

Public Document Pack

NORTH LINCOLNSHIRE COUNCIL

AUDIT COMMITTEE

21 September 2022

Chairman: Councillor K Vickers

Venue: Room F01e,
Conference Room
Church Square House

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 13 July 2022 as a correct record and authorise the chairman to sign. (Pages 1 - 8)
4. Value for Money 2021-22 (Pages 9 - 24)
5. External Audit Progress Report - Report of Mazars (Pages 25 - 36)
6. Draft Annual Governance Statement 2021-22 (Pages 37 - 54)
7. Internal Audit Plan 2022-23 - Update (Pages 55 - 66)
8. 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.

This page is intentionally left blank

Public Document Pack Agenda Item 3

NORTH LINCOLNSHIRE COUNCIL

AUDIT COMMITTEE

13 July 2022

PRESENT: - Councillor K Vickers (Chairman)

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

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

668 **SUBSTITUTIONS (IF ANY)** - There were no substitutes in attendance at the meeting.

669 **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.

670 **TO TAKE THE MINUTES OF THE MEETING HELD ON 23 MARCH 2022 AS A CORRECT RECORD AND AUTHORISE THE CHAIRMAN TO SIGN - Resolved** - That the minutes of the proceedings of the meeting held on 23 March 2022, having been printed and circulated amongst the members, be taken as read and correctly recorded and be signed by the Chairman.

671 **AUDIT COMMITTEE - SCHEDULE OF MEETINGS - Resolved** - That it be noted the scheduled dates and times of the Audit Committee were as follows –

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

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

672 **DIRECTOR: CHILDREN SERVICES ASSURANCE OVERVIEW** - The Chairman welcomed Ann-Marie Matson, Paul Cowling and Rachel Smith to the meeting, the council's Director: Children and Families, Assistant Director: Children's Standards and Regulations and Assistant Director: Children's Help and Protection respectively.

The Director and Assistant Directors had been invited to the meeting to inform members of the processes and procedures that were in place within the service to ensure that the adequate level of assurance was monitored and received.

AUDIT COMMITTEE
13 July 2022

The Director guided members through a presentation that demonstrated how assurance was received through the –

- Children and Families service
- Council
- Partnerships
- Regional and National partnerships/collaboration
- Statutory and regulatory frameworks

Following the comprehensive presentation, the Chairman facilitated a discussion between the committee and the Director and Assistant Directors.

Resolved – (a) That the council’s Director: Children and Families, Assistant Director: Children’s Standards and Regulations and Assistant Director: Children’s Help and Protection be thanked for their attendance, presentation and for answering members’ questions; (b) that the presentation be noted; (c) that the committee congratulate the Director: Children and Families and all her employees for the outstanding service that was provided to all children and families in North Lincolnshire, and (d) that after consideration of the presentation and discussion on its content, the committee received adequate assurance on the adequacy of the Children and Families service.

673 **AUDIT COMMITTEE ANNUAL REPORT 2021-22** - The Director: Governance and Communities submitted the Audit Committee Annual Report for 2021-22 for consideration by the Committee. The Annual Report was designed to inform Council of the Committee’s activities during the Council year (May 2021 – to April 2022), and how it had discharged its responsibilities. The report demonstrated that the committee operated in line with expected practice, and also identified areas for further development.

The report also included the outcome of the updated self-assessment against good practice identified by the Chartered Institute of Public Finance and Accountancy (CIPFA) that was carried out by the committee.

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

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

Following the Director’s verbal presentation, the Committee discussed its

AUDIT COMMITTEE
13 July 2022

Annual Report for 2021-22.

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

Recommended to Council – That the Audit Committee Annual Report for 2021-22 be considered by council to support the requirements of the Code of Governance.

- 674 **AUDIT COMMITTEE ANNUAL FORWARD PLAN** - The Director: Governance and Communities submitted the Committee's Annual Forward Plan for the Municipal Year 2022-23. The Forward Plan was based on the Committee's Terms of Reference and aimed to identify reporting against its key responsibilities.

Members heard that the Audit Committees was a key component of the Council's corporate governance arrangement. It provided a high-level focus on assurance and the organisation's arrangements for governance, managing risk, maintaining an effective control environment, and reporting on financial and non-financial performance.

The Audit Committee Terms of Reference was based upon the Chartered Institute of Public Finance and Accountancy (CIPFA) publication 'Audit Committees: Practical Guidance for Local Authorities and Police (2018 edition)'. The forward plan was intended to be a reference point used at each meeting to ensure that each agenda item provided the necessary assurance to enable the Committee to fulfil their responsibilities effectively.

The Director confirmed that to support Audit Committee Members, council officers, supported by external partners where necessary, would provide an extensive programme of member development to allow councillors to fulfil their responsibilities.

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

Resolved – (a) That the Audit Committee Forward Plan for the Municipal Year 2022-23 be agreed, and (b) that the Director: Governance and Communities be authorised to amend the Forward Plan, if required.

- 675 **AUDIT STRATEGY MEMORANDUM - YEAR ENDING 31 MARCH 2022 - REPORT OF MAZARS** - The Chairman welcomed representatives from the council's external auditors Mazars to the meeting, who were in attendance to present the Audit Strategy Memorandum for North Lincolnshire Council for the year ending 31 March 2022.

The purpose of the document was to summarise Mazars audit approach, highlight significant audit risks and areas of key judgements and provide the committee with the details of the audit team.

It was a fundamental requirement that an auditor was, and was seen to be,

AUDIT COMMITTEE
13 July 2022

independent of its clients. Section 7 of the document also summarised Mazars considerations and conclusions on its independence as auditors.

Mazars consider two-way communication with the council 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 each party;
- Sharing information to assist each party to fulfil our respective responsibilities;
- Providing the council with constructive observations arising from the audit process; and
- Ensuring that Mazars, as external auditors, gain an understanding of the council's attitude and views in respect of the internal and external operational, financial, compliance and other risks facing the council which may affect the audit, including the likelihood of those risks materialising and how they were monitored and managed.

The document, which had been prepared following Mazars initial planning discussions with management, was the basis for discussion of its audit approach, and any questions or input the council had on their approach or role as auditor.

The document also contained specific appendices that outlined Mazars key communications with the council during the course of the audit, and forthcoming accounting issues and other issues that may be of interest.

Members commented on particular aspects of the report to which the representatives of Mazars responded to.

Resolved – That the Audit Strategy Memorandum be received with thanks.

- 676 **ANNUAL TREASURY MANAGEMENT REVIEW 2021-22** - The Director: Governance and Communities circulated the treasury management annual report for 2021-22. The report informed the committee of the council's treasury arrangements, activity and performance during 2021-22.

Members were informed that CIPFA had defined treasury management as:

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

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

Whilst the Council had advisors to support effective treasury management arrangements, the Council was ultimately responsible for its treasury

AUDIT COMMITTEE

13 July 2022

decisions and activity. No treasury activity was without risk. The successful identification, monitoring and control of risk was therefore an important and integral element of treasury management arrangements.

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

Members heard that –

- Capital Expenditure was financed by capital resources, cash resources and external borrowing. The Council's capital expenditure during 2021/22 amounted to £28.68m
- 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%.
- 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.
- During 2021/22 the Council repaid £8.63m at scheduled repayment dates.
- 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 was seen as the maximum affordable level.
- One loan was drawn during the year for cash flow purposes to fund advanced pension contributions.
- No loans were drawn in advance of need and no debt rescheduling was carried out.
- Investment income was £15k compared to a budget of £25k.

Following the verbal presentation, the Chairman facilitated a discussion between the committee and the Director on the treasury management annual report.

Resolved – (a) That the treasury management performance for the 2021-22 financial year be noted, and (b) that following consideration of the report and its appendices, and discussion of its content, the treasury management performance for the 2021-22 financial year provided the committee with sufficient assurance of the council's treasury management arrangements.

677 **ATTENDANCE MANAGEMENT ANNUAL REPORT 2021-22** - The Director: Economy and Environment submitted a report that informed the Audit Committee of the 2021-22 sickness absence levels, including the year-end position.

Members heard that the average number of working days lost due to sickness absence in 2021-22 was 9.59 days. This indicated a 25% increase (1.82 days) in overall sickness absence levels compared to 2020/21.

As 2020-21 was not a typical year for the workforce due to the pandemic (workplace closures, self-isolation, shielding etc.), a comparison with 2019-20

AUDIT COMMITTEE
13 July 2022

levels was also provided to members. When compared with 2019-20, the average number of days lost had increased by 4% (0.19 days).

The report provided details on the –

- Average number of days lost per full time equivalent employee during 2021-22
- Number of full time equivalent days lost due to sickness absence during 2021-22
- Periods of sickness absence
- Reasons for sickness absence
- Covid-19 related sickness absence
- Key activities the council had put in place to keep its workforce safe and well during the pandemic to support good levels of attendance and a reduction in sickness absence.

Following the Directors verbal presentation, the Chairman facilitated a discussion on the attendance management annual report for 2021-22.

Resolved – That following consideration of the report, and discussion on its content, the attendance management annual report for 2021-22 provided the committee with sufficient assurance that the risk to capacity due to sickness absence was being managed through adequate controls.

678 **ANNUAL INFORMATION GOVERNANCE UPDATE** - The Director: Governance and Communities submitted a report that provided the committee with an annual position statement on the council's Information Governance arrangements.

The committee was informed that the council had 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, these requirements were referred to as "information governance".

An Information Governance Framework comprising a series of individual policy schedules set out how the council would comply with legislation and good practice. Its implementation was led and overseen by the Data Protection Officer with support from the Senior Information Risk Owner.

The council was committed to the ongoing strengthening of its Information Governance arrangements and continued to strive to meet the standards set by both internal audit and external assessments.

The committee discussed the key developments and assurance highlights over the last twelve months, before the Chairman facilitated a discussion with the Director.

Resolved – That after consideration of the report and discussion of its content, the Annual Information Governance update provided sufficient

AUDIT COMMITTEE
13 July 2022

assurance on the adequacy of the council's Information Governance arrangements.

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

The Director: Governance and Communities submitted a report that provided an opinion on the adequacy and effectiveness of the council's internal control environment based upon work carried out by Internal Audit in accordance with the approved 2021-22 audit plan. The report also considered the effectiveness of the audit service. This provided the Audit Committee with an important source of assurance when considering the Annual Governance Statement.

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

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

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

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

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

- Section 2 of the Annual Report referred to the work carried out from which the audit opinion was derived, and showed the work carried out compared to the original Audit Plan. Appendix 1 of the report provided a summary of

AUDIT COMMITTEE
13 July 2022

the work completed by internal audit to support its opinion.

- Section 3 of the report was based on the work carried out by internal audit. Members heard that satisfactory assurance could be provided on the Council's governance, risk, and control framework.
- Section 4 of the report evidenced that the council complied with the standards in all material respects and had effective arrangements in place for monitoring quality. Where applicable, areas for further development had been identified from its assessment of quality.

Following the Director's verbal presentation, a discussion ensued on the Annual Report and opinion for 2021-22.

Resolved - That the Internal Audit Annual Report for 2021-22 provided satisfactory assurance provided on the adequacy and effectiveness of the council's internal control environment.

- 680 **ANY OTHER ITEMS WHICH THE CHAIRMAN DECIDES ARE URGENT BY REASONS OF SPECIAL CIRCUMSTANCES WHICH MUST BE SPECIFIED**
- There was no urgent business for consideration at the hearing.

NORTH LINCOLNSHIRE COUNCIL

AUDIT COMMITTEE

VALUE FOR MONEY 2021-22

1. OBJECT AND KEY POINTS IN THIS REPORT

1.1. To inform Audit Committee of the Council's Value of Money (VFM) arrangements during 2021/22. The key points being: -

- 1.1.1. The VFM audit in 2020/21 identified no risks or actual significant weaknesses and made no recommendations for improvement.
- 1.1.2. The self-assessment for 2021/22 has considered financial sustainability, governance and improving economy, efficiency and effectiveness.
- 1.1.3. The Council's self-assessment is that it has maintained effective value for money arrangements in 2021/22.

2. BACKGROUND INFORMATION

2.1 The **National Audit Office** guidance requires external auditors to consider:

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

2.2 As part of this process, the council has completed a self-assessment of its value for money arrangements for 2021/22. This will be submitted to our external auditors for their review as part of the VFM audit.

2.3 The first exercise of this nature was completed for the 2020/21 external audit with the result of the VFM audit being reported to the Audit Committee as part of the audit report. This report is to present the self-assessment to Audit Committee prior to its submission to our external auditors and to update on any recommendations from the 2020/21 VFM audit.

3. VFM CONSIDERATIONS

3.1 VFM arrangements have been considered in the context of financial sustainability:

- How the Council identifies significant financial pressures that are relevant to its short and medium-term plan
- How the Council plans to bridge funding gaps and identifies achievable savings
- How the Council plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- How the Council ensures that its financial plan is consistent with other plans
- How the Council identifies and manages risks to financial resilience

3.2 Governance

- How the Council monitors and assesses risk and how the Council gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- How the Council approaches and carries out its annual budget setting process
- How the Council ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed.
- How the Council ensures it makes properly informed decision, supported by appropriate evidence and allowing for challenge and transparency.
- How the Council monitors and ensures appropriate standards are maintained.

3.3 Improving Economy, Efficiency and Effectiveness:

- How financial and performance information has been used to assess performance to identify areas for improvement
- How the Council evaluates the services it provides to assess performance and identify areas for improvement
- How the council ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve
- How the Council ensures that where services are commissioned or procured this is done in accordance with relevant legislation.

4. VFM ARRANGEMENTS AND EVIDENCE

4.1 The 2020/21 VFM audit considered the self-assessment (cross council submission with finance lead) along with supporting evidence, review and follow-up interviews.

- 4.2 The audit report concluded that there were no identified risks of significant weakness and no actual significant weaknesses identified and as a result, made no recommendations for improvement.
- 4.3 In preparing the 2021/22 self-assessment, the same cross-council methodology has been used with reference to supporting evidence.
- 4.4 Financial sustainability is supported through Council prioritisation and outcomes focus as set out in the Council Plan allowing coherent financial planning that is organisation wide.
- 4.5 Governance is through the Cabinet and Leader model as set out in the Constitution, with effective Scheme of Delegation, Delegated Decision Records, Member Decision Records and publication, Monitoring Officer role, Code of Conduct, Standards Committee, Officers Code of Practice and the Code of Corporate Governance.
- 4.6 Improving Economy, efficiency and effectiveness is supported through Quarterly Performance Reviews, the Performance Management Framework, Partnership Protocol and Framework, effective application of Contract Procedure Rules, and outcomes-based commissioning to deliver against the outcomes and priorities set out in the Council Plan.

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

- 5.1 The financial implications of 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 value for money arrangements, and:
- 9.2 That Audit Committee notes the Value for Money self-assessment for the 2021/22 financial year.

DIRECTOR: GOVERNANCE AND COMMUNITIES

Church Square House
High Street
Scunthorpe
North Lincolnshire
DN15 6NL

Author: Nina Torr
Date: 12th September 2022

Background Papers used in the preparation of this report
Appendix 1: VFM self-assessment

North Lincolnshire Council
2021/22 AUDIT - VFM: Management Self-Assessment

Self-assessment co-ordinated and completed by:	Nina Torr
Date completed:	12/09/2022

Page 13

Value for Money Arrangements: Management Self-Assessment

Background

The NAO Code of Audit Practice applying from 2020/21 has changed the focus of the external auditor’s work on Value for Money arrangements. Auditors must now identify risks of significant weaknesses in entities arrangements to deliver VFM as defined by three criteria:

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

The entity themselves should be clear on what its arrangements are against each of the criteria and sub-criteria specified by the NAO.

This self-assessment schedule can be used to document the arrangements in place, the supporting evidence, and the key entity contacts for auditors to engage further in completing their VFM work.

VFM criteria/sub-criteria	Commentary on arrangements	Evidence	Key contact for further discussions
Financial sustainability			
How the body plans and manages its resources to ensure it can continue to deliver its services, including:			
How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them	<p>The Council has a well-established, robust and inclusive budget monitoring process in place. The process focuses on high risk, high value and volatile budgets each month with an all-inclusive review of the current and forecast positions for both revenue and capital completed on a quarterly basis. The process is led and co-ordinated by the Finance Business Partners but includes conversations and challenge with relevant budget holders and other members of staff as appropriate. In the main the outcomes of budget monitoring are discussed at/through senior management teams and the Senior Leadership Team with a focus on the main current and future issues arising and agreeing action where necessary and possible. Longer term issues are also identified through this collaboration and feed into the annual review of the budget and MTFP. Quarterly reports are discussed with the political leadership of the Council.</p> <p>Where material change of circumstances is identified in year, as currently (8/22) with the inflation impact on pay and third party spend beyond MTFP provisions, SLT have been briefed at the earliest opportunity with whole council action planning coordination through ADs and SLT business.</p>	Monthly & Quarterly reports – at service area level and whole council	<p>Richard Andrew</p> <p>Nina Torr</p>
How the body plans to bridge its funding gaps and identifies achievable savings	<p>The council reviews its MTFP each year, both in terms of likely funding, priority investment and identifying/managing funding gaps through a mixture of service efficiency, reprioritisation of investment, and maximising income streams. Services are encouraged to resolve financial pressures within their net approved budget where possible, with significant pressures flowing through to the MTFP to be reviewed as part of the organisational budget balancing considerations. Organisation wide initiatives that support the Councils overall ambitions and priorities are considered and agreed through the Councils Senior Leadership Team.</p> <p>Service Managers are, from time to time, encouraged to consider ‘invest to save’ type initiatives to identify long term revenue savings through short term investment, taking advantage of the temporary freedoms afforded through the flexible use of capital receipts where appropriate and other one-off revenue/capital injection where a business case is robustly demonstrated.</p> <p>The council has a good track record of spending within the budget envelope set each year.</p>	<p>Action Plan (example)</p> <p>Budget report</p> <p>Capital Investment Strategy</p> <p>Capital Bid Business Case</p>	Richard Andrew
How the body plans finances to support the sustainable	The council has established processes in place to consider both revenue and capital investment and target them to meet council priorities and the desired outcomes with financial planning considered	Council plan	Nina Torr

VFM criteria/sub-criteria	Commentary on arrangements	Evidence	Key contact for further discussions
delivery of services in accordance with strategic and statutory priorities	<p>over the medium term and including consideration of external policy decision impacts e.g. in relation to funding.</p> <p>Shared understanding of the Council Plan, strategic priorities and specific strategies such as service strategies, capital investment strategy, integrated transport strategy, external funding strategy, etc. to ensure any financial requirements are reflected in the budget.</p> <p>Council Plan 2022-25 - North Lincolnshire Council (northlincs.gov.uk)</p> <p>Decisions with financial implications taken outside of the budget process are supported by a financial challenge to ensure costs, income and funding are fully considered, understood and accounted for when the decision is taken.</p>	Revenue & Capital budget reports Cabinet report on specific issue (e.g., waste) DDR – Any (redacted to depersonalise)	Richard Andrew
How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system	<p>The councils budget setting process considers the investment required by all relevant plans.</p> <p>Public Pack)Agenda Document for Council, 24/02/2022 12:00 (modern.gov.co.uk)</p> <p>The closest integration is with capital investment plans where the investment is supported by a robust business case process considering the whole life cost of the scheme.</p> <p>Formal partnerships and cross organisation roles exist where priorities and outcomes are shared and planning, including financial planning, is considered jointly to ensure joint investment requirements are focussed and understood, supported by Integrated commissioning strategies that are consistent with the Council Plan. The Integrated Care System developments include setting out the North Lincolnshire Strategic Intent, partnership and governance arrangements as presented to Cabinet team in July 2022.</p> <p>Item 4 - Humber and North Yorkshire Integrated Care Board.pdf (modern.gov.co.uk)</p>	Council budget papers Capital Investment Strategy Capital investment process outline Humber and North Yorkshire Integrated Care Board cabinet paper BCF Report Initial NLC/CCG Joint Budget Report	Nina Torr Richard Andrew Adam Hopley

VFM criteria/sub-criteria	Commentary on arrangements	Evidence	Key contact for further discussions
How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans	<p>The council monitors key financial and activity-based indicators as part of its monthly and quarterly budget monitoring process. Budgets are underpinned by demand assumptions where possible and these are regularly compared to actual activity throughout the year and financial implications assessed. Service areas are encouraged to contain unplanned financial pressures within approved budgets as far as is possible.</p> <p>The council has a reserves strategy that ensures it has an appropriate level of reserves.</p>	Budget Monitoring Q3/Q1 Budget Setting Revenue Report SMT minutes/actions Activity monitoring in service monitoring reports	Richard Andrew
<p>Governance: How the body ensures that it makes informed decisions and properly manages its risks, including:</p>			
How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud	<p>The council has a risk management protocol which is updated regularly, most recently approved by the Audit Committee in January 2021. It is supported more detailed guidance on the intranet available for managers and staff. The council has a strategic lead for risk and governance, within Audit and Assurance, who is responsible for ensuring that managers keep the risk register up to date and promoting risk, and there are a number of “super users” with in the council who act as risk champions. Risk is considered as an element of the Head of Service report, which is part of the council’s Performance framework. Risk management issues are reported to the council’s Audit Committee and the Council’s Assurance Group made up of senior officers.</p> <p>The council has a Local Code of Corporate Governance which is aligned to the national guidance provided by CIPFA/ SOLACE. The council has adopted the 3 lines of assurance model and this is central to ensuring that it receives assurance on the operation of internal controls and for compilation of the Annual Governance Statement. The 2021/122 draft AGS will be taken to the audit committee in September 2022..</p>	<p>https://northlincolnshire.moderngov.co.uk/documents/s4162/Draft%20Annual%20Governance%20Statement%202020-21%20appendix.pdf</p> <p>https://northlincolnshire.moderngov.co.uk/documents/s4162/Draft%20Annual%20Governance%20Statement%202020-21%20appendix.pdf</p>	Peter Hanmer

VFM criteria/sub-criteria	Commentary on arrangements	Evidence	Key contact for further discussions
	<p>The internal audit team provides assurance based on a flexible risk-based audit plan which complies with auditing standards. It produces an annual report to the audit committee, which is also shared with the strategic leadership team, which provide an opinion on the council’s control environment. The audit team also provides advice and support on the design and operation of the control environment in general. A guide to the control environment was produced in early 2022 and circulated to managers- it intended to provide managers with an enhanced understanding of the concepts of internal control, its importance, their role in maintaining it, and signposting where they can get extra help and information.</p> <p>The council has a fraud strategy based on guidance contained in “Fighting Fraud Locally”. This is subject to regular review with an update approved by the audit committee in June 2021. The audit committee is kept informed of anti-fraud activities by interim and annual reports. Arrangements to prevent and detect fraud are led by the strategic lead for fraud, including raising fraud awareness.</p> <p><i>Further evidence:</i></p> <p>https://northlincolnshire.moderngov.co.uk/documents/s9509/Risk%20Management%20Annual%20Update%20appendix%201.pdf</p> <p>https://northlincolnshire.moderngov.co.uk/documents/s9502/Code%20of%20Corporate%20Governance%20appendix.pdf</p> <p>https://northlincolnshire.moderngov.co.uk/documents/s9483/Internal%20Audit%20Plan%202022-23%20appendix.pdf</p> <p>https://northlincolnshire.moderngov.co.uk/documents/s10655/Head%20of%20Internal%20Audit%20Annual%20Report%20and%20Opinion%202021-22%20Appendix%201.pdf</p>	<p>ov.co.uk/documents/s4078/Anti-fraud%20and%20Corruption%20Strategy%20appendix.pdf</p> <p>https://northlincolnshire.moderngov.co.uk/documents/s9485/Annual%20Fraud%20Report%202021-22%20appendix.pdf</p>	
<p>How the body approaches and carries out its annual budget setting process</p>	<p>The council’s ethos in budget setting is one of ensuring investment in the right things rather than a focus in savings, aligning that investment with Council Plan, priorities and outcomes.</p> <p>The approach to budget setting incorporates a number of elements these include:-</p> <ul style="list-style-type: none"> • Demand management • Options appraisals and Service redesign 	<p>Council Budget reports</p> <p>(Public Pack)Agenda Document for</p>	<p>Nina Torr</p>

VFM criteria/sub-criteria	Commentary on arrangements	Evidence	Key contact for further discussions
	<ul style="list-style-type: none"> • Partnership working • Transformation • Fewest best assets • Supporting Communities to deliver • Focussing on an enabling role • One-family approach in Children's Services • Channel migration • Outcome Focused Commissioning approach <p>The council also has an in-depth understanding of the factors that affect its Local Taxation yields and closely monitors developments in Central Government Funding.</p>	Council, 24/02/2022 12:00 (moderngov.co.uk)	
Page 18 How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed	<p>The council has a well-established and robust budget monitoring process. This is an ongoing process with monthly updates to the Collaborative Planning system focussing on the financial outturn position for revenue and capital. Each quarter a formal report is produced setting out the latest forecast and any corrective action required. Support is provided by the Finance Business Partnering team to service managers, prioritising high risk areas.</p> <p>Budget holders are able to access their financial information at any time through the Unit 4 finance system and are able to use the Financial Planning & analysis system to report their position and forecast each month.</p>	Revenue & Capital monitoring reports Activity monitoring examples Monthly monitoring e-mails to budget holders – outlining requirements & timetable	Richard Andrew
How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes	<p>The foundation of the council's decision-making process is its Constitution and scheme of delegation. This makes it clear where the responsibility for any given decision lies.</p> <p>The Constitution is reviewed periodically to ensure it remains legislatively compliant. During the year, reviews of the Scheme of Officer delegations, Proper Officer Appointments, Committee Terms of</p>	https://www.northincs.gov.uk/your-council/the-councils-constitution/	Will Bell Richard Mell Richard Andrew

VFM criteria/sub-criteria	Commentary on arrangements	Evidence	Key contact for further discussions
arrangements for effective challenge from those charged with governance/audit committee	<p>Reference, Code of Members' Conduct and Contract Procedure Rules were undertaken, and the Constitution amended following the approval of full Council.</p> <p>Decisions are supported by management data and professional advice. Other sources of information which are utilised in decision making are annual reports, external assessments, internal audit reports etc.</p> <p>Decisions are formalised, where appropriate, by minutes (published on the Council's website) or Delegated Decision Records in accordance with the Council's Constitution.</p> <p>The council has an Audit Committee, Standards Committee and various Scrutiny Panels.</p>	<p>https://democracy.northlincs.gov.uk/meetings/scrutiny-panels/</p> <p>https://northlincolnshire.moderngov.co.uk/mgCommitteeDetails.aspx?ID=153</p> <p>DDR/Cabinet Reports – evidence of financial consideration, robust challenge and detailed modelling to support decisions taken</p>	
How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements & standards in terms of officer/ member behaviour (such as gifts and hospitality, declarations conflicts of interests)	<p>The council has nominated the Assistant Director: Governance and Partnerships as its Monitoring Officer responsible for maintenance of the register of interests. The Standards Committee deals with issues relating to the conduct of elected members, with the support of three independent persons.</p> <p>Officers Code of Practice – Interests, Gifts and Hospitality guidance for employees is shared on the intranet, with the practice supported through HR business partners support for line managers.</p> <p>Practice standards relating to declarations of interest are built into commissioning and procurement project management processes with conflict of interest templates shared on Topdesk.</p>	<p>https://www.northlincs.gov.uk/your-council/members-register-of-interest/</p> <p>Officers Code of Practice –</p>	<p>Will Bell</p> <p>Debbie Haines</p> <p>Nina Torr</p>

VFM criteria/sub-criteria	Commentary on arrangements	Evidence	Key contact for further discussions
	All elected member decision making meetings (and portfolio holder decision making) have a standard agenda item requiring the declaration of interests. All decision-making reports both to members and officers require conflicts of interest to be declared.	Interests, Gifts and Hospitality	
Improving economy, efficiency and effectiveness: How the body uses information about its costs and performance to improve the way it manages and delivers its services, including:			
How financial and performance information has been used to assess performance to identify areas for improvement	Quarterly Performance Reviews are carried out by all Services to capture issues and identify areas for improvement in line with the Performance Management Framework, with additional statutory reporting and performance responsibilities as appropriate to the service eg Children's. Use of benchmarking and national quartile positions is used to gauge the overall level of performance against peers and to identify where potential improvement may be possible.	Performance Management Framework	James O'Shaughnessy/ Nigel Manders
How the body evaluates the services it provides to assess performance and identify areas for improvement;	The council has a structured and consistent one-council system of performance management, aligned with our assurance framework. The council's Assurance and Risk Group provides officer oversight of performance management to ensure action is being taken to address performance issues and to ensure compliance with the Performance Management Framework. This is underpinned by individual service area Head of Service reporting processes and director SLT updates. Effective use is made of user experience and the customer feedback channels to assess the impact services have and where improvements may be required or realised.	Performance Management Framework Community Tool	Nigel Manders
How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve;	The council has a Partnership Protocol and Framework that supports the effectiveness of our partnership arrangements in delivering the council's vision, strategic priorities and agreed outcomes with each partnership being able to demonstrate their effectiveness as part of their governance arrangements. The significant partnerships that fall within the scope of the protocol include: <ul style="list-style-type: none"> • Community Safety Partnership • NL Safeguarding Adults Board • NL Children's Multi-Agency Resilience and Safeguarding Board • SEND Standards Board 	Partnership Protocol & Joint Working Framework and Guidance	Becky McIntyre Dean Gillon

VFM criteria/sub-criteria	Commentary on arrangements	Evidence	Key contact for further discussions
	<ul style="list-style-type: none"> • Integrated Commissioning and Quality Executive (ICQEX) • Integrated Adults Partnership • Integrated Children’s Trust <p>There is also wider integrated partnership working across North Lincolnshire and the Humber including:</p> <ul style="list-style-type: none"> • Humber and North Yorkshire Health & Care Partnership • Humber Police and Crime Panel • Humber Bridge Board • Humberside Fire Authority 		
<p>Where the body commissions or procures services, how the body ensures that this is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits</p>	<p>The Commissioning and Procurement team lead on high value/high risk commissioning and procurement projects, liaising with service area leads, legal and wider project team members e.g. information governance as appropriate. In addition, support is provided through the service information available on TopDesk and through advice with a focus on outcome-based commissioning and specification:</p> <ul style="list-style-type: none"> • Contract Procedure Rules and exception process • Procurement support and guidance including corporate contract contacts • Contract management guidance and templates to support effective contract management and assurance that contracts are delivering against outcomes <p>Where contracts are managed in service areas, contract management reporting forms part of that service areas performance reporting with wider teams contributing to QPRs as appropriate.</p> <p>Contract management support through sharing of best practice, training opportunities, Procurement, Spend and Contract Management six monthly reporting.</p>	<p>Contract Procedure Rules</p> <p>Commissioning and Procurement TopDesk guidance templates</p> <p>Procurement, Spend and Contract Management report</p>	<p>Nina Torr</p>

Do any of the following situations apply?

Matter	Yes/No	Commentary	Key contact
Organisational change or transformation, including mergers or reorganisation	Yes	<p>Shaping for the Future organisational review to create capacity for enabling, progressive and sustainable development and transformation:</p> <p>Stages 1 and 2 created four new director posts, associated portfolios and 12 assistant director systems leadership roles (December 21 – March 22) with the principles of:</p> <ul style="list-style-type: none"> • Alignment of capacity to priorities and ambitions of the council plan • One council leadership • Shaping for agility and stability <p>Stage 3 is continuing in 2022 with accountable manager roles across the organisation following the principles established in the senior leadership phases.</p>	Pete Thorpe Assistant Directors
Outsourcing, or transfer to alternative delivery models, e.g. formal partnerships, mutual, social enterprises, joint ventures, or transferring services and functions back in-house/insourcing etc	No		Nina Torr
Major (new) capital projects	No	<p>The largest projects in-year are highways related. Relative to the size of schemes in the council's capital programme over the past few years these schemes are not unusually large.</p> <p>North Lincolnshire has been approved for the Future High Streets fund and is also in the priority list for the community renewal and levelling up funding – it is anticipated these may lead to major new capital projects in future years.</p>	Nina Torr
Commercial activities, such as investment or trading, where the organisation has not	No		

Matter	Yes/ No	Commentary	Key contact
considered the risks and benefits and is not managing those risks			
Debt restructuring, especially where this involves entering into unusual or complex forms of new borrowing, or is being used to finance unusual or complex schemes	No	All the council's long-term borrowing is with the PWLB. The legal framework the PWLB operates within requires it to recover the present value of all interest due on a loan as well as recovering the principal. In practice this means prematurely repaying most loans will result in a premium to pay which will be an in-year revenue cost. As such no debt rescheduling is planned.	Mark Kitching
Legislative/policy changes requiring a body to take on a significant new function(s)	Yes	<p>Further to the changes in relation to the pandemic a dedicated team has continued to maintain a legislation tracker shared with SLT updates and feeds into all service teams. There have been regular updates, briefings and involvement from Cabinet and all elected members.</p> <p>SLT monitor and contribute to legislation/policy changes and development through national, regional and sub-regional memberships e.g. LGA, ADCS, ADASS groups and service leads continue to monitor changes in legislation and best practice to build into delivery models as appropriate. Where these have financial implications, Finance Business Partners are included in planning; decisions that have a financial impact are subject to our established governance processes through business case development and delegated decision records.</p> <p>Examples include: Domestic Abuse safe accommodation support – from April 2021, Fair Cost of Care, Market sustainability and introduction of care cap.</p>	Becky McIntyre Nina Torr

This page is intentionally left blank

Audit Progress Report

North Lincolnshire Council

Audit Committee Sept 2022

Page 25



1. Audit Progress
2. National publications

Page 26

01

Section 01: **Audit Progress**

Audit progress

Purpose of this report

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

2020/21 audit

Before we certify closure of the 2020/21 audit we have one remaining responsibility which is to review the Council's Whole of Government Accounts (WGA) return. The National Audit Office (NAO) has now issued the group instructions, which determines the testing we are required to undertake. These guidelines state that full procedures are required for all bodies above the threshold (i.e. total assets (excluding PPE), total liabilities (excluding pensions), total income or total expenditure exceeding £2bn).

The guidelines also state the NAO may require assurances from auditors of some components that are below the audit threshold "by exception and when required". North Lincolnshire Council is a component that falls below the threshold. The NAO have set a deadline of 30 Sept 2022 for submitting the audited WGA return. We are, however, awaiting clarification of which components below the threshold require additional assurances and as such are unable finalise our work on the WGA return until this is received.

2021/22 audit

During March and April 2022 we substantially completed our initial planning work for the 2021/22 audit. We presented our Audit Strategy Memorandum to the July Audit Committee meeting, setting out the audit risks we identified in respect of the 2021/22 financial statements. There has been no change to our risk assessment since issuing our Audit Strategy Memorandum.

We received the Council's draft Accounts on 29 July 2022 and these were published on the Council's website by the 31 July statutory deadline. Our fieldwork is due to commence on 1 Oct 2022, with some preliminary work undertaken prior to this. We plan to report the findings from our audit to the November Audit Committee meeting. This, however, is subject to the resolution of a national technical issue in respect of accounting for infrastructure assets. Further information on this issue is included on page 7 of this report.

We plan to present our commentary on the Council's value for money arrangements within 3 months of issuing our opinion on the financial statements. Although our work on value for arrangements is not yet complete, we have not identified any risks of significant weakness to draw to your attention at this stage.

02

Section 02:

National publications

National publications

	Publication/update	Key points
Chartered Institute of Public Finance and Accountability (CIPFA)		
1	CIPFA LASAAC issues urgent consultation on Code of Practice – Infrastructure Assets	The CIPFA LASAAC Local Authority Code Board has released temporary proposals to update the Code of Practice on Local Authority Accounting in the United Kingdom for infrastructure assets.
2	Updated statement on the deferral of IFRS 16 leases	Following its emergency consultation on proposals for changing the Code of Practice on Local Authority Accounting in the United Kingdom, CIPFA LASAAC issued its preliminary decision and feedback statement.
3	Local Authority Controlled Companies: a good practice guide	A good practice guide due to be published in May 2022; highlighted for potential interest to Committee Members, noting the full guide needs to be purchased.
Department for Levelling Up, Housing and Communities		
4	Creation of the Audit Reporting and Governance Authority	A new regulator, the Audit Reporting and Governance Authority (ARGA), to be established as the system leader for local audit within a new, simplified local audit framework.
National Audit Office (NAO)		
5	Audit and Assurance Committee effectiveness tool	NAO's effectiveness tool provides a way for ARACs to assess their effectiveness
Public Sector Audit Appointments Ltd		
6	Annual Quality Monitoring Report 2019/20	This covers the work of local auditors appointed by PSAA for the 2019/20 financial year. The report provides information from PSAA's quality monitoring arrangements throughout the year, survey results and findings from professional regulation and contractual compliance. The report details how the Financial Reporting Council reviewed four Mazars financial statements audits and all were assessed as meeting the required standard.

Page 30

NATIONAL PUBLICATIONS

CIPFA

1. CIPFA LASAAC issues urgent consultation on Code of Practice – Infrastructure Assets – May 2022

The issue of accounting for infrastructure assets is a technical accounting one, and arises principally because of information availability relating to these assets.

Accounting for infrastructure in local government has not historically been considered to be an area of significant audit risk, due to the inalienable nature of the assets and the use of a historical cost basis of accounting. However, concerns have been raised that some authorities are not applying component accounting requirements appropriately. The issue raised is in relation to the derecognition (removal of the carrying amount) of parts of infrastructure assets when replacement expenditure is undertaken. There are also related issues for the reporting of gross historical cost and accumulated depreciation. Infrastructure assets are one of the few categories of property, plant and equipment assets measured at historical cost rather than at 'current value'. The valuation process for these assets was deemed to be too costly and, therefore, infrastructure assets are held in local authority balance sheets at depreciated historical cost.

Normal custom and practice for (highways) infrastructure assets is that derecognition does not affect asset balances because the assets are expected to have been fully used up before the replacement expenditure takes place; this does require that assets are properly depreciated in line with the requirements of the Accounting Code. This issue arises in part because of limitations on historical information relating to when the assets were first recorded on balance sheets in the early 1990s, and where there have been transfers of assets because of local authority reorganisations. It is also extremely difficult to clearly identify the parts of the assets which are being replaced.

The CIPFA LASAAC Local Authority Code Board has released temporary proposals to update the Code of Practice on Local Authority Accounting in the United Kingdom for infrastructure assets. An urgent consultation on these proposals closed on 14 June 2022.

The temporary proposals address the above issue regarding the derecognition of parts of local authority infrastructure assets as they are replaced. CIPFA LASAAC and CIPFA established a Task and Finish Group to find a solution to this issue and consider the outcome of any proposed changes to the code. Following advice from the Task and Finish Group, CIPFA LASAAC has now issued temporary proposals for changes to the code relating to how these issues are reported. They include:

- confirming the accounting consequences of derecognition, e.g. that the effect on the carrying amount is nil (on a presumption that the replaced parts are fully depreciated);
- temporarily adapting the code to remove the reporting requirements for gross historical cost and accumulated depreciation
- providing extra guidance on how depreciation may be applied for infrastructure assets
- CIPFA LASAAC will consult on a longer-term solution later in the year.

<https://www.cipfa.org/policy-and-guidance/urgent-task-and-finish-group-local-authority-infrastructure-assets>

NATIONAL PUBLICATIONS

CIPFA

2. Updated statement on the deferral of IFRS 16 leases – April 2022

Following its emergency consultation on exploratory proposals for changing the Code of Practice on Local Authority Accounting in the United Kingdom, CIPFA LASAAC issued its preliminary decision and feedback statement. This preliminary decision was subsequently considered by the government's Financial Reporting Advisory Board (FRAB). FRAB advised CIPFA LASAAC that it agreed with the deferral of IFRS 16 Leases until 1 April 2024. FRAB also advised CIPFA LASAAC that the Code had to allow and should encourage local authorities to adopt the standard before this date should they wish to.

CIPFA LASAAC has therefore followed its preliminary decision with its formal decision: to defer the implementation of IFRS 16 until 1 April 2024 (and therefore in the 2024/25 Code). However, both the 2022/23 and the 2023/24 Codes will allow for adoption as of 1 April 2022 or 2023. CIPFA LASAAC would note that the 2022/23 Code has not yet completed its due process so local authorities should follow the CIPFA LASAAC pages of the website for further updates. Formal due process for the Code by LASAAC and by CIPFA's Public Financial Management Board is anticipated to be complete by the third week in April.

<https://www.cipfa.org/about-cipfa/press-office/latest-press-releases/updated-statement-on-the-deferral-of-ifrs-16-leases>

3. CIPFA Local Authority Controlled Companies: a good practice guide, May 2022

In recent years, the potential risk associated with local authority trading companies and joint ventures has increased. Nothing is risk free, but it is important to learn lessons from others and access support.

This guide aims to assist local authorities by setting out and highlighting existing best practice. It focuses on identifying organisational goals, the process to find the right option to achieve that goal and how to structure the organisation for success.

<https://www.cipfa.org/policy-and-guidance/publications//local-authority-owned-companies-a-good-practice-guide>

NATIONAL PUBLICATIONS

Department for Levelling Up, Housing and Communities

4. Creation of the Audit Reporting and Governance Authority – May 2022

Plans to ensure councils and local bodies are delivering value for money for taxpayers, strengthening council finances and reducing risk to public funds have been published by the government.

The government consultation response confirms plans to establish a new regulator, the Audit Reporting and Governance Authority (ARGA), as the system leader for local audit within a new, simplified local audit framework.

Ahead of ARGA's establishment, a shadow system leader arrangement will start at the Financial Reporting Council (FRC) from September 2022. This will be led by Neil Harris, who joins as the FRC's first Director of Local Audit to start up a dedicated local audit unit.

The Department for Levelling Up, Housing and Communities has been acting as interim system leader since July 2021, when it established and took the chair of the Liaison Committee of senior local audit stakeholders.

Work has already begun to address the challenges facing local audit with the government announcing a series of measures to improve local audit delays in December 2021.

The consultation response also announces plans to make audit committees compulsory for all councils, with each audit committee required to include at least one independent member. This will create greater transparency and consistency across local bodies.

The announcement comes as government today set out its wider plans to revamp the UK's corporate reporting and audit regime through a new regulator, greater accountability for big business and by addressing the dominance of the Big Four audit firms.

The government continues to work closely with stakeholders, including local bodies and audit firms, to refine proposals for implementing our commitments around system leadership, as well the range of other commitments we have made in response to the Redmond Review.

<https://www.gov.uk/government/news/greater-transparency-and-value-for-money-for-council-finance-system>

NATIONAL PUBLICATIONS

National Audit Office

5. Audit and Risk Assurance Committee effectiveness tool – May 2022

Audit and Risk Assurance Committees (ARACs) play a crucial role in supporting the effective governance of central government departments, their agencies and arm's-length bodies.

ARACs are operating in a highly challenging context. Government organisations are managing many short- and long-term risks and are required to be resilient to a number of pressures. This has created an environment where ARACs need to be dynamic and responsive to the changing risk profiles and demands of their organisations. ARACs can see this as an opportunity to work out how they can most proactively work with the Board and accounting officer.

Against this background, NAO's effectiveness tool provides a way for ARACs to assess their effectiveness against more than just the basic requirements. It provides aspects of good practice to give ARACs greater confidence and the opportunity to meet the requirements of their role.

The effectiveness tool is a comprehensive way for ARACs in central government to assess their effectiveness on a regular basis.

<https://www.nao.org.uk/report/audit-and-risk-assurance-committee-effectiveness-tool/>

NATIONAL PUBLICATIONS

Public Sector Audit Appointments Ltd

6. Annual Quality Monitoring Report 2019/20 – April 2022

This covers the work of local auditors appointed by PSAA for the 2019/20 financial year, which was undertaken during a difficult time for all concerned. The systemic issues that were highlighted in Sir Tony Redmond's Review continued and were compounded by the pandemic.

In September 2020 Sir Tony Redmond's review of local authority financial reporting and external audit was published. The report highlighted the significant challenges and turbulence within the new system of local audit, emphasising that at present local government audit is under-resourced, undervalued and is not having impact in the right areas. The report made a number of recommendations in relation to external audit regulation, smaller authorities' audit regulation, the financial resilience of local authorities and the transparency of financial reporting.

In December 2020 the Ministry of Housing, Communities and Local Government (MHCLG) delivered its initial response to the Redmond Review setting out proposed actions to implement the majority of the recommendations made in the report. This was followed by a further announcement in May 2021 which proposed that the Audit, Reporting and Governance Authority (ARGA) would carry out the hugely important role of the local audit systems leader. ARGA is the new regulator being established to replace the FRC and will contain a dedicated local audit unit which will play a key leadership and coordination role in the local audit framework. MHCLG consulted in Summer 2021 on how the new arrangements would function.

The next year is likely to continue to be very challenging for all involved in local audit, but DLUHC (formerly MHCLG) will take forward and refine its proposals in its role as interim systems leader until ARGA is created, and the FRC will create a local audit unit in shadow form.

The problems that Sir Tony Redmond reported on continue to impact significantly on the timely completion of local government audits. Only 45% of audit opinions were completed by the publishing date of 30 November 2020, compared with 58% in the previous year. This has now fallen even further with only 9% for 2020/21 audits of financial statement opinions completed (noting the reversion to a 30 September publishing date). Delayed audit opinions have a real public-facing impact, undermining the ability of local bodies to account effectively for their stewardship of public money to taxpayers. It is imperative that the whole system works together to restore timely completion of audits in order to rebuild public confidence and trust, especially as the lack of a statutory deadline for the audit opinion means that co-operation is essential to make the system work as the public has the right to expect it to.

<https://www.psa.co.uk/managing-audit-quality/annual-audit-quality-reports-from-2018-19/annual-reports/audit-quality-monitoring-report-2019-20/>

Contact

Mazars

Partner: Mark Kirkham

Email: mark.kirkham@mazars.co.uk

Manager: Louise Stables

Email: louise.stables@mazars.co.uk

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.

www.mazars.com

Follow us:

LinkedIn:

www.linkedin.com/company/Mazars

Twitter:

www.twitter.com/MazarsGroup

Facebook:

www.facebook.com/MazarsGroup

Instagram:

www.instagram.com/MazarsGroup

WeChat:

ID: Mazars

NORTH LINCOLNSHIRE COUNCIL

AUDIT COMMITTEE

DRAFT ANNUAL GOVERNANCE STATEMENT 2021-22

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 To present the draft Annual Governance Statement (AGS) 2021/22 for Members consideration, as well as providing assurance on the effectiveness of the council's 's governance and internal control arrangements.
- 1.2 The key message from this report is that the AGS shows that the council has well-established governance arrangements and no significant governance issues have been identified.

2. BACKGROUND INFORMATION

- 2.1 The AGS sets out the council's governance arrangements in place and considers their effectiveness. The arrangements are set out in its Code of Governance which was updated in February 2022 and subsequently approved by the Audit Committee in March 2022. The Code is based upon guidance provided by the Chartered Institute for Public Finance and Accountancy (CIPFA) and the Society for Local Government Chief Executives (SOLACE) "Delivering Good Governance in Local Government – a framework" (April 2016).
- 2.2 The three lines of assurance model is central to the review of effectiveness of the council's governance arrangements as follows:
 - First Line – delivery/operational area. Sources of evidence include functional service area assurance frameworks, and reports to the Executive, the Overview and Scrutiny and Committees.
 - Second Line - oversight of management activity and separate from those responsible for delivery. Sources of evidence include assurance from senior officers responsible for organisational level policies and procedures including HR, Finance and Legal and a range of reports produced annually or throughout the year which provide assurance form a second line perspective.
 - Third line - independent oversight. Sources of evidence include Internal Audit reports, External Audit reports, external and regulatory assessments, or inspections.

- 2.3 The draft AGS 2021/22 is attached (appendix A) and shows that the council has well-established governance arrangements that are monitored and reviewed on a regular basis. Although there were no significant governance issues identified, during 2021/22 a number of issues have arisen relating to breaches of information governance and data protection and two cases necessitated self-reporting to the ICO. The ICO however are satisfied with the council's response.
- 2.4 This conclusion will be updated should any significant issues arise between the date of draft report and the completion of the external audit. When the Committee receives the audited accounts, it will also receive the final version of the AGS.

3. OPTIONS FOR CONSIDERATION

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

4. ANALYSIS OF OPTIONS

- 4.1 The AGS is designed to deliver an overall opinion upon the adequacy of governance arrangements throughout the council.
- 4.2 Members should seek clarification on its contents as necessary to ensure the AGS provides sufficient assurance to fulfil their role as set out in the Committee's terms of reference

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

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

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

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

7. OUTCOMES OF INTEGRATED IMPACT ASSESSMENT (IF APPLICABLE)

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

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

8.1 There are no conflicts of interests to declare.

9. **RECOMMENDATIONS**

9.1 That the Audit Committee considers whether the draft AGS provides a sufficient level of assurance on the adequacy of the council's governance arrangements to allow the committee to fulfil its role, and for it to recommend that the council adopts the AGS.

DIRECTOR: GOVERNANCE AND COMMUNITIES

Church Square House
SCUNTHORPE
North Lincolnshire

Author: Caroline Wilson
Date: 08 September 2022

Background Papers:

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

Code of Governance March 2022

This page is intentionally left blank

SAFE WELL PROSPEROUS CONNECTED

ANNUAL GOVERNANCE STATEMENT

Draft

2021-2022

**North
Lincolnshire
Council**

www.northlincs.gov.uk

Executive Summary

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

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

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

The Annual Governance Statement 2021-2022 concludes that there are no significant governance issues that have arisen during the year which require specific reporting, apart from the exceptional circumstances of Covid-19.

Becky McIntyre

Director Governance and Communities

15 August 2022

1. Council's responsibility for good governance

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

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

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

2. Council's Governance Framework

The council's governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled and those activities through which it accounts to, engages with and leads its communities.

It enables the council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services, achievement of desired outcomes and value for money. Key elements of the council's framework are:

- [The Council's Constitution](#) - sets out how the council operates and how it makes decisions. The Constitution says what the council must do to make decisions efficiently, transparently and accountably. Periodic reviews of the Constitution are undertaken to ensure alignment with the Council Plan and strategic objectives as well as incorporating legislative change and developments in case law. Any major changes to the Constitution are reported to Full Council by the Monitoring Officer.
- [Council Plan 2022-2025](#) - approved by Full Council on 18 May 2022 and added to the policy framework. It sets out the priorities the council will focus on and the way it will work in order to deliver better outcomes across North Lincolnshire.
- The system of internal control, which is set by the council's local code of corporate governance and is based on the seven principles detailed below. It ensures that the council carries out its functions in a way that demonstrates accountability, transparency, effectiveness, integrity, impartiality and inclusivity. This is an on-going process designed to identify and prioritise the risks to the achievement of the council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.
 - 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 optimise the achievement of the intended outcomes
 - Developing the entity's capacity, including the capability of its leadership and the individuals within it
 - Managing risks and performance through robust internal control and strong public financial management
 - Implementing good practices in transparency, reporting, and audit to deliver effective accountability

3. Review of effectiveness of governance arrangements

The council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review relates to the governance framework which has been in place at North Lincolnshire Council for the year ended 31 March 2022 and up to the date of approval of the Statement of Accounts. Any issues identified as a significant governance issue are reported within the AGS, and the progress made by management in 2021-2022 to address these issues will be reported regularly to the Audit Committee as the body charged with governance.

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

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

First Line – (delivery/operational area)

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

Self-assessment at Assistant Director level identifies how assurances are sought to confirm that the services and functions they are responsible for, comply with each of the seven principles. Directors use these to inform their assurance statements within the overall assurance framework. Issues identified at this level include:

- The Adults and Health self-assessment identified a number of challenges moving forward, such as the long term service and funding sustainability, work force resilience, the implementation of statutory reform, and the introduction of a new Care Quality Commission framework.
- There was an overall budget pressure across Adults and Health for 2021-2022 due to ongoing Covid-19 related costs and the sustained impact on health and social care. This was proactively managed throughout the year utilising all available grant funding.
- Recruitment of solicitors with knowledge and experience of Adult Social Care has been a challenge in year, prolonging the need to use agency solicitors which is not sustainable. A solution being progressed is to recruit non-qualified staff into career progression roles to qualify as solicitors.

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

- The 'Proud to Care Campaign' has supported recruitment across the social care sector, raising the profile of working in care.
- Embedding new fleet compliance arrangements, ensuring previously identified issues have been addressed.
- Decisions with financial implications taken outside of the budget process are supported by a financial challenge to ensure costs, income and funding are fully considered, understood and accounted for when the decision is taken.
- Whistleblowing policy, process and recording have been reviewed, including communications and training for managers.

- The implementation and review of guidance in relation to Covid-19 and adjusting practice guidance and current working practices at a council wide level, to ensure requirements were met.
- The Children and Families Voice and Engagement governance arrangements have been reviewed and refreshed and the Children and Families Voice and Engagement Steering Group and Operational Group are now in place to provide forums to oversee and co-ordinate all engagement activity across Children and Families and to consider its impact and outcomes.
- The terms of reference for Committees, Cabinet and Cabinet Member delegations and Scheme of Officer delegations and Proper Officer appointments were all reviewed and approved by full Council.
- The Council's Code of Member Conduct was reviewed and approved by full Council following publication of the LGA Model Code of Conduct. A copy of the revised Code has been provided to all town and parish councils.
- The Council's Contract Procedure Rules were reviewed and updated to account for best practice and enable electronic signing and sealing of contracts and with approval by full Council.

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

- ***Children in Care and Care Leaver Virtual School Headteacher Annual Report 2021*** – reported to Cabinet Children and Families Cabinet Member 10 January 2022. The role of the Virtual School is to promote the educational achievement of children in care. The report provides an overview of the work undertaken to support children and young people throughout their journey and the impacts and successes over the past year.
- ***Local Safeguarding Adults Board Annual Report 2021/22*** – presented to Cabinet 24 January 2022 and Health and Wellbeing Board 21 March 2022. This sets out the activities and work undertaken by North Lincolnshire Safeguarding Adults Board and its members to deliver on the aims and objectives of its Strategic Plan.
- ***Independent Reviewing Service (IRS) Annual Report 2019/20*** – presented to the Children and Families Cabinet Member 9 November 2021. It focuses on the IROs for Looked After Children and sets out a range of information about the service, including the extent to which it complies with regulation and best practice.
- ***Special Education Needs and Disabilities (SEND) Inclusion Plan Annual Report 2019/20*** – reported to Health and Wellbeing Board 21 March 2022. The report summarises work undertaken by the council and its partners to implement the SEND Inclusion Plan and also highlights achievements. No issues were identified.
- ***Annual Report of Local Arrangements to Safeguard and Promote the Welfare of Children and Young People 2020/21***– reported to Cabinet 24 January 2022. The report demonstrates that the local arrangements:

- effectively meets statutory obligations
 - benefits from strong and consistent leadership
 - has made good progress against its 'shine a light' areas of focus
 - listens and responds to the voices of children and young people
- ***Fostering Annual Business Report 2020/21*** – reported to Children and Families Cabinet Member 9 November 2021. The business report provides the Cabinet Member with information and assurance regarding the effectiveness of the fostering service in North Lincolnshire and the outcomes achieved for children.
 - ***Annual report – An Account of Adult Social Care Services 2020/21*** – reported to Cabinet 22 November 2021. Informs local people what the Council has been doing over the past year, how they have supported people to meet their outcomes, key developments and sets areas of focus for the coming year.

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

The council's Assurance Group receive a quarterly overview which provides an update on the position against a set of criteria, which help identify whether the council is fulfilling its duties as an organisation and employer. Assurance is evaluated using information and data including management sign-off of critical functions and by referencing specific performance measures.

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

- ***Assurance provided by the Monitoring Officer in relation to operating within the rule of the law and constitutional arrangements including member code of conduct*** – Having reviewed existing controls mechanisms, procedures and evaluation processes within the Monitoring Officer's areas of responsibility, no significant concerns have been identified. During 2021-21, no judicial reviews were issued against Council decisions; no costs were awarded against the Council in litigation and all council prosecutions were successful and issued in accordance with statutory timescales. Additionally, a review of the council's Members' Code of Conduct was carried out during the year with recommendations approved by Council in December 2021. Although recruitment into the service remains an issue, the council continues to benefit from sound legal advice.
- ***Assurance provided by the Head of Human Resources and Organisational Development in respect of human resources policy frameworks and arrangements, including organisational health and safety*** – Across both human resource and health and safety (H&S) related matters, no issues have been raised. The H&S team use recognised sources of information to ensure that statutory obligations are met, staff keep abreast of changes in legislation and local/national updates and the council's differing working environments and work styles are regularly monitored, recorded and evaluated for risk (including Covid-19 related considerations).

Human resource related policies are reviewed to ensure compliance with relevant legislation. New staff are inducted appropriately and all staff receive on-going training and awareness packages to ensure continued compliance with employment legislation, with on-going support and guidance available.

- **Assurance provided by the Deputy S151 Officer on Finance and Procurement policy and procedures** - the service applies a Business Partnering Model as its main method of engaging with service users to ensure robust budget and financial management and has also adopted a Resource Accountability Framework (RAF) which describes the relevant tasks and responsibilities required in effective financial management. The council's Contract and Procurement Procedure Rules (CPPRs) are reviewed annually to ensure they remain aligned to legislative and best practice updates. During 2021-2022 Internal Audit reviewed: The role of the Chief Finance Officer; Income Controls; Creditors, Debtors and eFinancials and Treasury Management; reporting substantial assurance in all cases. During the year the council operated within its set budget and no challenges to procurement processes were received.
- **Assurance provided by the Information Governance/Data Protection Officer on information governance arrangements** – the Council continues to meet the demands of external assessments, with the most significant being the annual NHS Data Security and Protection Self-Assessment. A programme of mandatory Information Governance training is provided for all staff, including new starters, and take-up is high. Reviews are conducted when there are changes to legislation or national good practice, when internal process or system changes take place and when incidents occur. During 2021-2022, three breaches were reported to the Information Commissioner with two requiring no further action and the outcome of the third awaited. Consequently, a high level of assurance exists that current policies and procedures support robust Information Governance and Data Protection across the council.
- **Assurance provided by the Business Performance and Improvement Manager on performance management arrangements** - the council has a performance management framework which sets out the approach that is used to assess progress and to measure success and lays out the foundations and approach locally to performance management. The council assurance group and senior leadership team receive quarterly performance reports which focus on matters of exception and the contextual narrative behind the data. This provides assurance that council is managing performance and can demonstrate that it is fulfilling its duties as an organisation and employer and is actively ensuring that it meets nationally laid down standards. Performance is monitored closely within service areas and therefore any areas of concern are identified at an early stage, the reasons understood and remedial action taken.
- **Annual Report of the Audit Committee 2021/22** – this was presented to the Audit Committee 13 July 2022. It summarises the activities of the Committee and demonstrates how it has discharged its duties. It also reports on the outcome of the Audit Committee's self-assessment against good practice. No issues of non-compliance were identified.

- **Annual Information Governance Update** – this was presented to the Audit Committee 13 July 2022 and outlines the key Information Governance activities undertaken by the Council in 2021. It provides assurance that the Council, across all of its work areas and functions, remains compliant with its legal obligations and follows good practice. Three incidents met the criteria requiring reporting to the Information Commissioner’s Office (ICO), who determined that no further action was necessary in two cases.
- **Annual Report of the Standards Committee 2021/22** – received by the Standards Committee on 14 July 2022. The annual report highlights the work of the Committee over the period and outcomes from complaints made against the Code of Conduct. Although the number of complaints received has increased, the report does not identify any particular emerging themes or concerns and the Code of Conduct remains fit for purpose.
- **Attendance Management Annual Review** – reported to Audit Committee 13 July 2022. The report provided an analysis of 2021-2022 sickness absence and key activities that have taken place to support good levels of attendance and reducing sickness absence and that no systemic issues prevail.
- **Fraud Annual Report** - reported to the Audit Committee 23 March 2022. It highlights the work that has been undertaken for the prevention and detection of fraud, corruption and financial misconduct in 2021-2022. The report highlights the work undertaken in relation to business grants, council tax single residency discounts, school admissions and internal allegations. No major frauds were reported.
- **Risk Management Annual Update Report** – reported to the Audit Committee 23 March 2022. The report highlighted the work that has been undertaken in relation to risk management, together with an update on the council’s strategic and operational risk registers. The report concluded that arrangements for managing risk within the council are appropriate and there is evidence that risk is taken seriously. There is also an understanding of the need to get risk management right and to ensure consistent implementation of the risk management framework.
- **Regulation of Investigatory Powers (RIPA) 2000 Update** – reported to Cabinet on 24th January 2022 on the extent to which the council had applied such powers during 2021-2021 and highlighted that best practice had been followed.
- **Treasury Management Annual Review** – reported to Audit Committee 13 July 2022. This report provides details of the Council’s treasury arrangements, activity and performance during 2021-2022.
- **Treasury Management Strategy and Practices** - reported to Audit Committee 26 January 2022. The Statement aligned with Treasury Management regulations and no material breaches were reported.

- **Youth Council and Young Voice Annual Report** – reported to Cabinet 20 November 2022. This highlights the work undertaken across the Youth Council and wider young voice activities and outlines the impact and outcomes of engagement, predominantly at a service, local, regional and national level. It also sets areas of focus for the coming year. No issues were identified.

Third line (independent oversight)

Head of Internal Audit Annual Report and Opinion 2021-2022

Presented to the Audit Committee on 13 July 2022, the Head of Internal Audit Report provided an overall opinion of satisfactory assurance on the effectiveness of the Council's control framework. The report highlighted that the audit programme identified that capacity within support services as an emerging risk that could potentially impact on the operation of the control environment in future years. It also noted that some developments had been made in the role of scrutiny and this needs to continue.

External Audit

The External Auditor's opinion on the Statement of the Accounts and the Value of Money arrangements is due to be provided by 30 November 2022.

Ofsted

- Adult Community Learning full inspection monitoring in September 2021 – 'Good'
- The Cygnets full inspection in October 2021 – 'Outstanding'
- Joint inspection between OFSTED and Care Quality Commission (CQC) of the local area's provision for children and young people with SEND in December 2021. No judgement was provided, however the report was positive and it was noted that, "... the local area takes purposeful action to address the needs of children with SEND at an early stage."

Other External Inspections/Assessments

Other external inspections and verifications carried out in 2021-2022 are listed below together with their ratings:

- Sexual health inspected January 2022 and rated as 'Outstanding'. (This is a commissioned service and the positive rating points towards the quality of management and oversight of commissioned and contracted services).
- Highways Incentive Fund – Band Three achieved.
- Green Flag Status – Five green spaces/parks meet standards.
- Institute of Cemetery and Crematorium Management Charter for the Bereaved.
- Public Services Network (PSN) – Compliant.
- Gateway Qualifications External Quality Assurer (EQA) Visit: English for Speakers of Other Languages (ESOL) Writing and Reading, - Positive visit with a few actions provided to further improve practice.

- National Council for Further Education (NCFE) CACHE EQA Visit: Level 2 Certificates in Principles of Customer Service, Team Leading and Business Administration - all judgements marked as excellent.
- The terms of reference for Committees, Cabinet and Cabinet Member delegations and Scheme of Officer delegations and Proper Officer appointments were all reviewed and approved by full Council following validation by specialist external solicitors.

Local Government and Social Care Ombudsman

The Ombudsman is responsible for independently investigating complaints that have not been resolved by the organisation. The Annual Letter of the Ombudsman was received in July 2022 and provides a positive narrative about how the council responds to customer complaints.

4. Covid-19

During the year the council has continued to apply the principles of the Covid-19 Mid-Term Recovery Plan in its response and recovery in line with the national guidance. During the course of 2021, a series of Covid-19 recovery update reports were presented to both full Council and Cabinet. These provided assurance that the council's response to a changing operating environment was effective and in turn, progress and achievements in responding to and recovering from Covid-19 were detailed. Particular highlights include:

- Development of the local 'Living with Covid Framework' which sets out the workspace offer to our workforce depending on the current Covid-19 risk level and its impact on workforce resilience.
- Effective implementation and roll out of vaccination programme through partnership approach.
- Continued to run outreach sessions to increase vaccine take up in traditionally hard-to-reach groups.
- North Lincolnshire's integrated approach to the Community Testing Programme, Contact Tracing and Vaccination Outreach has been recognised by the UK Health Security Agency as exceptional.
- Launched public-facing 'North Lincolnshire Covid-19 Daily Report' on the Council website, enabling people to see if rates of infection are high in their area, or in an age group that they mix with.
- Launched various initiatives to support recruitment and retention in the care sector, including the 'Proud to Care' campaign, the development of a 'Proud to Care Recruitment Hub' and a paid 'Introduction to Care' training programme.
- Continued to offer a hybrid approach to engaging with children and families (while maintaining our statutory responsibilities) including face to face and virtual mechanisms, to best meet their needs and circumstances.
- Delivered five units of accommodation for rough sleepers, with a further four units of accommodation due to be completed in 2022-23.
- Saw four projects awarded a total of £1.3m from the Community Resilience Fund to help boost local skills and growth.

- Delivered £0.9m of Omicron Hospitality and Leisure Grants (OHLG) to 290 eligible businesses, while continuing to distribute Additional Restrictions Grant (ARG) funding.
- The 18-24 Youth Hub engaged with 46 young people since the start of December 2021, of which 85% have gone into work. The Youth Hub has contributed, along with Kickstart, to reducing youth unemployment in North Lincolnshire from 12.7% before the pandemic to 3.4% in February 2022.
- Covid-19 Local Support Grant Funding provided food vouchers for a range of groups (including care leavers and families in low-income households with pre-school children) over the Christmas and Easter holidays.

5. Governance Challenges

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

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

- It has seriously prejudiced or prevented achievement of a principal objective.
- It has resulted in the need to seek additional funding to allow it to be resolved.
- It has required a significant diversion of resources.
- It has had a material impact on the accounts.
- It has been identified by the Audit Committee as significant.
- It has resulted in significant public interest or has seriously damaged reputation.
- It has resulted in formal actions being taken by the Section 151 Officer or Monitoring Officer.
- It has received significant adverse commentary in external or internal inspection reports that has not been able to be addressed in a timely manner.

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

Required improvements in governance arrangements identified at an operational level (first line) and/or second line will continue to be monitored through the Council's Assurance processes.

6. Governance Risks 2020-2021

The following risks were reported in the 2020-2021 AGS. As part of the compilation of the AGS for 2021-2022 the current position in relation to these areas was reviewed and consideration was made as to whether they remain a risk through into 2022-2023.

- The financial impact of Covid-19 on the council during 2020-2021 could be met by the additional funding made available by government. Overall, the net additional cost amounted to £27m (18% of the approved budget). However, the approach taken whilst responding effectively to additional responsibilities mitigated against creating longer term legacy costs or demand and making use of redirected internal resources to minimise costs. This approach contributes to financial resilience for 2021-2022 and beyond as it is anticipated that the longer-term impacts of Covid-19 will require re-prioritisation of investment. An exercise has commenced to review the financial sustainability and assess the medium-term financial plan with adapted assumptions on funding and spend. In addition, the review and renewal of the Council Plan and Health and Wellbeing Strategy will take account of the impact of Covid and prioritise recovery and renewal focus on mitigation and reduction of inequalities

Response: Medium Term Financial Plan 2022-2025 which forecast the ongoing financial impact of Covid-19, noted the council's financial resilience and was approved by Council in February 2022. Over the course of 2021, a series of Covid-19 recovery update reports were presented to both full Council and Cabinet. These provided assurance that the council's response to a changing operating environment was effective and in turn, progress and achievements in responding to and recovering from Covid-19 were highlighted. The Council Plan 2022-2025, was framed within the context of recovery and renewal from the pandemic to support increased levels of resilience across all communities.

- At an organisational level there have been changes within the council's statutory roles. Following the retirement of three chief officers, a successful recruitment exercise has completed to appoint a new Chief Executive; while interim arrangements are in place relating to the roles of Director of Children's Services and Director of Public Health.

Response: All senior and statutory roles have now been recruited to and previous interim arrangements have been remedied.

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

Response: The Council as accountable body for Levelling Up Fund (LUF), Shared Prosperity Fund (SPF), Towns Fund (TF) and Future High Streets Fund (FHSF) has strengthened its governance arrangements incorporating LUF/SPF in the Towns Fund Board (private/public/community sector) – the programme board (internal programme management) and project lead assigned to each project. Full governance and lines of assurance are documented and have been approved by the board.

- The changes to NHS structures and the development of Integrated Care Systems (ICS) will also impact on local governance arrangements. The council are a key stakeholder in the development and design of the new ICS NHS body and place-based partnerships, including the transitional arrangement during 2021-2022.

Response: The place-based partnership has been established to take effect from 1st July 2022 and a NL Strategic intent has been agreed.

Governance Risks 2021-2022

During 2021-2022 a number of issues have arisen relating to breaches of information governance and data protection and two cases have necessitated self-reporting to the ICO. However, the ICO have been satisfied with the Council's response and on-going mitigation with a second case awaiting feedback from the ICO, although internal procedures have concluded with no significant risks identified.

There have been two incidences of administrative errors within council tax. One concerning a direct debit instalment date being taken earlier than scheduled and the other related to the energy rebate payment being made in error to Band E properties. Both were identified quickly and mitigating actions taken, including the recovery of the energy rebate paid in error. An independent learning review was conducted into the rebate matter which identified some key strengths in the way in which the rebate project was managed, along with a number of recommendations to consider to reduce the risks of similar difficulties and issues arising in the future. These have formed an action plan which is being worked through to ensure the internal control environment is effective as it can be.

An emerging issue relates to concerns regarding the ability to recruit and retain to professional positions across a number of areas in the council, such as social workers, legal services, planning and building control. Pro-active steps have been taken to recruit to the care sector, while shorter term arrangements are in place across other disciplines. The council's Organisational Development Plan is in renewal and will take on board such matters and with actions evaluated for their effectiveness.

Governance Risks 2022-2023 – The Present and the Future

The year ahead carries a number of significant challenges as a result of local, national and international matters. The council must consider these and evaluate the potential impacts and threats they possess to the fulfilment of the outcomes the council wants to achieve for the people and place of North Lincolnshire.

The on-going situation in Ukraine is contributing to a number of issues, including energy and food security (causing shortages of both commodities, rising prices and directly influencing rising inflation) and the need for a European-wide humanitarian response to provide safe haven for refugees fleeing conflict. The council's role in supporting refugees in all government schemes will continue. The Council must also be cognisant of the impact the rising cost of living will have on local communities and enabling individual and community resilience.

The level of inflation will have a significant impact on the Council's financial resilience. The medium-term financial plan for 2022-25 did not anticipate such high rates of inflation. Although the risk and transformation reserve was increased at the end of 2021-22 providing some level of additional resilience, a further review of the financial plans is being undertaken to identify the extent of the impact and identify mitigations that will ensure that the council remains financially sustainable in the medium term.

This year's AGS has noted that a number of areas within the council have struggled to recruit to professional positions. This gives rise to capacity challenges, which in times of rising demand and higher expectations, presents risks to current high levels of performance, customer satisfaction, budgets and the council's reputation. Solutions are being identified and will be supported by a refreshed workforce strategy and renewed Organisational Development Plan.

The council has been extremely successful in securing central government funding to transform the place of North Lincolnshire. As projects develop, a key focus must be on ensuring effective delivery to realise the impact of strengthened infrastructure and social fabric of North Lincolnshire. This will require the governance and oversight arrangements in place working effectively to evaluate and report on progress in a transparent and timely way.

There is significant national policy change in both Adult Social Care and Children's Services. The council has a strong record of keeping abreast of such changes; planning for and implementing them effectively. This will remain a key focus during 2022-2023.

NORTH LINCOLNSHIRE COUNCIL

AUDIT COMMITTEE

INTERNAL AUDIT PLAN 2022-23 UPDATE

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 To provide an update to the Audit Committee on the Internal Audit Plan 2022/23, and to provide an update on reports issued in final as part of the delivery of plan.

2. BACKGROUND INFORMATION

- 2.1 At the meeting of the Audit Committee held on 23 March 2022 the Head of Audit and Assurance presented the Internal Audit Plan 2023/23. The report provided an outline of the audit priorities and activities for 2022/23, how it will be delivered and resourced, a commentary on the methodology for its compilation, and assurance on compliance with auditing standards.
- 2.2 As reported, 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 can be factored into the Plan. It was reported that a final detailed plan will be shared with the Audit Committee later in the year.
- 2.3 The updated Audit Plan 2022/23 is attached (appendix 1). This shows a breakdown of the planned audit relating to strategic risks/ operational risks/ governance. As well as the assignments listed, the estimated time allocated to this area includes assignments carried forward for completion from the 2021/22 audit. In relation to the Plan overall, contingency has been reduced from the original 40 days to 30 days. This is to allow for additional time to be allocated to advisory work due to the time required to support the verification of Energy Rebates via the Council Tax system.
- 2.4 As Members of the Committee will be aware the audit plan is subject to regular review and amendment to take account of changes in the Council's risk profiles and priorities and the level of audit resources available. Internal Audit will report any significant changes to the plan to future meetings, and particularly present an Interim Audit Report in January. In relation to the work reported as at 31 August 2022 no specific areas of concerns have been identified.

3. OPTIONS FOR CONSIDERATION

3.1 In line with the PSIAS requirements, the Audit Committee to consider the updates to the Internal Audit plan, and to seek assurance that it continues to be produced on a proper basis and will provide sufficient assurance to form a reliable opinion on the Council's control environment.

3.2 The audit committee does not consider updates to the Internal Audit Plan.

4. ANALYSIS OF OPTIONS

4.1 This report provides an update to the Internal Audit Plan as required by the report approved by the Audit Committee on 23 March 2022.

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

5.1 As reported on 23 March 2022, the plans will be delivered from existing resources within the council's internal audit service, which is provided through a Shared Service, as well as a third-party specialist IT Audit support. The resource allocation is based upon assumptions about the design and operation of systems and processes; the co-operation of council staff with the audit process; and estimated vacancy and absence rates. The resource allocation will be reviewed periodically to take account of any changes in delivery and resources. Should the initial assumptions be subject to significant change then an update on the impact of any subsequent resourcing risks, and how they will be managed, will be reported to the Audit Committee

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

6.1 As reported on 23 March 2022, the compilation of the audit plan, and any updates and amendments to it, is based on risk with those areas with the potential biggest risk to an effective control environment being prioritised. The achievement of the Council's strategic outcomes, its legislative and regulatory responsibilities and the Council's risk register are all considered when compiling and updating the audit plan.

7. OUTCOMES OF INTEGRATED IMPACT ASSESSMENT (IF APPLICABLE)

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

8. OUTCOMES OF CONSULTATION AND CONFLICTS OF INTERESTS DECLARED

8.1 There are no conflicts of interests to declare in relation to this report

9. RECOMMENDATIONS

- 9.1 That the Audit Committee notes the updates to strategic risks/ operational risks/ governance section of the Internal Audit Plan 2022/23 and the outcome of work reported up to 31 August 2022.

DIRECTOR: GOVERNANCE AND COMMUNITIES

Church Square House
SCUNTHORPE
North Lincolnshire

Author: Peter Hanmer, Head of Audit and Assurance

Date: 09 September 2022

Background Papers:

Internal Audit Plan 2022/23- Audit Committee 23 March 2022

<https://northlincolnshire.moderngov.co.uk/documents/s9483/Internal%20Audit%20Plan%202022-23%20appendix.pdf>

This page is intentionally left blank

Appendix 1: Audit Plan 2022/23

	Brief outline	Leadership Team Member	Forecast Days
Delivery of strategic outcomes and good governance	A risk based programme of audit reviews to provide assurance on the governance arrangements in place to deliver key strategic and service outcomes efficiently and effectively and ensure compliance with laws and regulations		470
Adults workforce recruitment development and retention	Assurance on the councils approach to recruitment, training and development in relation to Adults are effective in retaining a sufficient workforce and business continuity	Adults and Health	
ASC - preparedness for Levy act changes	Assurance on the arrangements for managing the risk of changing funding to the council and the effective revision of local procedures for financial assessment and income collection	Governance & Communities and Adults and Health	
ASC debt recovery	Assurance on effective recovery processes following implementation of revised local procedures for the effective recovery of ASC debt	Governance & Communities and Adults and Health	
ASC direct payments	Assurance on the processes for increasing take up of direct payments by clients and representatives, further transition to preloaded cards solutions and prompt and effective assurance on spend to outcomes	Governance & Communities and Adults and Health	
Attendance Management	Assurance that schools and council work effectively to raise attendance following the pandemic and that systems are effective in addressing attendance issues promptly before intervention is required	Children and Families	
Baths Hall & Plowright Theatre	Assurance on the operation of the venues following transfer in-house from the external management company	Governance & Communities	
Bereavement Services	Assurance in relation to the effective and compliant delivery of bereavement services	Economy & Environment	
Capital programme	Assurance on the delivery of the capital programme in meeting identified outcomes	Governance & Communities	
Care provision sufficiency - housing for the vulnerable	Assurance that there is sufficient number and type of care provision in the market to ensure care and housing needs can be met effectively	Adults and Health	

	Brief outline	Leadership Team Member	Forecast Days
Carefirst replacement	Assurance on the processes for project managing any system change	Governance & Communities	
Children's Safeguarding Risks Outside The Home	Assurance on the developing framework and processes for identifying and managing all safeguarding risks our children face	Children and Families	
Children's Social Care placements	Assurance on the processes in place following the need for a Care Order resulting in a child looked after	Children and Families	
Children's disability social work team	Assurance on the procedures for case allocation and management in line with practice	Children and Families	
Community Asset Transfer	Assurance on the Council's arrangements for managing risk related to community asset transfers	Governance & Communities	
Community engagement and consultation	Assurance on the effectiveness of the Council's arrangements for	Governance & Communities	
Contaminated land	Assurance on the effectiveness of arrangements for compliance with legislation and mitigation of the risks associated with contaminated land	Economy & Environment	
Co-operative - green growth	Assurance on the effectiveness of governance arrangements for the new co-operative set up to manage green growth	Economy & Environment	
Council Plan/ performance management	Assurance on the implementation of the updated Council plan and the supporting performance management and data quality systems	Governance & Communities	
Cygnets and Kingfisher Lodge	Assurance on policy and practice being applied in settings is compliant with legislation and best practice	Children and Families	
Discharge of Mental Health Act	Assurance on the councils processes for meeting requirements set out in legislation	Adults and Health	
Domestic Abuse Act responsibilities	Assurance on the councils processes for meeting changed responsibilities in revised legislation	Adults and Health	
Elections	Assurance on the arrangements in place to manage the elections process in accordance with legislation	Governance & Communities	

	Brief outline	Leadership Team Member	Forecast Days
Enforcement - littering etc - external contract	Assurance on the effectiveness of arrangements and the monitoring of the external contract	Economy & Environment	
Environment / carbon reduction strategy delivery	Assurance of the implementation of "A Green Future: Our Plan For Positive Change" and the supporting performance management processes designed to support its delivery	Economy & Environment	
Event Planning	Assurance on the effectiveness of arrangements for managing potential risks around events, including the role of the Event Safety Advisory Group (ESAG)	Economy & Environment	
Fleet management	Assurance on the arrangements to meet statutory requirements and provide a safe and reliable fleet to support delivery of council services.	Economy & Environment	
Growing the Economy - Regeneration	Assurance on the governance arrangements to achieve the council's objective of growing the economy, concentrating on how the council is managing the risks relating to these high profile and externally funded projects	Economy & Environment	
Home Choice Lincs	In a joint audit with NELC provide assurance on the effectiveness of arrangements in relation to the maintenance of the housing register		
Integrated health care - Place partnerships	Assurance on the continued development of partnership arrangements at a local level with the NHS following on from the restructuring of the NHS anticipated	Adults and Health	
Libraries	Assurance on the effectiveness of the Council's approach to Libraries, including compliance with legislation	Governance & Communities	
Members allowances	Assurance on compliance with arrangements in place for payments and reporting of members allowances	Governance & Communities	
Neighbourhood Services - Devolution of verge cutting and public rights of way	Assurance on how any potential risks resulting from the devolution of verge cutting and public rights of way to town and parish councils are being managed	Economy & Environment	
Organisational Development	Assurance on the development of the Council's approach to organisational development	Economy & Environment	
Public Health	Assurance on the effectiveness of the arrangements for public health, including the joint pilot with NE Lincolnshire Council and Lincolnshire County Council	Public Health	

	Brief outline	Leadership Team Member	Forecast Days
Safeguarding - Liberty Protection Safeguards Implementation	Assurance on revised policy and practice following implementation of legislative change and supporting Code of Practice	Adults and Health	
School admissions and fair access	Assurance on the effectiveness of the arrangements for admissions, including compliance with fair access protocols	Children and Families	
School Financial Services	Assurance on the operation of the schools financial services function in providing support to schools and ensuring that schools maintain expected financial arrangements	Governance & Communities	
SEND - preparedness for launch of new inspection approach	Assurance on the arrangements being developed for a revised rated inspection regime of SEND	Children and Families	
SEND transport	Assurance on the safe and cost effective approaches to meeting transport needs of supported children	Children and Families	
Strategic Housing delivery	Assurance on the arrangements in place to ensure the delivery of the council's housing strategy, including the use of external funding	Economy & Environment	
Financial systems	Providing assurance on the design and operation of the fundamental financial systems, including on a cyclical basis those systems which feed into them. For 2021/22 particular emphasis on the operation of the controls relating to the systems introduced from April 2021	Governance and Communities	135
ICT	Providing assurance on the effectiveness of the Council's approach to ICT and Information governance, and key ICT systems.	Economy & Environment	45
Procurement and Contract Management	Providing assurance on the Council's procurement and contract management processes, including reviews of a sample of key procurement exercises	Governance & Communities	25
Probity and counter fraud	Proactive and reactive work to support the Council's approach to anti-fraud and corruption, to provide assurance on the controls in place designed to prevent fraud in areas of high risk		75

	Brief outline	Leadership Team Member	Forecast Days
Follow up	Follow up of previous actions via following up specific reports and sending reminders to managers about their outstanding actions, and receiving their responses		40
Schools	Provide assurance on the control environment within maintained schools based upon a cyclical	Children and Families	100
Advisory work	Providing advice and support on governance and internal control matters		60
Grants	Mandatory certification of grant claims, plus internal assurance where required or requested		60
Audit Management			75
Contingency			30
Total			1115

This page is intentionally left blank

Audit Assignment	Brief outline of scope	Director	Assurance	Residual Risk	Comments
Delivery of strategic outcomes and good governance					
Bereavement Services	Assurance in relation to the effective and compliant delivery of bereavement services	Economy & Environment	Substantial	Low	
Members allowances	Assurance on compliance with arrangements in place for payments and reporting of members allowances	Governance & Communities	Substantial	Low	
Care Leavers	Provide assurance on the effectiveness and compliance of the new inhouse arrangements	Children and Families	Substantial	Low	
Probity and counter fraud	Proactive and reactive work to support the Council's approach to anti-fraud and corruption, to provide assurance on the controls in place designed to prevent fraud in areas of high risk				
NFI					2022/2023 is data collection year for NFI with matches expected to be available from late January 2023. Outcomes from these matches will be reported in 2023/2024.
Debit/ Credit card spend	The audit provided assurance on whether controls are in place to meet key objectives and mitigate risks including: • expenditure is made using cards in line with the finance manual; • expenditure made is published for transparency.		Substantial	Low	
Z scores	The aim was to identify and review potential irregularities indicated by invoices having exceptional values compared with others for that supplier. Irregularities could include such issues as erroneous placing of decimal point, inefficient ordering or fraudulent activity.				No findings reported, any risks to be mitigated by new financial system process.
Schools	Provide assurance on the control environment within maintained schools based upon a cyclical programme of schools audits	Director of Children and Families			
Sir John Nelthorpe			Satisfactory	Low	
Grants					Reviews completed in relation to the Contained Outbreak Fund Management Fund (COMF), Household Support Grant and the Community Renewal Fund, and substance misuse additional grant . Based on the evidence provided to audit, expenditure was in line with the grant conditions

This page is intentionally left blank