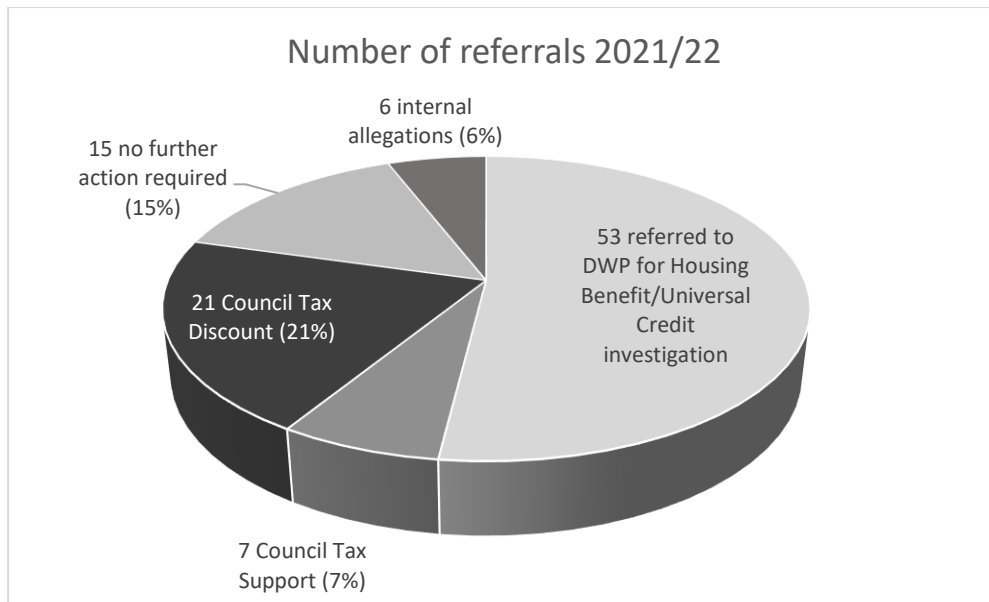
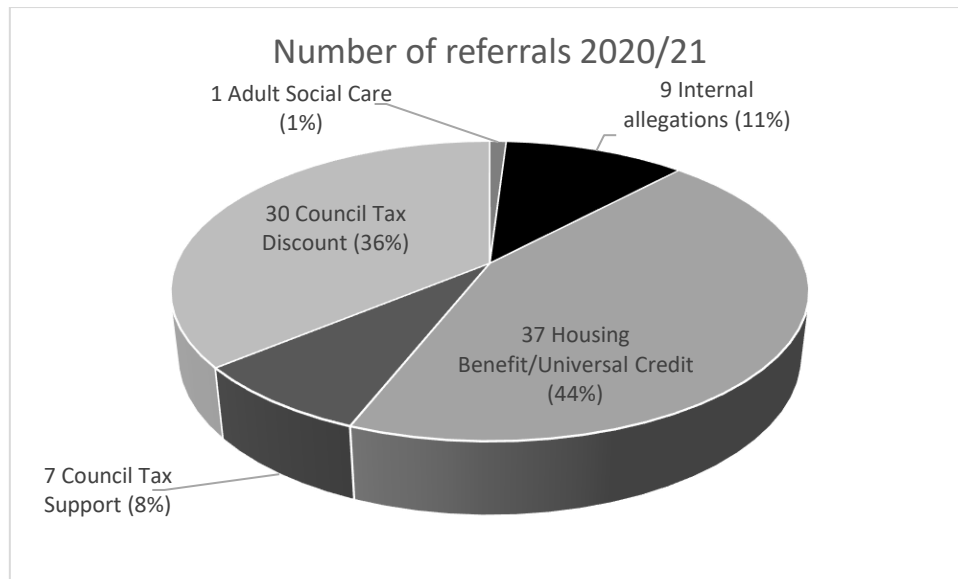
Allegations are received from a variety of sources, including members of the public, internal council teams, the Police, the NFI exercise and the Department for Work and Pensions (DWP).

In 2021/22, the Council received 102 referrals relating to allegations of fraud or financial misconduct (to 4 March 2022).

15 referrals were identified as requiring no further action, mainly as a result of there being no offence, or no benefits/discounts in payment.

A further 53 have been sent to the Department for Work and Pensions (DWP) to consider investigation for Housing Benefit or Universal Credit offences.





There has been a continuing decline in the number of referrals suitable for Council Tax Support investigation, due to the ongoing migration of customers onto Universal Credit. Most allegations relating to Council Tax Support also relate to Universal Credit or other DWP benefits and are therefore, referred to DWP to investigate.

From these referrals the following outcomes have been achieved:

2	Number of Council Tax Support investigations completed
£1k	Reduction in the amount of Council Tax Support
£2k	Amount of Council Tax Support identified as recoverable
23	Number of Council Tax discount investigations completed
£10k	Increase in amount of Council Tax available for collection

Although the number of reactive Council Tax investigations based on referrals has reduced, the monthly single residency review is highlighting cases requiring further proactive investigation. The results of these investigations are included in the review results detailed earlier in this report.

Information requests

The fraud team continue to play an important role in assisting other enforcement agencies to prevent and detect crime and protect the public purse. The team are the Single Point of Contact in the Council for the Department for Work and Pensions (DWP) fraud investigation team, who have responsibility for investigating allegations of Housing Benefit Fraud; and also for other enforcement agencies including the Police, UK Border Agency and other Local Authorities.

58	Number of DWP requests for information
299	Number of Police requests for information
137	Number of 'other' enforcement agency enquiries

Pursue

Post payment assurance work around business support grants is being undertaken to identify any grants that may have been paid incorrectly. This is particularly important given the Government's emphasis on getting payments out quickly to support businesses.

All losses identified (including those identified from reviews of single residency discounts) are pursued in line with the Council's debt recovery strategy.

The Council will always consider prosecution of offenders where there is sufficient evidence and it is in the public interest to do so. It will also consider the use of alternative penalties in certain circumstances for less serious offences, including the offer of an administrative penalty or simple caution.

The COVID restrictions on 3rd party access to council premises has impacted on our ability to conduct interviews under caution over the past two years. With the continuing removal of those restrictions, we will restore the ability to undertake such interviewed where appropriate.

Protect

The actions outlined above provide a robust response to the risks of fraud occurring, its detection and investigation. They enable the council to protect itself from fraud and the harm fraud can cause, both to the council and to the residents of North Lincolnshire.

Future developments

The Anti-Money Laundering policy will be reviewed and revised as necessary to ensure the council continues to meet its obligations in respect of reporting suspicious financial activity.

We will continue to develop and produce online fraud awareness packages to take account of the shift from predominantly office-based working to home working, enabling employees to access content wherever they work.

We will undertake a review of fraud risk assessments to ensure that services understand and appropriately mitigate fraud risk (including the risk of bribery) and conduct a staff survey to establish the level of awareness and understanding of fraud risks and the actions to take when fraud is identified or suspected.

A draft plan for proactive fraud work to be completed in 2021/22 is also in the process of being developed. The focus of the work within this plan will relate to the change in working practices that took place during 2020 and whether this has had an impact on controls relating to expenditure and authorisation.

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Report of the Director:
Governance and Communities

Meeting: 23 March 2022

NORTH LINCOLNSHIRE COUNCIL

AUDIT COMMITTEE

RISK MANAGEMENT ANNUAL UPDATE 2021/22

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 To inform Members of key issues arising from risk management work.
- 1.2 Regular reporting on risk management issues is an important source of assurance for Members to fulfil their role and provides supporting evidence for the annual approval of the Governance Statement.

2. BACKGROUND INFORMATION

- 2.1 The council has a Risk & Opportunity Protocol that outlines its approach to risk management . The purpose of this report is to confirm that the approach is followed and to provide an update on the strategic and operational risk registers.
- 2.2 The council's current strategic risks are shown in Appendix 1. These risks were reviewed in February 2022. Based on recent reviews the overall strategic risk levels are assessed as medium. This is based upon with the controls and mitigations that have been identified. The risks will be subjected to a further review in six months time.
- 2.3 A review of the Council's operational risk registers was carried out In February 2022. The majority of operational risk have been assessed as medium (refer to Appendix 2), although 19% of risks had not been reviewed by the due dates identified in the risk register. Review arrangements could be further strengthened and there is a programme of work scheduled refresh effective risk management at a service level.
- 2.4 As part of the contract with our 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 have been identified which will be considered in the review and refresh of the Risk and Opportunities Protocol. The Protocol will be presented to the Committee when it is complete.

- 2.5 A key example of how risk is used in the council's decision-making process is that Cabinet reports have a section to state that risk and Integrated Impact Assessments (IIAs) should be considered. 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 is followed by managers.
- 2.6 Other key work in relation to risk management is 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
 - Assisting risk leads in generating risks
 - Provision of training, support and advice
 - Liaison with Risk Champions to ensure registers are up to date
- 2.7 On the basis of the information set out in this report it can be concluded that arrangements for managing risk within the council are appropriate, subject to the area for improvement highlighted above. There is evidence that risk is taken seriously and there is an understanding of the need to get risk management right. There is also an understanding and consistent implementation of the risk management framework.

3. OPTIONS FOR CONSIDERATION

- 3.1 The Committee should consider whether this update provides sufficient assurance on the adequacy of risk management arrangements. The Committee invited to ask questions about the contents of the report and seek clarification as necessary.

4. ANALYSIS OF OPTIONS

- 4.1 The progress report is designed to provide this Committee with the assurance required to fulfil its role effectively.

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

- 5.1 The Strategic Lead provides support to managers in various means. The Shared Service role is shared across two councils which can impact on capacity at times. We are looking to develop the roles of risk champions to enhance capacity.

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

6.1 Financial, service, personal safety and reputational issues are all considered when evaluating both strategic and operational risks.

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

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

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

8.1 There are no conflicts of interests to declare.

9. **RECOMMENDATIONS**

9.1 That the Audit Committee considers the assurance provided by the Risk Management progress report on the adequacy of risk management arrangements.

DIRECTOR: GOVERNANCE AND COMMUNITIES

Church Square House
SCUNTHORPE
North Lincolnshire

Author: Caroline Wilson
Date: 10 March 2022

Background Papers used in the preparation of this report

Risk and Opportunity Protocol 2020

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Standard Risk Register

Strategic Risks - NL			Residual Profile	Last Review & Next	Controls In Place	Target Profile	Actions		To be implemented by	Person Responsible
Risk Ref	Risk Name	Triggers Effects								
NLSR0009	Failure to achieve long-term financial resilience	1. Uncertainty on the level of national funding streams 2. Qualified Accounts or VFM Opinion 3. Unresolved in year budget pressures or frequent unplanned use of reserves 4. Budget not set or approved 5. General Reserves less than 5% of net budget 6. S114 issued 7. Unsustainable pressures in Adult Social Care system	8 Medium 4x2	25/02/2022 30/04/2022	01 The MTFP makes a realistic assessment of the resource that growth allows and allocates to council priorities 02 Effective financial management secured through budget planning and control using a system of devolved budget management 03 Contract Procedure Rules and Financial Regulations set out the Council's arrangements 04 Reserves Policy to cover risk is included in the MTFP Financial Strategy 05 Budget for 2022/23 approved by Full Council 06 Unqualified Accounts for 2020/21 from External Audit 07 Comprehensive self-test of financial resilience and risk conducted Sept 2021	8 Medium 4x2				Director Governance and Communities
NLSR0011	Failure to safeguard vulnerable persons	1. Increase in the number of incidents requiring review by Community Safety Partnership 2. No systems in place to ensure awareness and reporting in respect of modern-day slavery, CONTEST and Child Sexual and Criminal Exploitation 3. Need for a Child Safeguarding Practice Review 4. Safeguarding Adult reviews within Adult's Service 5. A need to instigate a Community Action Plan in response 6. Service provision failure in adult/childrens' care sector 7. Unexpected outbreak of environmental or health related issue	6 Medium 3x2	25/02/2022 31/07/2022	01 Safeguarding Adults Board in place with a strategic plan 02 Children's Multi Agency Resilience and Safeguarding Board and local arrangements in place and published 03 Community Safety Partnership in place 04 Procedures for intelligence and data collation, reporting and responding to child sexual and criminal exploitation of vulnerable adults 05 Child Death Overview arrangements in place 06 Arrangements in place to instigate Community Action Plan (Suicide) 07 Local outbreak management plan and HPOMs arrangements established 08 Health protection responsibilities assigned to Health & Wellbeing Board 09 Adults' health and care standards board established 10 Quality assurance framework in place for adult services 11 Youth Justice Strategic Partnership established 12 Domestic Abuse Partnership Board in place	6 Medium 3x2				Director Adults and Health & Director Children and Families

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Strategic Risks - NL			Residual Profile	Last Review & Next	Controls In Place	Target Profile	Actions		To be implemented by	Person Responsible
Risk Ref	Risk Name	Triggers Effects								
NLSR0006	Inadequate organisational leadership and governance arrangements in place	1. Change in political leadership 2. Change in the Leadership Team 3. Lack of experience within the Leadership Team 4. Vision and priorities not set, clearly articulated or understood 5. Lack of governance arrangements - public interest report, adverse External Audit Opinion, serious fraud case 6. Decision making mechanisms not sufficiently robust - inappropriate risk taking or risk sharing, high level of judicial reviews against the Council 7. Ineffective overview and scrutiny arrangements in place 8. An increase in allegations and complaints made against elected members - reputational damage	6 Medium 3x2	25/02/2022 30/04/2022	01 Code of Corporate Governance in place which is reviewed annually 02 Constitution that is reviewed annually 03 Scheme of Delegation in place that is reviewed annually 04 Codes of Conduct in place for Members and staff 05 Experienced Senior Leadership Team with no vacancies 06 Organisational Development Plan sets clear priorities for organisational change and focus 07 Overview and Scrutiny arrangements in place 08 Annual Governance Statement produced along with Head of Internal Audit annual opinion on governance arrangements 09 Internal Audit assurance assessment on statutory roles	6 Medium 3x2	01 Complete 2021/22 review of Code of Corporate Governance	01/04/2022	Chief Executive	
NLSR0010	Inadequate workforce planning and management to meet current and future needs	1. Key posts are vacant and/or there is a high turnover of staff 2. Council has difficulty in recruiting to priority areas 3. Lack of clarity regarding accountabilities 4. Lack of a learning and innovation culture 5. High levels of sickness absence 6. External labour market pressures	4 Medium 2x2	25/02/2022 30/06/2022	01 Organisational Development Plan sets out how the Council will improve organisational effectiveness 02 Organisational Development Outcomes Framework in place 03 People Plan in place supported by an Action Plan 04 Programme of wellbeing assessments and check ins with staff established 05 Workforce Stakeholder Groups in place including BYAW Network Group 06 Workforce Engagement Group & Learning Group in place 07 Apprentice plan and scheme in place 08 Specific training is made available through the annual Corporate Training Programme 09 Team NL induction plan in place 10 Proud to Care recruitment campaign established	4 Medium 2x2	01 Refresh Team NL induction plan 02 Take learning from Proud to Care initiative to inform recruitment strategy	30/06/2022 31/07/2022	Director Economy and Environment	

Appendix 2

Summary of Operational Risk Matrix Scores after Controls and Mitigation “Residual risk”

As shown below the majority of operational risks on the risk register have been assessed as Medium

High/Medium/Low	Score	Number of Registers	% of Total Registers
High	12	7	
Total		7	3
Medium	9	13	
	8	11	
	6	52	
	4	48	
Total		124	63
Low	3	20	
	2	36	
	1	11	
Total		67	34
Total		198	

There are some risks that are common across many services e.g.

- Failure of a major supplier/contractor
- Failure to balance the budget
- Inability to recruit and retain key staff and skills
- Failure to comply with statutory duties
- Failure to comply with data protection regulations/breach of confidentiality

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Report of the Director:
Governance and Communities

Meeting: 23 March 2022

NORTH LINCOLNSHIRE COUNCIL

AUDIT COMMITTEE

CODE OF CORPORATE GOVERNANCE

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 To approve the updated Code of Corporate Governance which has 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).
- 1.2 The council is committed to achieving good corporate governance and this Local Code describes how the council intends to achieve this in an open and explicit way.

2. BACKGROUND INFORMATION

- 2.1 In April 2016 the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Government Chief Executives (SOLACE) issued their document “Delivering Good Governance in Local Government: a Framework”. It is based on seven principles underpinning the framework.
 - 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

- 2.2 In 2016/17 the council updated its Local Code using the principles in the framework. The Code is subject to annual review to ensure that it continues to reflect the current position.
- 2.3 The revised version of the Code as at February 2022 is shown in Appendix 1. There remains strong evidence that best practice is in place across the seven core principles.
- 2.4 The updated Code shows that overall the council continues to comply with the principles outlined in the CIPFA/SOLACE Framework. The effectiveness of these arrangements will be reported in the Annual Governance Statement.

3. OPTIONS FOR CONSIDERATION

- 3.1 The Committee is asked to consider whether or not the revised Code of Corporate Governance sufficiently sets out how the council complies with the Corporate Governance Principles. If it concludes that it does the Committee is invited to approve the updated Code. The Committee may make amendments or seek clarification as necessary.

4. ANALYSIS OF OPTIONS

- 4.1 The Code of Corporate Governance provides this Committee with an overview of the council's governance arrangements. Included in the Code are actions that have already been timetables or recognised as being required. Members should seek clarification on its contents as necessary to ensure the Code 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 review 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 Ineffective corporate governance arrangements have a number of inherent risks in the context of organisational management, the use of resources and service delivery. Designing a Code of Governance based on national frameworks and responding to the issues raised in the 2020/2021 AGS is a means of mitigating such potential risks.

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 There are no conflicts of interests to declare.

9. RECOMMENDATIONS

9.1 That the Audit Committee is asked to approve the updated Code of Corporate Governance.

DIRECTOR: GOVERNANCE AND COMMUNITIES

Church Square House
SCUNTHORPE
North Lincolnshire

Author: Caroline Wilson
Date: 14 March 2022

Background Papers used in the preparation of this report

“Delivering Good Governance in Local Government: a Framework”- CIPFA/ SOLACE (2016)
2020/21 Annual Governance Statement (October 2021)
Code of Corporate Governance (January 2021)

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SAFE WELL PROSPEROUS CONNECTED

North Lincolnshire Council Local Code of Corporate Governance 2022

Approved by: Audit Committee

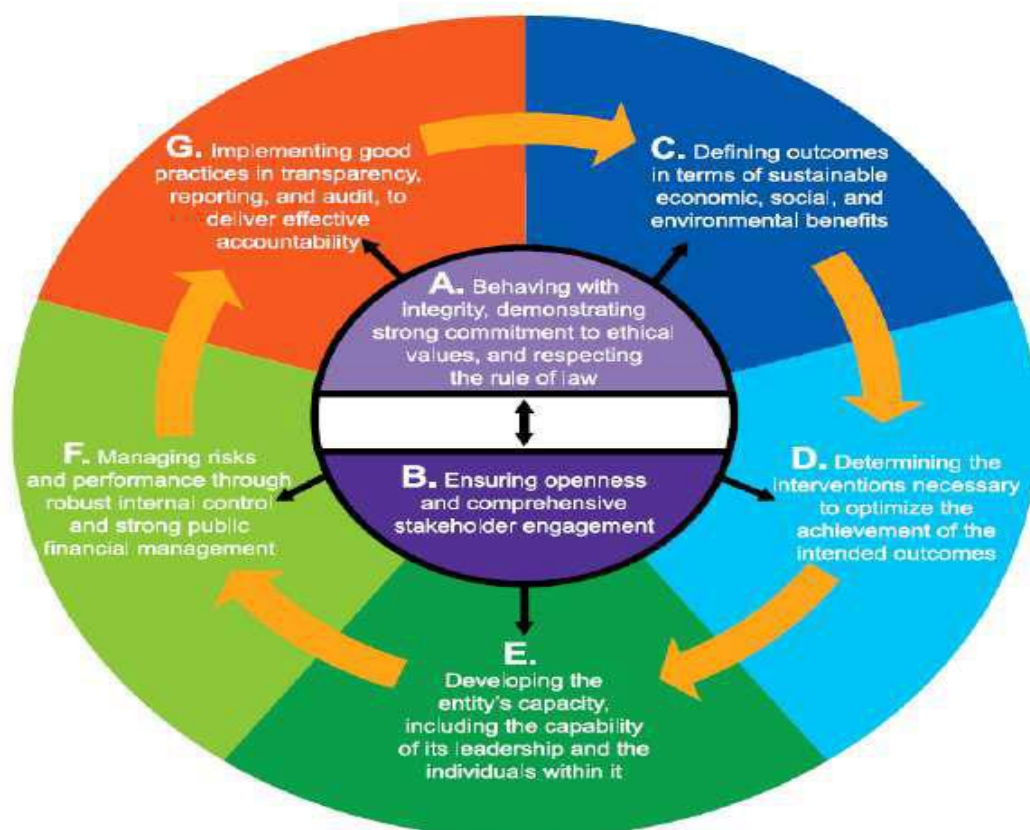
INTRODUCTION

Corporate Governance is a term used to describe how organisations direct and control what they do. As well as systems and processes this includes culture and values. For councils this also includes how a council relates to the communities that it serves. Good corporate governance requires local authorities to carry out their functions in a way that demonstrates accountability, transparency, effectiveness, integrity, impartiality and inclusivity. Corporate governance provides structure through which strategic objectives are set and performance monitored. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The Council is committed to demonstrating that it has the necessary corporate governance arrangements in place to perform effectively. The Council has developed and adopted a local Code of Corporate Governance which brings together in one document all the governance and accountability arrangements the Council currently has in place. The Code is based on best practice guidance set out in CIPFA/SOLACE Framework Delivering Good Governance in Local Government.

Governance is about our organisational frameworks, responsibilities, systems, processes, culture and values. Good governance happens when these things come together to make us an effective organisation – doing the right things in the right way for the right people. Good governance is also about ensuring what we do is done in a timely, inclusive, honest and accountable manner.

The Code is written around the seven core principles set out in the CIPFA/SOLACE best practice guidance. The aim of the principles is that the local authority achieves its intended outcomes while acting in the public interest at all times. The principles are shown in the diagram below:



The authority will undertake an annual review of its governance arrangements to ensure continuing compliance with best practice to provide assurance that corporate governance arrangements are adequate and operating effectively. The review will be reported on both within the authority and to the Audit Committee.

The effectiveness of the governance arrangements are assessed annually and reported in the Annual Governance Statement (AGS). The AGS will be submitted for consideration to the Audit Committee and will form part of the Council's annual Statement of Accounts.

The following details how the council meets the core principles and the systems, policies and procedures it has in place to support this.

PRINCIPLE A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

SUMMARY: Local government organisations are accountable not only for how much they spend, but also for how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes they have achieved. In addition, they have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that, as a whole, they can demonstrate the appropriateness of all their actions across all activities and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.

North Lincolnshire Council Demonstrates this by:

SUB PRINCIPLE: Behaving with Integrity

- Code of Conduct (Members and Employees) to ensure that high standards of conduct are maintained.
- Established procedures for dealing with breaches of the Member Code of Conduct.
- Standards Committee responsible for overseeing the conduct of members.
- Annual report presented to the Standards Committee on councillors' compliance with the ethical standards framework.
- Declaration of interests at meetings.
- Standard decision-making report format to ensure that all those responsible for taking decisions have the necessary information on which to do so.
- Key decisions are supported by an Integrated Impact Assessment.
- Induction programmes in place for members and employees.
- Customer Complaints and Comments Policy that is published on the website.
- A Whistleblowing Policy in place to enable individuals to raise concerns about malpractice or wrongdoing, with an annual report on such matters to the Audit Committee.

SUB PRINCIPLE: Demonstrating Strong Commitment to Ethical Values

- A regularly reviewed Constitution which sets out how the council operates and how it makes decisions.
- Terms of Reference for all committees and decision-making meetings.
- Declaration of Interests policies for members and employees.
- Gift and Hospitality policies for members and employees.
- Policies and procedures that are updated, to ensure adherence to ethical standards including the HR Manual and Contract Procedure Rules.
- An annual review to ensure compliance with CIPFA's Code of Financial Management (CIPFA, 2019).

SUB PRINCIPLE: Respecting the Rule of Law

- Statutory roles clearly defined in the Constitution, including the role of Monitoring Officer responsible for ensuring the council operates within the law and decisions are administered correctly.

- Anti-Fraud and Corruption Strategy which is supported by the Whistleblowing Policy and a hotline for employees and customers to report irregularity and fraud.
- Internal Audit.
- External Audit.
- Overview and Scrutiny arrangements.
- Contract Procedure Rules designed to deliver robust and fair procurement processes.
- Information Governance Officer role.

PRINCIPLE B: Ensuring openness and comprehensive stakeholder engagement

SUMMARY: Local government is run for the public good, organisations therefore should ensure openness in their activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders.

North Lincolnshire Council Demonstrates this by:

SUB PRINCIPLE: Openness

- Its annual statement of accounts which are published annually.
- A Publication Scheme that describes the kinds of information available and provides guidance about how to access information and submit a Freedom of Information request.
- A Council Plan that sets out the vision and priorities for North Lincolnshire and strategic direction for the council.
- Systems in place to ensure that relevant decisions taken by officers are published in accordance with legislative requirements – Officer Decision Notice and Record.
- Mechanisms for seeking views from service users, stakeholders and residents ‘Engaging With You’ statement.
- A standard decision-making report template is used to help ensure that readers are provided with information that is accurate, complete and unbiased.
- Council meetings are open to the public unless there are good reasons for not doing so on the grounds of confidentiality.

ACTION REQUIRED:

The new Council Plan 2022/25 to be presented to Full Council May 2022

SUB PRINCIPLE: Engaging Comprehensively with Institutional Stakeholders

- Established strong partnerships with the public sector, business and community and voluntary sector across North Lincolnshire, including statutory arrangements for Community Safety, Health and Wellbeing and Safeguarding.
- Mechanisms in place to consult where necessary with public sector bodies such as Police and Fire.

- Established a North Lincolnshire Place Partnership as a forum for Chief Officers of member public sector organisations to work collectively as 'Place Leaders' to improve outcomes for people and place together with voluntary & community sector and business sector representation.
- The Adults Partnership and Children's & Young People Partnership provide a framework for consulting and engaging with key stakeholders including voluntary and community groups.
- Established Partnership Protocol and Joint Working Framework.

SUB PRINCIPLE: Engaging Stakeholders Effectively, Including Individual Citizens and Service Users

- News Direct is distributed to residents on a quarterly basis.
- A Public Engagement Framework and 'Engaging With You' statement, which summarises how the council engage.
- A Residents Panel has been established as a primary method for gathering views that are representative of the North Lincolnshire population.
- Community Safety Partnership regularly engage and consult with the community about their priorities and progress towards achieving them.
- A petitioning process for the public to bring concerns to the council's attention.
- Greater use of social media to communicate with the communities.

ACTION REQUIRED:

Consultation and Engagement Strategy to be produced April 2022

PRINCIPLE C: Defining outcomes in terms of sustainable economic, social and environmental benefits

SUMMARY: The long-term nature and impact of many of local government's responsibilities mean that it should define and plan outcomes and that these should be sustainable. Decisions should further the organisation's purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources. Input from all groups of stakeholders, including citizens, service users, and institutional stakeholders, is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available.

North Lincolnshire Council Demonstrates this by:

SUB PRINCIPLE: Defining Outcomes

- A Council Plan that sets out the council's ambitions and defines the outcomes, goals and values for people and place.
- Delivery of the Plan is monitored through a Performance Framework that sets out how we monitor performance of the Plan as well as performance over our day-to-day operations.

- A strategic planning framework that links all strategies and plans to the Council Plan and needs assessment.
- Sets the budget around the outcomes and priorities.

ACTION REQUIRED:

- The new Council Plan 2022/25 to be presented to Full Council May 2022

SUB PRINCIPLE: Sustainable Economic, Social and Environmental Benefits

- Integrated Impact Assessment used in the decision-making process considers risks and impacts for individuals and communities.
- Social Value Charter which helps suppliers and contractors to contribute to the long-term social, economic and environmental wellbeing of residents.
- Medium Term Financial Plan.
- The council actively considers the environment and climate impact of the council's decisions before decisions are made.
- Carbon Management Strategy that sets out the council's strategy and action plan for reducing carbon emissions.
- Economic Renewal Plan 2021-23 that is an addendum to the Economic Growth Plan.

PRINCIPLE D: Determining the interventions necessary to optimise the achievement of the intended outcomes

SUMMARY: Local government achieves its intended outcomes by providing a mixture of legal, regulatory, and practical interventions (courses of action). Determining the right mix of these courses of action is a critically important strategic choice that local government has to make to ensure intended outcomes are achieved. They need robust decision-making mechanisms to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs while still enabling effective and efficient operations. Decisions made need to be reviewed frequently to ensure that achievement of outcomes is optimised.

North Lincolnshire Council Demonstrates this by:
SUB PRINCIPLE: Determining Intervention

- A financial planning process that determines level of resources to achieve council priorities and outcomes and meet statutory duties.
- A standard decision report format to ensure relevant information to be considered as part of the decision-making process of members and officers.

SUB PRINCIPLE: Planning Interventions

- A Strategic Planning Framework that explains how strategic planning is undertaken at NLC and to set out the key principles and associated guidance to help ensure that a consistent and structured approach is undertaken across the council.
- A regularly reviewed and published Integrated Strategic Assessment (ISA) provides an opportunity to identify service developments that will enhance achievement of outcomes and priorities.
- Work programmes developed by Overview and Scrutiny committees (Panels) to consider, policy, delivery and impact of decisions.
- Performance Management Framework which provides reporting at operational, strategic and executive.
- Financial management and reporting processes that enable regular and timely reporting to budget holders, leadership team and Cabinet.

ACTION REQUIRED:

- Complete and publish ISA for 2022/23 – March 2022

SUB PRINCIPLE: Optimising Achievement of Intended Outcomes

- Integrated Strategic Assessment that is structured around four high level outcomes. Brought together evidence across the outcomes giving the council an overview of the state of North Lincolnshire with a focus on the people who live there.
- Annually updated Procurement and Commissioning Plans supported by sector specific Market Position Statements that identifies service developments and specification.
- A Medium-Term Financial Strategy agreed and reviewed and is based upon Council Plan ambitions and priorities.
- Quarterly overview to update the council's Assurance Group on the position against set criteria which helps identify the council is fulfilling its duties as an organisation and employer.

PRINCIPLE E: Developing the entity's capacity, including the capability of its leadership and the individuals within it

SUMMARY: Local government needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mindset, to operate efficiently and effectively and achieve intended outcomes within the specified periods. A local government organisation must ensure that it has both the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole. Because both individuals and the environment in which an organisation operates will change over time, there will be a continuous need to develop its capacity as well as the skills and experience of individual staff members. Leadership in local government is strengthened by the participation of people with many different types of backgrounds, reflecting the structure and diversity of communities.

North Lincolnshire Council Demonstrates this by:**SUB PRINCIPLE: Developing the Entity's Capacity**

- Regularly reviewed and published employee policies.
- #TeamNL Engagement Partnership provides a forum for strategic workforce engagement.
- Access to a range of benchmarking information to support resource planning and value for money analysis.
- Governance structures for strategic planning of workforce development - Organisational Development People Executive.

SUB PRINCIPLE: Developing the Capability of the Entity's Leadership and Other Individuals

- A Constitution that is subject to regular review.
- Protocols are in place for governing Members' and statutory officers' responsibilities. Member role descriptions are set out in the Constitution.
- Protocols in place to ensure the Leader and Chief Executive have a shared understanding of roles and objectives.
- A Scheme of Delegation to Officers and Appointment of Proper Officers that are reviewed regularly.
- Organisational Development Plan (ODP) that is an overarching framework for the whole council to implement and realise the vision of a progressive and agile organisation. It is structured around three priorities Work well, Wellbeing and Council Re-design.
- Organisational Priority Executive Groups are responsible for delivering the priority outcomes and progress on People and Digital in support of the ODP.
- People Plan that is a delivery plan for the people aspects of the council's ODP be setting out how the council will engage, support and encourage innovation from the workforce.
- Induction Programmes for members and staff.
- Employee Performance Review meetings are held.
- Specific training for officers is made available through the annual Corporate Training Programme. Learning Lincs offers a wide range of development and support via eLearning packages.
- Health & Safety policies are in place.
- Apprenticeship Programme offering training, skills and experience in Local Government.

ACTION REQUIRED:

- Refresh Organisational Development Plan – September 2022
- Refresh Team NL induction plan – June 2022
- Take learning from Proud to Care initiative to inform Recruitment Strategy

PRINCIPLE F: Managing risks and performance through robust internal control and strong public financial management

SUMMARY: Local government needs to ensure that the organisations and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and are crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision-making activities. A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery and accountability. It is also essential that a culture and structure for scrutiny are in place as a key part of accountable decision making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful service delivery. Importantly, this culture does not happen automatically, it requires repeated public commitment from those in authority.

North Lincolnshire Council Demonstrates this by:

SUB PRINCIPLE: Managing Risk

- A Council Assurance group which provides strategic oversight of the processes in place to manage risk and to identify and manage council and strategic risk.
- Risk management arrangements in place including robust systems of identification, evaluation and control of risks which threaten the council's ability to meet its objectives to deliver services.
- A regularly Responsibilities for managing individual risks are contained within the Protocol.
- It maintains a corporate risk register detailing the council's strategic and operational risks.

ACTION REQUIRED:

- Reviewed Risk & Opportunities Protocol is due for publication October 2022
- The next review of the Strategic Risk Register will be in August 2022

SUB PRINCIPLE: Managing Performance

- A well-established performance management framework, with various levels and frequencies for reporting.
- On a quarterly basis an update is provided on how the council is performing against the priorities and day to day operational performance.
- The format of decision-making reports ensure that all relevant information is considered.
- In response executive action plans, targets and progress of implementation are produced by services which are reviewed by scrutiny panels.

- Quarterly overview to update the council's Assurance Group on the position against set criteria which helps identify the council is fulfilling its duties as an organisation and employer.

SUB PRINCIPLE: Robust Internal Controls

- Head of Internal Audit which provides an opinion on the council's control environment.
- Risk Management Protocol that is subject to regular review.
- An Anti-Fraud and Corruption Strategy which is subject to regular review. An annual fraud report summaries anti-fraud activity in the year.
- Annual Governance Statement that provides a high-level summary of how the council is meeting the principles of good governance..
- Internal Audit prepares and delivers a risk-based audit plan which is kept under review to reflect changing priorities and emerging risks.
- The council is subject to External Audit and inspection regimes which require action plans which are assigned to officers.
- The Audit Committee which oversees the management of governance issues, internal controls, risk management and financial reporting. Its performance is subject to annual self-assessment.
- Audit Committee Terms of Reference are reviewed annually and revised to reflect professional bodies' expectations and best practice.
- The Constitution, through its Overview and Scrutiny Procedure Rules has opportunities for the council's three scrutiny panels to challenge and debate policy and objectives before, during and after decisions are made.

ACTION REQUIRED:

- Work to commence reviewing the AGS in April 2022

SUB PRINCIPLE: Managing Data

- The Information Governance Framework sets out the roles, responsibilities, policies and procedures for managing the council's information assets. This is subject to an annual review.
- The council's Information Security and ICT Security Standards provide guidance on the arrangements that must be in place to ensure personal data is kept protected and secure.
- Information governance and security awareness with officers and members through mandatory information governance training, annual information governance campaign and council wide messages.
- Information Sharing Agreements are reviewed on a regular basis, are in place to document the sharing of information using national agreements.
- Data verification and validation processes are integrated within systems and processes.
- The council completes external self-assessments when required e.g. NHS Data Security and Protection Toolkit.
- An Information Asset Register has been produced to document systems in place, including where these contain personal data.
- Data Protection Impact Assessments are carried out where necessary.
- PSN Code of Connection.

SUB PRINCIPLE: Strong Public Financial Management

- The Medium-Term Financial Plan makes a realistic assessment of the resource that growth allows and allocates that resource to create a sustainable council capable of delivering council priorities and outcomes.
- Underpinned by a set of principles which guide the council in its budget setting decisions
- With effective financial management secured through budget planning and control using a system of devolved budget management.
- Contract Procedure Rules and Financial Regulations set out the council's arrangements.
- Financial accountability applied through a hierarchy of reporting arrangements up to council level.

PRINCIPLE G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability

SUMMARY: Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability.

North Lincolnshire Council Demonstrates this by:**SUB PRINCIPLE: Implementing Good Practice In Transparency**

- Comply with the Local Government Transparency Code.
- Agendas, reports and minutes are published on the council's website.
- Freedom of Information protocols are in place.
- Customer Complaints and Comments Policy is published on the website.

SUB PRINCIPLE: Implementing Good Practices In Reporting

- Production of Annual Reports summarising achievements in the year published on the council's website.
- Annual Financial Statements are produced to meet legal requirements on timeliness and accuracy; are subject to independent external audit; and published on the council's website.

SUB PRINCIPLE: Assurance And Effective Accountability

- Annual Governance Statement (AGS) that sets out the council's governance framework and the results of the annual review of the effectiveness of the council's arrangements. The AGS includes areas for improvement.
- An effective internal audit service is resourced and maintained.
- Head of Internal Audit report which includes a self-assessment of its arrangements against the public sector internal audit standards.
- External Audit provides an annual opinion on the council's financial statement and arrangements for securing Value for Money.
- The Council responds to the findings and recommendations of Internal Audit, External Audit, Scrutiny and Inspection bodies.
- Outcome to leaning through external review e.g. LGA corporate peer challenge - such reviews are reported to Cabinet.

ACTION REQUIRED:

- Work to commence reviewing the AGS in April 2022

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Auditor's Annual Report

North Lincolnshire Council – year ended
31 March 2021

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9 March 2022



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Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies' issued by Public Sector Audit Appointments Ltd. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of North Lincolnshire Council. No responsibility is accepted to any member or officer in their individual capacity or to any third party.

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Section 01: **Introduction**

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1. Introduction

Purpose of the Auditor’s Annual Report

Our Auditor’s Annual Report (AAR) summarises the work we have undertaken as the auditor for North Lincolnshire Council (‘the Council’) for the year ended 31 March 2021. Although this report is addressed to the Council, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 and the Code of Audit Practice (‘the Code’) issued by the National Audit Office (‘the NAO’). The remaining sections of the AAR outline how we have discharged these responsibilities and the findings from our work. These are summarised below.



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Opinion on the financial statements

We issued our audit report on 9 December 2021. Our opinion on the financial statements was unqualified.



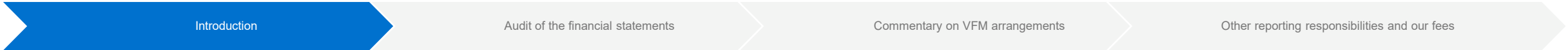
Value for money (VFM) arrangements

In our audit report issued we reported that we had not completed our work on the Council’s arrangements to secure economy, efficiency and effectiveness in its use of resources. Section 3 confirms that we have now completed this work and provides our commentary on the Council’s arrangements.



Wider reporting responsibilities

We have not yet received group instructions from the National Audit Office in respect of our work on the Council’s WGA submission. We are unable to commence our work in this area until such instructions have been received.



02

Section 02:

Audit of the financial statements

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2. Audit of the financial statements

The scope of our audit and the results of our opinion

Our audit was conducted in accordance with the requirements of the Code, and International Standards on Auditing (ISAs).

The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Council and whether they give a true and fair view of the Council's financial position as at 31 March 2021 and of its financial performance for the year then ended. Our audit report, issued on 9 December 2021 gave an unqualified opinion on the financial statements for the year ended 31 March 2021.

Qualitative aspects of the Council's accounting practices

We have reviewed the Council's accounting policies and disclosures and concluded they comply with the 2020/21 Code of Practice on Local Authority Accounting, appropriately tailored to the Council's circumstances.

Draft accounts were received from the Council on 1 July 2021 and were of a good quality.

Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management.

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2. Audit of the financial statements

Internal control recommendations

As part of our audit we considered the internal controls in place that are relevant to the preparation of the financial statements. We did this to design audit procedures that allow us to express our opinion on the financial statements, but this did not extend to us expressing an opinion on the effectiveness of internal controls. We identified the following deficiencies in internal control as part of our audit.

Description of deficiency

Members' Allowances

Our testing highlighted that Members are paid an allowance of £47 for acting as a substitute at a Council meeting. The rate paid agrees to a 2016/17 version of the Members' allowance handbook that is no longer updated but it is not included within the allowance rates for 2020/21 published on the Council's website.

Potential effects

Lack of transparency in the allowance rates paid to Members.

Recommendation

The substitution allowance should be included within the published allowance rates on the Council's website.

Management response

Thank you for bringing this to our attention, this is an administrative oversight that will be amended in the scheme publication; in terms of transparency, we can confirm that the publication of Members Expenses Claimed include substitutions payments.

2. Audit of the financial statements

Internal control recommendations – Follow up on previous internal control points

Description of deficiency

Property, plant and equipment (PPE) valuations

In the 2019/20 Audit Completion Report we reported we had noted four cases where there were arithmetic errors within the valuation certificates, resulting in incorrect asset valuations. The errors included overstatements and understatements which overall netted to an £80k variance which was below trivial. In addition, we identified a further case where a BCIS index had been incorrectly input into the valuation certificate. Again the value of the error was below our triviality threshold. It is, however, possible that these types of issues could result in a significant error.

Potential effects

PPE valuations are incorrect as a result of arithmetic or input errors within the valuation process

Recommendation

Internal quality review processes are implemented to ensure valuation certificates once prepared are reviewed by a second officer prior to being provided to the finance team.

2020/21 Update

Our work in the current year has identified further arithmetic errors.

Description of deficiency

Creditor payments

In the 2019/20 Audit Completion Report we reported that when carrying out our walkthrough test of the creditors system, we noted that random checks of signatories take place, however there is no method in place for these checks and no evidence of the check is maintained.

Potential effects

Unauthorised signatories are used to authorise expenditure.

Recommendation

A method is implemented for completing the checks and evidence of the check is maintained.

2020/21 Update

Our work in the current year has identified that there is still no method or evidence of the checks performed.

2. Audit of the financial statements

Internal control recommendations – Follow up on previous internal control points

Description of deficiency

Pensions source data

In the 2019/20 Audit Completion Report we reported that when reviewing the source data used by the actuary, we noted a difference in the pensionable pay amount. The pension fund confirmed this amount was used in an error, and the actuary have provided a revised report based on the actual pensionable pay.

Potential effects

The financial statements are materially mis-stated in relation to the pensions liability.

Recommendation

The finance team should review the data used by the actuary to confirm the accuracy of it.

2020/21 update

The recommendation has been implemented.

Description of deficiency

Property, plant and equipment (PPE) controls

In the 2019/20 Audit Completion Report we reported when carrying out our walkthrough test of the Property, Plant and Equipment system, we noted that the following control had not operated:

The Capital Accountant compares new valuations to net book values plus this year's depreciation and investigates large differences over £100k.

This check was completed upon request, with no issues identified.

Potential effects

Property, Plant and Equipment may be held at inaccurate values in the ledger.

Recommendation

Year end controls are carried out and implemented as designed.

2020/21 update

The recommendation has been implemented.

03

Section 03:

Commentary on VFM arrangements

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3. VFM arrangements – Overall summary

Approach to value for money arrangements work

We are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:

- Financial sustainability - How the Council plans and manages its resources to ensure it can continue to deliver its services
- Governance - How the Council ensures that it makes informed decisions and properly manages its risks
- Improving economy, efficiency and effectiveness - How the Council uses information about its costs and performance to improve the way it manages and delivers its services

At the planning stage of the audit, we undertake work so we can understand the arrangements that the Council

has in place under each of the reporting criteria; as part of this work we may identify risks of significant weaknesses in those arrangements. Where we identify significant risks, we design a programme of work (risk-based procedures) to enable us to decide whether there is a significant weakness in arrangements. Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest there are further risks of significant weaknesses. We have identified no risks of significant weakness.

Where our risk-based procedures identify actual significant weaknesses in arrangements, we are required to report these and make recommendations for improvement. We have identified no actual significant weaknesses in arrangements requiring reporting or recommendations for improvement.

The table below summarises the outcomes of our work against each reporting criteria. On the following page we outline further detail of the work we have undertaken against each reporting criteria, including the judgements we have applied.

Reporting criteria	Commentary page reference	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
Financial sustainability	13	No	No
Governance	15	No	No
Improving economy, efficiency and effectiveness	17	No	No

3. VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria

How the Council identifies significant financial pressures that are relevant to its short and medium-term plans

The Council has an established process for developing its Medium Term Financial Strategy (MTFS). The MTFS is reviewed annually capturing the Council's short and medium term priorities and delivery plans. The process of developing the strategy involves input by officers across the Council to ensure all known funding streams and priority investment areas are included and that funding gaps are identified.

Services are encouraged to resolve financial pressures within their net approved budget where possible, with significant pressures flowing through to the MTFS to be reviewed as part of the organisational budget balancing considerations. Organisation-wide initiatives that support the Council's overall ambitions and priorities are considered and managed by the Senior Leadership Team.

The Council has a good track record of spending within the approved budget. The Covid 19 pandemic impacted 2020/21 and created short term pressures but the Council received additional funding and ultimately achieved an underspend for the year of £8.7m. A significant amount (£7.0m) of Government funding was carried forward to 2021/22 to manage financial uncertainties and provide some resilience. We have seen evidence of effective financial management arrangements despite the additional issues caused by the COVID-19 pandemic.

How the Council plans to bridge funding gaps and identifies achievable savings

The setting and monitoring of savings plans are incorporated into the budget process. Updating the MTFS involves reviewing existing plans in terms of deliverability, identifying priority investment areas and reviewing available funding. Where funding gaps are identified they are managed through a mixture of service efficiency, reprioritisation of investment and maximising income streams. Where possible, savings are to be delivered

within a service's overall net approved budget and savings plans are incorporated into the budget.

Review of the budget packs for a sample of services show evidence of reporting of current year savings plans, including responsible officers, whether action plans are in place for delivery and whether these are on track. Budget savings are quantified, with monitoring including a forecast outturn position and commentary if there are deviations from the budgeted. The packs also include an update on prior year unachieved savings. Service monitoring of savings feeds into the overall monitoring of the Council's budget position reported to Cabinet.

How the Council plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

The Council has established processes in place to consider both revenue and capital investment and target them to meet priorities and the desired outcomes. The Council identifies its priorities through the Council Plan which is updated periodically. The current Plan runs for the period 2018 to 2021 and clearly sets out the priorities of the Council, why each of the priorities is important and what action the Council intends to take to address each priority.

Review of the MTFS demonstrates consistency with the priorities in the Council Plan and this confirms the linkage between the overall priorities and the financial strategy. Review of the capital investment strategy also shows clear linkages with the Council's overall priorities. The MTFS is also clearly linked with the Treasury Management Strategy.

Financial reports prepared for meetings of the Cabinet refer to the Council's priorities with overall revenue investment and revenue monitoring being shown against each priority area. Capital investment monitoring is also reported in the same format.

3. VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria continued

The Integrated Commissioning and Quality Executive (ICQE) terms of reference confirm that formal partnerships and cross organisation roles exist where priorities and outcomes are shared. Planning, including financial planning, is considered jointly to ensure investment requirements are focused and understood, and are supported by integrated commissioning strategies that are consistent with the Council Plan.

How the Council ensures that its financial plan is consistent with other plans

The Council's budget setting process considers the investment required by relevant plans. The closest interaction is with capital investment plans where the investment is supported by a business case process that considers the whole life cost of schemes. In line with the Prudential Code and the Council's Capital Investment Strategy, the revenue implications of capital investment decisions are assessed and the Capital Investment Strategy is linked to the Council's overall priorities, MTFS and Treasury Management Strategy, to ensure investments are fully funded.

The Capital Investment Strategy recognises that the delivering Council objectives requires some capital investment as well as support for the achievement of ongoing reductions to the cost base. The MTFS provides for the level of borrowing after taking account of grants, other external funding and capital receipts to be generated through the sale of surplus assets. The revenue cost of this borrowing, interest payments and Minimum Revenue Provision (MRP) payments are incorporated into the MTFS. Similarly, the effect on Prudential Indicators are incorporated into the Treasury Management Strategy.

How the Council identifies and manages risks to financial resilience

The Council monitors key financial and activity-based indicators as part of its monthly and quarterly budget monitoring process. Budgets are underpinned by demand assumptions where possible and these are compared to actual activity throughout the year and financial implications assessed.

Review of the budget packs for a sample of services show evidence of the identification of COVID-19 financial implications as well as other issues. The reports also identify cost drivers and compare forecast activity levels against planned levels, identifying the financial impact and detailing any assumptions that have been made. The reports show a clear understanding of the issues faced within the services and the financial implications.

The Council's 2020/21 financial position was reported to the Cabinet throughout the year with the final position reported in the outturn report of 12 July 2021. The reported position is consistent with the financial position reported during the year and did not indicate a weakness in the Council's budget monitoring and reporting arrangements.

Our work did not identify a significant weakness in the Council's arrangements in relation to the financial sustainability reporting criteria.

3. VFM arrangements – Governance

Overall commentary on the Governance reporting criteria

How the Council monitors and assesses risk and how the Council gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

The Council operates a Cabinet and Leader model and is governed by a Constitution including the normal features of an effective local government governance framework.

The Council has a risk management protocol which is updated regularly and was most recently approved by the Audit Committee in January 2021. Risk management issues are reported to the Council's Audit Committee and the Council's Assurance Group of senior officers.

The Council has a Local Code of Corporate Governance which is aligned to the national guidance provided by CIPFA/ SOLACE. The Council has adopted the 3 lines of assurance model and this is central to ensuring that it receives assurance on the operation of controls and for the compilation of the Annual Governance Statement.

The Council's Internal Audit team provides assurance based on a risk-based audit plan. It produces an annual report to the Audit Committee, which provides an opinion on the Council's control environment. The Head of Internal Audit Opinion for 2020/21 gave the following assurance ratings:

- Control framework – satisfactory
- Governance – satisfactory
- Risk management – substantial assurance

The Council has a fraud strategy and this is subject to regular review. The Audit Committee is kept informed of anti-fraud activities through interim and annual reports.

How the Council approaches and carries out its annual budget setting process

The Council's approach in budget setting is to ensure investment in the right things rather than just a focus on savings and aligning that investment with Council Plan priorities. Review of the Council Plan, MTFS and Capital Investment Strategy demonstrate that the Council focuses on investments that align with its strategic priorities.

The MTFS includes consideration of the impact of Central Government funding and local taxation yields on the overall financial position and identifies these as risk areas. Review of the budget setting arrangements highlights no significant weaknesses and the Council is aware of the financial pressures it faces.

How the Council ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed

The Council has a well-established budget monitoring process which includes monthly updates focusing on the financial outturn position for revenue and capital. Each quarter a formal report is produced and taken to Cabinet setting out the latest forecast and any corrective action required. Support is provided by the Finance Business Partnering team to service managers, prioritising high risk areas.

Our review of Council minutes confirms there was regular reporting of the financial position during the 2020/21 financial year. The reports detailed the in-year pressures as well as planned mitigations. The outturn position was not significantly different to that reported to Members during the year and did not indicate a weakness in arrangements. The Council has a good record of delivering against its budget and this is evidence of effective arrangements for budgetary control.

The project plan for preparing the annual Statement of Accounts was delivered in 2020/21 with the draft being available for audit in early July 2021. Our audit of the financial statements did not identify any matters to indicate a significant weakness in the accuracy of the financial information reported or the process for preparing the accounts. It is our experience that management takes action to address audit matters in a timely and appropriate manner.

3. VFM arrangements – Governance

Overall commentary on the Governance reporting criteria continued

How the Council ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency.

The foundation of the Council’s decision-making process is its Constitution and Scheme of Delegation which makes it clear where the responsibility for any given decision lies. Decisions are supported by management data and professional advice. Decisions are recorded, where appropriate, in Delegated Decision Records or Member Decision Reports which are published on the Council’s website. We noted that new decisions are supported by reports that outline options and relevant considerations, including references to financial, legal, HR, property and IT where appropriate, to ensure recommendations are supported by robust information.

Our review of Council minutes did not identify any evidence of a significant weakness in arrangements. The reports we reviewed support informed decision-making and were clear in the decision Members were asked to make.

The Council implemented measures to ensure that services could continue despite the restrictions arising during the COVID-19 pandemic. Decisions in relation to Covid related to such matters as business continuity, purchase of personal protective equipment and business support grants scheme.

How the Council monitors and ensures appropriate standards are maintained

The Council has nominated the Head of Legal and Democracy as its Monitoring Officer. The Council’s Monitoring Officer provides a framework to ensure compliance with relevant statutory requirements. We note through review of meeting papers legal considerations are routinely considered in reports to Members.

The Code of Conduct sets out a series of requirements of Councillors and follows the Nolan principles. The Code sets out who it applies to, standards of conduct and disclosable interests. The Standards Committee deals with issues relating to the conduct of Members. The terms of reference of the Standards Committee are set and clearly define the role of the Standards Committee.

There is an Officers Code of Practice for employees and this is shared on the intranet. The Code of Practice covers procurement activity and includes guidance in relation to declarations of interest and how to declare them within commissioning and procurement management processes.

The Statement of Accounts records material related party transactions as well as senior officer pay and Member allowances. We considered these disclosures and compared them with the interests declared and identified no matters to report.

We confirmed that contract procedure rules are in place and require procurement decisions to comply with appropriate standards.

There is regular reporting of treasury management activity that details the Council’s investments, cash and borrowing positions. The Treasury Management Strategy was approved ahead of the 2020/21 financial year and sets out the Council’s measures against which treasury management can be assessed. The measures include those designed to mitigate risk to the Council’s finances.

Our work did not identify a significant weakness in the Council’s arrangements in relation to the governance reporting criteria.

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3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria

How financial and performance information has been used to assess performance to identify areas for improvement

Quarterly Performance Reviews are carried out for all services to capture issues and identify areas for improvement in line with the Performance Management Framework with additional statutory reporting and performance responsibilities as appropriate to the service.

Review of the Performance Management Framework shows that it sets out the approach used to assess progress and measure success. The Framework sets out how outcomes can be intangible but can be informed by triangulating resident and visitor experiences, data and practice wisdom, for example, the experience and expertise of staff. Where outcomes are not as anticipated, action planning is used to effect change.

The Council uses financial and performance data to inform budget decisions. Service budget packs provide a comprehensive range of comparable data, identify key risk areas and focus on improvement areas and areas of budget risk.

Review of the budget packs for a sample of services show evidence of the identification of the financial implications of Covid 19 as well non pandemic related issues. The reports also identify cost drivers and compare forecast activity levels against planned levels, identifying the financial impact and detailing any assumptions that have been made.

How the Council evaluates the services it provides to assess performance and identify areas for improvement

The Council has a structured and consistent system of performance management, aligned with the assurance framework.

The Council's Assurance Group provides officer oversight of performance management to ensure action is being taken to address performance issues and to ensure compliance with the Performance Management Framework. This is underpinned by Head of Service reporting processes and SLT updates.

How the Council ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve.

The Council has a Partnership Protocol and Framework that supports the effectiveness of partnership arrangements in delivering the Council's vision, strategic priorities and agreed outcomes, with each partnership being able to demonstrate their effectiveness as part of their governance arrangements. There are several significant partnerships that fall within the scope of the protocol and there is a wider integrated partnership working across North Lincolnshire and the Humber which includes, Humber Coast and Vale Integrated Care System, Humber Police and Crime Panel, Humber Bridge Board and Humberside Fire Authority.

The North Lincolnshire Health and Wellbeing Board, is a partnership board and statutory committee of North Lincolnshire Council, established as part of the Health and Social Care Act 2012. Reporting to the Health and Well Being Board is the North Lincolnshire Clinical Commissioning Group (CCG) & North Lincolnshire Council Integrated Commissioning & Quality Executive (ICQEX).

There are regular meetings between the Council and the CCG and these include senior representatives of each body focusing on delivery of the strategic assessment and in particular addressing health inequalities. ICQEX meetings include consideration of finance, quality and performance of relevant services focused on social care for the Council and health for the CCG.

3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria continued

How the Council ensures that where services are commissioned or procured this is done in accordance with relevant legislation

The Commissioning and Procurement team lead on high value/high risk commissioning and procurement projects, liaising with service area leads, legal and wider project team members as appropriate.

Contract Procedure Rules are in place, these are comprehensive and up to date. In addition, support is provided through service information and through advice with a focus on outcome-based commissioning and specification. Review of the guidance available confirms that it is comprehensive and enables a consistent approach. There is contract management guidance and templates to support effective contract management and assurance that contracts are delivering against outcomes.

Where contracts are managed in service areas, contract management reporting forms part of that service areas performance reporting.

Our work did not identify a significant weakness in the Council’s arrangements in relation to the economy, efficiency and effectiveness reporting criteria.

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04

Section 04:

Other reporting responsibilities and our fees

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4. Other reporting responsibilities and our fees

Matters we report by exception

The Local Audit and Accountability Act 2014 provides auditors with specific powers where matters come to our attention that, in their judgement, require specific reporting action to be taken. Auditors have the power to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to the law; and
- issue an advisory notice.

We have not exercised any of these statutory powers.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We did not receive any such objections or questions but we did receive correspondence drawing our attention to a regularity matter which led to additional audit procedures.

Reporting to the NAO in respect of Whole of Government Accounts consolidation data

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data, and to carry out certain tests on the data. At the time of preparing this report we have not yet received instructions from the NAO on what procedures are required. As such this work is outstanding.

4. Other reporting responsibilities and our fees

Fees for work as the Council's auditor

We reported our proposed fees for the delivery of our work under the Code of Audit Practice in our Audit Strategy Memorandum presented to the Audit Committee in March 2021. Having completed our work for the 2020/21 financial year, we can confirm that our fees are as follows:.

Area of work	2019/20 fees	2020/21 fees
Planned fee in respect of our work under the Code of Audit Practice	£80,186	£80,186
Additional fees in respect of PPE valuation and pensions liability valuation	£14,950	£14,950
Additional fees in respect of ISA540 Auditing Accounting Estimates and Related Disclosures	N/A	£4,465
Additional fees in respect of correspondence referring to regularity issues	N/A	£3,000
Additional fees in respect of the new VFM approach	N/A	£10,000
Total fees	£95,136	£112,601

4. Other reporting responsibilities and our fees

Fees for other work

In 2020/21 the Council has engaged Mazars LLP for the following non-audit services:

- Teachers' Pension Return - £3,500 plus VAT (fee for 2019/20 £3,000)
- School Centred Initial Teacher Training Return - £2,800 plus VAT (fee for 2019/20 £2,500)
- Housing Benefit Return - £9,500 plus VAT (fee for 2019/20 £7,800)

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*where permitted under applicable country laws.

NORTH LINCOLNSHIRE COUNCIL

AUDIT COMMITTEE

INTERNAL AUDIT CHARTER AND INTERNAL AUDIT PLAN 2022-23

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 To consider and approve the updated Internal Audit Charter.
- 1.2 To consider and approve the Internal Audit Plan 2022/23.

2. BACKGROUND INFORMATION

- 2.1 The Accounts and Audit Regulations 2015 require the Council to ensure there are 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 is that Internal audit must consider Public Sector Internal Auditing Standards (PSIAS) and guidance when carrying out its work. Two key requirements of the PSIAS are:
 - The production of an Audit Charter, which is subject to annual review
 - An annual Internal Audit Plan which is agreed with the Audit Committee
- 2.2 The attached Audit Charter defines the scope of its activities, its purpose, its authority, and its responsibilities. It has been subject to review and has 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.
- 2.3 The attached Internal Audit Plan 2023/23, prepared by the Head of Audit and Assurance, provides Members with an outline of the audit priorities and activities for 2022/23, how it will be delivered and resourced, a commentary on the 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 confirms the resources available and required to support a reliable year-end Audit opinion.

- 2.4 As of 11 March 2022, the section relating to strategic risks / operational risks / governance is subject to final discussion with senior management as well as further development so any risks raised through the completion of the Annual Governance Statement can be factored into the Plan. A final detailed plan will be shared with the Audit Committee later in the year.

3. OPTIONS FOR CONSIDERATION

- 3.1 In line with the PSIAS it is a requirement that the Audit Committee to considers and approves the Audit Charter
- 3.2 In line with the PSIAS it is a requirement for the Audit Committee to consider whether the Internal Audit plan has been produced on a proper basis and will provide sufficient assurance to form a reliable opinion on the Council's control environment.
- 3.3 The audit committee does not consider and approve the Audit Charter and the Audit Plan.

4. ANALYSIS OF OPTIONS

- 4.1 The Head of Assurance and Audit is satisfied that both the Audit Charter and the Audit Plan meets the requirements of the PSIAS, whilst Appendix 1 of the Plan demonstrates how the key requirements have been met.
- 4.2 The Head of Internal Audit and Assurance is satisfied that he has sufficient resources for the delivery of the plan and that it will provide a reliable year-end annual audit opinion on the council's control environment.
- 4.3 The Audit Committee in its role is entitled to make suggested changes to the Audit Charter and the Audit Plan. If neither are approved by the Committee, subject to any suggested amendments, then the Council would be in breach of the standards.

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

- 5.1 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 delivery and resources. Should the initial assumptions be subject to significant change then an update on the impact of any subsequent resourcing risks, and how they are being managed, will be reported to the Audit Committee.

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 in this instance

8. OUTCOMES OF CONSULTATION AND CONFLICTS OF INTERESTS DECLARED

- 8.1 The 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 corporate counter fraud arrangements. Where 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 one or more audit assignments. If relevant such assignments are provided by other members of the team.

9. RECOMMENDATIONS

- 9.1 That the Audit Committee:
- (i) considers whether the Internal Audit plan has been produced on a proper basis, and will provide sufficient assurance to form a reliable opinion on the Council's control environment
 - (ii) approves the Internal Audit Plan for 2022/23 subject to the finalisation of the section on strategic risk/ operational risk/ governance
 - (iii) approves the Internal Audit Charter

DIRECTOR OF GOVERNANCE AND COMMUNITIES

Church Square House
SCUNTHORPE
North Lincolnshire

Author: Peter Hanmer
Date: 11 March 2022

Background Papers used in the preparation of this report

Public Sector Internal Audit Standards
Accounts and Audit Regulations 2015



INTERNAL AUDIT CHARTER

NORTH LINCOLNSHIRE COUNCIL

1. Introduction

- 1.1 Under the Accounts and Audit Regulations (2015) the Council is required to ensure there are 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.
- 1.2 This document sets out the purpose, authority and responsibility of Internal Audit in accordance with the Standards.

2. Definitions

- 2.1 Internal Audit is provided at North Lincolnshire Council (NLC) through a joint Audit and Assurance service between NLC and North East Lincolnshire Council under the umbrella heading of "Northern Lincolnshire Business Connect (the Assurance People)". It is governed by the UK Public Sector Internal Audit Standards. They are mandatory for all internal auditors working in the UK public sector. The main components are:
 - articulating the mission of internal audit;
 - providing a definition of internal audit;
 - laying out the key principles of effective internal auditing;
 - the code of ethics for internal auditors; and
 - the standards themselves.
- 2.2 The mission of internal audit as laid out in the standards is *"To enhance and protect organisational value by providing risk-based and objective assurance, advice, and insight"*.

The 'Core Principles' that underpin delivery of the mission require internal audit to:

- Demonstrate integrity;
- Demonstrate competence and due professional care;
- Be objective and free from undue influence (independent);
- Align with the strategies, objectives and risks of the organisation;
- Be appropriately positioned and adequately resourced;
- Demonstrate quality and continuous improvement;
- Communicate effectively;
- Provide risk-based assurance;
- Be insightful, proactive, and future-focused; and
- Promote organisational improvement.

- 2.3 The standards define internal auditing 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”*.
- 2.4 As defined in the standards internal audit adds value to the organisation and its stakeholders when it considers strategies, operations and risk; strives to offer ways to enhance risk, governance and control processes; and objectively provides relevant assurance.
- 2.5 Internal Audit supports the Director of Governance and Communities to discharge her responsibilities for maintaining an adequate and effective system of internal audit as required under section 151 of the Local Government Act 1972 and by the Accounts and Audit Regulations 2015.
- 2.6 Internal Audit supports the Monitoring Officer in discharging his responsibilities for providing advice on vires issues, maladministration, financial impropriety, probity, Code of Conduct, policy framework and investigating cases reported under the confidential reporting policy as appropriate.
- 2.7 The Head of Audit and Assurance is responsible for the effective review of all aspects of governance, risk and internal control throughout the full range of the council’s activities.
- 2.8 The existence of Internal Audit does not diminish the responsibility of management to establish systems of internal control to ensure that activities are conducted in a secure, efficient and well-ordered manner.
- 2.9 The Public Sector Internal Audit Standards require that the internal audit charter defines the terms ‘board’ and ‘senior management’ in relation to the work of internal audit. For the purposes of internal audit work, the ‘board’ refers to the council’s Audit Committee which has delegated responsibility for overseeing the work of internal audit. The term senior management in this context is defined on as the Strategic Leadership Team (SLT)

3. Independence

3.1 Internal Audit is independent of all of the activities of the council to ensure it is able to appraise the council's governance, risks and internal control systems in the impartial and unbiased manner essential to the proper conduct of audits. Independence is secured by a number of means, in particular:

- unfettered access to all council officers, senior management and Elected Members;
- direct access to the Chair of the Audit Committee if appropriate;
- the right to all documentation held by the council and to seek explanations as they see necessary to effectively discharge their duties, from all officers and Elected Members of the council;
- the Head of Audit and Assurance reports in his / her own name to officers and Elected Members, particularly those charged with governance; and
- where internal audit staff have a perceived or real conflict of interest in undertaking a particular piece of work, this will be managed through the internal audit management and supervisory process. Staff are required to declare any potential conflict of interest when they are assigned a particular audit review and if necessary, the work will then be reassigned to another auditor. All staff are required to complete a yearly declaration of interests form.

3.2 The responsibilities of the Head of Audit and Assurance include risk management, insurance and counter fraud. To maintain this independence in these areas his role, the Head of Audit and Assurance is not actively involved in the audit of those areas where he has some managerial responsibility, and usually a third-party provider will be asked to carry out an audit on the team's behalf.

3.3 In addition, although the Audit and Assurance team provides support and advice for the maintenance of the risk registers and the development of the council's risk framework, the definition of risk appetites and the management of individual risks lies purely with management. Moreover, within the Audit and Assurance team there is separation of duties between the two Strategic Leads (Audit) and the Strategic lead (Risk and Governance)

4. Reporting Lines of the Head of Audit and Assurance

4.1 Arrangements are in place to ensure that the Head of Audit and Assurance has suitable status within the Authority. Although he is an employee of NELC and is line managed within the senior management structure of NELC he has a direct reporting line to the Director of Governance and Communities on audit related matters, is a member of her management team and has one to one meetings with her at least monthly. In addition, he is a member of the Council's quarterly Assurance Group chaired by the Deputy Chief Executive, and made up of the Strategic leadership Team and other key senior managers with responsibilities for governance and internal control.

- 4.2 The work of Internal Audit is reported to the Audit Committee in summary via a quarterly progress report, and he has periodic meetings with the Chief Executive.

5. Scope of Internal Audit Work and Access to Information

- 5.1 The main purpose of Internal Audit is to provide assurance on the Council's governance, risk management and internal control arrangements. This involves providing an annual report and opinion summarising the work carried out during the year, and providing an opinion on the Council's arrangements based on this work, and where appropriate, other sources of intelligence.
- 5.2 The scope of Internal Audit allows for unrestricted coverage of all the council's activities and unfettered access to all records, assets, personnel and premises deemed necessary in the course of its work. It also has unrestricted access to all Authority employees and Elected Members and the authority to obtain such information and explanations, as it considers necessary to fulfil its responsibilities. Such access shall be granted on demand and not subject to prior notice
- 5.3 Internal auditors respect the value and ownership of information they receive and the reports they produce, and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so. They are prudent in the use and protection of information acquired in the course of their duties and shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the Council's legitimate and ethical objectives
- 5.4 The Head of Audit and Assurance has direct access to, and freedom to report to, all senior management including Directors, the Chief Executive, and the Audit Committee.
- 5.5 Where the council works in partnership with other organisations (other than NELC), the role of Internal Audit will be defined on an individual basis. Where Internal Audit undertakes work on behalf of any other organisations, this will be determined in conjunction with the Section 151 officer to ensure that appropriate audit resources are available to provide assurance over the council's activities.
- 5.6 The standards recognise that the Internal Audit Service may go beyond the work needed to meet its assurance responsibilities and provide services to support management, including consultancy services or assistance with the investigation of suspected fraud or corruption. Such services apply the professional skills of internal audit and contribute to the overall assurance opinion
- 5.7 The scope of any consultancy work will be agreed with management and will only be undertaken where resources permit without impacting on the annual assurance process, and where the Head of Audit and Assurance is satisfied that the team sufficient expertise to carry out the work.

When attending project boards or steering groups, auditors will agree their role and act as “critical friend” or advisor and not have any decision-making responsibility. Internal Audit may provide assurance services where it has previously performed a consulting service, provided the nature of the consulting did not impair objectivity.

- 5.8 Internal Audit is not responsible for the prevention or detection of fraud and corruption. Managing the risk of fraud and corruption is the responsibility of management. Internal auditors will, however, be alert in all their work to risks and exposures that could allow fraud or corruption and to any indications that fraud and corruption may have occurred. Internal audit’s work in relation to fraud includes carrying out an annual programme of audits to review the design and operation of controls in areas of the Council where there is an inherent higher risk of fraud, where appropriate reviewing counter fraud controls when carrying out assignments, providing advice on counter fraud controls built into systems, manage the Council’s response to the National Fraud Initiative, and where appropriate lead or support investigations for suspected fraud. However, internal audit procedures alone, even when performed with due professional care, cannot guarantee that fraud or corruption will be detected.
- 5.9 The Head of Audit and Assurance should be informed of all suspected or detected fraud, corruption or impropriety and will consider the implications for his opinion on the adequacy and effectiveness of the relevant controls, and the overall internal control environment.

6. Responsibility

6.1 The Head of Audit and Assurance is responsible for:

- developing an annual audit plan based on an understanding of the organisations strategies, key business objectives, associated risks and risk management processes, and adjust the plan in response to the organisations business, risk, operations, programmes, systems and controls;
- determining the strategic direction of the Audit and Assurance Service;
- the management of the Audit and Assurance Service that is compliant with the Public Sector Internal Audit Standards, including a Quality and Assurance Improvement Plan;
- the monitoring and reporting of the performance of the Audit and Assurance service;
- the production and reporting of an annual audit opinion based on the outcomes of internal audit work conducted throughout the year;
- providing advice and guidance on risks and the application and development of internal controls;

- the fostering of good working relationships with External Audit with an aim to achieving mutual recognition and respect, leading to a joint improvement in performance and the avoidance of unnecessary overlapping of work; and
- assessing all matters of potential fraud or irregularity brought to his attention in line with the requirement of the Council's Counter Fraud Strategy, and arranging for team members to lead or support the investigations into such matters.

7. Resourcing and Staffing Matters

- 7.1 Internal audit is staffed to meet the needs of both Councils. The structure is designed to ensure that there is a suitable mix of experienced and qualified staff. In line with the standards the Head of Audit and Assurance will annually confirm whether there are sufficient resources available to deliver a reliable annual audit opinion and comply with the standards.
- 7.2 Individual training needs are established and agreed through the respective performance management systems of both councils, involving regular 1-2-1 meetings. A training and development plan is produced for each team member, and the team has access to both Councils' training budgets

8. Ethics

- 8.1 The Public Sector Internal Audit Standards (PSIAS) contain a Code of Ethics which is mandatory for all internal auditors in the public sector. In addition, individual staff are also required to adhere to the Codes of Ethics of their professional bodies where appropriate.
- 8.2 Team members are reminded of the need to comply with the Code on an annual basis including the requirement to complete a Code of Ethics Declaration Form to confirm they have read and understood them. In addition, they are expected to be aware of the seven standards of public life.

9. Limitations of Internal Audit Responsibilities

- 9.1 In seeking to discharge the responsibilities detailed above, and in line with the responsibilities of Internal Audit it should be noted that the Internal Audit Service is not responsible for:
- controlling the risks of the Council;
 - establishing and maintaining systems of internal control;
 - determining operational policies or procedures; and
 - ensuring the prevention or detection of fraud and irregularity.

10. Reporting

10.1 The exact form of reporting for internal audit assignments may vary depending on the nature of the assignment, but in the majority of cases will be the subject of formal reports. Draft reports will be sent to the manager(s) responsible for the area under review for agreement of the factual accuracy of findings and the implementation of agreed actions made to address weaknesses in internal controls. Once agreed, final reports will be copied to all relevant stakeholders, with a summary of the outcomes reported to the Audit Committee and Senior Management

10.2 Internal Audit will provide regular reports to the Audit Committee and the Senior Leadership Team (in its role as the Assurance Group), including:

- The annual review of the Audit Charter (including confirmation of the independence of audit activity);
- The audit plan (including confirmation of resource requirements) and progress against the plan; and
- The Annual Head of Internal Audit Report and Opinion (supported by Interim Reports throughout the year) summarising the outcome of audit activities; providing an overall opinion on the Council's governance, risk and internal control arrangements; and conformation of compliance with quality and ethical standards, including the identification of improvement actions where appropriate.

11. Management Responsibilities

11.1 For internal audit to be fully effective, it needs the full commitment and cooperation from management across the council. In approving this charter, senior management and Audit Committees are mandating management to cooperate with internal audit in the delivery of the service by:

- Attending audit planning and scoping meetings and agreeing the terms of reference for individual audit assignments on a timely basis as agreed at the commencement of each piece of internal audit work.
- Sponsoring each audit assignment at a senior level.
- Providing internal audit with full support and cooperation, including complete access to all records, data, property and personal relevant to the audit assignment on a timely basis.
- Responding to internal audit reports and making themselves available for audit closure meetings to agree draft audit reports.
- Implementing audit recommendations within agreed timescales.

11.2 Instances of non-cooperation with reasonable audit requests will be subject to Internal Audit's escalation policy

11.3 While internal audit is responsible for providing independent assurance to the council and its Audit and Assurance Committee, it is the responsibility of the organisations' management to develop and maintain appropriately controlled systems and operations. Internal audit does not remove the responsibility from management to continually review the systems and processes for which they are responsible and to provide their own assurances to senior management and elected members that they are maintaining appropriately controlled systems.

12. Quality Assurance

12.1 Public Sector Internal Audit Standards require that the internal audit function is subject to a quality assurance and improvement programme that must include both internal and external assessments. Internal audit will report the outcomes of quality assessments to Audit and Assurance Committee through its regular progress reports.

12.2 All internal audit reviews are subject to management quality review to ensure that the work meets the standards expected for audit staff. Such management reviews will include:

- ensure the work complies with the PSIAS
- work is planned and undertaken in accordance with the level of assessed risk; and
- appropriate testing is undertaken to support the conclusions drawn

12.3 An external assessment must be conducted at least every five years by a qualified, independent assessor from outside the organisation. The next assessment is due for 2023. The Head of Audit and Assurance will discuss options for the assessment with Senior Management and the Audit Committee at the appropriate time.

13 Review of the audit charter

13.1 This charter will be reviewed annually by the Head of Audit and Assurance and presented to the Leadership Team and the Audit Committee for approval.

March 2022

North Lincolnshire Council

Internal Audit Plan 2022/23

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1. INTRODUCTION

- 1.1 As recognised in the Accounts and Audit Regulations 2015 Internal Audit is a key part of the Council's control environment. Its primary objective is to provide an independent and objective opinion and advice on the Council's control environment, which comprise the systems of risk management, internal control, and governance.
- 1.2 The Audit Charter sets out the purpose, authority, and responsibility of Internal Audit in accordance with the Public Sector Internal Audit Standards (PSIAS). It was updated in March 2022 and should be read in conjunction with this Plan. It defines the mission of internal audit *"To enhance and protect organisational value by providing risk-based and objective assurance, advice, and insight"*.
- 1.3 As laid out in paragraph 6.1 of the Charter the Head of Audit and Assurance is responsible for *"developing an annual audit plan based on an understanding of the organisation's strategies, key business objectives, associated risks and risk management processes, and adjust the plan in response to the organisations business, risk, operations, programmes, systems and controls "*. As referred to regularly in the Audit Plan below, the Council's strategic aims and objectives play a critical part in determining its key priorities.
- 1.4 The audit plan lays out Internal Audit's priorities and work programme for 2022/23. It has been compiled to ensure that
 - it meets the requirements of the Public Sector Internal Audit Standards (summarised in Appendix 1);
 - provides sufficient evidence to support a reliable year-end Audit opinion on the Council's control; and
 - adds value to the Council by providing assurance on the underlying processes and governance arrangements to support the achievement of strategic outcomes and the achievement of value for money (VfM).

2. COMPILATION OF THE AUDIT PLAN

- 2.1 As required by the standards, it has been developed on a risk-based approach. We have prioritised resources to where the need is greatest, and where potentially Audit could provide most value. In compiling the plan we have ensured that the requirements laid down in the standards have been met.
- 2.2 At the heart of the approach to Internal Audit is the "3 lines of assurance" model where:
 - the first line of assurance is the control environment operated by managers in individual services;

- the second line of assurance includes the oversight functions such as Finance, HR, Procurement, Legal Services, “” who provide advice, direction, and support to individual services; and
- the third line of assurance, such as Internal Audit, External Audit and other external assurance providers which offer independent challenge to business functions.

The more developed the first and second lines of assurance are then the greater the reliance that can be placed on the assurances obtained by services rather than directly from Internal Audit work.

2.3 The plan is made up of a number of key components designed to provide assurance on the effectiveness of the Council's control environment, i.e.

- the achievement of strategic outcomes;
- those specific areas identified in the Council's code of governance;
- effective procedures and processes;
- reliable financial and performance information;
- compliance with laws and regulations ; and
- the protection of council assets, including physical assets, financial resources, people, information – this includes a review the controls in place to minimise the risk of fraud and financial irregularity in those areas of highest risk

Depending on the nature of their scope, audit assignments may provide assurance on more than one of these areas of the control environment. In addition, internal audit follows up the implementation of agreed actions from previous audit work with relevant managers.

2.4 In addition Internal Audit provides support to the Council in the following areas:

- providing assurance in relation to the control environment within maintained schools;
- providing advice and support to management on the design of the control environment; and
- the mandatory certification of external grant claim.

2.5 Internal Audit takes a cyclical risk based approach in determining the content of the audit plan with those areas having the biggest potential risk to an effective control environment. It first identifies those areas which potentially have a significant impact on the control environment. The key sources of information are:

- the Council's key strategic outcomes and performance reports relating to their delivery;
- the strategic risk register;
- those areas in the operational risk registers where a high inherent risk has been identified;

- areas which represent key components of the code of governance.
- issues identified in Director assurance statements prepared as part of the preparation of the Annual Governance Statement (AGS);
- activities in receipt of significant external grant funding.
- the Council's statutory responsibilities.
- cabinet and scrutiny reports to help identify areas of emerging risk; and
- emerging national issues, including areas subject to changes in legislation and regulation.

Those areas considered to have the highest risk are prioritised for inclusion in the plan based on the likelihood of a control failure and its impact to the organisation should it occur. A summary of what is considered in making this assessment is shown on Appendix 2. Discussions are held with the Leadership Team, Directors, and Heads of Service to determine the prioritisation of work.

2.6 The level of estimated audit resource allocated to each assignment is dependent upon;

;

- previous knowledge of the function or system and the risks associated with it;
- if there have been significant changes to the design or operation of the system or function since it was last audited;
- the complexity of the function or system;
- the level of assurance which can be obtained from internal assurance mechanisms (second line of assurance) or by external sources of assurance such as the external audit and the outcome of inspections (third line of assurance); and
- the nature of the testing required to obtain assurance - for example the use of control testing and observation compared to substantive testing, and the testing methodology required. Increasingly the audit team has been using analytical techniques to obtain assurance based on wider populations compared to sample testing.

2.7 The draft plan, based on internal audit's risk assessment, is then subject to consultation with the strategic leadership team and with Heads of Service. Where appropriate amendments are made to the plan to reflect its feedback on the areas where they felt audit resource needed to be prioritised. The emerging themes which have been identified as part of the 2022/23 audit planning process include:

- Providing assurance on the new systems to be introduced from 1 April 2022 (financial ledger, creditors, debtors, budget control)
- Regeneration schemes and associated central government funding
- Governance arrangements for monitoring the delivery of the capital programme

- The implementation of “A Green Future: Our Plan For Positive Change” and the supporting performance management processes designed to support its delivery
- The implementation of the updated Council plan and supporting performance management/ data
- Assurance on the impact of changes to the funding and delivery of Adult Social Care and the associated changes in NHS structures
- Processes for managing costs and achieving value for money during a period of significant inflationary pressures
- The revised governance arrangements relating to Public Health, and the impact of the pandemic on the delivery of Public Health
- The implementation of the community engagement and consultation strategies and the systems in place to support them
- Strategic Housing
- Providing assurance on preparedness for new or changing external inspection regimes relating to Adult Social Care and Children and Families
- Arrangements for replacing the current social care system, CareFirst
- Assurance on changing responsibilities following changes in legislation for example Domestic Abuse Bill
- Workforce development
- The design and operation of internal controls relating to the operation of Baths Hall and the Plowright Theatre following the transfer of their management back to the Council.

2.8 The proposed audit plan is summarised in the table below. It shows the resources provisionally allocated to each of the main areas of the internal audit activity. As of 11 March 2022, the section relating to strategic risk/ operational risk/ governance is subject to further development to allow for discussion with the Strategic Leadership Team, the reassignment of Head of Service portfolios, and to take account of Director Assurance Statements due to be completed by 30 April 2022. We will circulate an updated plan, including a breakdown of the planned audits to be covered under this heading once complete.

Area	Planned days	
Strategic risk/ operational risk/ governance	470	A risk-based programme of audit reviews to provide assurance on the Council's governance framework, as well as the arrangements in place to deliver key strategic and service outcomes efficiently and effectively and ensure compliance with laws and regulations
Financial systems	135	Providing assurance on the design and operation of the fundamental financial systems, including on a cyclical basis those systems which feed into them. Our 2022/23 work will particularly focus on providing assurance on the new general ledger, debtors, creditors, and budgetary control systems.
ICT	45	Providing assurance on the effectiveness of the Council's approach to ICT and Information governance, and key ICT systems.
Procurement and contract management	25	Providing assurance on the Council's procurement and contract management processes, including reviews of a sample of key procurement exercises.
Schools	100	Provide assurance on the control environment within maintained schools via a cyclical programme of schools audits
Grant Certification	60	Mandatory certification of grant claims. The time required for this element of audit activity has increased in recent years due to a greater number of certifications requested by central government departments
Advisory	50	Providing advice and support on governance and internal control matters
Follow up	40	Follow up of previous actions
Probity and Counter Fraud	75	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
Management time	75	Includes audit planning, monitoring, liaison with the Audit Committee and senior management
Contingency	40	
Total	1115	

2.9 Throughout the year the audit plan will be subject to regular review to reflect the changes in the risks to the Council's control environment, and to reflect changes in the assumptions made when the plan was first completed. For example:

- an area in which internal audit intended to work may subsequently be subject to an external inspection, in which case less audit work may be required as audit will look to seek reliance on the outcome of the inspection;
- where a new process or system has not been implemented as quickly as anticipated and therefore the audit of it would be delayed;
- a risk may emerge during the year which may require to be included in the audit plan so that work can be carried out to obtain sufficient assurance.
- where issues arise during a planned audit then extra resource may be required to obtain sufficient assurance and /or obtain an understanding of the underlying control issues; and
- potential reprioritisation of the plan due to a greater level of uncompleted audit work carried forward from the previous year than anticipated, or changes in staffing levels during the year due to leavers or long-term sickness absence.

Any significant changes to the allocations will be reported to future Audit Committees.

2.10 The Audit Charter describes how the Audit Team will conduct itself when delivering the plan, and the quality assurance processes which underpin the quality of its work. It will continue to develop as a team by providing training and development programmes for team members and keeping them aware of developments in local government (both locally and nationally), and audit practice. The team will also continue to develop and enhance its approach to data analytics.

3 RESOURCES TO DELIVER THE AUDIT PLAN

3.1 The standards require the Head of Audit and Assurance to be satisfied that he or she has sufficient resources available to deliver the plan and be able to provide an opinion on the control environment and discharge their other responsibilities. In addition, under the CIPFA statement "The Role of the Head of Internal Audit" the Head of Internal Audit must "lead and direct an Internal Audit service that is resourced to be fit for purpose".

3.2 Based on the risks identified we can confirm that there are sufficient resources available to deliver the Audit Plan as laid out in section 2 of this report, and to provide a reliable year-end audit opinion. This conclusion is due an assessment of resources available to the team as of 28 February 2022 considering annual leave, training, non-audit time, the availability of additional ICT audit specialist support.

This includes being prudent on the potential impact of long-term sickness and unfilled vacancies that may arise given the relatively small size of the team.

- 3.3 It is recognised, however, that resourcing is a risk, and in response we will monitor the delivery of the plan monthly and will reprioritise the audit programme on a risk basis should issues arise regarding the level of resources available.

4 REPORTING AND MONITORING ARRANGEMENTS

- 4.1 For most assignments, excluding advisory work and grant certification, we will provide a report with an overall opinion on the control environment (“substantial”, “satisfactory”, “limited”, “none”) and the residual risk. There will be some areas, due to particular circumstances, where it may not be appropriate to issue a full report and/or an opinion. In such cases a short commentary will be provided in the Annual Head of Internal Report and Opinion.
- 4.2 A summary of completed audit work will be included in the Annual report, and this will feed into the overall opinion on the control environment. The opinion will also take account of other sources of intelligence, as appropriate, such as the outcome of inspections or other relevant forms of third-party assurance. Interim reports will also be presented to the Audit and Governance Committee during the year. These will include progress in achieving the annual plan, including any significant amendments to it.
- 4.2 As part of its Quality Assurance and Improvement Programme (QAIP) Internal audit has a number of performance indicators based on the three principles of Outcome Based Accountability:
- “what did we do?”;
 - how well did we do it?; and
 - how did we add value

Appendix 1: Confirmation of compliance with Public Sector Internal Auditing Standards (PSIAS) requirements

PSIAS Requirement	How we demonstrate compliance
The Head of Internal Audit (HOIA) must establish risk-based plans to determine the priorities of the Internal Audit activity, consistent with the organisation's goals. (PSIAS 2010)	The plan is based on the Council's strategic objectives and its Code of Corporate Governance. Those activities with the greatest impact on the achievement of strategic objectives are given greatest priority. The Head of Audit and Assurance carries out a detailed risk assessment to prioritise audit work
The risk-based plan must take into account the requirement to produce an annual Internal Audit opinion and the assurance framework. (PSIAS 2010 public sector requirement)	The Audit Plan has been designed to ensure that there is sufficient evidence to provide a reliable year end opinion in relation to risk, governance and internal control.
The plan must incorporate or be linked to a high-level statement of how the Internal Audit service will be delivered, developed in accordance with the Internal Audit Charter and how it links to the organisational objectives and priorities. (PSIAS 2010 public sector requirement)	The audit plan demonstrates the extent to which it links in with organisational objectives and priorities, including reference to the Audit Charter, which was updated in March 2022, whilst paragraphs 2.9 and 2.10 reflects how the plan will be delivered and the audit service delivered
The risk-based plan must explain how Internal Audit's resource requirements have been assessed. (PSIAS 2030 public sector requirement)	Considered in Section 3 of this report
The internal audit activity's plan of engagements must be based on a documented risk assessment, undertaken at least annually. The input of senior management and the board must be considered in this process.	The Audit Team carries out a detailed risk assessment to prioritise the work to be included in the audit plan. In determining priorities discussions are held with the Senior Leadership Team, Heads of Service and other stakeholders.

Appendix 2: Internal Audit planning risk assessment methodology

The Council's activities/ functions are prioritised based on the likelihood of a significant control failure and its impact on the control environment

Likelihood of control failure

For the purposes of audit planning those areas which have a higher likelihood control failure include those which exhibit one or more of the following:

- Have had recent changes to system design
- There have been changes to statutory responsibilities or national guidance
- Have been identified as having high inherent risk in the Council's risk register
- Have not been subject to audit review for a number of years
- Control failures have been recently occurred.
- Identified in Director Assurance Statements as a potential area for development.
- Weaknesses identified by external inspectorates which required the Council to take action.

Impact on the control environment

Areas of high priority exhibit at least one of the following:

- Has a significant impact on the achievement of stated strategic outcomes;
- Has a material impact on the Financial Statements;
- Has a material impact on the governance arrangements of the Council, is an integral part of the Code of Corporate Governance, and impacts on the Annual Governance Statement;
- Is intended to mitigate a significant strategic risk;
- Has a significant impact on ensuring that the Council operates within applicable laws and regulations and/or prevents significant reputational risk;
- Significant inherent risk of fraud or the loss of assets;
- Significant safeguarding implications;
- Failure of the function may potentially lead to:
 1. a significant financial loss;
 2. a detrimental impact to service users; or
 3. an adverse effect on the Council's reputation.