

# Public Document Pack

## NORTH LINCOLNSHIRE COUNCIL

### AUDIT COMMITTEE

13 July 2022

**Chairman:** Councillor K Vickers

**Venue:** Room F01e,  
Conference Room  
Church Square House  
Scunthorpe

**Time:** 10.00 am

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

### AGENDA

1. Substitutions (if any)
2. Declarations of Disclosable Pecuniary Interests and Personal or Personal and Prejudicial Interests (if any).
3. To take the minutes of the meeting held on 23 March 2022 as a correct record and authorise the chairman to sign. (Pages 1 - 6)
4. To note the scheduled dates and times of the Audit Committee as follows:

Wednesday 13 July 2022  
Wednesday 21 September 2022  
Wednesday 23 November 2022  
Wednesday 25 January 2023  
Wednesday 1 March 2023

All meetings commence at 10:00 am at Church Square House, Scunthorpe.

5. Director: Children Services Assurance Overview

To receive a presentation from Ann-Marie Matson, the council's Director: Children and Families, Paul Cowling, the council's Assistant Director: Children's Standards and Regulations and Rachel Smith, the council's Assistant Director: Children's Help and Protection

6. Audit Committee Annual Report 2021-22 (Pages 7 - 24)
7. Audit Committee Annual Forward Plan (Pages 25 - 32)
8. Audit Strategy Memorandum - Year Ending 31 March 2022 - Report of Mazars (Pages 33 - 66)

9. Annual Treasury Management Review 2021-22 (Pages 67 - 80)
10. Attendance Management Annual Report 2021-22 - Report of the Director: Economy and Environment (Pages 81 - 86)
11. Annual Information Governance Update (Pages 87 - 90)
12. Head of Internal Audit Annual Report and Opinion 2021-22 (Pages 91 - 138)
13. 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 3

## NORTH LINCOLNSHIRE COUNCIL

### AUDIT COMMITTEE

23 March 2022

**PRESENT:** - Councillor K Vickers (Chairman)

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

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

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

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

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

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

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

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

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

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

**AUDIT COMMITTEE**  
**23 March 2022**

Report 2021-22.

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

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

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

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

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

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

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

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

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

- Facilitating workshops to help identify risks

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

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

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

664 **CODE OF CORPORATE GOVERNANCE**

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

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

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

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

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

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

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

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

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

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

The report also included Mazars other responsibilities and their fees.

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

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

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

The Accounts and Audit Regulations 2015 required the council to ensure there were sound systems of internal control and to undertake effective internal audit to evaluate the effectiveness of its risk management, control and governance processes. A requirement of the regulations was that internal audit must consider Public Sector Internal Auditing Standards (PSIAS) and guidance when carrying out its work. Two key requirements of the PSIAS were:

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

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

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

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

As required by the PSIAS the plan must be risk-based and consider the organisation's risk management framework and reflect changes in the organisation's business, risks, operations, programmes, systems and controls. The plan also confirmed the resources available and required to support a reliable year-end Audit opinion.

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

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

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

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Report of the Director:  
Governance and Communities

Meeting: 13 July 2022

## NORTH LINCOLNSHIRE COUNCIL

### AUDIT COMMITTEE

#### AUDIT COMMITTEE ANNUAL REPORT 2021-22

#### 1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 To consider the annual report of the Audit Committee under the council's governance arrangements for the year 2021-22.
- 1.2 Key points in the report are:
  - 1.2.1 The Annual Report of the Audit and Committee is designed to inform Full Council of the Committee's activities during the previous Municipal Year (May 2021 – to April 2022), and how it has discharged its responsibilities.
  - 1.2.2 The report demonstrates that the committee operates in line with expected practice, and also identifies areas for further development.

#### 2. BACKGROUND INFORMATION

- 2.1 The annual report of the Audit and Governance Committee is attached. It summarises the activities of the Committee, and demonstrates how it has discharged its duties. The report includes the outcome of the updated self-assessment against good practice identified by the Chartered Institute of Public Finance and Accountancy (CIPFA) that was carried out by the committee.
- 2.2 The main conclusions of the report are that the Audit Committee has effectively discharged its duties, and its design and operation complies with expected practice and this can be further enhanced as follows:
  - Invite a wider range of Directors and Heads of Service to obtain assurance as to how they manage risks and internal control in their areas of responsibility.
  - Invite managers with adverse internal audit reports to meet with the Committee to receive assurance on how they are dealing with the issues identified.

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

### **3. OPTIONS FOR CONSIDERATION**

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

### **4. ANALYSIS OF OPTIONS**

- 4.1 Although not mandatory an annual report is considered good practice as it promotes the role and work of the Audit Committee to the rest of the Council, provides assurance on its effectiveness, and demonstrates how it discharges its duties. By including a self-assessment it also ensures that the Audit Committee can ensure that its operations in line with good practice, and provide supporting evidence for the Annual Governance Statement (AGS)
- 4.2 Not producing and promoting an annual report would make it more difficult for the Audit Committee to demonstrate how it carries out its roles and responsibilities.

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

- 5.1 None

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

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

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

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

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

8.1 Not applicable

9. **RECOMMENDATIONS**

9.1 That the Audit Committee approve the Annual Report and approve it being received by Full Council on 18 October 2022.

DIRECTOR: GOVERNANCE AND COMMUNITIES

Church Square House  
SCUNTHORPE  
North Lincolnshire  
DN15 6NL

Author: Matthew Nundy  
Date: 1 July 2022

**Background Papers used in the preparation of this report –**  
Audit Committees: Practical Guidance for Local Authorities and Police (2018).

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**North Lincolnshire Council  
Audit Committee Annual Report**

**2021-2022**

## **FOREWORD**

I am pleased to introduce the Annual Report of the Council's Audit Committee.

The primary role of the Audit Committee is to have oversight and responsibility in areas such as the integrity of financial reporting, the effectiveness of the framework of risk management and systems of internal controls. This underpins good governance and financial standards.

The Audit Committee is constantly aware that cyber attacks on our I.T. Systems can cause a great deal of disruption to our residents and businesses with a possible loss of revenue. I am pleased to report that the systems in place at North Lincolnshire are robust and in continual development to oversee any internal and external threats that may exist. All councillors and staff undertake awareness training sessions to be constantly alert to the possibility of cyber disruption.

The Audit Committee continues to attend development sessions to have a more in depth understanding of issues in relation to public finances. During 2021-22 The Audit Committee has continued to focus on promoting good practice and governance across all areas of responsibility.

Finally I would like to thank all the members of the Committee and the officers and staff of North Lincolnshire Council for their support in achieving these outcomes.

**Cllr Keith Vickers**  
**Chairman of the Audit Committee**

## 1. INTRODUCTION

The role of the Audit Committee is defined in its terms of reference, as laid out in the Council's constitution, as shown on Annex A. The areas covered within them are consistent with those identified as good practice by the Charter Institute of Public Finance and Accountancy and Finance (CIPFA) in its document "*Audit Committees: Practical Guidance for Local Authorities and Police*" (2018).

This report informs the full Council of the Committee's activities during the Council year (May 2021 to April 2022), and how it has discharged its responsibilities.

## 2. COMMITTEE INFORMATION

### Audit Committee Membership, Meetings and Attendance

An analysis of committee meetings held during the year is shown on Annex B. Four meetings were held during the year, and the Committee had five members, plus substitutes where appropriate. Taking account of substitutes there was full attendance at each meeting.

### Training and Development

The Council recognises the importance of providing Committee Members with the knowledge and skills to allow them to effectively carry out what can be a demanding and technical role. In 2021/22 the following development sessions were held.

- Audit Committee Induction (21 July 2021) – provided guidance on the role of the audit committee, introduction to the concepts of governance and internal control, the Annual Governance Statement, and the role and responsibilities of Internal Audit, provided by the Head of Audit and Assurance
- The Annual Statement of Accounts (3 November 2021) – training on how to understand and review the annual statements of accounts
- Treasury Management (26 January 2022) - Link Asset Services delivered a presentation on –
  - What Treasury Management involves.
  - How Treasury Management is undertaken.
  - The role of Officers and Members in Treasury Management decisions.
  - The risks and opportunities in Treasury Management and how they should be managed.
  - The skills and knowledge required to take Treasury Management decisions.
- Introduction to risk management and counter fraud (23 March 2022)- presentations provided by the Strategic Lead (Risk and Governance and the Strategic Lead Fraud.

In addition, some Members attended face to face and virtual training events about the role of the Audit Committee provided by the Local Government Association (LGA) and CIPFA.



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

The Committee has discharged its responsibilities in 2021/22 and added value as shown below.

#### **The statement of accounts**

- Approved the Statement of accounts 2020-21 and received the external auditor report (November 2021)
- Approved Accounting policies 2021-22 (January 2022)

#### **Governance**

- Reviewed and approved the draft Annual Governance Statement 2021-22 and recommended formal adoption by the Council (July 2021)
- Approved the final Annual Governance Statement 2020-21 and recommended formal adoption by the Council (November 2021)
- Approved the updated Code of governance (March 2022)

#### **External audit**

- External Audit Progress Report (July 2021)
- External Audit Appointment Process - the committee recommended to the full Council that it continues to adopt into the Public Sector Audit Appointments (PSAA) Framework (November 2021)
- External Audit Progress Report (January 2022)
- External Audit Annual Report for year ending March 2021 (March 2022)

#### **Internal audit**

- Received the Internal Audit Annual Report and Opinion 2020-21 - received assurances that sufficient work had been carried out to form an opinion on the council's control environment and on Internal Audit's quality assurance processes (July 2021)
- Update on the Audit Plan 2021/22 approved by the Committee in April 2021 (July 2021)
- Received Internal Audit Interim report - update on the delivery of the audit plan, amendments to the audit plan and any material issues identified by audit (January 2022)
- Approved the Internal Audit Plan 2022-23 - received assurance that the Internal Audit Plan had been produced on a proper basis and would provide sufficient assurance to form a reliable opinion on the Council's control environment (April 2022)

## Counter Fraud

- Approved the Counter Fraud Strategy (July 2021)
- Received the Counter Fraud Update Report- concluded that the counter fraud work programme provided a sufficient level of assurance on the adequacy of the council's counter fraud arrangements (November 2021)
- Received the Annual Fraud Report 2021-22 - received assurance on the Council's counter fraud activities (March 2022)

## Risk Management

- Received the Annual Risk Management Update Report- provided an update on risk management activities including the strategic risk register and the outcome of review of the council's risk management arrangements (March 2022)

## Treasury Management

- Received the Treasury Management Annual Report 2020-21 (July 2021)
- Received the Treasury Management Mid-Year Report 2021-22 (November 2021)
- Approved the updated Treasury Management Practices and the Treasury Management Strategy 2022-23 (January 2022)

## Other sources of assurance received by the committee

- Received the Information Governance and ICT Security Annual Report – received assurance on the Council's information security policies (November 2021)
- Received Attendance Management Report- received assurance from the Director of Business Development about the Council's workforce attendance position and the approaches in place to maintain and improve attendance levels. (July 2021)

## 4. AUDIT COMMITTEE SELF-ASSESSMENT

Following the Audit Committee meeting on 23 March 2022 Members updated its self-assessment based on a checklist developed by CIPFA in its report "*Audit Committees: Practical Guidance for Local Authorities and Police*" (2018). The self-assessment considered the scope of the Committee's work and its effectiveness. The outcome of this is shown in this report (Annex C). It confirmed that the Audit Committee continued to operate in line with expected practice and was provided with good support from officers. It did identify three areas for further development:

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

## Annex A

### AUDIT COMMITTEE - TERMS OF REFERENCE

#### Internal and External Audit

- (a) To approve the audit charter and annual audit plan.
- (b) To consider the head of internal audit's annual report and opinion, including:
  - a summary of internal audit activity (actual and proposed).
  - the level of assurance it can give over the Council's control framework; and
  - the performance and effectiveness of internal audit (including compliance with Public Sector Internal Audit Standards, results of the Quality Assurance and Improvement Programme, and relevant external inspections).
- (c) To consider significant issues arising from internal audit reviews carried out and high risk agreed actions not implemented within a reasonable timescale.
- (d) To consider the external auditor's annual letter, relevant reports, and the auditors ISA 260 report on the conclusion of the accounts
- (e) To consider specific reports as agreed with the external auditor.
- (f) To comment on the scope and depth of external audit work and to ensure it gives value for money.
- (g) To be kept informed of over the appointment of the Council's external auditor by Public Sector Appointments Limited (PSAA).
- (h) To provide the Audit Committee the opportunity to meet in private with Internal / External Audit without any other officers present at the end of each meeting, if required.
- (i) To support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by PSAA (if applicable).

#### Regulatory Framework

- (a) To maintain an overview of the Council's constitution and governance arrangements in respect of contract procedure rules, financial regulations and the shared services programme with North East Lincolnshire Council, including the joint committee established thereunder.
- (b) Consider the effectiveness of the authority's risk management arrangements. Review the risk profile of the organisation and assurances that action is being taken on risk-related issues, including partnerships with other organisations.

This includes:

- Receiving an annual report from the Director of Governance and Partnerships on the effectiveness of the Council's risk management arrangements (and periodic updates where applicable).
  - Approval of the risk management strategy
- (c) To consider the effectiveness of the Council's anti-fraud and corruption arrangements. This includes:

- Receiving an annual report of the outcome Council's anti- fraud and corruption activities (and periodic updates where applicable)
  - Approval of the anti-fraud and corruption strategy and supporting policies such as the whistle-blower's charter.
- (d) To review the assessment of fraud risks and potential harm to the Council from fraud and corruption.
- (e) To review, and recommend approval of, the Annual Governance Statement and consider whether it properly reflects the risk environment and supporting assurances, taking into account internal audit's opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.
- (f) To consider the Council's arrangements for corporate governance and agreeing necessary action to ensure compliance with CIPFA / SOLACE governance framework and approval of the Code of Corporate Governance.
- (g) To consider the Council's compliance with its own and other published standards and controls.
- (h) To consider the Council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
- (i) Reviewing and monitoring treasury management arrangements in accordance with the CIPFA Treasury Management Code of Practice.
- (j) To review the governance and assurance arrangements for significant partnerships or collaboration.
- (k) To report to Full Council on a regular basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.

### **Financial Reporting**

- (a) To approve the accounting policies to be used to prepare the accounts.
- (b) To review and/or approve the annual statement of accounts. Specifically, to consider whether the approved accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.
- (c) To consider the auditors ISA 260 report on the conclusion of the accounts.

## Annex 2: Audit Committee Attendance 2021/22

Member	21 July 2021	3 Nov 2021	26 Jan 2022	23 Mar 2022	Total (4)
T Foster	✓	✓	apols	apols	2
K Vickers	✓	✓	✓	✓	4
T Mitchell	apols	apols	✓	✓	2
S Wilson	✓	✓	✓	✓	4
L Yeadon	✓	✓	✓	✓	4
D Wells	Sub				1
C Sherwood		Sub	Sub		2
J Longcake				Sub	1

**Annex C: Audit Committee Self-Assessment March 2022**

	Yes	Partial	No
1 Does the authority have a dedicated audit committee?	Y		
2 Does the audit committee report directly to full council?	Y		
3 Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's Position Statement?	Y		
4 Is the role and purpose of the audit committee understood and accepted across the authority?	Y		
5 Does the audit committee provide support to the authority in meeting the requirements of good governance?	Y		
6 Are the arrangements to hold the committee to account for its performance operating satisfactorily?	Y - via the annual report		
<b>Functions of the committee</b>			
7 Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement? „ good governance „ assurance framework, including partnerships and collaboration arrangements „ internal audit „ external audit	Y		

<ul style="list-style-type: none"> <li>„ financial reporting</li> <li>„ risk management</li> <li>„ value for money or best value</li> <li>„ counter fraud and corruption</li> <li>„ supporting the ethical framework</li> </ul>			
8 Is an annual evaluation undertaken to assess whether the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas?	Y		
9 Has the audit committee considered the wider areas identified in CIPFA's Position Statement and whether it would be appropriate for the committee to undertake them?	Y - e.g. receives reports in relation to treasury management and partnerships		
10 Where coverage of core areas has been found to be limited, are plans in place to address this?	Yes - following previous self-assessments the committee now receives updates on partnership governance and value for money following previous review		
11 Has the committee maintained its advisory role by not taking on any decision-making powers that are not in line with its core purpose?	Y		

Membership and Support			
<p>12 Has an effective audit committee structure and composition of the committee been selected? This should include:</p> <ul style="list-style-type: none"> <li>„ separation from the executive</li> <li>„ an appropriate mix of knowledge and skills among the membership</li> <li>„ a size of committee that is not unwieldy</li> <li>„ „ consideration has been given to the inclusion of at least one independent member</li> </ul>	Y		
<p>13 Have independent members appointed to the committee been recruited in an open and transparent way and approved by the full council</p>	<p>N/A - after discussion committee decided not to appoint independent members, but will be kept under review following the recommendations of the Redmond Report and any further guidance that is issued</p>		
<p>14 Does the chair of the committee have appropriate knowledge and skills?</p>	Y		
<p>15 Are arrangements in place to support the committee with briefings and training?</p>	Y (various training sessions have been held throughout the year)		
<p>16 Has the membership of the committee been assessed against the</p>			<p>N - agreed that need to carry out an assessment of core</p>



core knowledge and skills framework and found to be satisfactory?			knowledge and skills
17 Does the committee have good working relations with key people and organisations, including external audit, internal audit and the CFO?	Y		
18 Is adequate secretariat and administrative support to the committee provided?	Y		
<b>Effectiveness of the committee</b>			
19 Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?		Y	
20 Are meetings effective with a good level of discussion and engagement from all the members?	Y		
21 Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?			N - Identified as scope for further development
22 Does the committee make recommendations for the improvement of governance, risk and control and are these acted on?			N

<p>23 Has the committee evaluated whether and how it is adding value to the organisation?</p>	<p>Y - annual self-evaluation</p>		
<p>24 Does the committee have an action plan to improve any areas of weakness?</p>	<p>Y - an action plan to be incorporated into the annual report relating to issues identified as part of the self-assessment</p>		
<p>25 Does the committee publish an annual report to account for its performance and explain its work?</p>	<p>Y</p>		

## NORTH LINCOLNSHIRE COUNCIL

### AUDIT COMMITTEE

#### AUDIT COMMITTEE ANNUAL FORWARD PLAN

##### 1. OBJECT AND KEY POINTS IN THIS REPORT

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

##### 2. BACKGROUND INFORMATION

- 2.1 The Audit committees is a key component of the Council's corporate governance arrangement. They provide a high-level focus on assurance and the organisation's arrangements for governance, managing risk, maintaining an effective control environment, and reporting on financial and non-financial performance.
- 2.2 The Audit Committee Terms of Reference is based upon the Chartered Institute of Public Finance and Accountancy (CIPFA) publication 'Audit Committees: Practical Guidance for Local Authorities and Police (2018 edition)'.
- 2.3 The forward plan is intended to be a reference point used at each meeting to ensure that each agenda item provide the necessary assurance to enable the Committee to fulfil their responsibilities effectively.
- 2.4 To support Audit Committee Members, council officers, supported by external partners where necessary, will provide an extensive programme of member development to allow councillors to fulfil their responsibilities

##### 3. OPTIONS FOR CONSIDERATION

3.1 To agree the forward plan for the municipal year 2022-23.

**4. ANALYSIS OF OPTIONS**

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

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

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

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

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

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

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

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

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

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

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

**9. RECOMMENDATIONS**

9.1 That Audit Committee agree the forward plan and sets the schedule of work for the municipal year 2022-23.

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

DIRECTOR: GOVERNANCE AND COMMUNITIES

Church Square House  
SCUNTHORPE  
North Lincolnshire  
DN15 6NL  
Author: Matthew Nundy  
Date: 5 July 2022

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

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

<b>Terms of Reference Scope of Activity</b>	<b>Meeting 1 13 July 2022</b>	<b>Meeting 2 21 September 2022</b>	<b>Meeting 3 23 November 2022</b>	<b>Meeting 4 25 January 2023</b>	<b>Meeting 5 1 March 2023</b>
<b>Internal and External Audit</b>					
To approve the internal audit charter and audit plan		✓			✓
To consider the head of internal audit's annual report and opinion.	✓ (2021/22 final)			✓ (2022/23 interim)	
To consider significant issues arising from internal audit reviews carried out and high risk agreed actions not implemented within a reasonable timescale	Reporting based upon HIA identifying significant issues				
To consider the external auditor's annual letter, relevant reports, and the auditors ISA 260 report on the conclusion of the accounts			✓		
To consider specific reports as agreed with the external auditor	Reporting based upon External Audit identifying significant issues				
To comment on the scope and depth of external audit work and to ensure it gives value for money	Via regular update report from External Audit in accordance with the audit plan timescales.				
To support the independence of external audit through consideration of the external auditor's annual assessment of its			✓		

independence and review of any issues raised by PSAA (if applicable)					
<b>Terms of Reference Scope of Activity</b>	<b>Meeting 1 13 July 2022</b>	<b>Meeting 2 21 September 2022</b>	<b>Meeting 3 23 November 2022</b>	<b>Meeting 4 25 January 2023</b>	<b>Meeting 5 1 March 2023</b>
<b>Regulatory Framework</b>					
To maintain an overview of the council's constitution and governance arrangements in respect of contract procedure rules, financial regulations and the shared services programme	Throughout the year there will be reports and presentations that cover aspects of these 3 responsibilities, including Information Governance and Security annual update; HR policy update in respect of Absence Management and Director updates.				
To consider the council's compliance with its own and other published standards and controls.					
To consider the council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.					
Consider the effectiveness of the authority's risk management arrangements.			✓		✓

To consider the effectiveness of the Council's anti-fraud and corruption arrangements			✓		✓
To review the assessment of fraud risks and potential harm to the council from fraud and corruption			✓		✓
<b>Terms of Reference Scope of Activity</b>	<b>Meeting 1 13 July 2022</b>	<b>Meeting 2 21 September 2022</b>	<b>Meeting 3 23 November 2022</b>	<b>Meeting 4 25 January 2023</b>	<b>Meeting 5 1 March 2023</b>
To review, and recommend approval of, the Annual Governance Statement and consider whether it properly reflects the risk environment and supporting assurances, taking into account internal audit's opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control		✓			
To consider the council's arrangements for corporate governance and agreeing necessary action to ensure compliance with CIPFA/ SOLACE governance framework and approval of the Code of Corporate Governance				✓	



Reviewing and monitoring treasury management arrangements in accordance with the CIPFA Treasury Management Code of Practice	✓			✓	
To review the governance and assurance arrangements for significant partnerships or collaboration		✓			
To report to full council on a regular basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose	✓ (annual report 2021-22)				
<b>Terms of Reference Scope of Activity</b>	<b>Meeting 1 13 July 2022</b>	<b>Meeting 2 21 September 2022</b>	<b>Meeting 3 23 November 2022</b>	<b>Meeting 4 25 January 2023</b>	<b>Meeting 5 1 March 2023</b>
<b>Financial Reporting</b>					
To approve the accounting policies to be used to prepare the accounts				✓	
To review and/or approve the annual statement of accounts. Specifically, to consider whether the approved accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that			✓		

need to be brought to the attention of the council.					
To consider the auditors ISA 260 report on the conclusion of the accounts			✓		

# Audit Strategy Memorandum

North Lincolnshire Council

Year ending 31 March 2022

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Agenda Item 8

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This document is to be regarded as confidential to North Lincolnshire Council. It has been prepared for the sole use of the Audit Committee as the appropriate sub-committee charged with governance. No responsibility is accepted to any other person in respect of the whole or part of its contents. Our written consent must first be obtained before this document, or any part of it, is disclosed to a third party.

Audit Committee  
North Lincolnshire Council  
Church Square House  
30-40 High Street  
Scunthorpe  
DN15 6NL

13 July 2022

Dear Audit Committee Members

Mazars LLP  
5<sup>th</sup> Floor, Wellington Place  
Leeds  
LS1 4AP

## Audit Strategy Memorandum – Year ending 31 March 2022

We are pleased to present our Audit Strategy Memorandum for North Lincolnshire Council for the year ending 31 March 2022. The purpose of this document is to summarise our audit approach, highlight significant audit risks and areas of key judgements and provide you with the details of our audit team. As it is a fundamental requirement that an auditor is, and is seen to be, independent of its clients, section 7 of this document also summarises our considerations and conclusions on our independence as auditors. We consider two-way communication with you to be key to a successful audit and important in:

- reaching a mutual understanding of the scope of the audit and the responsibilities of each of us;
- sharing information to assist each of us to fulfil our respective responsibilities;
- providing you with constructive observations arising from the audit process; and
- ensuring that we, as external auditors, gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance and other risks facing North Lincolnshire Council which may affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

With that in mind, we see this document, which has been prepared following our initial planning discussions with management, as being the basis for a discussion around our audit approach, any questions, concerns or input you may have on our approach or role as auditor. This document also contains an appendix that outlines our key communications with you during the course of the audit,

Client service is extremely important to us and we strive to provide technical excellence with the highest level of service quality, together with continuous improvement to exceed your expectations so, if you have any concerns or comments about this document or audit approach, please contact me on 0113 394 2000.

Yours faithfully



Mark Kirkham

Mazars LLP

Mazars LLP – 5<sup>th</sup> Floor, Wellington Place, Leeds, LS1 4AP

Tel: 0113 394 2000 – [www.mazars.co.uk](http://www.mazars.co.uk)

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We are registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at [www.auditregister.org.uk](http://www.auditregister.org.uk) under reference number C001139861. VAT number: 839 8356 73

# 01

Section 01:

## **Engagement and responsibilities summary**

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# 1. Engagement and responsibilities summary

## Overview of engagement

We are appointed to perform the external audit of North Lincolnshire Council (the Council) for the year to 31 March 2022. The scope of our engagement is set out in the Statement of Responsibilities of Auditors and Audited Bodies, issued by Public Sector Audit Appointments Ltd (PSAA) available from the PSAA website: <https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/>. Our responsibilities are principally derived from the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (NAO), as outlined below.

### Audit opinion

We are responsible for forming and expressing an opinion on the financial statements. Our audit does not relieve management or the Audit Committee, as Those Charged With Governance, of their responsibilities.

The Director Governance and Communities is responsible for the assessment of whether it is appropriate for the Council to prepare its accounts on a going concern basis. As auditors, we are required to obtain sufficient appropriate audit evidence regarding, and to conclude on: a) whether a material uncertainty related to going concern exists; and b) consider the appropriateness of the Director Governance and Communities use of the going concern basis of accounting in the preparation of the financial statements.

### Value for money

We are also responsible for forming a commentary on the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources. We discuss our approach to our work in section 5 of this report.

### Fraud

The responsibility for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with both Those Charged with Governance and management. This includes establishing and maintaining internal controls over reliability of financial reporting.

As part of our audit procedures in relation to fraud we are required to enquire of Those Charged With Governance, including key management and internal audit as to their knowledge of instances of fraud, the risk of fraud and their views on internal controls that mitigate the fraud risks. In accordance with International Standards on Auditing (UK), we plan and perform our audit so as to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. Our audit, however, should not be relied upon to identify all such misstatements.

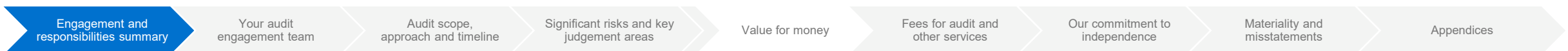
### Wider reporting and electors' rights

We report to the NAO on the consistency of the Council's financial statements with its Whole of Government Accounts (WGA) submission.

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and consider any objection made to the accounts. We also have a broad range of reporting responsibilities and powers that are unique to the audit of local authorities in the United Kingdom



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# 02

Section 02:

## Your audit engagement team



# 2. Your audit engagement team

Your external audit service will be led by Mark Kirkham.

Who	Role	E-mail
Mark Kirkham	Engagement lead	<a href="mailto:mark.kirkham@mazars.co.uk">mark.kirkham@mazars.co.uk</a>
Louise Stables	Engagement manager	<a href="mailto:louise.stables@mazars.co.uk">louise.stables@mazars.co.uk</a>
Jodie Steel	Engagement team leader	<a href="mailto:Jodie.steel@mazars.co.uk">Jodie.steel@mazars.co.uk</a>

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# 03

Section 03:

## **Audit scope, approach and timeline**

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# 3. Audit scope, approach and timeline

## Audit scope

Our audit approach is designed to provide an audit that complies with all professional requirements.

Our audit of the financial statements will be conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit approach and in accordance with the terms of our engagement. Our work is focused on those aspects of your activities which we consider to have a higher risk of material misstatement, such as those impacted by management judgement and estimation, application of new accounting standards, changes of accounting policy, changes to operations or areas which have been found to contain material errors in the past.

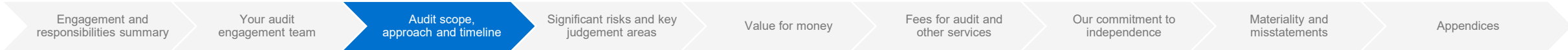
## Audit approach

Our audit approach is risk-based and primarily driven by the issues that we consider lead to a higher risk of material misstatement of the accounts. Once we have completed our risk assessment, we develop our audit strategy and design audit procedures in response to this assessment.

If we conclude that appropriately-designed controls are in place then we may plan to test and rely upon these controls. If we decide controls are not appropriately designed, or we decide it would be more efficient to do so, we may take a wholly substantive approach to our audit testing. Substantive procedures are audit procedures designed to detect material misstatements at the assertion level and comprise: tests of details (of classes of transactions, account balances, and disclosures); and substantive analytical procedures. Irrespective of the assessed risks of material misstatement, which take into account our evaluation of the operating effectiveness of controls, we are required to design and perform substantive procedures for each material class of transactions, account balance, and disclosure.

Our audit will be planned and performed so as to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. The concept of materiality and how we define a misstatement is explained in more detail in section 8.

The diagram on the next page outlines the procedures we perform at the different stages of the audit.



# 3. Audit scope, approach and timeline

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### Planning March - April

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

### Completion - November

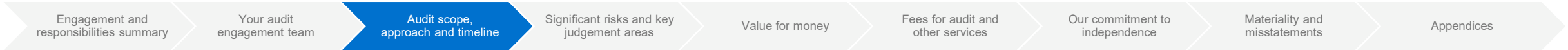
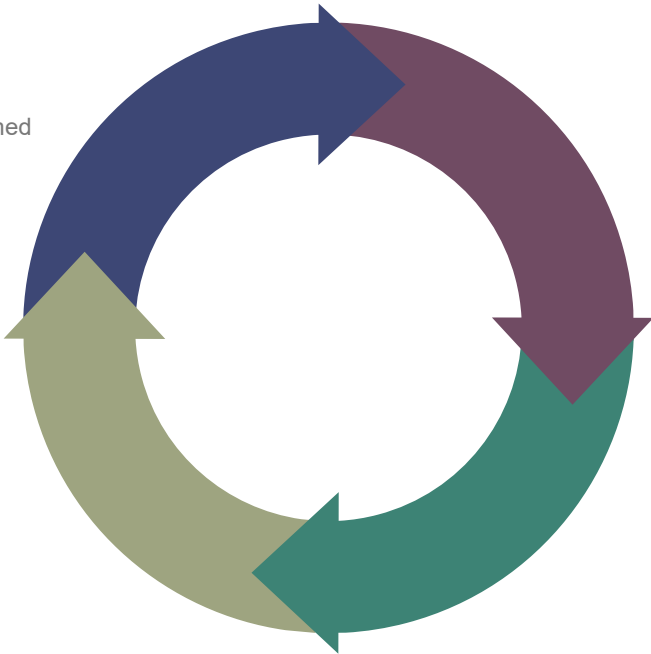
- Final review and disclosure checklist of financial statements
- Final partner review
- Agreeing content of letter of representation
- Reporting to the Audit Committee
- Reviewing subsequent events
- Signing the auditor's report

### Interim March - April

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

### Fieldwork September - November

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



# 3. Audit scope, approach and timeline

## Reliance on internal audit

Where possible we will seek to utilise the work performed by internal audit to modify the nature, extent and timing of our audit procedures. We will meet with internal audit to discuss the progress and findings of their work prior to the commencement of our controls evaluation procedures.

Where we intend to rely on the work on internal audit, we will evaluate the work performed by your internal audit team and perform our own audit procedures to determine its adequacy for our audit.

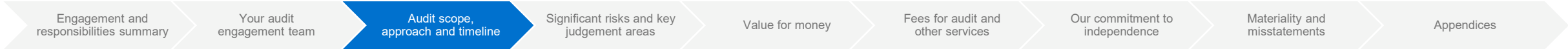
## Management’s and our experts

Management makes use of experts in specific areas when preparing the Council’s financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account.

Item of account	Management’s expert	Our expert
Defined benefit liability	Actuary (Hymans Robertson)	NAO’s consulting partner (PWC)
Property, plant and equipment valuation	In-house valuer District Valuer	We will take into account relevant information which is available from third parties.
Financial instrument disclosures	Link Asset Services	No expert required

## Service organisations

International Auditing Standards (UK) (ISAs) define service organisations as third party organisations that provide services to the Council that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services. We have not identified any relevant service organisations.



# 04

Section 04:

## **Significant risks and other key judgement areas**

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# 4. Significant risks and other key judgement areas

Following the risk assessment approach discussed in section 3 of this document, we have identified risks relevant to the audit of financial statements. The risks that we identify are categorised as significant, enhanced or standard. The definitions of the level of risk rating are given below:

## Significant risk

A significant risk is an identified and assessed risk of material misstatement that, in the auditor’s judgment, requires special audit consideration. For any significant risk, the auditor shall obtain an understanding of the entity’s controls, including control activities relevant to that risk.

## Enhanced risk

An enhanced risk is an area of higher assessed risk of material misstatement at audit assertion level other than a significant risk. Enhanced risks require additional consideration but does not rise to the level of a significant risk, these include but may not be limited to:

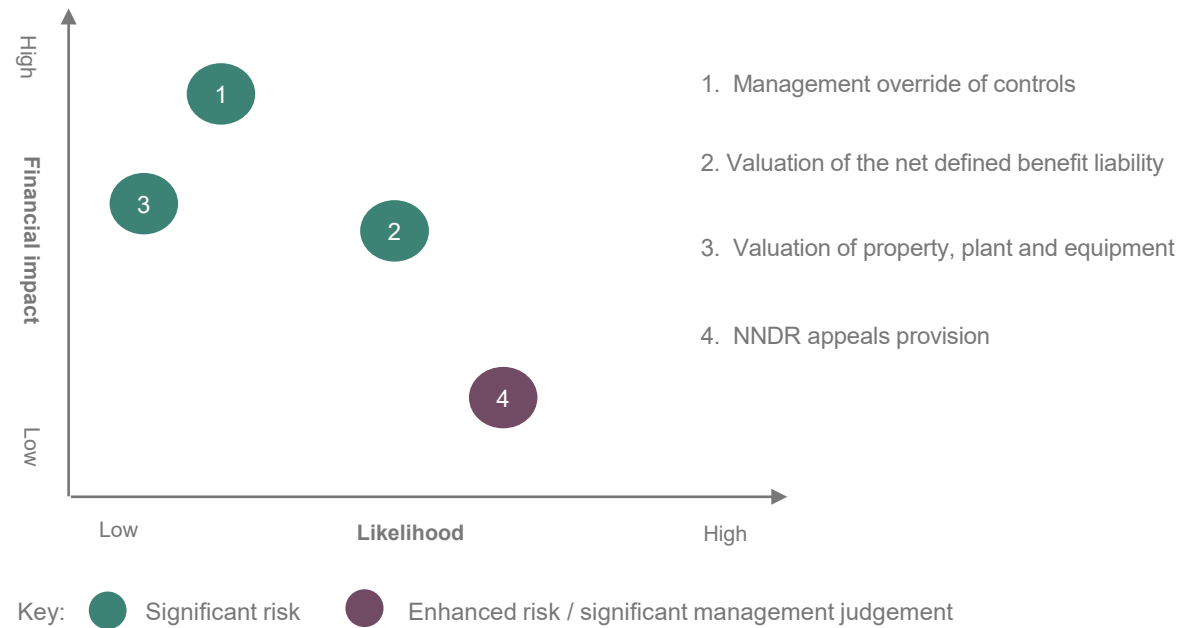
- key areas of management judgement, including accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement; and
- other audit assertion risks arising from significant events or transactions that occurred during the period.

## Standard risk

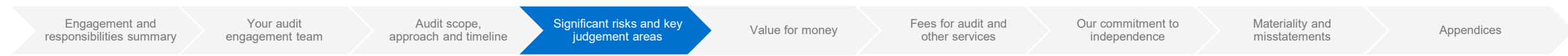
This is related to relatively routine, non-complex transactions that tend to be subject to systematic processing and require little management judgement. Although it is considered that there is a risk of material misstatement (RMM), there are no elevated or special factors related to the nature, the likely magnitude of the potential misstatements or the likelihood of the risk occurring.

## Summary risk assessment

The summary risk assessment, illustrated in the table below, highlights those risks which we deem to be significant and other enhanced risks in respect of the Council. We have summarised our audit response to these risks on the next page.



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# 4. Significant risks and other key judgement areas

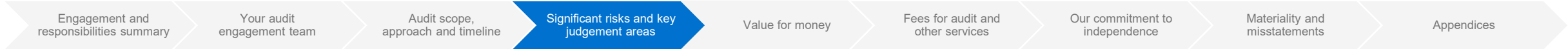
## Specific identified audit risks and planned testing strategy

We have presented below in more detail the reasons for the risk assessment highlighted above, and also our testing approach with respect to significant risks. An audit is a dynamic process, should we change our view of risk or approach to address the identified risks during the course of our audit, we will report this to the Audit Committee.

## Significant risks

	Description	Fraud	Error	Judgement	Planned response
1	<p><b>Management override of controls</b></p> <p>This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur.</p> <p>Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Because of the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.</p>	●	○	○	We plan to address the management override of controls risk through performing audit work over accounting estimates, journal entries and significant transactions outside the normal course of business or otherwise unusual.

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# 4. Significant risks and other key judgement areas

## Significant risks

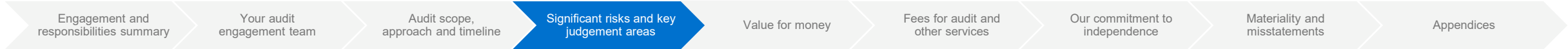
	Description	Fraud	Error	Judgement	Planned response
Page 47	<p><b>2 Net defined benefit liability valuation</b></p> <p>The financial statements contain material pension entries in respect of the retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.</p>	○	●	●	<p>We plan to address this risk by carrying out the following procedures:</p> <ul style="list-style-type: none"> <li>• evaluate the Council's arrangements (including relevant controls) for making estimates in relation to pension entries within the financial statements; and</li> <li>• consider the reasonableness of the actuary's assumptions that underpin the relevant entries made in your financial statements, through the use of an expert commissioned by the National Audit Office.</li> </ul>
	<p><b>Valuation of property, plant and equipment (PPE), investment properties and assets held for sale</b></p> <p>The financial statements contain material entries on the Balance Sheet as well as material disclosure notes in relation to the Council's holding of PPE, investment properties and assets held for sale.</p> <p>Although the Council employs a valuation expert to provide information on valuations, there remains a high degree of estimation uncertainty associated with the revaluation of PPE as a result of the significant judgements and number of variables involved. We have therefore identified the revaluation of PPE, investment properties and assets held for sale to be an area of risk.</p>	○	●	●	<p>We plan to address this risk by carrying out the following procedures:</p> <ul style="list-style-type: none"> <li>• consider the Council's arrangements for ensuring that PPE, investment property and assets held for sale values are reasonable;</li> <li>• challenge the reasonableness of the valuations provided by the Council's valuer using other sources of data;</li> <li>• assess the competence, skills and experience of the valuer and the instructions issued to the valuer; and</li> <li>• where necessary, perform further audit procedures on individual assets to ensure the basis of valuations is appropriate</li> </ul>

# 4. Significant risks and other key judgement areas

## Other key areas of management judgement and enhanced risks

	Description	Fraud	Error	Judgement	Planned response
1	<p><b>NNDR appeals provision</b></p> <p>The Council is expected to have a material year end NNDR appeals provision. Officers are required to use their judgement in order to create a reasonable basis for the provision that takes into account the numbers of appeals lodged and the likelihood of appeals being upheld.</p>	●	●	●	We plan to address this enhanced risk by reviewing the basis for the judgements used in creating the provision, including ensuring the estimate is based upon appropriate evidence and assessing the reasonableness of any assumptions used.

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# 05

Section 05:

**Value for money arrangements**

Page 49

# 5. Value for money arrangements

## The framework for our work

We are required to form a view as to 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 in order to form our view, and sets out the overall criterion and sub-criteria that we are required to consider.

2021/22 will be the second audit year where we are undertaking our value for money (VFM) work under the 2020 Code of Audit Practice (the Code). Our responsibility remains to be satisfied that the Council has proper arrangements in place and to report in the audit report and/or the audit completion certificate where we identify significant weaknesses in arrangements. Separately we provide a commentary on the Council's arrangements in the Auditor's Annual Report.

## Specified reporting criteria

The Code requires us to structure our commentary to report under three specified criteria:

1. **Financial sustainability** – how the Council plans and manages its resources to ensure it can continue to deliver its services
2. **Governance** – how the Council ensures that it makes informed decisions and properly manages its risks
3. **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

## Our approach

Our work falls into three primary phases as outlined opposite. We need to gather sufficient evidence to support our commentary on the Council's arrangements and to identify and report on any significant weaknesses in arrangements. Where significant weaknesses are identified we are required to report these to the Council and make recommendations for improvement. Such recommendations can be made at any point during the audit cycle and we are not expected to wait until issuing our overall commentary to do so.

### Planning and risk assessment

Obtaining an understanding of the Council's arrangements for each specified reporting criteria. Relevant information sources may include:

- NAO guidance and supporting information;
- information from internal and external sources including regulators;
- knowledge from previous audits and other audit work undertaken in the year; and
- interviews and discussions with officer and Members.

### Additional risk based procedures and evaluation

Where our planning work identifies risks of significant weaknesses, we will undertake additional procedures to determine whether there is a significant weakness.

### Reporting

We will provide a summary of the work we have undertaken and our judgements against each of the specified reporting criteria as part of our commentary on arrangements. This will form part of the Auditor's Annual Report.

Our commentary will also highlight:

- significant weaknesses identified and our recommendations for improvement; and
- emerging issues or other matters that do not represent significant weaknesses but still require attention from the Council.

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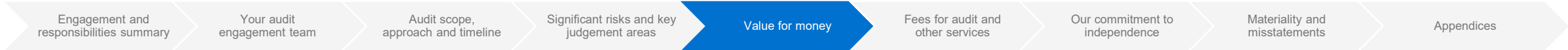
# 5. Value for money arrangements

## Identified risks of significant weaknesses in arrangements

The NAO's guidance requires us to carry out work at the planning stage to understand the Council's arrangements and to identify risks that significant weaknesses in arrangements may exist.

Although we have not fully completed our planning and risk assessment work, we did not identify any risks of significant weaknesses in arrangements in the Auditor's Annual Report that we issued in March 2022 and we are not aware of any significant changes in arrangements that indicate the potential for significant weaknesses since that report. We will report any identified risks to the Audit Committee on completion of our planning and risk identification work.

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# 06

Section 06:

## **Fees for audit and other services**

Page 52

## 6. Fees for audit and other services

### Fees for work as the Council's appointed auditor

Area of work	2021/22 Proposed Fee	2020/21 Actual Fee
Scale fee <sup>1</sup>	£80,186	£80,186
Fee variations – opinion <sup>2</sup>	To be confirmed	£22,415
Fee variations – value for money <sup>3</sup>	To be confirmed	£10,000

1. This scale fee was initially set by PSAA in 2018.
2. The additional audit cost in 2020/21 relates to additional testing of property valuations and enhanced pension liability procedures in response to increased regulatory expectations, and the additional requirements of ISA540 Auditing Accounting Estimates.
3. The additional audit cost in 2020/21 relates to the additional work required to support the value for money reporting required by the new Code of Audit Practice.
4. Our work for the 2020/21 Housing Benefits Subsidy is still in progress.

### Fees for non-PSAA work

In addition to the fees outlined above in relation to our appointment by PSAA, we have been separately engaged by the Council to carry out additional work as set out in the table below. Before agreeing to undertake any additional work we consider whether there are any actual, potential or perceived threats to our independence. Further information about our responsibilities in relation to independence is provided in section 7.

Area of work	2021/22 Proposed Fee	2020/21 Actual Fee
Housing Benefits Subsidy <sup>4</sup>	To be confirmed	£9,500
Teacher's Pension Return	To be confirmed	£3,500
School Centered Initial Teacher Training Return	To be confirmed	£2,800

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# 07

Section 07:

**Our commitment to independence**

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# 7. Our commitment to independence

We are committed to independence and are required by the Financial Reporting Council to confirm to you at least annually in writing that we comply with the FRC’s Ethical Standard. In addition, we communicate any matters or relationship which we believe may have a bearing on our independence or the objectivity of the audit team.

Based on the information provided by you and our own internal procedures to safeguard our independence as auditors, we confirm that in our professional judgement there are no relationships between us and any of our related or subsidiary entities, and you and your related entities creating any unacceptable threats to our independence within the regulatory or professional requirements governing us as your auditors.

We have policies and procedures in place which are designed to ensure that we carry out our work with integrity, objectivity and independence. These policies include:

- all partners and staff are required to complete an annual independence declaration;
- all new partners and staff are required to complete an independence confirmation and also complete computer based ethical training;
- rotation policies covering audit engagement partners and other key members of the audit team; and
- approval by managers and partners of our client and engagement acceptance system which requires all non-audit services to be approved in advance by the audit engagement partner.

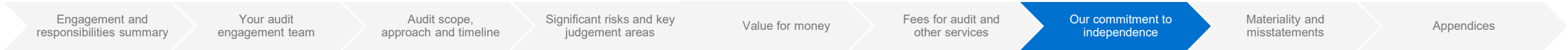
We confirm, as at the date of this document, that the engagement team and others in the firm as appropriate, Mazars LLP are independent and comply with relevant ethical requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence please discuss these with Mark Kirkham in the first instance.

Prior to the provision of any non-audit services Mark Kirkham will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our auditor independence.

Principal threats to our independence and identified associated safeguards are set out in the table on the following page.

Any emerging independence threats and associated identified safeguards will be communicated in our Audit Completion Report.

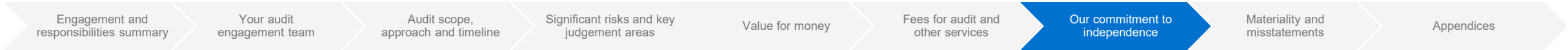
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# 7. Our commitment to independence

Area	Perceived threat	Safeguards and procedures
Assurance services: Housing Benefits Subsidy, School Centered Initial Teacher Training Return and Teachers' Pension Return	Self Review	No threat identified. None of the engagements result in the auditor providing accounting services to the Council.
	Self interest	No threat identified. The fees for each of the engagements is neither significant to Mazars LLP nor the Council. Safeguards include clear rules set by PSAA which limit additional services an external auditor can provide.
	Management	No threat identified as none of the engagements require the auditor to make decisions on behalf of the Council.
	Advocacy	No threat identified as none of the engagements require the auditor advocating a position on behalf of the Council.
	Familiarity	No threat identified. Safeguards include firm policies and procedures detailed on previous page.
	Intimidation	No threat identified.

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# 08

Section 08:

## **Materiality and misstatements**

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# 8. Materiality and misstatements

## Summary of initial materiality thresholds

Threshold	Initial threshold £'000s
Overall materiality	7,000
Performance materiality	5,600
Specific materiality:	
Senior officer's remuneration	5*
Termination payments	50
Member's allowances	50
Related party transactions	50
Trivial threshold for errors to be reported the Audit Committee	210

\* Reflecting the movement of one banding

## Materiality

Materiality is an expression of the relative significance or importance of a particular matter in the context of financial statements as a whole.

Misstatements in financial statements are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on consideration of the common financial information needs of users as a group and not on specific individual users.

The assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:

- have a reasonable knowledge of business, economic activities and accounts;
- have a willingness to study the information in the financial statements with reasonable diligence;
- understand that financial statements are prepared, presented and audited to levels of materiality;
- recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement and the consideration of future events; and
- will make reasonable economic decisions on the basis of the information in the financial statements.

We consider materiality whilst planning and performing our audit based on quantitative and qualitative factors.

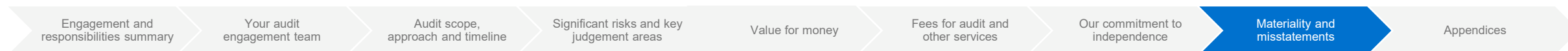
Whilst planning, we make judgements about the size of misstatements which we consider to be material and which provides a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

The materiality determined at the planning stage does not necessarily establish an amount below which uncorrected misstatements, either individually or in aggregate, will be considered as immaterial.

We revise materiality for the financial statements as our audit progresses should we become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage.

Our provisional materiality is set based on a benchmark of approximately 1.9% of gross revenue expenditure (at surplus/deficit on provision of services level). We will identify a figure for materiality but identify separate levels for procedures designed to detect individual errors, and also a level above which all identified errors will be reported to the Audit Committee.

We consider that the gross revenue expenditure (at surplus/deficit on provision of services level) remains the key focus of users of the financial statements and, as such, we base our materiality levels around this benchmark.



# 8. Materiality and misstatements

## Materiality (continued)

We expect to set a materiality threshold at 1.9% of gross revenue expenditure (at surplus/deficit on provision of services level). Based on the prior year gross expenditure we anticipate the overall materiality for the year ending 31 March 2022 to be in the region of £7m ( £7m in the prior year).

After setting initial materiality, we continue to monitor materiality throughout the audit to ensure that it is set at an appropriate level.

## Performance Materiality

Performance materiality is the amount or amounts set by the auditor at less than materiality for the financial statements as a whole to reduce, to an appropriately low level, the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Our initial assessment of performance materiality is based on low inherent risk, meaning that we have applied 80% of overall materiality as performance materiality.

## Misstatements

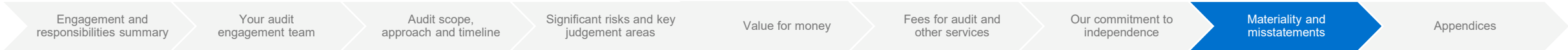
We accumulate misstatements identified during the audit that are other than clearly trivial. We set a level of triviality for individual errors identified (a reporting threshold) for reporting to the Audit Committee that is consistent with the level of triviality that we consider would not need to be accumulated because we expect that the accumulation of such amounts would not have a material effect on the financial statements. Based on our

preliminary assessment of overall materiality, our proposed triviality threshold is £0.210m based on 3% of overall materiality. If you have any queries about this please do not hesitate to raise these with Mark Kirkham.

## Reporting to the Audit Committee

The following three types of audit differences above the trivial threshold will be presented to the Audit Committee:

- summary of adjusted audit differences;
- summary of unadjusted audit differences; and
- summary of disclosure differences (adjusted and unadjusted).





## Appendix: Key communication points

# Appendix: Key communication points

We value communication with Those Charged With Governance as a two way feedback process at the heart of our client service commitment. ISA 260 (UK) 'Communication with Those Charged with Governance' and ISA 265 (UK) 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' specifically require us to communicate a number of points with you.

Relevant points that need to be communicated with you at each stage of the audit are outlined below.

## Form, timing and content of our communications

We will present the following reports:

- Audit Strategy Memorandum;
- Audit Completion Report; and
- Auditor's Annual Report.

These documents will be discussed with management prior to being presented to yourselves and their comments will be incorporated as appropriate.

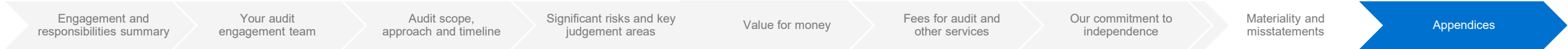
## Key communication points at the planning stage as included in this Audit Strategy Memorandum

- Our responsibilities in relation to the audit of the financial statements.
- The planned scope and timing of the audit.
- Significant audit risks and areas of management judgement.

- Our commitment to independence.
- Responsibilities for preventing and detecting errors.
- Materiality and misstatements.
- Fees for audit and other services.

## Key communication points at the completion stage to be included in our Audit Completion Report

- Significant deficiencies in internal control.
- Significant findings from the audit.
- Significant matters discussed with management.
- Our conclusions on the significant audit risks and areas of management judgement.
- Summary of misstatements.
- Management representation letter.
- Our proposed draft audit report.
- Independence.

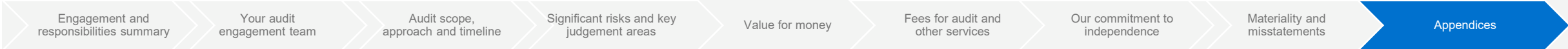


# Appendix: Key communication points

ISA (UK) 260 'Communication with Those Charged with Governance', ISA (UK) 265 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' and other ISAs (UK) specifically require us to communicate the following:

Required communication	Where addressed
Our responsibilities in relation to the financial statement audit and those of management and those charged with governance.	Audit Strategy Memorandum
The planned scope and timing of the audit including any limitations, specifically including with respect to significant risks.	Audit Strategy Memorandum
With respect to misstatements: <ul style="list-style-type: none"> <li>• uncorrected misstatements and their effect on our audit opinion;</li> <li>• the effect of uncorrected misstatements related to prior periods;</li> <li>• a request that any uncorrected misstatement is corrected; and</li> <li>• in writing, corrected misstatements that are significant.</li> </ul>	Audit Completion Report
With respect to fraud communications: <ul style="list-style-type: none"> <li>• enquiries of the Audit Committee to determine whether they have a knowledge of any actual, suspected or alleged fraud affecting the entity;</li> <li>• any fraud that we have identified or information we have obtained that indicates that fraud may exist; and</li> <li>• a discussion of any other matters related to fraud.</li> </ul>	Audit Completion Report and discussion at Audit Committee, Audit planning and clearance meetings

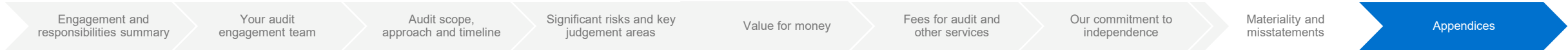
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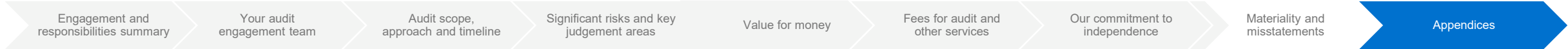
# Appendix: Key communication points

Required communication	Where addressed
Significant matters arising during the audit in connection with the entity's related parties including, when applicable: <ul style="list-style-type: none"> <li>• non-disclosure by management;</li> <li>• inappropriate authorisation and approval of transactions;</li> <li>• disagreement over disclosures;</li> <li>• non-compliance with laws and regulations; and</li> <li>• difficulty in identifying the party that ultimately controls the entity.</li> </ul>	Audit Completion Report
Significant findings from the audit including: <ul style="list-style-type: none"> <li>• Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;</li> <li>• significant difficulties, if any, encountered during the audit;</li> <li>• significant matters, if any, arising from the audit that were discussed with management or were the subject of correspondence with management;</li> <li>• written representations that we are seeking;</li> <li>• expected modifications to the audit report; and</li> <li>• other matters, if any, significant to the oversight of the financial reporting process or otherwise identified in the course of the audit that we believe will be relevant to the Audit Committee.</li> </ul>	Audit Completion Report
Significant deficiencies in internal controls identified during the audit.	Audit Completion Report
Where relevant, any issues identified with respect to authority to obtain external confirmations or inability to obtain relevant and reliable audit evidence from other procedures.	Audit Completion Report



# Appendix: Key communication points

Required communication	Where addressed
Audit findings regarding non-compliance with laws and regulations where the non-compliance is material and believed to be intentional (subject to compliance with legislation on tipping off) and enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit Committee may be aware of.	Audit Completion Report and Audit Committee meetings
With respect to going concern, events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: <ul style="list-style-type: none"> <li>• whether the events or conditions constitute a material uncertainty;</li> <li>• whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements; and</li> <li>• the adequacy of related disclosures in the financial statements.</li> </ul>	Audit Completion Report
Reporting on the valuation methods applied to the various items in the annual financial statements including any impact of changes of such methods	Audit Completion Report
Indication of whether all requested explanations and documents were provided by the entity	Audit Completion Report



# Mark Kirkham – Partner

## Mazars

5<sup>th</sup> Floor

3 Wellington Place

Leeds

LS2 4AP

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

\*where permitted under applicable country laws.

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## NORTH LINCOLNSHIRE COUNCIL

### AUDIT COMMITTEE

## TREASURY MANAGEMENT ANNUAL REPORT 2021-22

### 1. OBJECT AND KEY POINTS IN THIS REPORT

1.1. To inform Audit Committee of the Council's Treasury arrangements, activity and performance during 2021/22. The key points being: -

- 1.1.1. Borrowing was within Prudential Indicator Limits and no external borrowing was required to fund capital expenditure during the year
- 1.1.2. Investment returns remained close to zero for much of 2021/22.
- 1.1.3. The Council has maintained an under borrowed position, maintaining its policy of avoiding new borrowing.
- 1.1.4. Investment income was lower than budgeted due to the low rates of return following the pandemic.

### 2. BACKGROUND INFORMATION

2.1 CIPFA has defined treasury management as:

“The management of the organisation's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks”

2.2 The Treasury Management Strategy Statement (TMSS) for 2021/22 was approved by Council in February 2021. This statement also incorporates the Investment Strategy.

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

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

### **3. OPTIONS FOR CONSIDERATION**

- 3.1 The key issues covered in the attached appendix are as follows
- 3.2 Capital Expenditure is financed by capital resources, cash resources and external borrowing. The Council's capital expenditure during 2021/22 amounted to £28.68m
- 3.3 Investment returns remained close to zero for much of 2021/22. The Council maintained an average balance of £58.61m of internally managed funds and earned an average rate of return of 0.03%.
- 3.4 The Council maintained an under borrowed position during the year. This meant that the capital borrowing need (CFR requirement) was not fully funded with loan debt as cash supporting the Council reserves, balances and cash flow was used as an interim measure.
- 3.5 During 2021/22 the Council repaid £8.63m at scheduled repayment dates.
- 3.6 The cost of servicing the council's debt was £12.5m or 7.8% of the council's net revenue stream. This remained below 12% of the net revenue stream which is seen as the maximum affordable level.
- 3.7 Once loan was drawn during the year for cash flow purposes to fund advanced pension contributions.
- 3.8 No loans were drawn in advance of need and no debt rescheduling was carried out.
- 3.9 Investment income was £15k compared to a budget of £25k.

### **4. ANALYSIS OF OPTIONS**

- 4.1 Capital expenditure during the year was financed from capital and cash resources. No external borrowing was required to finance capital expenditure during 2021/22.
- 4.2 The investment activity during the year conformed to the approved treasury management strategy and the Council had no liquidity issues. Negative returns on investments were avoided wherever possible through effective management and control.
- 4.3 The borrowing requirement strategy was prudent as investment returns were very low and this minimised counterparty risk on placing investments.
- 4.4 The level of debt was within the operational boundary and authorised limits set in the Treasury Management Strategy.
- 4.5 This report is a requirement of the Prudential Code and provides the Audit Committee with assurance on the council's Treasury Management operation in 2021/22.

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

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

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

6.1 Not applicable.

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

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

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

8.1 Not applicable.

**9. RECOMMENDATIONS**

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

9.2 That Audit Committee notes the Treasury Management performance for the 2021/22 financial year.

**DIRECTOR: GOVERNANCE AND COMMUNITIES**

Church Square House  
High Street  
Scunthorpe  
North Lincolnshire  
DN15 6NL

Author: Tracy Elliott  
Date: 16<sup>th</sup> June 2022

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

CIPFA Treasury Management Code and Guidance Notes  
Treasury Management Strategy 2021-22 and 2022-23

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SAFE WELL PROSPEROUS CONNECTED

# Annual Treasury Management Review 2021-22

## 1. Introduction

The Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2021/22. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management, (the Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code).

During 2021/22 the minimum reporting requirements were as follows.

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

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

## 2. The Council's Capital Expenditure and Financing

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

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

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

£m	31.3.21 Actual	31.3.22 Actual
<b>Capital expenditure</b>	<b>28.14</b>	<b>28.68</b>
Financed from Capital Resources	19.19	22.91
Financed from Cash Resources	8.95	5.77

## 3. The Council's Overall Borrowing Need

**Gross borrowing and the Capital Financing Requirement (CFR)** - in order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (2020/21) plus the estimates of any additional capital financing requirement for the current (2021/22) and next two financial years. This essentially means that the Council is not borrowing to support revenue expenditure. This indicator allowed the Council some flexibility to borrow in advance of its immediate capital needs in 2021/22. The table below highlights the Council's gross borrowing position against the CFR. The Council has complied with this prudential indicator.

£m	31.3.21 Actual	31.3.22 Actual
Capital Financing Requirement (CFR)	245.20	244.42
Gross borrowing position	161.25	152.62
Under / over funding of CFR	(83.95)	(91.80)

**The authorised limit** - the authorised limit is the “affordable borrowing limit” required by s3 of the Local Government Act 2003. Once this has been set, the Council does not have the power to borrow above this level. The table below demonstrates that during 2021/22 the Council has maintained gross borrowing within its authorised limit.

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

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

	2021/22
Authorised limit	£170.73m
Maximum gross borrowing position during the year	£158.25m
Operational boundary	£170.73m
Average gross borrowing position	£156.79m
Financing costs as a proportion of net revenue stream	7.8%

## 4. Treasury Position & Prudential Indicators as of 31st March 2022

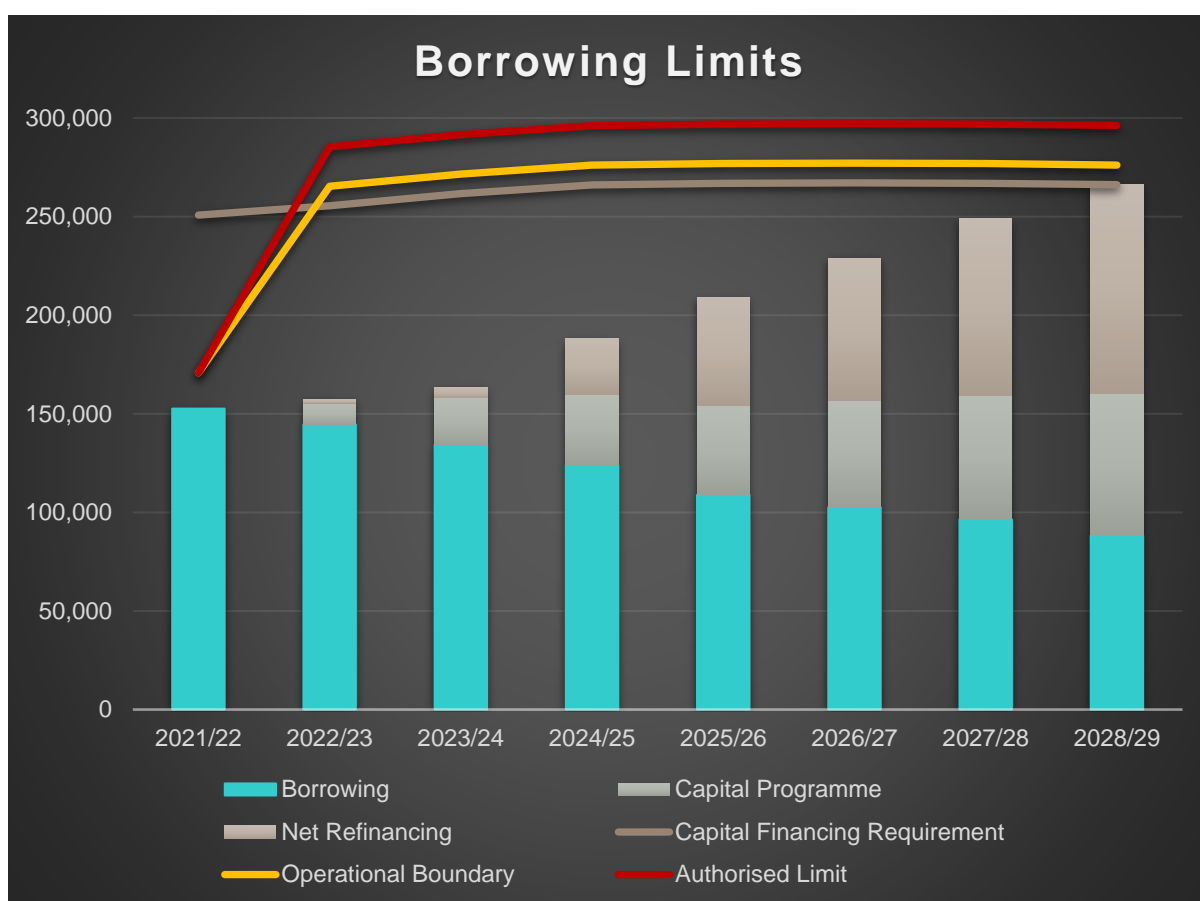
### 4.1 Treasury Position

At the beginning and at the end of 2021/22, the Council’s treasury position was as follows:

DEBT PORTFOLIO	31.3.21 Principal	Rate/ Return	Average Life yrs	31.3.22 Principal	Rate/ Return	Average Life yrs
Fixed rate funding:	£m			£m		
PWLB	152.25	3.84%	10.66	146.62	3.87%	10.91
Market	9.00	1.32%	0.67	6.00	1.75%	0.51
Total debt	161.25	3.70%	11.33	152.62	3.78%	11.42
CFR	245.2			244.42		
Over / (under) borrowing	(83.95)			(91.80)		
Total investments	24.00	0.002%	0.05	49.05	0.49%	0.03
Net debt	137.25			103.57		

The maturity structure of the debt portfolio was as follows:

	31.3.21 Actual £m	31.3.21 Actual %	31.3.22 Actual £m	31.3.22 Actual %
Less than 1 year	10.56	6.55	8.05	5.27
1-2 years	6.11	3.79	10.27	6.73
2-5 years	31.85	19.75	31.71	20.78
5-10 years	43.77	27.14	51.79	33.94
10-20 years	43.73	27.12	26.24	17.20
20-30 years	14.25	8.84	14.32	9.38
30-40 years	10.97	6.81	10.24	6.71
40-50 years	0.00	0.00	0.00	0.00



## 4.2 Prudential Indicators

PRUDENTIAL INDICATORS	2020-21	2021/22
	<b>Actual £m</b>	<b>Actual £m</b>
<b>Capital Expenditure</b>	<b>28.14</b>	<b>28.68</b>
Ratio of financing costs to net revenue stream	<b>6.65%</b>	<b>7.8%</b>
<b>Gross borrowing requirement General Fund</b>		
brought forward 1 April	203.84	161.25
carried forward 31 March	161.25	152.62
in year borrowing requirement	(42.59)	(8.63)
<b>Gross debt</b>	161.25	152.62
<b>CFR</b>	245.20	244.42
<b>Annual change in Cap. Financing Requirement</b>	0.86	(0.77)

## 5. The Strategy for 2021/22

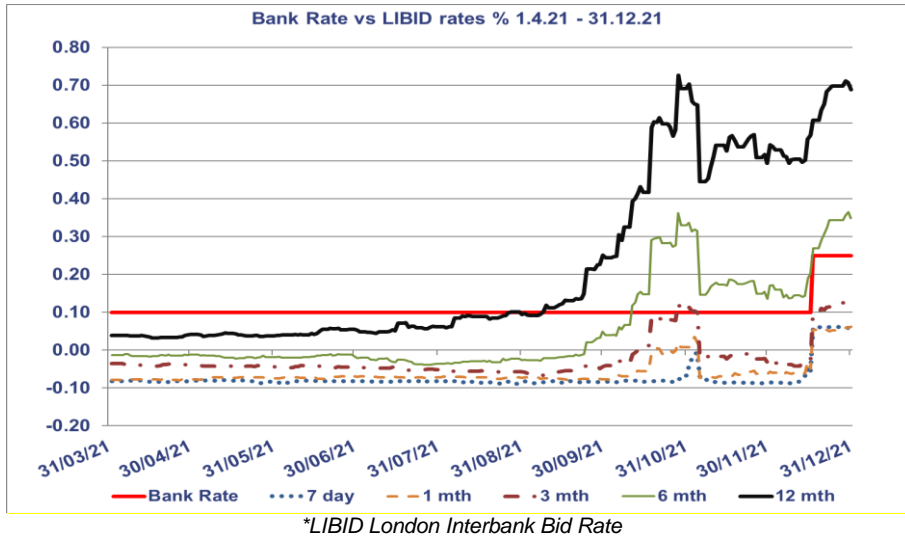
### 5.1 Investment strategy and control of interest rate risk

Investment returns remained close to zero for much of 2021/22. Most local authority lending managed to avoid negative returns. The expectation for interest rates within the treasury management strategy for 2021/22 was that Bank Rate would remain at 0.1% until it was clear to the Bank of England that the emergency level of rates introduced at the start of the Covid-19 pandemic were no longer necessitated.

The Bank of England and the Government also maintained various monetary and fiscal measures, supplying the banking system and the economy with cheap credit so that banks could help businesses through various lockdowns and consequent negative impact on their cashflow. The Government also supplied covid grant funding to local authorities to pass on to businesses. This meant that for most of the year there was much more liquidity in financial markets than there was demand to borrow, with the consequent effect that investment earnings rates remained low until towards the turn of the year when inflation concerns indicated central banks, not just the Bank of England, would need to lift interest rates to combat the second-round effects of growing levels of inflation (CPI was 6.2% in February).

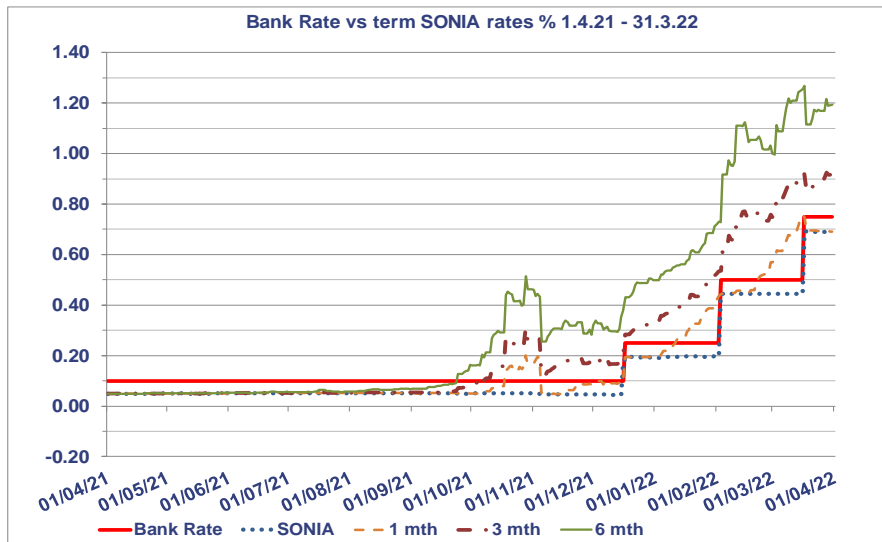
The table and graph below show interest rate movement during 2021-22 financial year.

	Bank Rate	7 day	1 mth	3 mth	6 mth	12 mth
<b>High</b>	0.25	0.06	0.06	0.14	0.36	0.73
<b>High Date</b>	17/12/2021	29/12/2021	31/12/2021	31/12/2021	30/12/2021	28/10/2021
<b>Low</b>	0.10	-0.09	-0.08	-0.07	-0.04	0.04
<b>Low Date</b>	01/07/2021	27/08/2021	17/09/2021	08/09/2021	27/07/2021	08/07/2021
<b>Average</b>	0.11	-0.07	-0.05	-0.01	0.09	0.31
<b>Spread</b>	0.15	0.15	0.14	0.20	0.40	0.68



	Bank Rate	SONIA	1 mth	3 mth	6 mth
<b>High</b>	0.75	0.69	0.75	0.93	1.27
<b>High Date</b>	17/03/2022	18/03/2022	16/03/2022	28/03/2022	17/03/2022
<b>Low</b>	0.10	0.05	0.05	0.05	0.05
<b>Low Date</b>	01/04/2021	15/12/2021	10/11/2021	14/04/2021	09/04/2021
<b>Average</b>	0.19	0.14	0.17	0.24	0.34
<b>Spread</b>	0.65	0.65	0.71	0.88	1.22

\*SONIA Sterling Overnight Index Average



While the Council has taken a cautious approach to investing, it is also fully appreciative of changes to regulatory requirements for financial institutions in terms of additional capital and liquidity that came about in the aftermath of the financial crisis. These requirements have provided a far stronger basis for financial institutions, with annual stress tests by regulators evidencing how institutions are now far more able to cope with extreme stressed market and economic conditions.

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

## 5.2 Borrowing strategy and control of interest rate risk

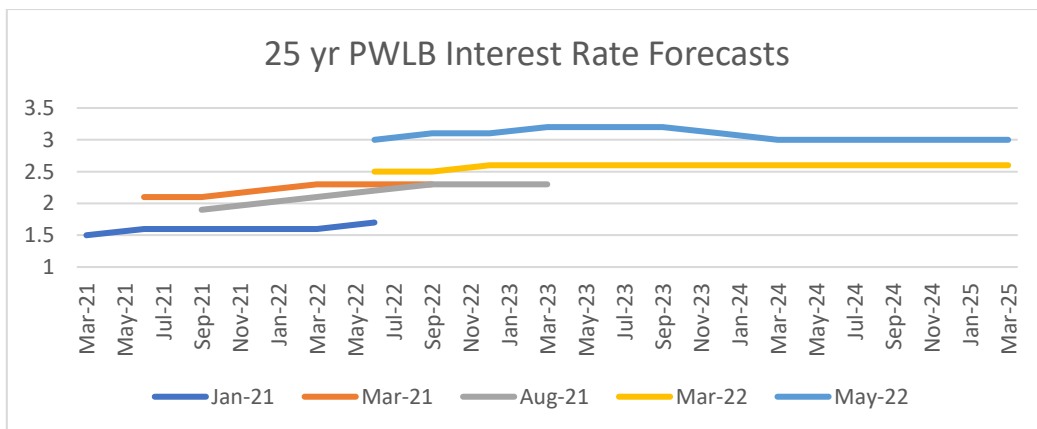
During 2021-22, the Council maintained an under-borrowed position. This meant that the capital borrowing need, (the Capital Financing Requirement), was not fully funded with loan debt, as cash supporting the Council’s reserves, balances and cash flow was used as an interim measure. This strategy was prudent as outlined above. In addition, any new long-term borrowing, if not utilised immediately, would have incurred unnecessary interest cost.

The policy of avoiding new borrowing by running down spare cash balances, has served the council well for many years. This is being kept under review to avoid incurring higher borrowing costs in the future.

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

- a much sharper rise in long- and short-term rates than initially expected, would have led to the portfolio position being re-appraised.
- a much sharper fall in long- and short-term rates than initially expected, would have led to long term borrowing being postponed and potential rescheduling from fixed rate funding into short term borrowing.

Interest rate forecasts expected only gradual rises in medium- and longer-term fixed borrowing rates during 2021/22 and the two subsequent financial years. Variable, or short-term rates, were expected to be the cheaper form of borrowing over the period.



## 6. Borrowing Outturn

### 6.1 Borrowing

A loan was drawn for cash flow purposes to fund pension fund contributions.

The loans drawn was:

Lender	Principal	Type	Interest Rate	Maturity	Average for 2021/22
Market	£3.00m	Fixed interest rate	1.75%	1.00 years	£3.00m

### 6.2 Borrowing in advance of need

No loans were drawn in advance of need.

### 6.3 Rescheduling

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

### 6.4 Repayments

During 2021-2 Council repaid £8.63m at scheduled repayment dates.

## 7. Investment Outturn

### 7.1 Investment Policy

The Council's investment policy is governed by DLUHC investment guidance, which has been implemented in the annual investment strategy approved by the Council on 25.02.2021. This policy sets out the approach for choosing investment counterparties and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data, (such as rating outlooks, credit default swaps, bank share prices etc.).

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

### 7.2 Investments held by the Council

- The Council maintained an average balance of £58.61m of internally managed funds.
- The internally managed funds earned an average rate of return of 0.03%.
- The comparable performance indicator is the weighted average of 7day LIBID and SONIA rate of -0.02%.
- Total investment income was £ 15,604 compared to a budget of £25,000.



INVESTMENT PORTFOLIO	31.3.21 Actual		31.3.22 Actual	
	£m	%	£m	%
<b>Treasury investments</b>				
Banks	5.83	24.30	13.05	26.61
MMF*	7.67	31.95	12.00	24.46
DMADF (H M Treasury) **	10.50	43.75	24.00	48.93
Total managed in house	24.00	100.00	49.05	100.00
Total managed externally	0.00	0.00	0.00	0.00
<b>Treasury investments - Total</b>	<b>24.00</b>	<b>100.00</b>	<b>49.05</b>	<b>100.00</b>
Treasury investments	24.00	91.43	49.05	95.81
Non-Treasury investments	2.25	8.57	2.15	4.19
<b>Total Investments</b>	<b>26.25</b>	<b>100.00</b>	<b>51.30</b>	<b>100.00</b>

\*Money Market Fund

\*\*Debt Management Account Deposit Facility

All treasury investments were up to one year.

## 8. Other Issues

### 8.1. Non-treasury management investments.

The council holds a non-treasury investment of £2.15 million as of 31.3.2022.

### 8.2. Sources of borrowing

The council has borrowed money from one local authority for one year.

### 8.3. Changes in risk appetite

No fundamental change in risk appetite.

### 8.4. Counterparty limits

The council changed limits of its counterparties in November 2021. Barclays bank overnight limit was increased from £5.00 million to £10.00 million to meet operational requirements.

All other counterparty limits were increased from 3.00m to 6.00m in November 2021.

### 8.5. Sovereign limits

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

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## NORTH LINCOLNSHIRE COUNCIL

<b>AUDIT COMMITTEE</b>
------------------------

### ATTENDANCE MANAGEMENT ANNUAL REPORT 2021-22

**1. OBJECT AND KEY POINTS IN THIS REPORT**

- 1.1 To inform the Audit Committee of 2021/2022 sickness absence levels including the year-end position.

**2. BACKGROUND INFORMATION**

- 2.1 In July 2021, the Audit Committee received a report on sickness absence during 2020/21 and agreed that there was sufficient assurance that the risk to capacity due to sickness absence was being managed through adequate controls.
- 2.2 The Committee requested a further report on sickness absence be submitted detailing the 2021/22 year-end position.

**Analysis of 2021-22 sickness absence**

- 2.3 The average number of working days lost due to sickness absence in 2021/22 was 9.59 days. This indicates a 25% increase (1.82 days) in overall sickness absence levels compared to 2020/21.
- 2.4 As 2020/2021 was not a typical year for the workforce due to the pandemic (workplace closures, self-isolation, shielding etc.), a comparison with 2019/20 levels is also provided. When compared with 2019/20, the average number of days lost has increased by 4% (0.19 days).

<b>Table 1: Average number of days lost per Full Time Equivalent (FTE) employee</b>					
Length	2017/18	2018/19	2019/20	2020/21	2021/22
Up to 7 days	2.22	2.00	2.17	1.19	2.02
8-20 days	1.27	1.12	1.20	1.11	1.32
20-60 days	2.41	2.33	2.70	2.29	2.52
60+ days	4.05	4.06	3.33	3.18	3.73
<b>Total</b>	<b>9.95</b>	<b>9.51</b>	<b>9.40</b>	<b>7.77</b>	<b>9.59</b>

- 2.5 Table 2 shows the number of FTE days lost due to short term (up to 20 days) and long term (over 20 days) for 2019/20, 2020/21 and 2021/22. During 2021/22, there has been an increase in the number of days lost due to short and long-term absence. Again, due to the impact of the pandemic on sickness absence levels a comparison with the previous two years is provided.

<b>Table 2: Number of FTE days lost due to sickness absence</b>					
Category	2019/20	2020/21	2021/22	2021/22 compared to 2019/20	2021/22 compared to 2020/21
Short term (<= 20 days)	12,956	8,890	13,121	↑ 1%	↑ 48%
Long term (> 20 days)	23,199	21,181	24,504	↑ 6%	↑ 16%
<b>Total</b>	<b>36,154</b>	<b>30,071</b>	<b>37,625</b>	<b>↑ 4%</b>	<b>↑ 25%</b>

- 2.6 The number of periods of absence has increased for short term absence compared to last year. However, both compared to 2019/20 and 2020/21, the number of periods of long-term absence have fallen as shown in the table below:

<b>Table 3: Periods of sickness absence</b>					
Category	2019/20	2020/21	2021/22	2021/22 compared to 2019/20	2021/22 compared to 2020/21
Short term (<= 20 days)	5,840	3,191	5,184	↓ 11%	↑ 62%
Long term (> 20 days)	709	627	623	↓ 12%	↓ 1%
<b>Total</b>	<b>6,549</b>	<b>3,818</b>	<b>5,807</b>	<b>↓ 11%</b>	<b>↑ 52%</b>

- 2.7 On average, a period of absence lasted for 6.5 days in 2021/22 which is longer than in 2019/20 (5.5 days) but less than in 2020/21 (7.9 days). During the last three years, long term sickness has continued to impact on overall sickness absence levels and in 2021/22 accounted for 66% of all absence.
- 2.8 47% of the workforce did not have any periods of sickness absence during 2021/22 – this is higher than levels of zero absence in 2019/20, which was 43%. In 2020/21, the figure was 61% but reflects that the workforce was not operating in the usual way throughout the pandemic with workplace closure, self-isolation and periods of shielding.
- 2.9 Table 4 below sets out the most common reasons for sickness absence during 2020/21. Stress and depression and musculo-skeletal problems remain the most common reasons for long term absence, which mirrors national trends.

Table 4: Reasons for sickness absence								
Short term absence			Long term absence			All absence		
1	Infectious disease (COVID-19)	22%	1	Stress & depression	34%	1	Stress & depression	26%
2	Infections	20%	2	Other Musculo-skeletal	18%	2	Other Musculo-skeletal	15%
3	Stomach & digestion	14%	3	Heart & blood pressure	10%	3	Infections	12%

2.10 Sickness absence due to COVID-19 accounted for 11% of all absence during 2021/2022, compared to 13% in 2020/21. This includes absence due to illness as a result of COVID-19 symptoms or confirmed COVID-19 and absence due to post recovery illness. A breakdown of both years is detailed below:

Table 5: COVID-19 related sickness absence				
Category	2020/21		2021/22	
	Days lost	% all absence	Days lost	% all absence
COVID-19 illness	3,322	11%	3,263	9%
Post COVID-19 recovery	690	2%	740	2%
<b>Total</b>	<b>4,012</b>	<b>13%</b>	<b>4,003</b>	<b>11%</b>

2.11 The overall increase in sickness absence reflects the gradual removal of restrictions over the last year and a return to more normal operations alongside waves of transmission that has impacted on attendance levels. We have seen an increase in sickness absence to around the same levels as pre-pandemic as employees have returned to the workplace as facilities re-opened fully and office workspaces for connectivity and collaboration as the council continues to adopt an agile working style. Also, over the last year people have increasingly returned to their normal routine outside of work as restrictions eased and been in greater contact with others, which increases the possibility of picking up infections etc which impacts on sickness absence.

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

- **COVID-19 FAQs:** Workplace guidance regularly updated throughout the pandemic to reflect government and LGA guidance and communicated to the workforce to ensure safety and accurate and timely reporting of COVID-19 related sickness absence.
- **COVID-19 notification reporting:** Mechanisms for reporting and monitoring self-isolation and confirmed COVID-19 cases. Contact tracing protocols were in place throughout 2021/22 to reduce transmission of the virus to other employees within the workplace and prevent wider outbreaks.

- **Workforce resilience reporting:** Reports have been provided to SLT on workforce availability detailing the level and impact of COVID-19 and other sickness absence on staffing levels. The regularity of reporting has been scaled up and down depending on case rates and risk levels and has been at least on a weekly basis throughout 2021/22. It has provided an overview across the council and enabled a focus on business continuity and targeted intervention to ensure the workforce remains safe and well. Workforce availability fell to its lowest level in March 2022 (92%) and for most of the year has remained at 95%.
- **Allocated workspace for wellbeing:** During the restrictions, dedicated office workspace was made available to employees for wellbeing purposes. This ensured that employees were kept safe and well where specific mental and physical wellbeing needs were identified. Employees continue to have the ability to book specific workspace where they have a wellbeing need.
- **Wellbeing Assessments:** Managers and employees completed the latest round of wellbeing check-ins between December 2021 and February 2022. This is a focused conversation to discuss health & wellbeing and review support in place/required to support wellbeing and ensure the employee remains safe and well. Overall, 92% of employees responded 'I feel safe and well in my job'.
- **Organisational Recovery and Renewal (ORR) Group:** The group continued to set the direction for how the council transitions from the new ways of working established during the pandemic to a sustainable model of an agile organisation. Working styles have been defined that both meet the needs of the organisation and enable employees to work flexibly and collaboratively to achieve the council's outcomes, maintaining a focus on keeping the workforce safe and well.
- **Living with COVID-19 Framework:** The framework was established to set out risk levels and measures required at each level to keep the workforce safe and well and reduce transmission. Regular reviews of the risk level informed by case rates, hospital admissions, public health intelligence and workforce resilience data were undertaken throughout the year.
- **Counselling & Welfare Service:** The in-house counselling and welfare service provides employees with access to British Association for Counselling and Psychotherapy (BACP) approved counsellors on a self-referral basis. The service has continued to operate remotely throughout 2021/2022 and provided over 1,728 telephone/online counselling sessions.
- **Occupational Health (OH) provision:** People Asset Management (PAM), our external OH provider, support the council to manage attendance through OH referrals and specialist advice and support. PAM have continued to deliver OH clinics remotely through telephone and video consultations with additional COVID-19 risk assessment provision accessed as required. Telephone or video assessments have been undertaken where appropriate for health surveillance monitoring.

- **Targeted support:** HR business partners continue to provide support to services to identify 'hotspots', take action to address high levels of sickness absence and provide support for managing long term, complex cases. HR have worked particularly closely with services to provide advice and support on managing COVID-19 related sickness absence and supporting vulnerable employees at greater risk within the workplace.
- **Monitoring and reporting:** Ongoing monitoring and reporting of sickness absence levels via the workforce reporting schedule and real time access for managers via the Manager Portal to report, record and monitor their team members attendance and requirement for support and action under the council's Attendance Management policy.

### 3. **OPTIONS FOR CONSIDERATION**

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

### 4. **ANALYSIS OF OPTIONS**

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

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

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

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

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

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

- 7.1 An Integrated Impact Assessment is not required.

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

8.1 Sickness absence is reported to all parties on an ongoing basis.

8.2 There are no conflicts of interests to declare.

**9. RECOMMENDATIONS**

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

DIRECTOR: ECONOMY AND ENVIRONMENT

Church Square House  
SCUNTHORPE  
North Lincolnshire  
DN15 6NL  
Author: Debbie Searles  
Date: 23 June 2022

**Background Papers used in the preparation of this report – None**



## NORTH LINCOLNSHIRE COUNCIL

### AUDIT COMMITTEE

#### ANNUAL INFORMATION GOVERNANCE UPDATE

##### 1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 To provide the Audit Committee with an annual position statement on the council's Information Governance arrangements.
- 1.2 The key points are:
  - The council is required by law to comply with a range of information related requirements.
  - Further developments have taken place over the last 12 months to strengthen the council's approach to Information Governance. Details are set out in the report together with the findings from internal and external assessments.

##### 2. BACKGROUND INFORMATION

- 2.1 An assurance report is presented to the Audit Committee each year to provide an update on the council's information governance arrangements and associated compliance.
- 2.2 The council has a legal obligation to comply with information legislation, notably the UK General Data Protection Regulation (UK GDPR)/Data Protection Act 2018, Freedom of Information Act and the Environmental Information Regulations. Collectively we refer to these requirements as "information governance".
- 2.3 An Information Governance Framework comprising a series of individual policy schedules sets out how the council will comply with legislation and good practice. Its implementation is led and overseen by the Data Protection Officer with support from the Senior Information Risk Owner.
- 2.4 The council is committed to the ongoing strengthening of its Information Governance arrangements and continues to strive to meet the standards set by both internal audit and external assessments, with a high standard of compliance evidenced as summarised below.

2.5 Key developments and assurance highlights over the last 12 months included:

- The annual Information Governance Self-Assessment, necessary for accessing health information, would usually have been completed by 31 March, but due to the COVID19 pandemic the submission date for 2021 was deferred by the NHS to 30 June 2022. The council's submission was submitted on-time and it is anticipated that it will be accepted by the NHS as meeting all relevant standards.
- An internal audit review of the council's approach to compliance with the UK General Data Protection Regulation (GDPR) and Data Protection Act 2018 concluded in June 2021 with a "satisfactory assurance / medium risk" opinion. Further progress has been made to meet the requirements
- The information governance policy framework was comprehensively reviewed and updated in March 2021 and again in July 2021 and January 2022 to align it with changes in legislation and latest professional practice.
- Training for all employees on information governance requirements, including the UK GDPR, is undertaken on a regular basis and forms part of the council's mandatory training suite.
- The annual communication campaign was undertaken in August 2021 as a refresher for all employees of key data protection considerations. The 2022 campaign is planned for Quarter 3 of 2022.
- A new business system was introduced in 2021 to manage the work flowing of information requests such as Freedom of Information (FOI), from their receipt through to approval and issue. This improved the visibility of the status of individual information requests and overall monitoring of processing performance and has been expanded during 2022 to cover wider information governance enquiries.

2.6 Each year the council handles hundreds of information requests and processes hundreds and thousands of customer transactions. During the last 12 months, to the end of May 2022, there have been four referrals from the Information Commissioner's Office (ICO) about how the council responded to requests for information or protected personal information. This number is lower than the previous year where there were five referrals and is within the normal reporting levels/business parameters. In addition, the council self-reported three issues to the ICO. The findings were as follows:

- The action taken by the council for a referral case from the previous year was supported by the ICO and the case closed.

- In respect of the three self-reported issues, the ICO supported the council's approach in two cases and required no further action.
- As of end of May 2022 we are awaiting a response from the ICO on the third case. The outcome will be reported to the audit committee in future reports.

2.7 Compliance with national ICT security standards was maintained and externally certified with no serious ICT breaches occurring in the last year. Key highlights are set out below:

- In January 2022, the council achieved 'Cyber Essentials' certification which helps to guard against the most common cyber threats and demonstrates our commitment to cyber security.
- Attempted email phishing attacks are becoming increasingly common nationally and more sophisticated. To raise employee awareness and assist in the detection and prevention of such attacks, all employees have been enrolled for a further year to the "Boxphish" cyber security awareness training programme. The training consists of a series of "phishing" simulations, a short 2-3 minute educational video and quiz each month.
- A series of external tests are completed each year by expert third parties to test the strength of the council's IT security arrangements. In addition, an ongoing relationship is maintained with regional and national cyber security centres to share information on threats and mitigation measures.
- The council participated in the Local Government Association (LGA) Cyber 360 programme with the main aim to support councils working to reduce cyber risk, build cyber capabilities and improve the understanding of cyber security principles across the organisation.
- In June 2021 the council's IT arrangements were certified as compliant with the national Public Services Network (PSN) Code of Connection. This certification provides the council with continued access to wider public service networks such as Department for Work and Pensions and NHS. The same assurance has been sought for 2022 but is still going through the assessment process.

2.8 Further continued strengthening of the council's information governance and cyber security arrangements will be made over the next 12 months through an ongoing action planning based approach.

### 3. **OPTIONS FOR CONSIDERATION**

3.1 As set out below.

#### 4. ANALYSIS OF OPTIONS

4.1 **Option 1** – The Audit Committee agrees that the current position provides sufficient assurance in our approach to Information Governance.

4.2 **Option 2** – The Audit Committee considers the current position is not sufficient and requests that additional work is undertaken.

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

5.1 Not applicable.

5.2 An integrated impact assessment is not required for this report.

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

6.1 There are no other relevant implications.

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

7.1 An integrated impact assessment is not required for this report.

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

8.1 There are no consultations or conflicts of interests to report.

#### 9. RECOMMENDATIONS

9.1 The Audit Committee should consider whether the report provides sufficient assurance of the adequacy of the council's Information Governance arrangements.

DIRECTOR: GOVERNANCE AND COMMUNITIES

Church Square House  
SCUNTHORPE  
North Lincolnshire  
DN15 6NL

Author: Phillipa Thornley, Data Protection Officer

Date: 27 June 2022

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

As referred to in the main body of the report

Report of the Director:  
Governance and Communities

Meeting: 13 July 2022

## NORTH LINCOLNSHIRE COUNCIL

### AUDIT COMMITTEE

#### HEAD OF INTERNAL AUDIT ANNUAL REPORT AND OPINION 2021-22

##### 1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 The Head of Internal Audit Annual Report and Opinion provides an opinion on the adequacy and effectiveness of the council's internal control environment based upon work carried out by Internal Audit in accordance with the approved 2021/22 audit plan.
- 1.2 The report also considers the effectiveness of the internal audit and confirms that it complies with requirements of the Public Sector Internal Audit Standards (PSIAS) and The Accounts and Audit Regulations 2015.

##### 2. BACKGROUND INFORMATION

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

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

- 2.3 As set out in the standards there is a requirement under PSIAS 2450 that the Chief Audit Executive must provide an annual report to the Audit and Governance Committee, timed to support the Annual Governance Statement. This must include:
- an annual internal audit opinion on the overall adequacy and effectiveness of the organisation's governance, risk, and control framework (i.e. the control environment).
  - a summary of the audit work from which the opinion is derived (including reliance placed on work by other assurance bodies); and
  - a statement on conformance with the PSIAS and the results of the internal audit Quality Assurance and Improvement Programme.
- 2.4 A copy of the Annual Report and Opinion as prepared by the Head of Internal Audit and Assurance is attached, and its main findings are summarised below.
- 2.5 Section 2 of the Annual Report refers to the work carried out from which the audit opinion is derived, and shows the work carried out compared to the original Audit Plan. Appendix 1 provides a summary of the work completed by internal audit to support its opinion.
- 2.6 As referred to in Section 3 based on the work carried out by internal audit satisfactory assurance could be provided on the Council's governance, risk, and control framework.
- 2.7 As referred to in Section 4 Internal Audit with the PSIAS in all material respects and has effective arrangements in place for monitoring quality. Where applicable areas for further development have been identified from its assessment of quality.

### **3. OPTIONS FOR CONSIDERATION**

- 3.1 It is a requirement of internal auditing standards that the Audit Committee considers the Annual Head of Internal Audit Report and Opinion. The Committee is asked to consider whether Internal Audit's Annual Report provides sufficient assurance on the adequacy of the council's internal control environment in 2021/22. Members may wish to ask questions and seek clarification, as necessary.

#### **4. ANALYSIS OF OPTIONS**

4.1 The Internal Audit Annual Report and Opinion 2021/22 complies with professional guidance available and is designed to provide this Committee with the assurance required.

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

5.1 There are no specific resource implications related to this report

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

6.1 Section 3 of the report includes a commentary of on the Council's approach to risk management. Satisfactory assurance has been provided. In addition an assessment of residual risk is included in most audit assignments as shown in Appendix 2 of the report

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

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

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

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

8.2 The Head of Audit and Assurance also has responsibilities around the maintenance of the risk management process though not the risks themselves. To maintain independence, he therefore commissioned Zurich Municipal to provide an independent review of the Council's risk management arrangements and placed reliance on their conclusions (together with those of the Strategic Lead for Risk and Governance) when forming his opinion. In addition, Audit team members are asked to complete declaration forms on annual basis. If any potential conflicts are identified, then they are not allocated assignments related to the potential conflict of interest.

## **9. RECOMMENDATIONS**

- 9.1 That the Audit Committee considers the assurance provided by the Head of Internal Audit Annual Report for 2021/22 on the adequacy and effectiveness of the council's internal control environment.

### **DIRECTOR: GOVERNANCE AND COMMUNITIES**

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Author: Peter Hanmer, Head of Audit and Assurance  
Date: 29 June 2022

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

Internal Audit Plan 2021/22 (April 2021)  
Internal Audit Interim Report (January 2022)



**North  
Lincolnshire  
Council**

[www.northlincs.gov.uk](http://www.northlincs.gov.uk)

The  
Assurance  
People

**NORTHERN LINCOLNSHIRE  
BUSINESS CONNECT**

# **Head of Internal Audit Annual Report and Opinion 2021-22**

## **North Lincolnshire Council**

**Peter Hanmer  
Head of Audit and Assurance  
July 2022**

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# 1 Introduction

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

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

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

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

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

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

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## 2 Audit work from which the opinion is derived

2.1 Internal Audit conducted its work in accordance with its 2021/22 Audit Plan, which was formally approved by the Audit Committee on 8 April 2021. The plan included a description on how it was compiled, including consideration of the Council's strategies, objectives and risks. The scope of Internal Audit activity is clearly set out in the Audit Charter which is reviewed annually.

2.2 As laid out in the audit plan the work of Internal Audit is split into a number of key areas. It is critical that in forming an opinion on the overall control environment, the Annual Plan is designed to ensure that specific assurance is provided for each of these areas all of which can potentially feed into the annual governance statement:

- strategic and operational risks relating to the delivery of the Council's strategic outcomes and/ or a key part of the Council's Code of Governance.
- the key financial systems to support the S151 Officer's statement provided as part of the Annual Statement of Accounts in relation to the reliability of the systems supporting the accounts.
- other key areas which support the Council's control environment (e.g., ICT, procurement).
- providing assurance on the control environment within maintained schools; and
- work such as providing advice and support, the mandatory certification of external grants claims, and audit team's contribution to the Council's approach to counter fraud, including specific audits testing anti-fraud controls.

2.3 During 2021/22 the audit plan was subject to regular review. As new risks emerged that required audit coverage they were added to the plan, whilst other areas were either taken out because of reduced level of risk due to changing circumstances, or where there had been internal or external reviews either carried out or pending. On 27 January 2022 the Audit Committee received the mid-year interim report. This report provided assurance on the progress to delivering the plan and any changes made to it. As reported the main changes were as follows:

- there was a reduction in the budgeted days on the area of the plan covering strategic risks, operational risks and governance, to reflect

adjustments to assignment budgets and the deferral of a planned audit on contaminated land to 2022/23; and

- there was considerable work increase on grant certification resulting in audit resources having to be diverted to this area. Although some of this work is related to COVID related grants, there appears to be a growing trend that government departments are expecting internal audit certification of the use of grant funding in general

2.4 The position on 24 June 2022 is shown on the table below. 1108 days had been delivered compared to the plan of 1145 days, a difference of 37 days.

***Days charged against the audit plan as of 24 June 2022.***

Area	Planned days	Revised days	Actual days
Strategic risks, operational risks, and governance	460	435	382
Financial systems	145	145	167
ICT	50	50	67
Procurement and contract management	25	20	9
Grants	60	102	115
Schools	100	100	118
Follow up	35	35	35
Fraud and investigation	80	80	70
Advisory	70	70	72
Audit Management	75	75	73
Contingency	45	33	
Total	1145	1145	1108

2.5 A summary of the audit work to support the opinion is shown on Appendix 1. This summary also makes reference to audits which have been deferred or work is ongoing. For most audits we provide two opinions as shown below; one relates to the overall control effectiveness, whilst the other relates to the residual risk exposure. Against a planned target of 89 (excluding grants) as of 30 June 2022, 72 audits had been completed at least to draft. We derive our overall opinion on the control framework by considering the outcome of individual audits. Typically, those areas where the assurance on the control environment is “limited”, and the residual risk is at least “medium” will be considered for specific reference in the overall opinion on the Council’s overall control environment, with particular focus on those areas which are critical to the

Council's financial management and governance arrangements, including the potential impact of any weaknesses identified.

### Overall Control Effectiveness

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

### Residual Risk Exposure

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

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

- As shown on Appendix 1, there were some audits where we found that new process or systems were in development and, therefore, we were not able to provide an opinion in 2021/22, but instead have provided a short commentary on the current position. Where appropriate we have taken this work into account when assessing the Council's control environment.

- As listed at Appendix 2, Internal Audit has carried out advisory work for the Council and where appropriate we have considered any issues arising from this work.
- As part of the wider Audit and Assurance Team, Internal Audit makes a significant contribution to the delivery of the Council's approach to anti-fraud and corruption. This was shown in the Annual Fraud Report 2021/22 which was reported to the Audit Committee on 23 March 2022
- The outcome of external inspection carried out in 2021/22- such as:
  - Joint local area inspection of SEND, which was generally positive; and
  - Adult Community Learning, which was rated "Good".

### 3 Chief Audit Executive Annual Opinion 2021/22

- 3.1 The overall opinion for each of the three areas of the control environment is shown below. This opinion is subject to the limitation of scope and statement of responsibilities laid out in Appendix 3. It is based on work reported by Internal Audit up to 30 June 2022

#### Control Framework

- 3.2 Overall, we can provide **satisfactory assurance** on the effectiveness of the Council's control framework based on the work we have conducted as highlighted on the list of audits shown on Appendix 1, and where applicable the outcome of external inspections.
- 3.3 Although it had some impact on capacity within services and led to some planned initiatives such as Organisational Development, being delayed, overall, our work found that COVID-19 did not have a detrimental impact on the Council's control environment. Our continued support in relation to Business Grants and Infection Control found that arrangements were in place to ensure compliance with grant conditions, and our work on COVID-19 related grants found that no significant non-compliance issues were identified.
- 3.4 In relation to the design and operation of the key financial systems which support the Council's Annual Statements of Accounts, and the reliability of the information produced by them, we can provide **substantial assurance**. However, it should be noted that in relation to the systems due to be replaced on 1 April 2022 the focus of our work was based on obtaining assurance from data analytics and the testing of key controls.
- 3.5 During 2022/23 our work in relation to the financial systems will focus on the operation of controls relating to the general ledger (including interfaces with other financial systems), creditors, debtors and the budgetary control system.
- 3.6 Some of our audits have identified capacity within the support services as a potential emerging risk. This could potentially impact on the operation of the control environment in future years.

## **Governance**

- 3.7 Our audit programme is designed around the Council's Code of Governance which was based on the principles designed by CIPFA/SOLACE, and on a cyclical basis we include audits specifically related to the governance framework, such as complaints management, compliance with statutory requirements of the Chief Financial Officer and the Principal Social Worker, and the decision records process. Overall, we can provide **satisfactory assurance** in relation to its governance arrangements and the processes which support them, and from our work and other sources we are not aware of any material governance failures occurring in 2021/22. In 2020/21 we reported that although there was nothing to suggest that the council did not comply with the minimum requirements of national guidance relating to scrutiny, there were potentially, opportunities to enhance the effectiveness of its s arrangements. 2021/22 has seen some development in scrutiny, such as some scrutiny panels having the opportunity to review and comment on the Council Plan prior to its adoption but there remain potential opportunities for further development.
- 3.8 2022/23 will see further enhancements to the Council's governance arrangements. In May 2022, a new Council Plan was approved, and the associated assurance and performance frameworks are being revised accordingly. In addition, it is intended that the Organisational Development framework will be subject to significant update to support the Council Plan, the Community Engagement Plan is being subject to update, and the Council's approach to environmental sustainability and climate change- "A Green Future: Our Plan for Positive Change" will be further embedded. These will all be subject to further internal audit review in 2022/23.

## **Risk Management**

- 3.9 The Head of Internal Audit and Assurance also has responsibilities, though his line management of the Strategic Lead (Risk and Governance) has responsibilities for the co-ordination of the Council's risk management framework. The Annual Risk Management Update, reported to the Audit Committee on 23 March 2022, concluded that the Council has appropriate arrangements for the management of risk, but identified areas for improvement, particularly a consistent approach to operational risk management.



- 3.10 In order to manage the potential conflict of interest around risk management, the Head of Audit and Assurance periodically engages a third party to provide independent assurance on it. Consequently, Zurich Municipal ((ZM) conducted a health check of risk management arrangements. Overall, there were no areas of significant concerns, but areas for potential further development were identified in the report, which will be considered in the review and refresh of the Risk and Opportunities Protocol.
- 3.11 Based on the work referred to above we can provide **satisfactory assurance** on the Council's risk management arrangements.

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## 4 Quality Assurance Arrangements

4.1 A quality assurance process is in place to ensure that work is conducted to Public Sector Internal Audit Standards (PSIAS) and that the opinions provided for individual assignments are supported by sufficient evidence. Under the standards the Chief Audit Executive is obliged to report on the outcome of, and any issues arising from, our quality assurance arrangements

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

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

4.3 ‘Generally, conforms’ is the top rating available, and is defined as:

*“the internal audit activity has a charter, policies, and processes that are judged to be in conformance with the standards. There may be opportunities for improvement, but these do not represent situations where the internal audit activity has not implemented the Standards, the Code of Ethics or is not achieving their stated objectives”.*

4.4 Our next 5-yearly inspection is scheduled for early 2023, with the intention that outcome will be included in the 2022/23 Head of Audit and Assurance Annual Report and Opinion.

4.5 Other sources of evidence for the Audit Team to assess and report on its quality included:

- the annual self-assessment against the standards (Appendix 4).
- Self-assessment against the five principles contained in the updated CIPFA document “The Role of the Head of Internal Audit” (2019). (Appendix 5) demonstrates that we comply with each of the principles.
- Self-assessment against the internal audit principles introduced in January 2017 (Appendix 6). This review demonstrates that the audit team complies with each of the principles, although some potential

areas for further development have been identified and have been incorporated into an action plan

- Every assignment is subject to supervision and any common issues identified are discussed at team meetings and where appropriate have contributed to the update of the audit manual.
- a post audit review conducted by the Head of Audit and Assurance of a sample of assignments including reports at least annually; the review found that overall, the work compliant with the team's quality standards and processes, with any opportunities for further improvement reflected in an updated action plan and further guidance within the audit manual.
- Feedback from our customers via a post-audit customer satisfaction questionnaire and for the first time a year-end survey of Assistant Directors. We received a positive response from those questionnaires returned, 94% of respondents indicated that they were satisfied with the way the audits were conducted and 100% felt that the audits added value.
- Follow up – an important part of audit, and to help demonstrate that its work adds value to the organisation, is following up previous actions to ensure that they are implemented in a timely manner by management. We follow up by sending reminders to managers when the agreed implementation date is due, and also by conducting our own specific follow up audits, typically in areas which had previously been given limited assurance. During 2021/22 we have enhanced our monitoring and escalation process in relation to such reminders, and in relation to our specific follow up audits as shown on Appendix 7, 91% had been implemented by the due date by management,
- Monitoring performance against key indicators (Appendix 7) – these demonstrate that the audit team continues to work economically and efficiently, with expenditure within budget and chargeable days close to target. Although timeliness of reporting remains below target it has improved on the previous year.

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## **5 Closing Remarks**

- 5.1 We would like to take this opportunity to thank Members, Management and Staff for their continued support as we conduct audit work during a period of continued significant organisational change. We will strive to continue to provide an effective and supportive internal audit service as the Council deals with the challenges it faces in the future.

## **Appendix 1: Summary of Audit work supporting the Audit opinion**

See separate attachment

## **Appendix 2: Summary of advisory work provided by Internal Audit in 2021/22**

- Via membership of CIPFA's Better Governance Forum, inform relevant managers of national developments and emerging issues relating to internal control and governance which may impact upon their duties
- The certification of grants in relation to Covid-19, transport, highways, energy schemes and troubled families
- Conducting an advisory piece of work to support the development of internal control arrangements relating to customer service performance management
- Conducting an advisory piece of work supporting the design of controls in relation to adult safeguarding
- Providing considerable advice and support, where appropriate, on the design of systems in relation to Covid related Business Support Grants
- As part of audit's work on financial systems providing support and challenge to the Financial Project Board tasked with implementing the new financial system
- Co-ordinating the production of the Audit Committee Annual Report for 2021/22
- Providing a training session to Audit Committee Members on the role of the committee, governance, internal control, and the role of Internal Audit
- Working with HR in relation to the consideration of organisational culture indicators
- Working with Heads of Service in the development of a "Guide to the Control Environment" which is intended allow managers to have an enhanced understanding of the importance Internal Control and their responsibilities related to it
- Providing a training session to the Head of Service Group in relation to governance and internal control
- Advice and support on the review of processes relating to asset disposals
- Membership of the "Growing the Economy group"
- Membership of the "Adults Transformation group"

- Responding to various accounting, and human resources and information governance queries
- As part of audit's probity and fraud work co-ordinating the council's response to the National Fraud Initiative
- As part of audit's probity and fraud work supporting investigations into allegations of fraud or financial misconduct

## **Appendix 3: Limitations of Scope and Responsibilities**

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

### **Opinion**

The Opinion is based, primarily on work undertaken as part of the agreed 2021/22 Audit Plan. Each audit assignment undertaken addressed the control objectives agreed with the relevant, responsible managers.

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

### **Internal Control**

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

### **Future Periods**

Our assessment of the Council's control framework is based on completed audit work up to 30<sup>th</sup> June 2022. In a small number of cases the finalisation of audits has been delayed the outcome of this work will be considered for the 2022/23 audit opinion.

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

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



## **Responsibilities of Management and Internal Audit**

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

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

## Appendix 4: Comparison of Audit Approach against the Public Sector Internal Audit Standards

<b>Conformance with the PSIAS and the Local Government Application Note Standards and Requirements</b>	<b>Evaluation/Comments</b>
<b>Code of Ethics</b>	Requirement met - referred to in the audit charter and communicated to all audit staff. Team members are asked to confirm they have read and understood annually- last request May 2022
<b>Attribute Standards</b>	
1.Purpose, Authority and Responsibility	Requirement met, and defined in the audit charter which was updated in March 2022
2.Independence and Objectivity	Requirements met and defined in the audit charter. Potential conflicts are appropriately managed
3.Proficiency and Due Professional Care	Requirements met and defined in the audit charter. Will develop a competency framework in 2022/23.
4.Quality Assurance and Improvement Programme	Requirements met - Quality Assurance and Improvement Programme in place, and the outcome of the annual review of the quality included in the Head of Audit annual report. Five yearly external inspection conducted in 2017/18.
<b>Performance Standards</b>	
1.Managing the Internal Audit Activity	Requirements met
2. Nature of Work	Requirements met
2. Engagement Planning	Requirements met
3. Performing the audit engagement	Requirements met - all assignments are subject to review, and the audit manual is regularly updated to reflect areas where further clarity is required
4. Communicating Results	Requirements met - the report template is subject to annual review to ensure that reports are clear, insightful and promote improvements. Scope to develop root cause analysis within our reporting methodology, where applicable

5. Monitoring Progress	Requirements met. Follow up arrangements were further updated in 2019/20 and regular reminders sent out to managers. We have recently developed a new reporting tool which will provide Assistant Directors with an exception report which shows actions exceeding their due date.
6. Communicating the Acceptance of Risks	Requirements met

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

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

<p>The HIA in a public service organisation must be a senior manager with regular and open engagement across the organisation, particularly with the Leadership Team and with the Audit Committee</p>	<ul style="list-style-type: none"> <li>• Member of the Director of Governance and Partnerships Management Team</li> <li>• Monthly 1 to 1 meeting with the Director of Governance and Partnerships</li> <li>• Consults with the Strategic Leadership Team on the content of the audit plan</li> <li>• Meets with members of the leadership team,</li> <li>• Member of the Council’s Assurance Group chaired by the Deputy Chief Executive</li> <li>• Reports to the Audit Committee in own name</li> <li>• Supports the Audit Committee in assessing its own effectiveness</li> <li>• As laid out in the Audit Charter unfettered access to documentation and staff</li> </ul>
<p>The HIA in a public service organisation must lead and direct an internal audit service that is resourced to be fit for purpose.</p>	<ul style="list-style-type: none"> <li>• Sufficient resource and staff mix in place in 2021/22 to deliver a PSIAS compliant Internal Audit Plan and to provide sufficient evidence in relation to the Council’s control environment and key risks to support the Head of Internal Audit opinion statement.</li> <li>• Quality assurance and improvement programme in place, including key performance indicators which are reported upon annually</li> <li>• Staff development programme in place. Currently developing a “competency matrix” to ensure that staff have adequate skills to meet the changing requirements and expectations of audit</li> <li>• Keeps up to date with developments in governance, risk management, control and internal auditing through professional memberships, membership of CIPFA’s Better Governance Forum, and networking with other HIAs (including membership of CIPFA’s national Audit Special Interest Group and the Local Government Chief Auditors Network). Learns from them and implements improvements where appropriate</li> </ul>
<p>The HIA in a public service organisation must be professionally qualified and suitably experienced</p>	<p>CIPFA Member since 1993 and ICAS Member since 2017. Chartered Member of the Institute of Internal Audit (CMIIA) and Qualification in Audit Leadership (QIAL). Also, up to date “Continuing Professional Development” (CPD), 33 years of internal and external audit experience, 20 years of which at senior level, and has conducted the Head of Internal Audit role at NELC since April 2008.</p>

## Appendix 6: Comparison of Audit Approach against the 10 principles as laid down in the audit standards)

Principle	How we comply?
Demonstrates integrity.	The code of ethics, including integrity, is included in the audit charter. Team members are asked annually to confirm that they have read and understood the code of ethics, and at least one session a year is held with team members to discuss ethics. Last update May 2022
Demonstrates competence and due professional care.	<ul style="list-style-type: none"> <li>• The required levels of competence and experience are laid out in each job description, and training needs are considered in regular 1 to 1 meetings</li> <li>• Audit good practice prepared by IIA, and others is discussed at team meetings.</li> <li>• There is a Quality Assurance and Improvement Programme in place to ensure that professional care is maintained.</li> <li>• Sufficient background research as part of engagement planning to have informed discussions with the audit client.</li> <li>• Each assignment is subject to supervision and review.</li> <li>• The performance of each assignment is assessed through supervision sheets.</li> <li>• Auditors engage with and validate fieldwork and findings through ongoing communication with management in the areas under review.</li> </ul> <p><b>Potential area for development</b></p> <ul style="list-style-type: none"> <li>• The development of a competency framework for team members, and to fully develop a team training plan.</li> </ul>
Is objective and free from undue influence (independent)	<ul style="list-style-type: none"> <li>• The code of ethics, including independence, is included in the audit charter. Team members are asked annually to confirm that they have read and understood the code of ethics, and annually</li> </ul>

	<p>declare any interests which could impact on their independence.</p> <ul style="list-style-type: none"> <li>• The HOIA has responsibilities for risk, counter fraud, and insurance as well as audit. to preserve independence audits in these areas are conducted by other audit organisations.</li> <li>• The audit manual provides guidance on reporting to ensure that audit communications are clear, factual, reliable, and relevant.</li> <li>• Functional reporting to the audit committee is defined in the internal audit charter.</li> <li>• The HOIA has direct access to the audit committee as defined in the internal audit charter.</li> <li>• Scope of internal audit work is defined in the internal audit charter.</li> <li>• The HOIA can meet with the Audit Committee without management present.</li> </ul>
<p>Aligns with the strategies, objectives, and risks of the organisation.</p>	<ul style="list-style-type: none"> <li>• A strategic council wide approach, as opposed to a service based one, is used to prioritise work and compile the audit plan.</li> <li>• The Council Plan, the Council's strategic outcomes, the strategic risk register, and the operational risk registers are key components compiling the audit plan. The key components of an effective control environment, and the risks to it, are also considered.</li> <li>• The audit strategy is updated based on changes to the internal or external environment.</li> <li>• The audit plan is updated based on changes in the organisation's strategies and/or objectives.</li> <li>• Internal audit plan links engagements to a strategic objective and or risks</li> <li>• Post audit questionnaires indicates that the internal audit activity is operating in alignment with stakeholders' view of priorities.</li> <li>• Since 2021/22 have surveyed Assistant Directors to obtain their opinions on how well audit meets their expectations and the extent to which it adds value</li> <li>• The HOIA is invited to and attends strategy discussion meetings e.g., Assurance Group, management team meetings, etc.</li> <li>• The HOIA is a senior enough level in the organisation to give them the appropriate</li> </ul>

	<p>standing, access, and authority in the organisation.</p> <ul style="list-style-type: none"> <li>• High percentage of internal audit plan covering strategic projects and/or initiatives.</li> <li>• Performance management and project management are regularly subject to audit</li> </ul>
<p>Is appropriately positioned and adequately resourced.</p>	<ul style="list-style-type: none"> <li>• Regularly meets with the Director of Governance and Communities and attends her management team</li> <li>• The HOIA has unfettered accesses to the CFO, Chief Executive, and audit committee at both Councils. Also sits on both Council's Assurance Board/ Group.</li> <li>• When compiling the plan, the level of resource available is compared to the resource required to provide a reliable and standards compliant opinion.</li> <li>• A documented and customised internal audit charter, aligned with the IPPF, is in place.</li> <li>• Functional reporting to the audit committee and senior management is defined in the charter.</li> <li>• Internal audit activity's mandate is broad and aligned to organisational needs.</li> <li>• A sufficient operating budget is available to internal audit.</li> <li>• Periodic discussions occur with the audit committee on QAIP, resource availability (capability and capacity), and any limitations.</li> <li>• Access to the Council's Human resources, technology, and tools are provided to internal audit enabling it to execute its engagements effectively and efficiently.</li> <li>• The HOIA is of a senior enough position within the organisation and participates in numerous senior management groups e.g., extended leadership team, assurance board/ group etc.</li> <li>• Evidence that the HOIA has challenged management when needed.</li> <li>• The results of audit are given due consideration e.g., audit committee, compilation of the AGS, assurance board/ group meetings, senior management groups.</li> </ul> <p><b>Potential area for development</b></p> <ul style="list-style-type: none"> <li>• Since the demise of CIPFA benchmarking need to develop periodic benchmarking of resources is</li> </ul>



	<p>compared to comparable size/profile organisations.</p>
<p>Demonstrates quality and continuous improvement</p>	<ul style="list-style-type: none"> <li>• A Quality Assurance and Improvement Programme is in place, and the team had a successful five yearly external inspection of its processes.</li> <li>• All assignments are subject to supervision and review, and the overall arrangements are subject to annual self-assessments.</li> <li>• Quality issues are discussed at each monthly team meeting and any relevant issues arising are included in the improvement plan.</li> <li>• An Audit Manual is in place defining methodology is in place and subject to regular update as issues arise.</li> <li>• Through membership of accounting and auditing bodies keep up to date with developments in audit practice</li> <li>• Mechanisms are in place to solicit feedback from audit clients and key stakeholders via questionnaires.</li> <li>• Operational KPIs are defined and monitored, including KPIs to promote internal audit activity improvements and innovations.</li> <li>• The audit committee is provided with a twice-yearly update on the Audit Team's performance.</li> <li>• Co-sourced internal audit activities (e.g., ICT audit) are required to conform with the IIA's Standards and Code of Ethics, and to have demonstrated that they have had a successful external inspection within previous five years</li> </ul>
<p>Communicates effectively.</p>	<ul style="list-style-type: none"> <li>• The team has a report template which meets the requirements of the audit standards. Reports are subject to regular review and update, and any common issues are included in the quality improvement plan. Team members are provided with guidance on effective reporting, and this updated regularly following on from internal quality reviews and feedback from clients.</li> <li>• Periodic reporting and some engagement reports are customised for key stakeholders (senior management, audit committee. Assurance Board/ Group) as needed.</li> </ul>

	<ul style="list-style-type: none"> <li>• Reports are factually accurate, highlight risk, address root causes, and encourage action from management responsible for the area or process under review.</li> <li>• Reports are succinct, aligned with key risks, and use graphics or visuals where appropriate.</li> <li>• Engagement reports and other periodic reporting provide a holistic view of assurance, and positive performance is acknowledged.</li> <li>• Internal audit activity raises awareness of its role and promotes its value contribution via the FAQs and “Audit Offer”.</li> <li>• A structure exists to encourage active, two-way communication with stakeholders (receiving and delivering information via client meetings, meetings with senior management teams, assurance board/ group</li> <li>• Internal audit has implemented controls to secure the confidentiality of the data it receives, accesses, and issues e.g., section in manual on GPPR compliance, taking part in council wide mandatory training on data protection, and the team regularly reminded of data protection and confidentiality issues.</li> <li>• Internal audit reports clearly link to the engagement scope and objectives.</li> <li>• Feedback from audit client and key stakeholders indicate that internal audit reports are fit for purpose and add value.</li> <li>• No cases of major errors or omissions after final reports are issue have occurred.</li> <li>• Monitoring is undertaken through the review process and KPIs to ensure that reports are issued within defined timescales.</li> <li>• No cases of unauthorised or erroneous disclosure of confidential data by internal auditors.</li> </ul> <p><b>Potential area for development</b></p> <ul style="list-style-type: none"> <li>• Scope to improve the time taken between the issue of the draft and final reports after fieldwork ends, and enforce escalation policy</li> </ul>
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<p>Provides risk-based assurance.</p>	<ul style="list-style-type: none"> <li>• The strategic and operational risk registers are a key source of evidence for determining the content of the audit plan.</li> <li>• Both local and national emerging risks are an important part of the audit planning process. Identified through the review of agenda papers, papers and guidance prepared by CIPFA, CIIA and others, and planning discussions with senior managers.</li> <li>• Internal plan is regularly reviewed throughout the year, and where appropriate amended, to take account of emerging risks.</li> <li>• Individual engagement objectives target the effectiveness of controls over the most important risks. When considering the work programme for individual assignments team members consider the inherent impact of each of the five key areas of an effective control environment on the area, the local and national risk related to it, and the completeness of the risk register.</li> <li>• The audit opinion in each audit assignment includes an assessment of the residual risk based on the effectiveness of the controls tested.</li> <li>• Audit and risk management are both part of the Audit and Assurance team. Although kept operationally separate it fosters close links between the two functions,</li> </ul> <p><b>Potential area for development</b></p> <ul style="list-style-type: none"> <li>• Provide additional guidance to team members on hoe to assess the quality of risk management arrangements within services</li> </ul>
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<p>Is insightful, proactive, and future-focused.</p>	<ul style="list-style-type: none"> <li>• Auditors are encouraged to ensure that their reports are insightful, relevant and include agreed actions which add value. Following feedback from the external inspection the reporting template was enhanced in 2018/19, and guidance has been provided to Team Members on effective reporting.</li> <li>• Both the overall audit plan and the design of individual assignments take accounts of future developments and risks to the organisation and are subject to consultation with relevant officers.</li> <li>• The team keeps a library of future developments to ensure that future issues (both nationally and locally) are picked up through membership of various bodies (Cipfa, BGF, CIIA) and considered for audit programmes where appropriate.</li> <li>• Team meetings ensure that service, development and cultural issues, and organisational changes are identified and discussed, and training is delivered where required.</li> <li>• Increasing use of data analytics to identify risks and provide assurance, including the development of a Data Analytics Strategy</li> <li>• Makes the organisation aware of emerging governance and control issues through various forums assurance board/ group, Assistant Directors/ Head of Service meetings, management meetings etc.</li> <li>• Systematic issues and/or trends in risk or controls are identified in the annual opinion</li> <li>• The delivery of audit assignments is timed for when they have the greatest potential added value</li> <li>• Internal audit reports include an assessment on the potential impact of identified gaps in control.</li> <li>• Where appropriate provide briefing papers to support areas under development and assesses preparedness.</li> <li>• Post-assignment questionnaires ask whether the audit has added value- consistently positive results.</li> </ul> <p><b>Potential area for development</b></p> <ul style="list-style-type: none"> <li>• Implement the Data Analytics Strategy</li> <li>• Enhance our reporting methodology to include guidance on “root cause analysis”</li> </ul>
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<p>Promotes organisational improvement.</p>	<p>The audit team promotes organisational improvement in several ways including:</p> <ul style="list-style-type: none"> <li>• Aligning the audit programme to the strategic objectives of the council</li> <li>• Shares emerging good practice with management.</li> <li>• Ensuring assignments are based on key risks, and reports have meaningful actions which add value.</li> <li>• Provide advisory work to support the development of an effective control environment.</li> <li>• Conduct follow up work to provide assurance that actions are being implemented and improvements made.</li> <li>• Increasingly consulted about business initiatives and process and system transformations during initial assessments and pre-implementations (though scope for it to be more universal)</li> <li>• Adopted three lines of assurance model and works closely with other sources of assurance e.g., through membership of the assurance group, role of in management teams etc.</li> </ul> <p><b>Potential area for development</b></p> <p>Continue to identify opportunities and promote the role of audit in supporting new initiatives at the initial assessment and pre-implementation stage.</p> <ul style="list-style-type: none"> <li>• Formalise the role of audit in relation to projects</li> <li>• Further develop the approach to follow up to enhance the reporting of outstanding actions beyond the due agreed date to ADs</li> </ul>
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## Appendix 7: Key Performance Indicators 2021/22

	Annual target	Outturn	Variance	Comments
<b>What did we do?</b>				
Actual outturn forecast v budgeted outturn (shared service combined)	586K	582K	-4K	Expenditure in line with budget
Audit days delivered as at 31/5/22	1145	1073	-72	This represents 93% of planned days being delivered by 31/5/2022, and represents an improvement compared to 2020/21 of 92%. By 24 June this figure had increased to 97%
Number of audits completed by 30 June 2022	89	72	-17	As shown on Appendix 1, 10 assignments are ongoing and 7 were deferred to 2022/23 after discussion with the client

% of audits issued in final within 20 working days of the issue of the draft	90%	65%	-25%	Although below target represent a significant improvement on the 2020/21 outturn 57%
<b>How well did we do it?</b>				
Did we carry out the audit well? (customer satisfaction questionnaires)	90%	94%	4%	Based on post-audit questionnaires and a survey of Assistant Directors
Chargeable days per employee excluding HOIA compared to CIPFA average	177	173	--4	Slightly below target but improvement on 2020/21 outturn of 171 days
% of audits issued in draft by the agreed date	90%	72%	--18%	Although below target represents a considerable improvement on the 2020/21 outturn of 42%

<b>Did we add value?</b>				
Did we add value? (customer satisfaction questionnaires)	90%	100%	+10%	Based on post-audit questionnaires and a survey of Assistant Directors
% agreed actions implemented by the agreed date	70%	91%	+21%	Compares to 73% in 2020/21 although based on a relatively small sample



Completed audit work contributing to the 21/22 audit opinion as at 30 June 2022

Audit Assignment	Director	Assurance	Residual Risk	Comments
<b>Delivery of strategic and operational outcomes and good governance</b>				
Active Lifestyles- controls in place to assess financial viability	Governance and communities	<b>Substantial</b>	<b>Medium</b>	
ASC Debt Management	Adults and Health			Audit provided advisory support on the development of the controls relating to ASC Debt Management, and will carry out a full audit in 2022/23
Asset Management- Operational Buildings	Economy and Environment			Work in progress - to be reported as part of 2022/23 audit
Blue Badges	Governance and Communities	<b>Substantial</b>	<b>Low</b>	
Capital Programme- School Investment	Children and families	<b>Limited</b>	<b>Medium</b>	Required improvements were identified in relation to the robustness of the management information in relation to the condition of school buildings and the monitoring of capital expenditure. The process for approval of a capital scheme required updating, and procedures regarding monitoring contract arrangements needed to be documented
Care Leavers	Children and Families			Work in progress - to be reported as part of 2022/23 audit
Child Exploitation	Children and Families	<b>Substantial</b>	<b>Low</b>	

Audit Assignment	Director	Assurance	Residual Risk	Comments
Child Protection Case Conferences in North Lincolnshire (in the plan as Independent Review)	Children and families	Substantial	Low	
Children's Direct Payments	Children and Families	Satisfactory	Low	
Children's to Adults Transitions	Children and Families	Substantial	Low	
Commercial Estates	Economy and Environment			Work in progress - to be reported as part of 2022/23 audit Controls for managing the property portfolio are set out in Property Portfolio Framework; sample testing of acquisitions and disposals over the last two years confirm compliance with the key requirements of this framework e.g. marketing, valuation and authorisation.
Complaints	Governance and Communities	Satisfactory	Low	
Contaminated land	Economy and Environment			As discussed in the Interim Head of Audit Report presented to the Audit Committee in January 2022 it was agreed to defer this audit to the 202/23 plan
Customer Services Metrics	Governance and Communities			A piece of advisory work was commissioned to provide assurance on whether published customer standards are robust and provide line of sight on all relevant areas of the council and whether they are effectively delivering their published customer service standards at service and organisation level. The review found many elements of good practice, as well as identifying areas for further development.
Demand Management-Prevention Strategy	Adults and Health	Substantial	Low	
Educational Visits	Children and Families	Satisfactory	Low	
Emergency Planning	Economy and Environment			WIP- to be reported as part of 2022/23 audit

Audit Assignment	Director	Assurance	Residual Risk	Comments
Environmental Strategy Development	Governance and Communities			Work in progress - to be reported as part of 2022/23 audit "A Green Future - our plan for positive change" was adopted by Cabinet in January 2022. A programme is under development to deliver the intentions set out in the document; this includes workshops to identify links to projects and how they contribute to A Green Future, resource planning, stakeholder engagement, risk identification and management, and timelines and milestones. The audit is focussing on governance arrangements in place to ensure delivery.
FAAST and Targeted Support	Children and families			Audit deferred to 2022/23
Fleet Management - Driver Checks	Economy & Environment	<b>Satisfactory</b>	<b>Medium</b>	
Growing the Economy	Economy and Environment			Work is in progress- there is a lot of activity around growing the economy, including the receipt of significant capital grant funding, and therefore we are not yet in a position to provide an opinion. This will be reported as part of the 2022/23 audit . The covid pandemic has had an economic impact on North Lincolnshire Council. Consequently the Economic strategy was reviewed, and following extensive consultation with key stakeholder the Economic Renewal plan was developed. This was recently been approved by a delegated officer decision, and its governance arrangements are still being developed. During 2022/23 it is intended that the Economic Growth Plan 2023-28 will be agreed. Governance arrangement for Town Deal funding are continuing to be developed (e.g. Town Funds Board, expenditure monitored reviewed and challenged at the Growing the Economy External Funding Group, and is subject to scrutiny by central
Health and social Care Reform (stocktake)	Adults and Health	<b>Satisfactory</b>	<b>Medium</b>	
Highways	Economy and Environment	<b>Satisfactory</b>	<b>Medium</b>	
Highways- Development Control	Economy and Environment			Work in progress- to be reported as part of 2022/23 audit
Homefirst-Community Provision	Adults and Health	<b>Satisfactory</b>	<b>Medium</b>	
Housing Related Support	Adults and Health			Work in progress- to be reported as part of 2022/23 audit

<b>Audit Assignment</b>	<b>Director</b>	<b>Assurance</b>	<b>Residual Risk</b>	<b>Comments</b>
HR Data Migration and Data Quality	Economy and Environment	<b>Substantial</b>	<b>Low</b>	
Looked After Children- Fostering and Connected Persons	Children and Families	<b>Substantial</b>	<b>Low</b>	
Network Management (Highways)	Economy and Environment			Work in progress- to be reported as part of the 2022/23 audit
Officer Decision Records	Governance and Communities	<b>Satisfactory</b>	<b>Low</b>	
Organisational Development	Economy and Environment			<p>Following the start of the pandemic in March 2020, work on the original Organisational Development Plan was paused as the Council prioritised its response to the challenges of COVID-19. There have been positives seen as part of Organisational Development being developed during the pandemic including the ability to quickly adapt to home working at short notice. The pandemic has also increased the focus on wellbeing due to the need to keep connected during the lockdown period. Team Charters have also been developed in this period.</p> <p>Following the senior management restructures that have taken place in the early part of 2022, an updated version of the Organisational Development plan will be developed which will build on changes made during the pandemic and be linked to the objectives within the recently refreshed Council Plan. The governance processes which were in place for the original project will be used as a template for the implementation of the new plan. The scoping, engagement and development of the new plan will take place in second part of 2022 with a new plan intended to be ready for implementation in 2023</p>
Payments made on behalf of NLCCG	Adults and Health	<b>Substantial</b>	<b>Low</b>	
Planning	Economy and Environment	<b>Substantial</b>	<b>Medium</b>	
Prosecutions	Governance and Communities	<b>Substantial</b>	<b>Medium</b>	
Public Health- Data Sharing	Public Health			WIP
Public Health Grant	Public Health			Work in progress- to be reported as part of 2022/23 audit

<b>Audit Assignment</b>	<b>Director</b>	<b>Assurance</b>	<b>Residual Risk</b>	<b>Comments</b>
Regional Adoption Agency	Children and Families	<b>Substantial</b>	<b>Low</b>	
Role of the Chief Finance Officer	Governance and Communities	<b>Substantial</b>	<b>Low</b>	
Role of the Principal Social Worker (Children and Adults) Draft	Children and Families/ Adults and Health	<b>Satisfactory</b>	<b>Low</b>	
Safeguarding Adults	Adults and Health			At the request of the client, audit provided advisory support with the ongoing development work that is taking place in relation to Safeguarding Adults. Our work found that progress was being made in the development of new processes, with audit recommending actions to be incorporated into those processes. A full audit on the operation of the redesigned processes will be carried out in 2022/23.
Safer Neighbourhoods	Governance and communities	<b>Substantial</b>	<b>Medium</b>	
School Admissions and Fair Access	Children & Families			Audit deferred due to sickness in audit team- to be included in 2022/23 plan
Schools Educational Visits	Children & Families	<b>Satisfactory</b>	<b>Low</b>	
School Governance	Children & Families	<b>Substantial</b>	<b>Low</b>	
School's- Information Posted Online	Children & Families	<b>Satisfactory</b>	<b>Low</b>	
Section 17- Children In Need	Children and Families	<b>Substantial</b>	<b>Low</b>	
SEND Transport	Children and families			Following discussion with the client agreed to defer and include in the 2022/23 audit plan
Strategic Housing - Housing Delivery Test action plan	Environment and Economy			Work in progress - to be reported as part of 2022/23 audit

Audit Assignment	Director	Assurance	Residual Risk	Comments
Waste Recycling and Household Recycling Centres (HRCs)	Environment and Economy	Substantial	Low	
Youth Justice	Children and Families	Substantial	Low	

<b>Audit Assignment</b>	<b>Director</b>	<b>Assurance</b>	<b>Residual Risk</b>	<b>Comments</b>
<b>Financial systems</b>				
Creditors	Governance and Communities	<b>Substantial</b>	<b>Low</b>	As the existing system was due to be replaced on 1 April 2022 the focus was of 2021/22 work was on obtaining assurance from data analytics and the testing of key controls
Debtors	Governance and Communities	<b>Substantial</b>	<b>Low</b>	As the existing system was due to be replaced on 1 April 2022 the focus was of 2021/22 work was on obtaining assurance from data analytics and the testing of key controls
Efinancials	Governance and Communities	<b>Substantial</b>	<b>Low</b>	As the existing system was due to be replaced on 1 April 2022 the focus was of 2021/22 work was on obtaining assurance from data analytics and the testing of key controls
Income Controls	Governance and Communities	<b>Substantial</b>	<b>Medium</b>	
Local Taxation and Benefits - Final	Governance and Communities	<b>Satisfactory</b>	<b>Medium</b>	
Local Taxation and Benefits- Initial work - 2021/22	Governance and Communities	<b>Substantial</b>	<b>Medium</b>	
Local Taxation and Benefits- Initial work 22/23	Governance and Communities	<b>Satisfactory</b>	<b>Medium</b>	
Payroll (draft)	Environment and Economy	<b>Substantial</b>	<b>Low</b>	
Treasury Management	Governance and Communities	<b>Substantial</b>	<b>Low</b>	
Feeder systems- Care First	Adults and Health	<b>Substantial</b>	<b>Low</b>	

<b>Audit Assignment</b>	<b>Director</b>	<b>Assurance</b>	<b>Residual Risk</b>	<b>Comments</b>
Feeder systems- Leisure Services Income Receipting Compliance (PCI DSS)	Governance and Communities	<b>Limited</b>	<b>Medium</b>	Essential improvements are required to strengthen the existing controls and additional measures should be implemented to ensure that risks are effectively mitigated. Although we are satisfied that managers are addressing known concerns to ensure continued compliance with the PCI DSS standards and therefore working towards mitigating the risk Failure to comply with the regulations could result in financial penalties including loss of income and reputational damage.
<b>ICT</b>				
CCTV (Draft)	Environment and Economy	<b>Satisfactory</b>	<b>Low</b>	
Cloud Computing	Environment and Economy	<b>Limited</b>	<b>Medium</b>	At the time of the audit the Council had outstanding work to demonstrate it complies with the 14 National Cyber Security Centre (NCSC) cloud security principles. The Council has specified requirements in a document but this needed to be updated. Work is in progress to seek assurance from suppliers of Cloud services regarding controls in place.
Cyber Security	Environment and Economy			Work in progress- to be reported as part of 2022/23 audit
ICT controls- New Finance System	Governance and Communities			Throughout 2021/22 audit has provided advisory support on the design and implementation of the new finance system due April 2022, including the ICT controls. We reported in March that most of the ICT controls, with the exception of some interfaces, had been sufficiently tested by the project team, although there was some work to do to complete the work required for the implementation of the new budgetary control system by 31/5/2022, and we identified some "lessons learnt" to feed into the post-implementation review to be carried out by the project team
Implementation - HR-Payroll system	Environment and Economy	<b>Satisfactory</b>	<b>Low</b>	
<b>Procurement</b>				We provide an opinion on procurement arrangements by a mixture of a review of overall arrangements and reviewing a sample of procurement exercises. The review of a sample of procurement exercises has not yet been completed but as shown below we could provide "substantial assurance" on the council's overall procurement arrangements.



Audit Assignment	Director	Assurance	Residual Risk	Comments
Overall arrangements	Governance and Communities	Substantial	Medium	
<b>Grants</b>				We have been increasingly required to certify grant claims and in 2021/22 this has required substantially more time than in previous years. This has included Covid grants (e.g. community testing, public transport support) as well as various non-covid related ones (e.g. highways, environmental grants, the supporting families programme). In addition, although is not required for audit to directly provide certification for returns (e.g. business grants, infection control fund, the holiday activities and food programme grant, emergency assistance, rough sleepers initiative, homelessness, and Covid winter grants) we have carried out work to provide assurance in these areas. We have identified no significant areas of concern but where appropriate have reported areas where controls could be improved to the relevant services, as well as recommendations around audit trails and supporting documentation to demonstrate compliance with grant determinations.
<b>Follow up</b>				
Healthily Lifestyles	Governance and Communities	Satisfactory	Low	Actions from the previous report have been implemented
Financial Compliance- Imprest Accounts	Governance and Communities	Satisfactory	Medium	All bar one of the recommendations have been implemented. The Council has now replaced imprest accounts with Barclaycards and as part of the audit we have provided additional recommendations aroid the controls related to their use.
Risk Management- Cabinet Reporting	Governance and Communities	Satisfactory	Medium	Both agreed action have bee implemented although there remain some instances of non-compliance with reporting requirements

Audit Assignment	Director	Assurance	Residual Risk	Comments
<b>Probity and Counter Fraud audits</b>				
Duplicate Payments	Governance and Communities			Based on the testing undertaken on potential duplicate payments the majority of records examined made to suppliers were confirmed as accurate. However, 5 payments have identified and the relevant service areas have been informed to make attempts to recover the monies. A further 6 potential duplicates were passed on to the Finance Service Desk for review.
Leisure and Golf Memberships	Governance and Communities	<b>Satisfactory</b>	<b>Low</b>	
Mobile Phones	Governance and Communities	<b>Satisfactory</b>	<b>Low</b>	
National Fraud Initiative				Internal audit are responsible for managing the online system and entering the results of queries and investigations in response to the matches. In some cases access is provided to other services in order to complete the task. The overall outcome of this work is reported in the Annual Fraud Report. With regards to the data submitted in October 2020, approximately 6300 matches were returned across 43 reports. As part of this exercise, the NFI asked for data relating to Small Business Grants (SBGF) and Retail, Hospitality and Leisure Grants (RHLG) that were paid to eligible businesses during the COVID-19 pandemic in 2020 and 2021. In relation to Housing Benefits matches, Housing Benefit Fraud investigation is no longer a council function and many of these matches were referred to the DWP for further investigation as appropriate. A small number of council tax overpayments were identified and recovered as result of the exercise. As at April 2022 there were only a small number of matches requiring investigation, suggesting that internal controls are sufficient and working effectively to reduce the risk of fraud or overpayment.
Normanby Café Income	Governance and Communities	<b>Satisfactory</b>	<b>Low</b>	
Payments to ASC service providers	Governance and Communities	<b>Satisfactory</b>	<b>Medium</b>	
<b>Schools</b>				
Belton All Saints Primary		<b>Satisfactory</b>	<b>Low</b>	

Audit Assignment	Director	Assurance	Residual Risk	Comments
Bottesford Infant		Satisfactory	Low	
Bowandale Primary		Substantial	Low	
Crosby Primary		Satisfactory	Low	
Enderby Road Infant School		Limited	Medium	Some weaknesses were noted in the control environment across a wide range of financial management / governance areas; individually these would not be of concern but due to the number of findings, limited assurance was provided.
Frederick Gough		Satisfactory	Low	
Holme Family Primary		Satisfactory	Low	
Killingholme Primary		Satisfactory	Low	
Leys Farm Juniors		Satisfactory	Low	
Oakfield Primary		Satisfactory	Low	
St Peters And Pauls Cof E Primary		Satisfactory	Low	
Westcliffe & Priory Lane Federation		Satisfactory	Low	
Wootton St Andrews Primary		Satisfactory	Low	

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