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NORTH LINCOLNSHIRE COUNCIL

AUDIT COMMITTEE

10 April 2024

Chairman: Councillor Keith Vickers **Venue:** Room G01e/G02e
Church Square House
Scunthorpe
DN15 6NL

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 24 January 2024 as a correct record and authorise the chairman to sign. (Pages 1 - 6)
4. Internal Audit Report, including 2024-25 Audit Plan (Pages 7 - 58)
5. External Audit Progress Report - April 2024 - Report of Mazars (Pages 59 - 76)
6. Anti-Fraud Report 2023-24 (Pages 77 - 90)
7. Code Of Corporate Governance 2024 (Pages 91 - 110)
8. Any other items which the chairman decides are urgent by reasons of special circumstances which must be specified.

The public are likely to be excluded from the meeting for consideration of the following item on the grounds that it involves the likely disclosure of exempt information as defined in paragraph xx of Part 1 of Schedule 12A of the Local Government Act 1972.

9. Questions to the council's External Auditors and Head of Internal Audit and Assurance (if required)

Note: Reports are by the Director: Outcomes unless otherwise stated.

Public Document Pack Agenda Item 3

NORTH LINCOLNSHIRE COUNCIL

AUDIT COMMITTEE

24 January 2024

PRESENT: - Councillor K Vickers (Chairman)

Councillors T Foster (Vice-Chair), A Davison, H Yates, L Yeadon and D Wells

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

765 **SUBSTITUTIONS (IF ANY)** - Councillor Wells substituted for Councillor Clark.

766 **DECLARATIONS OF DISCLOSABLE PECUNIARY INTERESTS AND PERSONAL OR PERSONAL AND PREJUDICIAL INTERESTS (IF ANY)** - Councillor Wells declared a personal interest as he was a school governor.

767 **TO TAKE THE MINUTES OF THE MEETING HELD ON 22 NOVEMBER 2023 AS A CORRECT RECORD AND AUTHORISE THE CHAIRMAN TO SIGN** - That the minutes of the proceedings of the meeting held on 22 November 2023, having been printed and circulated amongst the members, be taken as read and correctly recorded and be signed by the Chairman, subject to the removal of the agreed paragraph from page 19.

768 **DRAFT TREASURY MANAGEMENT STRATEGY STATEMENT AND TREASURY MANAGEMENT PRACTICES** - The Director: Outcomes submitted the draft Treasury Management Strategy Statement (TMSS) and the Draft Treasury Management Practices (TMPs) prior to submission to Council for approval in February 2024.

The draft TMSS and TMPs for 2024-25 were attached to the report as an appendix.

The Strategy and TMPs had been developed in consultation with the council's treasury management advisors, Link Asset Services Ltd. The statement also incorporated the Investment Strategy.

Members heard that whilst the Council had appointed advisors to support effective treasury management arrangements, it was ultimately responsible for its treasury decisions and activity. Members were reminded that no treasury activity was without risk. The successful identification, monitoring and control of risk was therefore an important and integral element of treasury management activities.

Following the verbal update, the Chair facilitated a discussion between the Committee and the Director.

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Recommended to Council – That following consideration of the report and appendices, the draft Treasury Management Strategy Statement and the Draft Treasury Management Practices be approved.

769 **TREASURY MANAGEMENT QUARTER 3 REPORT 2023-24** - The Director: Outcomes submitted a report that provided an overview of the council's treasury performance during the first three months of 2023-24 and sets out national factors that affected the council's treasury activity.

The Director informed the meeting that the report fulfilled the council's legal obligation under the Local Government Act to have regard to both the CIPFA Code and the Department for Levelling Up, Housing and Communities (DLUHC). The Treasury Management Code of Practice 2021 stipulated that quarterly update reports on treasury management were required from 2023-24, providing assurance on the effectiveness of the council's treasury management arrangements.

The CIPFA Code sets out the following objectives for treasury management:

"It was important that treasury management policies adequately reflected risk and in particular security, liquidity and yield risk, in that order of importance. No treasury management transaction was without risk and management of risks was the key purpose of the treasury management strategy."

Members were reminded that Council agreed the Treasury Management Strategy Statement for 2023-24 in February 2023.

The Director informed the committee that –

- Interest rates had remained elevated during the year. The bank rate was expected to remain at the current 5.25% until June 2024, when a decrease to 5% was predicted. Rates were then expected to continue to reduce reaching 3% by December 2025.
- The Council aimed to achieve optimum return on its investments in accordance with its priorities of security, liquidity, and risk appetite. Investment returns to 31st December 2023 were £1.650m.
- Average investment balances during the quarter were £49.6m. The council remained in a position where it could meet its liabilities, while managing risks associated with carrying cash balances.
- The investment activity during the year conformed to the approved limits within the strategy, and the council had no liquidity difficulties.
- No new borrowing had taken place during the first quarter of the year.
- It was likely that further borrowing would be required towards the end of this financial year.

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The Chairman then facilitated a discussion between the Committee and the Director.

Resolved – (a) That the Treasury Management Quarter 3 report provided a sufficient level of assurance on the adequacy of the council’s Treasury Management arrangements, and it Committee considers the assurance provided by this report on the effectiveness of the arrangements for treasury management, and (b) that the treasury management activity during the first quarter of 2023-24 be noted.

770 **AUDIT PROGRESS REPORT - JANUARY 2024 - REPORT OF MAZARS -**
The Chairman welcomed a representative of the council’s External Auditors Mazars to the meeting and invited them to present the council’s audit progress report for January 2024.

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

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

Resolved – That the audit progress report for January 2024 be received with thanks.

771 **ACCOUNTING POLICIES 2023-24 -** The Director: Outcomes informed the meeting that the Code of Practice on Local Authority Accounting in the United Kingdom 2023-2024 (The Code) required each local authority to adopt accounting policies that set principles for recording financial transactions within the council’s accounts.

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

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

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

a) A de minimis level had been applied to the accrual of income and expenditure. The de minimis level had been applied to reduce the administration surrounding the accrual of income and expenditure, without materially affecting the accounts. For 2023/2024 the level remains unchanged from previous years, being set at £10,000, subject to justified exceptions e.g., where grant conditions applied

b) The council had set a de minimis level of £100,000 for inventories. Any

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inventories valued at less than £100,000 were not accounted for as inventories. This reduced administration and does not have a material effect on the accounts.

- c) Accruals were not processed for Housing Benefit Payments, Social Services Income for Home Care, Travel payments and supply Teachers and Property Rental Income. The accounts still contained 12 months activity.

Some of the standard accounting policies within the Code were not relevant to the council and in the interest of clarity, had been removed. e.g., References to Housing Revenue Account (HRA) sales and Private Finance Initiative (PFI) arrangements.

There had been no amendments to the accounting policies this financial year. It was proposed that delegated approval be given to the Director of Finance & s151 Officer (Interim) or the Chief Finance Officer to amend any existing policies during the production and audit of the financial statements. This allowed for amendments to be made which may be picked up during the audit. Any amendments to accounting policies would be reported back to this committee at the time of approving the audited version of the accounts.

Resolved – (a) That the accounting policies attached to the report as an appendix be approved, and (b) that members delegate to the Director of Finance and s151 Officer (Interim) or the Chief Finance Officer the power to make new accounting policies and amend existing policies as may become necessary in the production of the accounts or during the audit of the accounts, with any such changes being reported to the next meeting of this committee.

- 772 **STRATEGIC RISK REGISTER** - The Director: Outcomes circulated the council's newly formed Strategic Risk Register.

Members were informed that at a horizon scanning workshop, facilitated by the council's liability insurers Zurich Municipal, the following strategic risks were identified and adopted:

- Economic disruption through the loss of key business in the area (Economic)
- Inability to strategically plan long term investments and growth due to increasing costs (Economic)
- Employee retention and attraction to critical service areas where there were key person dependencies and or a legal duty or care (Social)
- Increasing health inequalities due to socio economic conditions resulting in additional pressure on front line council staff (Social)
- Lack of investment into organisation transformation resulting in insufficient systems and processes, increasing the risk of data loss or cyber attacks (Technological)
- Lack of a cohesive strategy and required resources to achieve carbon neutral targets and the wider sustainability agenda (Environmental)

AUDIT COMMITTEE **24 January 2024**

The above risks had been firmed up with some minor changes being made to the titles in some cases. One of the previous risks 'Failure to achieve long-term financial sustainability' had remained and subsequently reviewed. The SRR was agreed by the Corporate Assurance and Risk Board on 18 December 2023. The residual score for each of the risks were listed below:

- Failure to achieve long-term financial sustainability – 12 (high)
- Increasing Health Equalities due to socio-economic conditions resulting in additional pressure on front line services – 12 (high)
- Economic disruption through the loss of key businesses within the local economy – 9 (medium)
- Employee Retention and Recruitment into critical service areas where there are key person dependencies or a legal duty of care - 9 (medium)
- Failure to achieve net zero, nature recovery and wider sustainability targets – 6 (medium)
- Inability to strategically plan long-term investments and growth – 6 (medium)
- Lack of investment into organisation transformation resulting in insufficient systems and processes, increasing the risk of data loss or cyber attacks – 8 (medium)

Once the risks had been agreed work would commence on re-stating the council's risk appetite. Risk Appetite was defined as being the organisation's willingness to accept risk in pursuit of its business objectives. It also formed part of the overall framework around which decisions on were made.

Resolved - That the Strategic Risk Register, which was attached to the report as an appendix, be approved.

773 **INTERIM INTERNAL AUDIT REPORT 2023-24** - The Director: Outcomes circulated the interim internal audit report for 2023-24, which provided an update on internal audit activity up to 31 December 2023. The report highlighted the risks identified to the delivery of the Internal Audit Plan, and the actions being taken to mitigate those risks, including the re-prioritisation of the audit plan.

Members were informed that it was a requirement of the PSIAS for the Audit Committee to receive regular updates on the activities of Internal Audit, in particular:

- providing assurance that sufficient work will be carried to provide a reliable risk based annual opinion on the effectiveness of the control environment and any amendments to the audit plan;
- bringing to the Committee's attention any issues identified during the 2023-24 audit period which could impact on the annual opinion; and
- providing an update on the activities which have occurred during 2023-24 in relation to quality improvement and to ensure Internal Audit's continued compliance with Public Sector Internal Audit Standards (PSIAS).

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24 January 2024

On 15 March 2023, the Audit and Governance Committee formally approved an outline plan consisting of 1100 days, whilst on 6 October 2023 it received an updated, more detailed plan. As communicated to the committee there would potentially be ongoing amendment and re-prioritisation to the plan to reflect changes in risk.

Attached to the report as an appendix was an update on the delivery of the audit plan up to 31 December 2023. The report highlighted resourcing issues faced by Audit, which had led to the re-prioritisation of the audit and a reduction in the planned days to 900 days. Although the Head of Internal and Assurance forecasted that sufficient work should still be carried out by May 2024 to provide a reliable opinion on the council's control environment, there remained a possibility that this would include a "limitation in scope".

The Director guided the committee through a list of final reports that had been issued up to 31 December 2023, including three limited assurance reports which had been issued.

The report also discussed the quality assurance activities which had taken place in 2023-24 and the provisional outcome of the 5-yearly External Quality Inspection carried out in November 2023.

The Chairman then facilitated a discussion between the Director and committee members on the reasoning for the reduction in the audit plan, which included vacant posts not being filled during the review, sickness absence and clients service areas not being sufficiently developed in order that any review would be meaningful.

Resolved – That the reduction in the size of the audit plan be noted.

- 774 **DATE AND TIME OF NEXT MEETING - CHANGE OF DATE - 10 APRIL 2024 - Resolved** – That, following a request from council officers, the next meeting of the committee be held on 10 April 2024.
- 775 **EXCLUSION OF PRESS AND PUBLIC** - That the public be excluded from the meeting for consideration of the following item (Minute 776 refers) on the grounds that it involves the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 (as amended).
- 776 **QUESTIONS TO THE COUNCIL'S EXTERNAL AUDITORS AND HEAD OF INTERNAL AUDIT AND ASSURANCE (IF REQUIRED)** - The committee had no questions for the council's External Auditors or Head of Internal Audit and Assurance.

NORTH LINCOLNSHIRE COUNCIL

AUDIT COMMITTEE

INTERNAL AUDIT REPORT, INCLUDING THE 2024-25 AUDIT PLAN

1. OBJECT AND KEY POINTS IN THIS REPORT

1.1 This report provides the Audit Committee with the following updates:

- progress on the delivery of the 2023/24 audit plan;
- the outcome of audits completed since 1 January 2024;
- the 2024/25 Internal Audit Plan;
- the updated Internal Audit Charter;
- the outcome of the External Audit Assessment (EQA) carried out in November 2023 and reported in February 2024;
- the Audit Strategy; and
- the Quality Assurance and Improvement Programme (QAIP).

2. BACKGROUND INFORMATION

Delivery of 2023-24 Audit Plan

2.1 As explained in the Interim Audit Report, presented to the Audit Committee on 24 January 2024, subject to amendments to the 2023-24 plan there would be sufficient work carried out to provide a reliable audit opinion, but there was a risk that the Head of Audit and Assurance may need to issue a “limitation of scope” opinion if not enough of the remaining plan was completed by 30 June 2024.

2.2 As of 29 February 2024, 565 audit days (63%) had been delivered. Although there remains a risk of a “limitation of scope” opinion this has reduced due to the following factors:

- all remaining work has been allocated and has been matched to the team’s resourcing profile;
- the ICT audit support is now in place and the ICT audits are now progressing;
- additional audit resource has been agreed and will be beginning in early May; and

- since the previous Audit Committee, the time planned for a review of Public Health Governance Arrangements will no longer be required as this will be subject to a peer review during 2024-5, and the planned audit on “Green futures” will be deferred into 2024-25 as the council acknowledges it requires further work in this area.
- 2.3 However, Quarter 1 will remain challenging, and Audit will be ensuring its resources are monitored so that work is completed to agreed timescales and time budgets, as well as working closely with the services regarding the delivery of the outstanding audits.

Work Completed Since 1 January 2024

- 2.4 Appendix 1 shows the work completed since 1 January 2024 up to 27 March 2024. Four areas have been provided with “Limited” assurance:
- Adult Social Care Deferred Payments
 - Adult Social Care Financial Assessments and Capital Deprivation
 - Contaminated Land
 - Human Resources- Induction

Audit Plan 2024/25

- 2.5 The Accounts and Audit Regulations 2015 require the Council to ensure there are sound systems of internal control and to undertake effective internal audit to evaluate the effectiveness of its risk management, control, and governance processes. A requirement of the regulations is that Internal audit must consider Public Sector Internal Auditing Standards (PSIAS) and guidance when carrying out its work. This includes presenting an Audit Plan to the Audit Committee and regularly reviewing it.
- 2.6 The current version of the Internal Audit Plan 2024-25 as of 28 March 2024 is shown on Appendix 2. This provides Members with an update on the methodology for compiling the plan, progress on its compilation, an outline of the audit priorities and activities for 2024-25, the emerging themes from the planning process, how it will be delivered and resourced, and assurance on compliance with auditing standards. It also discusses the potential risks in the resources available to deliver the anticipated work and this will need to be kept under review throughout 2024-25.
- 2.7 As referred to in the Audit Plan there is some outstanding planning work to be carried out, and an updated version of it, including a breakdown of planned assignments included in the section referred to as “strategic risk/ operational risk/ governance”, will be provided to the July meeting of the Audit Committee.

Audit Charter

- 2.8 The standards also require an Audit Charter to be reviewed and presented to the Audit Committee annually. The Charter defines the scope of Internal Audit activities, its purpose, its authority, and its responsibilities, and is shown in Appendix 3. The Charter was reviewed as part of the EQA and found to be compliant and in line with good practice. The only change from the previous version is to define consulting activities more clearly.

External Quality Assessment (EQA)

- 2.9 It is a requirement of the standards for audit to be subject to an External Quality Assessment every five years. In November 2023 the Chartered Institute of Public Finance and Accountancy (CIPFA) carried out the EQA and reported the results in February 2024. The outcome of the Assessment is shown on Appendix 4, and it is pleasing to note that overall, the Council received the highest possible score “generally conforms”, and for each of the individual sections of the standards.
- 2.10 A number of areas for development have been identified in the report. These will be developed into an action plan which will be presented to the Audit Committee as part of the Quality and Assurance and Improvement Plan (QAIP) referred to below.

Audit Strategy

- 2.11 It is a requirement of the Standards that Internal Audit produces a medium/ long term strategy. This has been reviewed and is shown on Appendix 4. Actions which have been already implemented to achieve the strategy include:
- as part of the ongoing review of the Audit and Assurance structure the job descriptions are being reviewed to ensure that they reflect the needs of the team;
 - reviewing audit processes and upgrading the audit software to improve efficiency and effectiveness;
 - having a facilitated training day in March 2024 with audit staff, counter fraud staff, and accountancy staff on the development of data analytics; and
 - as referred to in the Audit Plan and EQA there will be a review of key performance indicators so that performance can be measured more efficiently and effectively.

Quality Assurance and Improvement Programme (QAIP)

2.12 It is a requirement of the standards for Internal Audit to have a documented Quality Assurance and Improvement Programme (QAIP), for it be reviewed regularly, the outcome of the review of quality to be reported annually in the Head of Internal Audit Annual Report and Opinion, and where appropriate an improvement plan to be developed. A copy of the QAIP is shown on Appendix 5. It has been subject to review but only minor changes were required, whilst the outcome of the review of quality will be reported to the Audit Committee in July, together with an improvement plan, which will incorporate actions identified in the EQA.

3. OPTIONS FOR CONSIDERATION

3.1 In its role as the body charged with governance the Audit Committee is asked to consider the progress against the delivery of the audit plan, the content of future audit plan, consider issues arising from audit work, and the audit team's processes to ensure quality. .

4. ANALYSIS OF OPTIONS

4.1 It is a requirement of the PSIAS for the Audit Committee to receive updates on progress against the delivery of the current audit plan, and to consider the future audit plan.

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

5.1 In order to ensure that sufficient coverage is carried out to provide a reliable, risk-based opinion on the Council's control environment, additional temporary resources may be required.

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

6.1 The work of audit plan contributes to the Council's approach to risk management by identifying and testing the design and operation of controls to mitigate risk. In addition, most audit assignments provide an opinion on the prevailing residual risk. The report has identified risks in relation to the delivery of both the 2023-24 and 2024-25 plans due to potential resourcing issues which will need to be managed carefully throughout 2024-25.

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

7.1 An Integrated Impact Assessment is not required.

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

8.1 It is a requirement of the Internal Audit Code of Ethics that auditors need to declare any potential relationships or interests which could potentially impair independence. If any potential conflicts are identified, then they are not allocated assignments related to them.

9. **RECOMMENDATIONS**

9.1 That the Audit Committee is asked to consider the following:

- note the progress in delivering the 2023-24 audit plan;
- consider the outcome of audit reports issued since 1 January 2024;
- provide comment, if appropriate, on the outline audit plan for 2024-25;
- note the outcome of the EQA; and
- note and provide comment on the audit strategy and the QAIP.

DIRECTOR: OUTCOMES

Church Square House
SCUNTHORPE
North Lincolnshire

Author: Peter Hanmer, Head of Audit and Assurance
Date: 28 March 2024

Background Papers used in the preparation of this report

Internal Audit Plan 2023/24 (March 2023)

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Appendix 1: Summary of Completed Audit work 1 January to 25 March 2024

Audit Assignments 2023/24	Director	Assurance	Residual Risk	Comments
Delivery of strategic outcomes and good governance				
ASC Deferred Payments	Adults and Health	Limited	Medium	This opinion is based on necessary improvements being required to ensure Deferred Payments applications are progressed promptly, all steps are taken to secure debts, and disregarded property is reviewed. Without which significant sums will remain uncharged and unrecovered significantly impacting on sums available to provide adult social care
ASC financial assessments and capital deprivation	Adults and Health	Limited	Medium	This opinion is based on the high levels of cases where no contribution has been calculated and/or collected and the lack of evidence to show this is being actively managed. Accepting the backlog issue these cases are being reviewed regularly and priority cases being worked on i.e. those which are 12 months overdue. In mitigation the charging process is transparent and the number of complaints has not increased (9 received in this financial year up to 27 February 2024).
Asset Management (Operational Buildings)	Communities	Satisfactory	Medium	

Audit Assignments 2023/24	Director	Assurance	Residual Risk	Comments
Car Parking (income and enforcement)	Communities	Substantial	Low	
Contaminated Land	Communities	Limited	Medium	This opinion is due to the Council not ensuring that the relevant sites are adequately covered by Environmental Impairment Insurance and the Contaminated Land Inspection Strategy not being updated since 2012
HR - Induction	Outcomes	Limited	Medium	There is currently no monitoring in place to ensure that staff and managers are completing the relevant processes in the first period of an employee starting work with the Council. The main potential risk is that the authority employees' staff that have not passed the relevant probation periods and are appropriately trained in their role
Independent Reviewers	Children and Families	Substantial	Low	
Financial systems				
Bank Reconciliations	Outcomes	Substantial	Low	
Budgetary Control	Outcomes	Satisfactory	Medium	
Treasury Management	Outcomes	Substantial	Low	
Probity and counter fraud				
Expenses	Outcomes	Substantial	Low	
Members' Allowances	Outcomes	Substantial	Low	

Audit Assignments 2023/24	Director	Assurance	Residual Risk	Comments
Supplier Bank Mandates	Outcomes	Substantial	Low	Reasonable controls are in place - However, there will always be a risk as scammers become more sophisticated, and therefore the controls will need to be regularly reviewed

Audit Assignments 2023/24	Director	Assurance	Residual Risk	Comments
Schools				
Althorpe and Keadby	Children and families	Satisfactory	Low	
Barton St. Peter's	Children and families	Satisfactory	Low	
Scunthorpe C of E	Children and families	Satisfactory	Low	
St Hugh's School	Children and families	Satisfactory	Low	

North Lincolnshire Council

Internal Audit Plan 2024-25

Version 1 28 March 2024

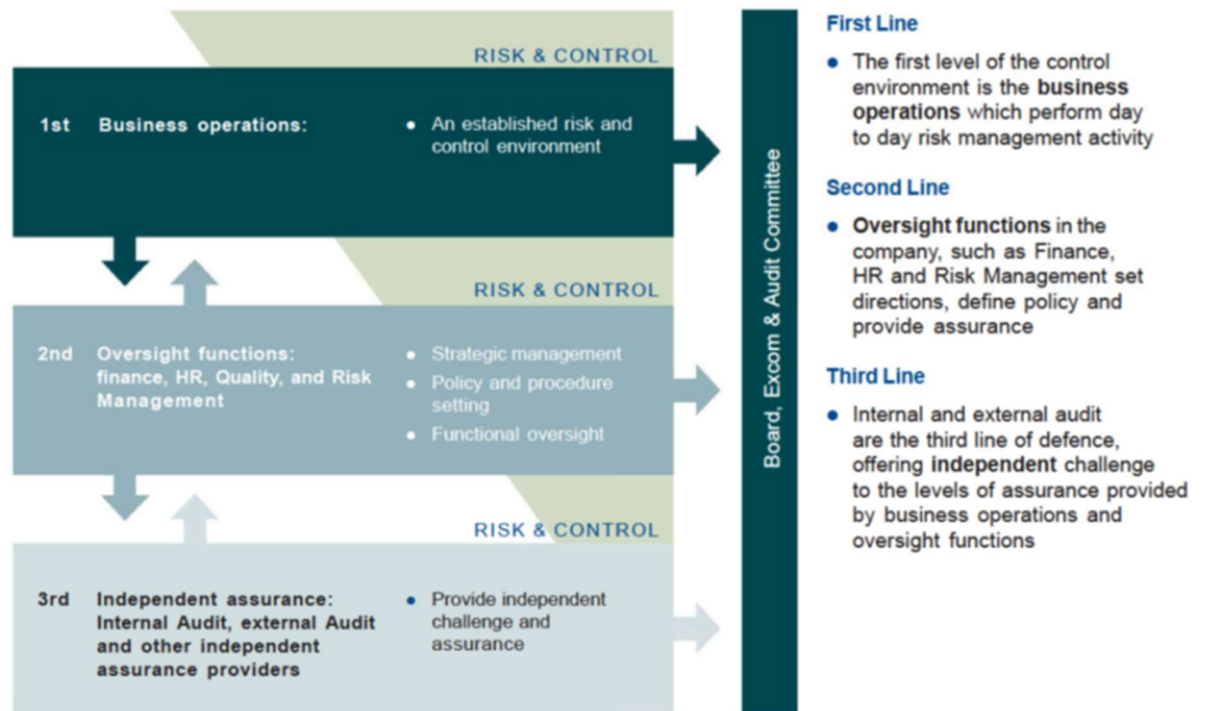
1. INTRODUCTION

- 1.1 As recognised in the Accounts and Audit Regulations 2015 Internal Audit is a key part of the Council's control environment. Its primary objective is to provide an independent and objective opinion and advice on the Council's control environment, which comprise the systems of risk management, internal control, and governance.
- 1.2 The Audit Charter sets out the purpose, authority, and responsibility of Internal Audit in accordance with the Public Sector Internal Audit Standards (PSIAS). It was updated in March 2023 and should be read in conjunction with this Plan. It defines the mission of internal audit "*To enhance and protect organisational value by providing risk-based and objective assurance, advice, and insight*".
- 1.3 As laid out in paragraph 6.1 of the Charter the Head of Audit and Assurance is responsible for "*developing audit plans based on an understanding of the organisation's strategies, key business objectives, associated risks and risk management processes, and adjust the plan in response to the organisation's business, risk, operations, programmes, systems and controls*".
- 1.4 The audit plan lays out Internal Audit's priorities and work programme for 2024/25. It has been compiled to ensure that it;
 - meets the requirements of the Public Sector Internal Audit Standards (summarised in Appendix 1);
 - provides sufficient evidence to support a reliable year-end Audit opinion on the Council's control;
 - adds value to the Council by providing assurance on the underlying processes and governance arrangements to support the achievement of its strategic priorities as laid out in the Council Plan i.e:
 - Keeping people safe and well
 - Enabling resilient and flourishing communities
 - Enabling economic growth and renewal
 - Providing Value for Money for Local Taxpayers

2. COMPILATION OF THE AUDIT PLAN

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

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



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

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

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

Depending on the nature of their scope, audit assignments may provide assurance on more than one of these areas of the control environment.

In addition, Internal Audit follows up the implementation of agreed actions from previous audit work with relevant managers.

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

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

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

- the Council's key strategic outcomes as contained in the Council Plan and performance reports relating to their delivery;
- the strategic risk register;
- those areas in the operational risk registers where a high inherent risk has been identified;
- when an audit was last carried out in a specific area, and whether there have been any known changes to the design or operation of that area since then;
- areas which represent key components of the code of governance;
- issues identified in Director assurance statements prepared as part of the preparation of the Annual Governance Statement (AGS);
- activities in receipt of significant external grant funding;
- the Council's statutory responsibilities;
- cabinet and scrutiny reports to help identify areas of emerging risk; and
- emerging national issues, including areas subject to changes in legislation and regulation.

Those areas considered to have the highest risk are prioritised for inclusion in the plan based on the likelihood of a control failure and its impact to the organisation should it occur. Discussions are held with the Leadership Team, Directors, and Assistant Directors to determine the prioritisation of work.

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

- previous knowledge of the function or system and the risks associated with it;
- if there have been significant changes to the design or operation of the system or function since it was last audited;
- the complexity of the function or system;

- the level of assurance which can be obtained from internal assurance mechanisms (second line of assurance) or by external sources of assurance such as the external audit and the outcome of inspections (third line of assurance); and
- the nature of the testing required to obtain assurance - for example the use of control testing and observation compared to substantive testing, and the testing methodology required. Increasingly the audit team has been using analytical techniques to obtain assurance based on wider populations compared to sample testing.

2.7 The draft plan, based on Internal Audit's risk assessment, is then subject to consultation with the strategic leadership team and with Assistant Directors. Where appropriate amendments are made to the plan to reflect its feedback on the areas where it is felt that audit resource is needed to be prioritised. The emerging themes which have been identified so far as part of the 2024/25 audit planning process include:

- Audit work which was deferred from the previous year.
- Delivery of the transformation programmes
- Regeneration schemes and associated central government funding.
- The implementation of "A Green Future: Our Plan for Positive Change" and the supporting performance management processes designed to support its delivery.
- The design and operation of the key financial systems
- Organisational development and supporting Human Resources processes.
- Project Management
- Leisure and culture
- Regulatory and enforcement processes
- Special Educational Needs and Disability (SEND), particularly the funding challenges related to it
- ICT risks such as the continued threats from cyber crime
- Providing assurance on preparedness for new or changing external inspection regimes relating to Adult Social Care and Children and Families

2.8 The proposed audit plan is summarised in the table below. It shows the resources provisionally allocated to each of the main areas of the internal audit activity. As of 20 March 2024, the detail of the plan was subject to further discussion and some of the provisional allocations maybe subject to change. Once this work is complete, we bring an updated plan to the Audit Committee in July including a breakdown of the planned audits to be covered under the "strategic risk/ operational risk/ governance".

Area	Planned days	
Strategic risk/ operational risk/ governance	410	A risk-based programme of audit reviews to provide assurance on the Council's governance framework, as well as the arrangements in place to deliver key strategic and service outcomes efficiently and effectively and ensure compliance with laws and regulations
Financial systems	120	Providing assurance on the design and operation of the fundamental financial systems (e.g. payroll, local taxation and benefits, treasury management, creditors and debtors etc). As per 2023/24 this will focus on key risks rather than necessarily full system reviews
ICT	35	Providing assurance on the effectiveness of the Council's approach to ICT and Information Governance, and key ICT systems.
Procurement and contract management	25	Providing assurance on the Council's procurement and contract management processes, including reviews of a sample of key procurement exercises. In 2024/25 we intend to focus on the implementation of the Procurement Act 2023 and overall processes for contract monitoring.
Schools	60	Provide assurance on the control environment within maintained schools. For 2024/25 it is intended there will be a greater number of thematic reviews and fewer school visits
Grant Certification	40	Mandatory certification of grant claims. The time required for this element of audit activity has increased in recent years due to a greater number of certifications requested by central government departments
Advisory	50	Providing advice and support on governance and internal control matters
Follow up	40	Follow up of previous actions
Probity and Counter Fraud	50	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. with services to investigate data matches
Management time	75	Includes audit planning, monitoring the delivery of audit work, and meetings with the Audit Committee and senior management
Contingency	145	It is anticipated this figure will be reduced as the detailed audit plan is firmed up
Total	1050	

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

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

To reflect that the plan will be subject to regular change and adjustment, and to provide flexibility to manage emerging risks, the plan includes an allocation for contingency. In addition, regular meetings will be held with Directors and Assistant Directors throughout the year to review the progress of work, and to re-prioritise audit resource where appropriate Any significant changes to the allocations will be reported to future Audit Committees.

2.10 The Audit Charter describes how the Audit Team will conduct itself when delivering the plan, and the quality assurance processes which underpin the quality of its work.

3 RESOURCES TO DELIVER THE AUDIT PLAN

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

3.2 In 2023/24 the audit team had challenges in relation to resources due to sickness and vacancies, which led to some reductions in the audit plan for that year and well as it being agreed that in Quarter 1 of 2024/25 focus on completing 2023/24 work. The delivery of the 2024/25 plan will, however, remain challenging due to:

- Not fully starting work on it until Quarter 2 due to resource being focused on completion of the 2023/24 plan in Quarter 1;
- The review of the audit and assurance structure in response to vacancies which have occurred in 2023/24 taking a little longer than anticipated which means that it is unlikely that any anticipated recruitment will not be complete until Quarter 2

3.3 To some degree this has been mitigated by the following:

- some additional support confirmed from a third-party supplier of audit services up to the end of Quarter 3;
- additional ICT audit support now in place; and
- building in additional contingency than in previous years so the response to emerging risks can be managed;
- review (and automation) of audit processes to make more efficient use of resources.
continuing to embed data analytics in order to obtain assurance and
- working with services to programme in audits on a quarterly basis with the intention of improving the timeliness of audits and more effective use of audit resource

3.4 It is recognised, however, that resourcing still remains a significant risk, and in response we will be regularly updating out resourcing forecasts and providing updates to the Audit Committee and Senior Management about the position, and if appropriate discuss mitigating actions to ensure that sufficient work is carried out to provide a reliable year-end opinion.

4 REPORTING AND MONITORING ARRANGEMENTS

- 4.1 For most assignments, excluding advisory work and grant certification, we will provide a report with an overall opinion on the control environment (“substantial”, “satisfactory”, “limited”, “none”) and the residual risk. There will be some areas, due to particular circumstances, where it may not be appropriate to issue a full report and/or an opinion. In such cases a short commentary will be provided in the Annual Head of Internal Audit Report and Opinion.
- 4.2 A summary of completed audit work will be included in the Annual report, and this will feed into the overall opinion on the control environment. The opinion will also take account of other sources of intelligence, as appropriate, such as the outcome of inspections or other relevant forms of third-party assurance. Interim reports will also be presented to the Audit and Governance Committee during the year. These will include progress in achieving the annual plan, including any significant amendments to it.
- 4.3 As part of its Quality Assurance and Improvement Programme (QAIP) Internal audit has a number of performance indicators to measure performance. In line with recommendations from the recent External Quality Assessment we will be reviewing our indicators, including less emphasis on “days” and more on outcomes and audits delivered. We will provide an update on the indicators to the July audit committee.

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

PSIAS Requirement	How we demonstrate compliance
<p>The Head of Internal Audit (HOIA) must establish risk-based plans to determine the priorities of the Internal Audit activity, consistent with the organisation’s goals. (PSIAS 2010)</p>	<p>The plan is based on the Council’s strategic objectives and its Code of Corporate Governance. Those activities with the greatest impact on the achievement of strategic objectives are given greatest priority. The Head of Audit and Assurance carries out a detailed risk assessment to prioritise audit work based on the “audit universe”</p>
<p>The risk-based plan must take into account the requirement to produce an annual Internal Audit opinion and the assurance framework. (PSIAS 2010 public sector requirement)</p>	<p>The Audit Plan has been designed to ensure that there is sufficient evidence to provide a reliable year end opinion in relation to risk, governance and internal control.</p>
<p>The plan must incorporate or be linked to a high-level statement of how the Internal Audit service will be delivered, developed in accordance with the Internal Audit Charter and how it links to the organisational objectives and priorities. (PSIAS 2010 public sector requirement)</p>	<p>The audit plan demonstrates the extent to which it links in with organisational objectives and priorities, including reference to the Audit Charter, which will be presented to the Audit Committee in April 2024, and the summary audit strategy, which will also be presented to the Audit Committee. In April 2024.</p>
<p>The risk-based plan must explain how Internal Audit’s resource requirements have been assessed. (PSIAS 2030 public sector requirement)</p>	<p>Considered in Section 3 of this report. As discussed in the body of the report due to resourcing issues this is a risk that will need to be closely managed during the year.</p>
<p>The internal audit activity’s plan of engagements must be based on a documented risk assessment, undertaken at least annually. The input of senior management and the board must be considered in this process.</p>	<p>The Audit Team carries out a detailed risk assessment, based on the Audit Universe, to prioritise the work to be included in the audit plan. In determining priorities discussions are held with the Senior Leadership Team, Assistant Directors, and other stakeholders.</p>

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INTERNAL AUDIT CHARTER NORTH LINCOLNSHIRE COUNCIL

1. Introduction

- 1.1 Under the Accounts and Audit Regulations (2015) the Council is required to ensure there are sound systems of internal control and to undertake effective internal audit to evaluate the effectiveness of its risk management, control and governance processes. Internal audit must consider Public Sector Internal Auditing Standards (PSIAS) and guidance.
- 1.2 This document sets out the purpose, authority and responsibility of Internal Audit in accordance with the Standards.

2. Definitions

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

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

- Demonstrate integrity;
- Demonstrate competence and due professional care;
- Be objective and free from undue influence (independent);
- Align with the strategies, objectives and risks of the organisation;

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

3. Independence

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

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

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

3.3 In addition, although the Audit and Assurance team (primarily through the Strategic Lead- Risk and Governance) provides support and advice for the maintenance of the risk registers and the development of the council's risk framework, the definition of risk appetites and the management of individual risks lies purely with management. Furthermore, the Head of Audit and Assurance is not directly involved in management discussions relating to the determination of risk appetite.

4. Reporting Lines of the Head of Audit and Assurance

4.1 Arrangements are in place to ensure that the Head of Audit and Assurance has suitable status within the Authority. Although he is an employee of NELC and is line managed within the senior management structure of NELC, at NLC he currently has a direct reporting line to the Director of Outcomes. In addition, he is a member of the Council's Corporate Assurance and Risk Board, which meets quarterly, is chaired by the Director of Outcomes, and is made up of the Strategic Leadership Team and other key senior managers with responsibilities for governance and internal control.

- 4.2 In addition monthly liaison meetings are held between the Head of Audit and Assurance, the Assistant Director of Governance and Partnerships, and the Assistant Director Law and Governance (NELC) to discuss matters concerning the operation of the Audit and Assurance Shared Service.
- 4.3 The work of Internal Audit is reported to the Audit Committee in summary via a quarterly progress report, and he has periodic meetings with the Chief Executive.

5. Scope of Internal Audit Work and Access to Information

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

The nature and scope of the consulting engagement should aim to improve governance, risk management and control and should contribute to the overall opinion.

- 5.7 The scope of any consultancy work will be agreed with management and will only be undertaken where resources permit without impacting on the annual assurance process, and where the Head of Audit and Assurance is satisfied that the team has sufficient expertise to carry out the work. Consulting services are advisory in nature and are generally performed at the specific request of the organisation. The nature and scope of the consulting engagement should aim to improve governance, risk management and control and should contribute to the overall opinion. When attending project boards or steering groups, auditors will agree their role and act as “critical friend” or advisor and not have any decision-making responsibility. Internal Audit may provide assurance services where it has previously performed a consulting service, provided the nature of the consulting did not impair objectivity.
- 5.8 Internal Audit is not responsible for the prevention or detection of fraud and corruption. Managing the risk of fraud and corruption is the responsibility of management. Internal auditors will, however, be alert in all their work to risks and exposures that could allow fraud or corruption and to any indications that fraud and corruption may have occurred. Internal audit’s work in relation to fraud includes carrying out an annual programme of audits to review the design and operation of controls in areas of the Council where there is an inherent higher risk of fraud, where appropriate reviewing counter fraud controls when carrying out assignments, providing advice on counter fraud controls built into systems, manage the Council’s response to the National Fraud Initiative, and where appropriate lead or support investigations for suspected fraud. However, internal audit procedures alone, even when performed with due professional care, cannot guarantee that fraud or corruption will be detected.
- 5.9 The Head of Audit and Assurance should be informed of all suspected or detected fraud, corruption or impropriety and will consider the implications for his opinion on the adequacy and effectiveness of the relevant controls, and the overall internal control environment.

6. Responsibility

- 6.1 The Head of Audit and Assurance is responsible for:
- developing audit plans based on an understanding of the organisations strategies, key business objectives, associated risks and risk management processes, and adjust the plan in response to the organisation’s business, risk, operations, programmes, systems and controls;
 - determining the strategic direction of the Audit and Assurance Service;

- the management of the Audit and Assurance Service that is compliant with the Public Sector Internal Audit Standards, including a Quality and Assurance Improvement Plan;
- the monitoring and reporting of the performance of the Audit and Assurance service;
- the production and reporting of an annual audit opinion based on the outcomes of internal audit work conducted throughout the year;
- providing advice and guidance on risks and the application and development of internal controls;
- the fostering of good working relationships with External Audit with an aim to achieving mutual recognition and respect, leading to a joint improvement in performance and the avoidance of unnecessary overlapping of work; and
- assessing all matters of potential fraud or irregularity brought to his attention in line with the requirement of the Council's Counter Fraud Strategy and arranging for team members to lead or support the investigations into such matters.

7. Resourcing and Staffing Matters

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

8. Ethics

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

9. Limitations of Internal Audit Responsibilities

9.1 In seeking to discharge the responsibilities detailed above, and in line with the responsibilities of Internal Audit it should be noted that the Internal Audit Service is not responsible for:

- controlling the risks of the Council;
- establishing and maintaining systems of internal control;
- determining operational policies or procedures; and
- ensuring the prevention or detection of fraud and irregularity.

10. Reporting

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

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

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

11. Management Responsibilities

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

- attending audit planning and scoping meetings and agreeing the terms of reference for individual audit assignments on a timely basis as agreed at the commencement of each piece of internal audit work;
- sponsoring each audit assignment at a senior level;

- providing internal audit with full support and cooperation, including complete access to all records, data, property and personnel relevant to the audit assignment on a timely basis;
- Responding to internal audit reports and making themselves available for audit closure meetings to agree draft audit reports;
- Implementing audit recommendations within agreed timescales.

11.2 Instances of non-cooperation with reasonable audit requests will be subject to Internal Audit's escalation policy, which sets out the timescales and steps for raising such issues with senior management if required.

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

12. Quality Assurance

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

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

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

12.3 An external assessment must be conducted at least every five years by a qualified, independent assessor from outside the organisation. The next assessment is due in 2023.

13 Review of the audit charter

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

March 2024

External Quality Assessment of Conformance to the Public Sector Internal Audit Standards

North-East Lincolnshire & North
Lincolnshire Shared Internal Audit Service

Final Report

Lead Associate: Ray Gard, CPFA, FCCA, CFIIA, DMS

Quality Assessment: Diana Melville, FCPFA

4 March 2024

North-East Lincolnshire & North Lincolnshire Shared Internal Audit Service

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1. Introduction

- 1.1 Internal audit within the public sector in the United Kingdom is governed by the Public Sector Internal Audit Standards (PSIAS), which have been in place since 1st April 2013 (revised 2016 and 2017). All public sector internal audit services are required to measure how well they are conforming to the standards. This can be achieved through undertaking periodic self-assessments, external quality assessments (EQA), or a combination of both methods. However, the standards state that an external reviewer must undertake a full assessment or validate the Internal Audit Service's own self-assessment at least once in a five-year period.

2. Background

- 2.1 The Shared Internal Audit Service provides the internal audit services to North-East Lincolnshire Council and North Lincolnshire Council. The Chief Audit Executive is the Council's Head of Audit and Assurance (HAA). Below the HAA post are two Strategic Lead posts (one of which is vacant due to recently retiring and the other was on long term sick leave but returned to work during the EQA); 4 FTE Principal Auditor posts (one of which has given notice that they are leaving); and 5.8 FTE Audit Advisor posts (one of which became vacant during the EQA). The HAA is aware that this is quite a flat structure with limited opportunities for career progression and no scope for trainees to join the Shared Service. We have been advised that plans have been drawn up for a restructure of the Shared Service, but this will take some months to complete and fill all the vacant posts. The HAA is aware that there is a dire shortage of experienced and/or qualified internal auditors across the country and as such they may not be successful in filling any vacant posts generated from the restructure. With this in mind, it would be prudent to develop a mid/long term resourcing strategy for the Service and we have included this as an advisory action in section 9 of the report.

In addition to the in-house team, the Service uses some external partners for the provision of specialist IT Audit and the audit of services led by the HAA e.g. counter fraud, and risk management.

- 2.2 The HAA is an experienced internal audit professional who is a CCAB accountant and a Chartered Internal Auditor. The Strategic Lead that is in post is also an experienced internal audit professional with a relevant qualification.
- 2.3 From an operational perspective, the Shared Internal Audit Service was formed by merging the internal audit services from the two councils into a service managed by a single HAA, without a nominated host authority. This means that the individual team members remain on the payroll and under the employment terms and conditions of their respective employers prior to the formation of the Shared Service. For example, the HAA is an employee of North-East Lincolnshire Council and the Strategic Lead that is in post is an employee of North Lincolnshire Council. This arrangement is not common in local government with most shared services being established with a single host authority as this tends to provide a better degree of uniformity regarding remuneration, employment terms and conditions, staff development, and line management of employees. During the EQA some key stakeholders from both Councils commented that it may be time to reconsider the format of the Shared Service to see if the current model is still fit for purpose, or whether an alternative model would better serve both Councils. With this in mind, we have included this as an advisory action in section 9 of this report.
- 2.4 The Internal Audit Service has been operating under PSIAS since its launch in 2013, and this is the second external quality assessment (EQA) that they have commissioned.
- 2.5 The Shared Internal Audit Service has an audit manual that provides the auditors with a comprehensive guide to all aspects of performing an internal audit or consultancy

assignment. The Service uses standard templates for all terms of reference, engagement working papers, testing schedules, and audit reports, all of which are contained in their MK Insight (MKI) audit management system. Supervision of the engagements takes place at every stage of the process and is recorded in MKI.

- 2.6 There is a quality assurance process in place that includes internal and external quality assessments of the Service, reviews of live engagements, a post-audit client feedback survey, and final clearance of all completed reports is carried out by the Strategic Leads for Internal Audit or the HAA, all of which feed into the Shared Internal Audit Service's Quality Assurance and Improvement Programme (QAIP).

3. Validation Process

- 3.1 This validation of the Shared Service's self-assessment comprised a combination of a review of the evidence provided by Internal Audit; a review of a sample of completed internal audits; a survey that was sent to and completed by a range of stakeholders; and interviews with key stakeholders, using MS Teams. The interviews focussed on determining the strengths and weaknesses of Internal Audit and assessed the Service against the four broad themes of Purpose and Positioning; Structure and Resources; Audit Execution; and Impact.

- 3.2 The Shared Internal Audit Service provided a comprehensive range of documents that they used as evidence to support their self-assessment, and these were available for examination prior to and during this validation review. These documents included the:

- self-assessment against the standards;
- quality assurance and improvement plan (QAIP);
- evidence file to support the self-assessment;
- the audit charters;
- the annual reports and opinions
- the audit plans and strategies;
- audit procedures manual;
- a range of documents and records relating to the team members;
- progress and other reports to the respective Audit Committees.

All the above documents were examined during this EQA.

- 3.3 The main phase of the validation process was carried out during the week commencing 6 November 2023, with further work and interviews undertaken during the following weeks. This phase of the EQA involved a review of a sample of audit files and interviews with a sample of key stakeholders from North-East Lincolnshire Council and North Lincolnshire Council. Overall, the feedback from the interviewees was positive with clients valuing the professional, knowledgeable, and objective way the Internal Audit Service delivered their services.

- 3.4 The assessor reviewed examples of completed audits from both organisations to confirm his understanding of the audit process used, and to determine how Internal Audit has applied the PSIAS and LGAN in practice.

4. Opinion

It is our opinion that the self-assessment for the Shared Internal Audit Service is accurate, and we therefore conclude that they GENERALLY CONFORM to the requirements of the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note.

4.1 The table below shows the Shared Internal Audit Service's level of conformance to the individual standards assessed during this external quality assessment:

Standard / Area Assessed	Level of Conformance
Mission Statement	Generally Conforms
Core principles	Generally Conforms
Code of ethics	Generally Conforms
Attribute standard 1000 – Purpose, Authority and Responsibility	Generally Conforms
Attribute standard 1100 – Independence and Objectivity	Generally Conforms
Attribute standard 1200 – Proficiency and Due Professional Care	Generally Conforms
Attribute standard 1300 – Quality Assurance and Improvement Programmes	Generally Conforms
Performance standard 2000 – Managing the Internal Audit Activity	Generally Conforms
Performance standard 2100 – Nature of Work	Generally Conforms
Performance standard 2200 – Engagement Planning	Generally Conforms
Performance standard 2300 – Performing the Engagement	Generally Conforms
Performance standard 2400 – Communicating Results	Generally Conforms
Performance standard 2500 – Monitoring Progress	Generally Conforms
Performance standard 2600 – Communicating the Acceptance of Risk	Generally Conforms

5. Areas of full conformance with the Public Sector Internal Audit Standards

5.1 Mission Statement and Definition of Internal Audit

The mission statement and definition of internal audit from the PSIAS are included in the audit charters.

5.2 Core Principles for the Professional Practice of Internal Auditing

The Core Principles, taken as a whole, articulate an Internal Audit function's effectiveness, and provide a basis for considering the organisation's level of conformance with the Attribute and Performance standards of the PSIAS.

The indication from this EQA is that the Core Principles are, on the whole, embedded in the Shared Internal Audit's procedures and working methodologies. The Shared Internal Audit Service are a competent, experienced, and professional function that generally conforms to all ten elements of the Core Principles. There is, however, scope to enhance their conformance to the Core Principles in two ways. The first is for the Shared Service to be more commercially focussed by enhancing their knowledge and skills of auditing in a more commercial environment. This is key when carrying out audits of services that have been commissioned from external delivery partners, rather than being provided by in-house functions, as they need to have a sound understanding of the business risks and issues associated with this operational model. The second enhancement relates to the Shared Internal Audit Service being able to demonstrate continuous improvement, insight and proactivity. We included two advisory actions in section 9 of this report relating to these observations.

5.3 Code of Ethics

The purpose of the Institute of Internal Auditors' Code of Ethics is to promote an ethical culture in the profession of internal auditing, and is necessary and appropriate for the profession, founded as it is on the trust placed in its objective assurance about risk management, control, and governance. The Code of Ethics provides guidance to internal auditors and in essence, it sets out the rules of conduct that describe behavioural norms expected of internal auditors and are intended to guide their ethical conduct. The Code of Ethics applies to both individuals and the entities that provide internal auditing services.

The clear indication from this EQA is that the Shared Internal Audit Service conforms to the Code of Ethics, and this is embedded in their procedures, and their audit methodologies. The code of ethics is part of their overarching culture and underpins the way the Shared Service operates.

5.4 Attribute Standard 1000 – Purpose, Authority and Responsibility

The purpose, authority and responsibility of the Internal Audit activity must be formally defined in an internal audit charter, consistent with the Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework (the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Standards, and the Definition of Internal Auditing). The internal audit charter must be reviewed regularly and presented to senior management and the audit panel for approval.

There are separate audit charters in place for each authority, and these are reviewed on an annual basis. We reviewed these documents and found them to be comprehensive and well written and contain all the elements that the PSIAS expects to be included in an

audit charter. We are satisfied that the Shared Internal Audit Service conforms to attribute standard 1000 and the LGAN.

5.5 **Attribute Standard 1100 – Independence and Objectivity**

Standard 1100 states that the Internal Audit activity must be independent, and internal auditors must be objective in performing their work.

The need for independence and objectivity is an integral part of any Internal Audit Service's culture. The HAA reports in his own name directly to the Senior Management Teams at each authority, and to the Audit and Governance Committee at North-East Lincolnshire Council and the Audit Committee at North Lincolnshire Council. All employees declare any potential impairment to their independence or objectivity on recruitment to the Service and again on an annual basis.

We have reviewed the Internal Audit Service's procedures and their standard documentation; their quality assurance and improvement plan; and a small sample of completed audits. We have also reviewed their reporting lines and their positioning within both authorities. In addition to internal audit, the HAA has responsibilities for the counter fraud, risk management and insurance functions. All these functions are subjected to periodic review and assessment from external partners with their findings being reported directly to the HAA's line manager.

The HAA has identified two areas where the Shared Service could enhance their conformance to Attribute Standard 1100. The first relates to involving the respective Chief Executive Officer and the chair of the Audit Committee in the HAA's annual appraisal process, and the second point relates to rotating the team members around the planned audits to enhance objectivity. We have included these as advisory actions in section 9 of this report.

Notwithstanding the above observation, we are satisfied that the Shared Internal Audit Service conforms with attribute standard 1100 and the LGAN.

5.6 **Attribute Standard 1200 – Proficiency and Due Professional Care**

Attribute standard 1200 requires the Internal Audit Services' engagements are performed with proficiency and due professional care, having regard to the skills and qualifications of the staff, and how they apply their knowledge in practice.

As mentioned above, The HAA is an experienced internal audit professional who is a CCAB accountant and a Chartered Internal Auditor. The Strategic Lead that is in post is also an experienced internal audit professional with a relevant qualification. The team members have sufficient knowledge of the operation of high-level IT controls, and they can incorporate these in their testing for the audits they undertake. The more detailed and complex ICT reviews are undertaken by an external specialist ICT audit partner.

The Standards require internal audit services to consider the use of data analytics when performing their audit reviews. The Service has the latest version of the IDEA data analytics software and makes extensive use of this application and has a strategy and supporting action plan to further develop its application. Notwithstanding the above, we feel there are further opportunities to broaden the use of data analytics by making use of external sources of data for benchmarking purposes, such as the local authority data held in the CIPFA statistics and 'Nearest Neighbour Model' applications, which the Councils should already have access to, or the data held by the Local Government Association in their LG Inform application. These are useful sources of data for benchmarking that should not be overlooked, particularly when auditors are undertaking research and preparing the terms of reference for audits as benchmarking can highlight areas where there may be scope to add value to the Council's operations, or at least challenge the current thinking. We have included this as an advisory action for management to consider in section 9 of this report.

Standard 1200 expects internal auditors to maintain and enhance their knowledge and this is usually achieved through undertaking relevant training, reading technical publications, networking with relevant professional groups and research for audits. Individual training plans are discussed at regular one to one sessions with the team members, and all professionally qualified staff are required to maintain their CPD records according to the requirements of their respective institutions. However, team members are not currently required to record any training they have undertaken on any form of central or Shared Service log. As this is an important element of the Shared Service being able to demonstrate that they maintain continuous improvement within the Service, we have therefore included an action in section 9 of this report.

Notwithstanding the above observations, it is evident from this review that the Shared Internal Audit Service's employees are experienced and perform their duties with due professional care. We are therefore satisfied that the Internal Audit Service complies with attribute standard 1200 and the LGAN.

5.7 **Attribute Standard 1300 – Quality Assurance and Improvement Programmes**

This standard requires the Head of Audit to develop and maintain a quality assurance and improvement programme that covers all aspects of the Internal Audit activity.

The Shared Internal Audit Service has developed a quality assurance process which feeds into their quality assurance and improvement programme and ensures engagements are performed to a high standard. Supervision of audit engagements is carried out at all stages of the audit and is recorded throughout the audit process in the MKI audit management system. There are, however, opportunities to strengthen the QAIP process. The first relates to developing a more formal approach to the QAIP and this has been identified by the HAA. The second relates to the Shared Internal Audit Service's management's capacity to carry out quality reviews of completed audits in a systematic and timely manner. The HAA has already identified that this is an issue that should be addressed as part of the planned restructure of the Shared Service, although this will not conclude for some time. As an interim measure we suggest that consideration is given to encouraging the Principal Auditors to undertake some of the audit file reviews, including peer reviews where appropriate. The final observation relates to the self-assessment process where the HAA has identified that although these are being undertaken, the process is more 'ad hoc' rather than being done in a systematic way. We have included these observations, along with appropriate actions, in section 9 of this report.

We have examined the supporting evidence provided by the Shared Internal Audit Service during this EQA and subsequently provided to us, and notwithstanding the observations mentioned above, we feel that the Shared Service generally conforms to attribute standard 1300 and the LGAN.

5.8 **Performance Standard 2000 – Managing the Internal Audit Activity**

The remit of this standard is wide and requires the Chief Audit Executive to manage the Internal Audit activity effectively to ensure it adds value to its clients. Value is added to a client and its stakeholders when Internal Audit considers their strategies, objectives, and risks; strives to offer ways to enhance their governance, risk management, and control processes; and objectively provides relevant assurance to them. To achieve this, the Chief Audit Executive must produce an audit plan and communicate this and the Service's resource requirements, including the impact of resource limitations, to senior management and the Governance and Ethics Committee for their review and approval. The Chief Audit Executive must ensure that Internal Audit's resources are appropriate, sufficient, and effectively deployed to achieve the approved plan.

The standard also requires the Chief Audit Executive to establish policies and procedures to guide the Internal Audit activity, and to share information, co-ordinate

activities and consider relying upon the work of other internal and external assurance and consulting service providers to ensure proper coverage and minimise duplication of efforts.

Last, but by no means least, the standard requires the Chief Audit Executive to report periodically to senior management and the Governance Committee on Internal Audit's activities, purpose, authority, responsibility, and performance relative to its plan, and on its conformance with the Code of Ethics and the Standards. Reporting must also include significant risk and control issues, including fraud risks, governance issues and other matters that require the attention of senior management and/or the audit committee.

The Shared Internal Audit Service has a comprehensive audit manual in place that covers all aspects of the Internal Audit Service. Their planning processes take into consideration the respective Council's risk management and governance frameworks; objectives and priorities; other relevant and reliable sources of assurance that are available; the key issues identified by managers during the annual planning meetings; the Shared Service's own risk and audit needs assessments; and any emerging risks identified through horizon scanning and networking with other organisations and regional audit groups.

For each authority, the Service produces a risk-based audit plan that is designed to provide each Council with relevant assurance on their governance, risk management and control frameworks. The audit plans are reviewed and approved by the respective Senior Management Teams and Audit Committees. The individual audits in the respective audit plans are not, however, allocated a priority level and we have included an action in section 9 of this report relating to this observation.

In the self-assessment, the HAA commented that the staffing resources within the Shared Service are tight, and we have noted that the Shared Service are carrying a number of vacancies in the team with more team members due to leave during the coming months. In addition, the Shared Service have also experienced a degree of sickness amongst the team members, particularly at the management level, which has had an adverse impact on their ability to deliver the full complement of planned audits. This problem is further compounded by some audits over running their allocated time budgets, putting additional pressure on the Shared Service's ability to deliver the annual plan. Consequently, the HAA and the strategic lead is having to spend considerable time reviewing and flexing the audit plan to meet the available resources, and trying to identify alternative sources of assurance that could be relied upon. He is also exploring whether additional resources could be obtained from external sources to assist with delivering the audit plans. However, we feel it would be prudent for the HAA to consider whether sufficient assurance work will be completed by the end of the year to enable him to issue a full assurance opinion, or whether it will be necessary to issue a limited scope opinion. We have included this as an action in section 9 of this report.

We understand that the HAA has drafted proposals for a restructure of the Shared Service in an attempt to recruit to any vacant posts generated from the restructure and provide a better career pathway for the staff.

The retirement of one of the Strategic Leads coupled with periods of sickness for the other Strategic Lead and the HAA, and the fact the HAA is also responsible for risk, insurance and counter fraud at both Councils, means he has limited time available for Internal Audit at either Council. This inevitably means increased pressure on the remaining Strategic Lead and was a likely contributor to the prolonged sickness for this Officer. These factors have highlighted the need for the Shared Service to strengthen its management and supervision capacity, perhaps by involving the Principal Auditors more in these functions. Tackling the issues around management and supervision capacity are factors that should be taken into consideration during the planned restructure of the Shared Service. We have included this as an advisory action in section 9 of this report.

Details of the completed audits, together with updates on the progress being made on delivering the audit plans and the performance of the Shared Internal Audit Service, are reported to the respective Senior Management Teams and the Audit Committees on a six-monthly basis. The performance data reported to the respective Audit Committees includes the number of planned audit days compared to the actual audit days delivered by the Shared Service, with the planned days being adjusted (usually down) when the audit plan has been adjusted i.e. for audits that have been cancelled, removed from the plan, or postponed, together with the timeliness of completed audit reports, and customer satisfaction with the respective audits.

Some of these performance measures are 'traditional measures' of service inputs and are now regarded as being out of date and not that useful for a modern insightful audit service. A more informed approach would be to provide the Audit Committees with performance data relating to 'outcomes achieved' by the Shared Service, for example audits delivered compared to those audits in the original audit plan; audits that overran the budget days; and the time taken to issue the final report following the final meeting, to provide just a few possible examples.

An annual report and opinion are produced for each authority at the end of the year and presented to the respective Senior Management Teams and Audit Committees. These give separate audit opinions for the risk management, governance and control frameworks at each Council and is recognised as being good practice.

We feel that notwithstanding the observations mentioned above, the Shared Service generally conforms to standard 2000 and the LGAN.

5.9 **Performance Standard 2100 – Nature of Work**

Standard 2100 covers the way the Internal Audit activity evaluates and contributes to the improvement of the organisation's risk management and governance framework and internal control processes, using a systematic, disciplined and risk-based approach.

This is the approach adopted by the Shared Internal Audit Service and is embedded in their working methodologies. During this EQA, we reviewed a small sample of completed audits and examined them to see if they conformed to standard 2100, the LGAN and Internal Audit's own methodologies. We found that all the sample audits examined during the EQA complied with all three. We have, however, noted that some audits undertaken during the year overran their planned days, partly due to some audits having over ambitious scopes for the available budgeted days. We have discussed this problem with the HAA and agreed that to avoid future recurrences of the problem, the audit scope could be split into 'must do' and 'only do if time permits' elements. We have included this as an advisory action in section 9 of the report.

The indication from this EQA is that the Shared Internal Audit Service conforms to performance standard 2100 and the LGAN.

5.10 **Performance Standard 2200 – Engagement Planning**

Performance standard 2200 requires Internal Auditors to develop and document a plan for each engagement, including the engagement's objectives, scope, timing, and resource allocations. The plan must consider the organisation's strategies, objectives, and risks relevant to the engagement.

As mentioned above, the Shared Service has an audit manual and supervision processes in place, that include engagement planning, and meets the requirements of the PSIAS. From the sample of audits that we examined during the EQA, we found that they all conformed to standard 2200, the LGAN, and the Shared Service's own audit procedures, and we therefore conclude that Internal Audit conforms to performance standard 2200 and the LGAN.

5.11 **Performance Standard 2300 – Performing the Engagement**

Performance standard 2300 seeks to confirm that Internal Auditors analyse, evaluate and document sufficient, reliable, relevant, and useful information to support the engagement results and conclusions, and that all engagements are properly supervised.

The Shared Internal Audit Service has an audit manual, supervision arrangements, and quality assurance processes in place that meet the requirements of the standards. We reviewed the evidence provided in support of the Shared Service's self-assessment, together with a sample of audits to see if they conformed to the standards, and Shared Internal Audit Service's own working methodologies. We found that all the evidence we examined conformed to the standards and their own procedures and methodologies. We therefore conclude that the Shared Internal Audit Service conforms to performance standard 2300 and the LGAN.

5.12 **Performance Standard 2400 – Communicating Results**

This standard requires Internal Auditors to communicate the results of engagements to clients and sets out what should be included in each audit report, as well as the annual report and opinion. When an overall opinion is issued, it must take into account the strategies, objectives and risks of the clients and the expectations of their senior management, the audit committee and other stakeholders. The overall opinion must be supported by sufficient, reliable, relevant, and useful information. Where an internal audit function is deemed to conform to the PSIAS, reports should indicate this by including the phrase "conducted in conformance with the International Standards for the Professional Practice of Internal Auditing".

The Shared Service's procedures and supervision processes cover the communication of results of individual audits and meet the requirements of the PSIAS. During the EQA we reviewed the evidence provided in support of the Service's self-assessment and the audit reports issued for a sample of audits to establish if they conformed to the standards. We found that all the evidence we examined conformed to the standards and the shared Internal Audit Service's own procedures and methodologies.

We also reviewed the progress and annual reports presented to the respective Audit Committees and found that, on the whole, these also conformed to the standards and the Service's own internal procedures, although we have made observations regarding the data provided to the respective Audit Committees under performance standard 2000 above.

Notwithstanding the observations under performance standard 2000, we conclude that the Shared Internal Audit Service conforms to performance standard 2400 and the LGAN.

5.13 **Performance Standard 2500 – Monitoring Progress**

There is a follow-up process in place, the objective of which is to monitor the client's progress towards the implementation of agreed actions. The results of the follow-up reviews are reported to the respective Audit Committees. From this EQA, it is evident that the Internal Audit Service conforms to performance standard 2500 and the LGAN.

5.14 **Performance Standard 2600 – Communicating the Acceptance of Risk**

Standard 2600 considers the arrangements which should apply if the HAA has concluded that managers have accepted a level of risk that may be unacceptable to the organisation. Situations of this kind are expected to be rare, consequently, we did not see any examples of this during this review. From this EQA, it is evident that the Internal Audit Service conforms to performance standard 2600 and the LGAN.

6. Areas of partial conformance with the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note

6.1 There are no areas of partial conformance with the Public Sector Internal Audit Standards or the CIPFA Local Government Application Note.

7. Areas of non-conformance with the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note

7.1 There are no areas of non-conformance with the Public Sector Internal Audit Standards or the CIPFA Local Government Application Note.

8. Survey results

8.1 Overall, the results of the survey of key stakeholders were positive with respondents valuing the services provided by them with most respondents agreeing or partially agreeing with the survey statements. The detailed findings from the survey have been shared with the Head of Audit and Assurance to enable them to explore the responses in more depth. A summary of the survey results is included in this report at Appendix A.

9. Issues for management action

9.1 From our review of the Service's self-assessment we have identified several issues that the Shared Service and the Councils need to address or consider, and these are all set out in the table below:

Issues for management action	Priority
There are some key stakeholders from both Councils who feel that it may be time to reconsider the formation of the Shared Service to see if the current model is still fit for purpose, or whether an alternative model, such as one authority being the host or a stand-alone independent function, would better serve both Councils	Advisory
The Shared Service should be more commercially focussed as they need to have a sound understanding of the business risks and issues associated with services provided by external delivery partners. This is key when carrying out audits of services that have been commissioned from external delivery partners, rather than being provided by in-house functions, or when auditing arm's length management organisations.	Advisory
The Shared Audit Service needs to be able to demonstrate continuous improvement, insight and proactivity. This includes ensuring staff undertake regular and appropriate learning and development that is recorded on a central log so the Shared Service can demonstrate continuous improvement takes place and they are insightful. Learning and development includes reading technical journals, research for audits and attendance at networking events and regional group meetings.	Medium

Issues for management action	Priority
The Head of Audit and Assurance has identified the need to involve the respective Chief Executive Officers and the chair of the Audit Committees in his annual appraisal process to enhance conformance to the standards.	Advisory
To enhance objectivity and remove the risk of complacency, staff allocated to specific audits should be rotated so the same person does not carry out two consecutive audits of a function. The Head of audit and assurance has identified that this is an issue that needs to be addressed.	Medium
The Service's use of data analytics can be enhanced further by making use of external sources of data for benchmarking purposes. Suitable sources of external sources of data are the local authority data held in the CIPFA statistics and 'Nearest Neighbour Model' applications, which the Councils should already have access to, and the benchmarking data held by the Local Government Association in their LG Inform application.	Advisory
The Head of Audit and Assurance has identified that there is scope to enhance the QAIP process by adopting a more formal approach to the process.	Medium
The Head of Audit and Assurance has identified that there is limited capacity within the Shared Service's current structure to facilitate the undertaking of sufficient and detailed 'cold' quality reviews of the completed audits in a timely manner. Whilst the planned restructure of the Shared Service will assist with addressing this matter, it will not conclude for some time. In the interim we suggest that consideration is given to encouraging the Principal Auditors to undertake peer reviews where appropriate, and to also undertake a programme of 'cold' reviews of completed audits to see if there are any development points that need to be addressed.	Medium
Consideration should be given to developing a mid/long term recruitment and retention strategy for the Shared Service.	Advisory
Consideration should be given to adopting a more systematic approach to carrying out the self-assessments of conformance to the Standards to ensure all elements are covered annually.	Low
The individual audits in the respective audit plans should be allocated a priority rating.	Low
Given the problems encountered during the year as a result of vacant posts and staff sickness, which are likely to result in the audit plans being condensed, the Head of Audit and Assurance should consider whether sufficient assurance work will be completed to enable him to issue a full assurance opinion at the end of the year, or whether it will be necessary to issue a limited scope opinion instead.	Advisory

Issues for management action	Priority
<p>Consideration should be given to splitting the scope of the audits into 'must do' and 'only do if time permits' elements to enable auditors to complete the audits in the allocated time budgets.</p>	<p>Advisory</p>
<p>The information provided to the respective audit committees during the year on the delivery of the plan and the changes made to it, could be more informative to give the audit Committees a better understanding of how well the shared service is doing. Some of the performance measures reported to the audit committees are 'traditional measures' of service inputs and are now regarded as being out of date and not that useful for a modern insightful audit service. A more informed approach would be to provide the Audit Committees with performance data relating to 'outcomes achieved' by the Shared Service, for example audits delivered compared to those audits in the original audit plan; audits that overran the budgeted days; and the time taken to issue the final report following the final meeting, to provide just a few possible examples.</p>	<p>Advisory</p>
<p>Management should be mindful of the fact that a consultation on revising the Institute of Internal Auditors Global IPPF which is incorporated into the PSIAS, has recently taken place and any changes to the Standards arising from the consultation may affect the Service's future conformance to the Standards. It is, therefore, suggested that the Head of Audit and Assurance continues to keep a watching brief on the developments to the Standards and how this may impact the Service in the medium term.</p>	<p>Advisory</p>

The co-operation of the Head of Audit and Assurance in providing the information requested for the EQA, is greatly appreciated. Our thanks also go to the Chairs of the Audit Committees and the key stakeholders that made themselves available for interview during the EQA.

Ray Gard, CPFA, FCCA, FCIIA, DMS

4 March 2024

10. Definitions

Level of Conformity	Description
Generally Conforms	The Internal Audit Service complies with the standards with only minor deviations. The relevant structures, policies, and procedures of the internal audit service, as well as the processes by which they are applied, at least comply with the requirements of the individual Standard, the element of the Code of Ethics, and the Local Government Application Note in all material respects. This means that there is general conformance to a majority of the individual Standards, elements of the Code of Ethics, or the Local Government Application note, and at least partial conformance to the others.
Partially Conforms	The Internal Audit Service is endeavouring to deliver an effective service however, they are falling short of achieving some of their objectives and/or generally conforming to a majority of the individual Standards, elements of the Code of Ethics, or the Local Government Application note and at least partial conformance to the others. There will usually be significant opportunities to improve the delivery of effective internal audit, and enhance conformance to the Standards, elements of the Code of Ethics, and/or the Local Government Application Note. The Internal Audit Service may be aware of some of these opportunities and the areas they need to develop. Some identified deficiencies may be beyond the control of Internal Audit and may result in actions for Senior Management or the Board of the organisation to address.
Does Not Conform	The Internal Audit Service is not aware of; not making efforts to comply with; or is failing to achieve many/all of the individual Standards, elements of the Code of Ethics, or the Local Government Application Note. These deficiencies will usually have a significant adverse impact on Internal Audit's effectiveness and its potential to add value and are likely to represent significant opportunities for improvement to Internal Audit. Some identified deficiencies may be beyond the control of Internal Audit and may result in recommendations to Senior Management or the Board of the organisation.

Action Priorities	Criteria
High priority	The Internal Audit Service needs to rectify a significant issue of non-conformance with the standards. Remedial action to resolve the issue should be taken urgently.
Medium priority	The Internal Audit Service needs to rectify a moderate issue of conformance with the standards. Remedial action to resolve the issue should be taken, ideally within a reasonable time scale, for example six months.

Low priority	The Internal Audit Service should consider rectifying a minor issue of conformance with the standards. Remedial action to resolve the issue should be considered but the issue is not urgent.
Advisory	These are issues identified during the course of the EQA that do not adversely impact the service's conformance with the standards. Typically, they include areas of enhancement to existing operations and the adoption of best practice.

11. Disclaimer

This report has been prepared by CIPFA at the request of the North-East Lincolnshire & North Lincolnshire Shared Internal Audit Service, and the terms for the preparation and scope of the report have been agreed with them. The matters raised are only those that came to our attention during our work. Whilst every care has been taken to ensure that the information provided in this report is as accurate as possible, we have only been able to base findings on the information and documentation provided to us. Consequently, no complete guarantee can be given that this report is necessarily a comprehensive statement of all the issues that exist with their conformance to the Public Sector Internal Audit Standards that exist, or of all the improvements that may be required.

The report was prepared solely for the use and benefit of the North-East Lincolnshire & North Lincolnshire Shared Internal Audit Service, including the Officers and elected Members of the both Councils, and the Shared Internal Audit Service's clients, and to the fullest extent permitted by law, CIPFA accepts no responsibility and disclaims all liability to any other third party who purports to use or rely, for any reason whatsoever on the report, its contents, conclusions, any extract, and/or reinterpretation of its contents. Accordingly, any reliance placed on the report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk.

Shared Internal Audit Service Stakeholder Survey





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**North Lincolnshire and North East Lincolnshire
Audit and Assurance Shared Service
Internal Audit Strategy 2024-27**

Mission

The mission of internal audit as laid out in the standards is “To enhance and protect organisational value by providing risk-based and objective assurance, advice, and insight.

Background

The purpose of audit in the public sector has evolved in recent years. The nature of the audits has changed as have the skills and techniques required to deliver our work. Our updated strategy sets out the key areas we need to develop to ensure that we deliver an audit service fit for our councils and its stakeholders.

Our critical success factors.

- Occupying a position within our Councils that allows us to deliver insight and maximise the impact of our work.
- Maintaining effective and efficient processes
- Maintaining a suitably skilled and knowledgeable workforce to be able to deliver quality.

Our Focus areas

- **Team Development:** To review the structure and culture of the team to ensure team members have the necessary skills and opportunities to develop the effectiveness of audit work, create resilience and promote succession planning.
- **Client engagement:** Building on existing effective relationships with key stakeholders to help us deliver knowledgeable, high quality audit work.
- **Strategic Planning:** Building on our existing planning processes, and the further development of assurance frameworks, to ensure we always provide the councils and its stakeholders with assurance in the right place, at the right time.
- **Audit Standards:** Preparing for the introduction of the new standards In 2025.
- **Redesign and modernisation:** The development of more targeted pieces of work that adds value. This includes improved using technology more effectively to monitor the implementation of audit actions.
- **Data Analytics:** Via the implementation of our Data Analytics Strategy, more efficiently analyse data and provide real- time assurance.
- **KPIs:** Developing KPIs which capture the value of our services, rather than those activities that are easy to measure. This includes improving supporting performance management systems so that performance can be measured more efficiently and effectively.

MARCH 2024

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Quality Assurance and Improvement Programme

1. Introduction

Internal Auditing is defined as ‘an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.’ (Public Sector Internal Audit Standards – PSIAS).

The Audit and Assurance team aims to meet its stakeholder expectations and deliver high quality services. This requires a lot of hard work and commitment to identify and consistently apply effective professional practice. This is why Attribute Standard 1300 of the International Standards requires heads of internal audit to develop and maintain a Quality Assurance and Improvement Programme (QAIP).

Standard 1310 states that the programme must include both internal and external assessments. This acknowledges that high standards can be delivered by managers but it also implies that improvements can be further developed when benchmarking is obtained from outside the organisation and the internal audit function.

In total there are three key requirements of the Standards, as follows:

- Ongoing monitoring of the performance of the internal audit activity. This refers to the day to day supervision, review and measurement of internal audit activity that is built into policies and routine procedures.
- Periodic self-assessments (or assessments by other persons within the organisation with sufficient knowledge of internal audit practices) to assess conformance with the International Professional Practices Framework (IPPF) that includes the Definition of Internal Auditing, the Code of Ethics and the International Standards.
- External assessments of conformance to the IPPF once every five years by a qualified, independent assessor or assessment team from outside the organisation. External assessments can be in the form of a full external assessment, or a self-assessment with independent external validation.

It is also a requirement of the Standards that the nature of the QAIP and reviews of effectiveness are regularly reported to Council’s audit committee and senior management

The QAIP is designed to provide reasonable assurance to our stakeholders that internal audit:

- Performs its work in accordance with the current Audit Charter which is consistent with The Public Sector Internal Audit Standards' (PSIAS) definition of Internal Auditing and Code of Ethics;
- Operates in an effective and efficient manner; and
- Is perceived by stakeholders as adding value and improving internal audit's operations.

The QAIP covers all aspects of the Internal Audit activity in accordance with the PSIAS Standard 1300 (Quality Assurance and improvement Programme), including:

- Monitoring the internal audit activity to ensure it operates in an effective and efficient manner (1300);
- Ensuring compliance with the PSIAS' Definition of Internal Auditing and Code of Ethics (1300);
- Helping the internal audit activity add value and improve organisational operations (1300);
- Undertaking both periodic and on-going internal assessments (1311 and 1312);
- Commissioning an external assessment at least once every five years, the results of which are communicated to the Audit Committee and Senior Management (1320); and
- Communicating the results of internal and external inspections to the respective senior management and Audit Committees, with disclosure including:
 - The scope and frequency of both the internal and external assessments.
 - The qualifications and independence of the assessor(s) or assessment team, including potential conflicts of interest.
 - Conclusions of assessors.
 - Corrective action plans.

The Head of Audit and Assurance is responsible for the QAIP, which covers all types of Internal Audit activities, including consulting services.

2. Internal Assessments

In accordance with PSIAS Standard 1300, internal assessments are undertaken through both on-going and periodic reviews.

On-going Reviews

Continual assessments are conducted through:

- Management supervision of all engagements;
- Structured, documented reviews of terms of references, working papers and draft reports by internal audit management on a risk assessed basis;
- Audit Policies and Procedures used for each engagement to ensure consistency, quality and compliance with appropriate planning, fieldwork and reporting standards;

- Internal Quality Control Checklist completed for each assignment, and reviewed by Head of Audit and Assurance on a sample basis;
- Reviews of a sample of “cold reviews” of engagements by audit management to confirm that the quality assurance arrangements have been complied with by the team, and where applicable identify areas for improvement;
- Feedback from audit clients obtained through audit questionnaires at the closure of each engagement and periodically from questionnaires sent to Assistant Directors;
- Monitoring of internal performance targets and regular reporting to Audit Committees, and strategic management teams;
- Review and approval of all final reports, recommendations and levels of assurance by the Head of Internal Audit or the Audit Lead Officer;;
- Review of the status of follow up reports in terms of recommendations implemented; and
- Regular team briefings attended by all members of the Internal Audit team, for which action points are retained- this includes periodic reviews of the team’s approach to particular standards (such as evidence, sampling and reporting), agenda items based around the standards, feedback from supervision of audit work and an update of actions arising from quality reviews.

Periodic Reviews

Periodic assessments are designed to assess conformance with Internal Audit’s Charter, the PSIAS’ Definition of Internal Auditing, the Code of Ethics, and the efficiency and effectiveness of internal audit in meeting the needs of its various stakeholders. Periodic assessments are conducted through:

- Performance Reports, presented to the Audit Committees
- Annual risk assessments for the purposes of annual audit planning;
- Annual self- assessment against the Public Sector Internal Audit Standards (PSIAS),
- Annual self-assessment against the CIPFA document “Role of the Head of Internal Audit”;
- Annual review of compliance against the requirements of this Quality Assurance and Improvement Programme; and
- Feedback from the respective Audit Committees and the Leadership Teams of both Councils to inform the annual appraisal of the Head of Audit and Assurance in accordance with Standard 1100.

As per standard 1320 the Head of Audit and Assurance must communicate the results of the quality assurance and improvement program to senior management and the Audit Committee. The results of internal assessments are included in an action plan which is monitored continually and reported in the Annual Head of Internal Audit Report and Opinion. Any significant areas of non-compliance with the PSIAS that are identified through internal assessment will be reported in the Head of Internal Audit’s Annual Report and used to inform the Annual Governance Statement (AGS).

3. External Assessments

External assessments will appraise and express an opinion about internal audit's conformance with the PSIAS' Definition of Internal Auditing and Code of Ethics and include recommendations for improvement, as appropriate.

Frequency of External Assessment

An external assessment will be conducted at least every five years, in accordance with the PSIAS. Appointment of the External Assessor and scope of the External Assessment will be approved by the Audit Committee.

Scope of External Assessment

The external assessment consists of a broad scope of coverage that includes the following elements of internal audit activity:

- Conformance with the Standards, Definition of Internal Auditing, the Code of Ethics, and internal audit's Charter, plans policies, procedures, practices, and any applicable legislative and regulatory requirements;
- Integration of the internal audit activity into the Councils' governance framework, including the audit relationship between and among the key groups involved in the process;
- Tools and techniques used by Internal Audit;
- The mix of knowledge, experiences, and disciplines within the staff, including staff focus on process improvement delivered through this Quality Assurance and Improvement programme; and
- A determination whether internal audit adds value to North Lincolnshire Council and North East Lincolnshire Council respectively.

Results of external assessments are provided to each Audit Committee. The external assessment report will be accompanied by a written action plan in response to significant comments and recommendations identified. Any significant areas of non-compliance will be reported in the Annual Head of Internal Audit Report and Opinion and, if applicable, in the Annual Governance Statement (AGS).

The most recent review was carried out in November 2023 and reported in February 2024. This confirmed compliance with the standards. Some actions for further improvement were identified which will be incorporated into the QAIP action plan.

Review of QAIP

This document will be subject to periodic review and will be updated accordingly following any changes to the PSIAS or internal audit's operating environment and will be reviewed at least on an annual basis.

Audit Progress Report

North Lincolnshire Council

April 2024
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1. Audit Progress and Audit Planning
2. National publications

Page 60

01

Section 01:

Audit Progress and Audit Planning

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.

2021/22 Audit

The position on the key elements of the 2021/22 audit is summarised below.

Financial Statements audit

We have now concluded our audit work on the 2021/22 financial statements and issued our audit opinion on 11 January 2024.

Whole of government accounts

We have submitted the 2021/22 Assurance Statement to the NAO in relation to the Council's WGA return. We need to wait for confirmation from the NAO about their arrangements for selecting sampled components for additional work before we can issue the audit certificate.

Value for money arrangements

- Our work for 2021/22 will be reported alongside our work for 2022/23. Our VFM work for both years is largely complete and we aim to issue our Auditors Annual Report for both years within 3 months of issuing the opinion on the 2022/23 financial statements

2022/23 Audit

Our Audit Completion Report for the 2022/23 audit was presented to the Audit Committee on 22 November 2023. We confirmed that our audit fieldwork was substantially complete and included details of the outstanding matters at the time of issuing the report. We have now completed our work on pensions. We currently have a small amount of outstanding work in relation to property, plant and equipment. We are aiming to complete our audit work in relation to 2022/23 by the end of April 2024.

2023/24 Audit

We have commenced our planning work for the 2023/24 audit and will bring our Audit Strategy Memorandum to a subsequent meeting of the Audit Committee.

02

Section 02:

National publications

National publications

	Publication/update	Key points
National Audit Office		
1	NAO report - Approaches to achieving net zero across the UK	The NAO has published its report on Approaches to achieving net zero across the UK. This report is a joint piece of work between the public audit offices of the four UK nations – Audit Scotland, Audit Wales, NAO and Northern Ireland Audit Office – and has been produced with engagement from each respective government or administration. It sets out the UK and devolved governments' legislation, policy, strategy, governance and monitoring arrangements, relevant to achieving net zero greenhouse gas emissions.
2	NAO Departmental overview: Transport Services	The NAO has published its Departmental overview for Transport Services which summarises the key information and insights gained from the NAO's examinations of the department and related bodies in the sector in England and the annual reports and accounts.
3	NAO Departmental overview: Education	The NAO has published its Departmental overview for Education which supports the Education Committee in its examination of the Department for Education's (DfE's) spending and performance. It summarises information and insights gained from examinations of the DfE and related bodies across the sector in England and the DfE's annual report and accounts.
4	NAO Departmental overview: Department for Work and Pensions 2022-23	The NAO has published its Departmental Overview of the Department for Work and Pensions (DWP) 2022-23. DWP spent more than £240 billion in 2022-23 to deliver welfare, pensions and child maintenance policy. The overview summarises information and insights gained from the NAO's examinations of DWP and related bodies and DWP's annual report and accounts.
5	NAO Insight: Overcoming challenges to managing risks in government	The NAO has published a guide Overcoming challenges to managing risks in government aimed at senior leaders and risk practitioners across government.
6	NAO Departmental Overview: Cabinet Office 2022-23.	The NAO has published its departmental overview of the Cabinet Office 2022-23. It summarises the key information and insights that can be gained from the NAO's examinations of the Cabinet Office and related bodies across the sector in England and the Cabinet Office's annual report and accounts.
7	NAO Departmental overview: Department for Levelling Up, Housing & Communities 2022-23	The NAO has published the Departmental Overview: Department for Levelling Up, Housing & Communities (DLUHC) 2022-23. It summarises the key information and insights that can be gained from the NAO's examinations of DLUHC and related bodies in the sector in England and DLUHC's Annual Report and Accounts.

National publications

	Publication/update	Key points
National Audit Office (continued)		
8	NAO insight: Good practice in annual reporting	The NAO has published a good practice guide on annual reporting which sets out principles of annual reporting. The guide showcases real-world examples of good practice for annual reporting from organisations from the public, private and charity sectors, who are leading the way.
9	NAO insight: Whistleblowing in the civil service	The NAO has published a guide for people who deal with whistleblowers, investigate concerns or manage whistleblowing processes in government organisations.
Other		
10	Consultation on changes to statutory guidance and regulations: Minimum Revenue Provision	DLUHC consulted on the statutory guidance and final form of the Minimum Revenue Provision Regulations.
11	Call for views on new local authority capital flexibilities	DLUHC sought views on a set of options with respect to capital flexibilities and borrowing, to be managed locally, that could be used to encourage and enable local authorities to invest in ways that reduce the cost of service delivery and provide more local levers to manage financial resources.
12	HM Treasury consultation: Non-investment Asset Valuation – Exposure Draft	Draft HM Treasury has published its consultation on proposals for changes that will affect Financial Reporting Manual (FRM) adaptations and interpretations of International Accounting Standard 16 Property Plant and Equipment (IAS 16) and adaptations of International Accounting Standard 38 Intangibles (IAS 38), in respect of the measurement of assets.
13	HM Treasury consultation: Phase 2 Exposure Draft for Task Force on Climate-related Financial Disclosure (TCFD) -aligned disclosure in annual Reports	HM Treasury has published its consultation on new climate-related financial disclosures in entity-level annual reports that align with the Task Force on Climate-related Financial Disclosure (TCFD) recommendations.
14	FRC's report on the quality of major local audits	The Financial Reporting Council (FRC) has published its report on the quality of major local audits which summarises the FRC's regulatory approach for financial years up to and including the year ended 31 March 2023 and sets out the findings from the 2022-23 inspections cycle.
15	Department for Levelling up, Housing and Communities proposals to clear the audit backlog.	In late February, the Department for Levelling up, Housing and Communities (DLUHC) published a joint statement setting out the proposals to clear the audit backlog.

National Publications

NAO Publications

1. NAO report - Approaches to achieving net zero across the UK

The NAO has published a report – Approaches to achieving net zero across the UK. This report is a joint piece of work between the public audit offices of the four UK nations – Audit Scotland, Audit Wales, NAO and Northern Ireland Audit Office – and has been produced with engagement from each respective government or administration. It sets out the UK and devolved governments’ legislation, policy, strategy, governance and monitoring arrangements, relevant to achieving net zero greenhouse gas emissions.

This work has several aims:

- To set out how the responsibilities and powers for achieving the net zero target are split between the UK government and each of the devolved governments.
- To provide insight and stimulate public discussion on each UK nation’s overall approach to achieving net zero.
- To support the scrutiny of governments’ arrangements to achieve net zero.
- To lay the foundations for potential further work on climate change by the UK’s public audit offices.

The report include the following key themes:

- The four nations have different emissions profiles and varied approaches to achieving net zero, but the choices they make must ultimately deliver net zero at the UK level.
- Given the different net zero targets, carbon budgets and policies across the nations, there will be opportunities for the governments to learn from each other.
- Achieving net zero in any one nation depends on UK-level action, and vice versa.
- Effective working relationships and close engagement between the UK and devolved governments will be vital to achieving the overall aim of net zero.

<https://www.nao.org.uk/reports/approaches-to-achieving-net-zero-across-the-uk/>

National Publications

NAO Publications continued

2. NAO Departmental overviews

The NAO has published the following department overviews. They summarise the key information and insights that can be gained from the NAO's examinations of the departments and related bodies in the sector in England and annual reports and accounts:

Department for Transport: Spends £41 billion each year to support the transport network that helps get people and goods travelling around the UK

<https://www.nao.org.uk/overviews/department-for-transport-2022-23/>

3. NAO Departmental overview: Education

The NAO has published its Departmental overview for Education which supports the Education Committee in its examination of the Department for Education's (DfE's) spending and performance. It summarises information and insights gained from examinations of the DfE and related bodies across the sector in England and the DfE's annual report and accounts. In 2022-23, the DfE spent £83 billion to meet its responsibilities for children's services and education, including early years, schools, further and higher education policy, apprenticeships, and wider skills in England.

<https://www.nao.org.uk/overviews/department-for-education/>

4. NAO Departmental overview: Department for Work and Pensions 2022-23

The NAO has published its Departmental Overview of the Department for Work and Pensions (DWP) 2022-23. DWP spent more than £240 billion in 2022-23 to deliver welfare, pensions and child maintenance policy. The overview summarises information and insights gained from the NAO's examinations of DWP and related bodies and DWP's annual report and accounts.

[Department for Work and Pensions 2022-23 - NAO overview](#)

National Publications

NAO Publications continued

5. NAO Insight: Overcoming challenges to managing risks in government

The NAO has published a guide Overcoming challenges to managing risks in government aimed at senior leaders and risk practitioners across government.

The guide outlines 10 approaches to overcome these challenges and each approach is supported by an outline of why this is a priority for government; case studies and quotes; and practical tips.

The guide has been drawn from insights from NAO's reports and insight teams, as well as the thoughts of a range of leaders and practitioners from NAO audited bodies and external organisations across industry and academia.

<https://www.nao.org.uk/insights/overcoming-challenges-to-managing-risks-in-government/>

6. NAO Departmental overview: Cabinet Office

The NAO has published its departmental overview of the Cabinet Office 2022-23. As a central department, the Cabinet Office performs various strategic and coordinating functions – in particular, overseeing how departments implement Cabinet decisions and the Prime Minister's priorities. It also has responsibility for key strategic policy areas such as national security, and for providing direction to departments to improve how they operate.

The Cabinet Office spends approximately £1 billion each year to support the Prime Minister and Cabinet, to lead and coordinate the government's response to cross-departmental challenges and to act as the corporate headquarters for the government.

[Cabinet Office 2022-23 - National Audit Office \(NAO\) overview](#)

National publications

NAO Publications continued

7. NAO Departmental overview: Department for Levelling Up, Housing & Communities 2022-23

The NAO has published the Departmental Overview: Department for Levelling Up, Housing & Communities (DLUHC) 2022-23. It summarises the key information and insights that can be gained from the NAO's examinations of DLUHC and related bodies in the sector in England and DLUHC's Annual Report and Accounts. DLUHC spends around £33 billion each year to support people, places and communities.

[Department for Levelling Up, Housing & Communities 2022-23 - NAO overview](#)

8. NAO insight: Good practice in annual reporting

The NAO has published a good practice guide on annual reporting which sets out principles of annual reporting grouped into four areas:

Page 66
Supporting accountability
Transparency
Accessibility
Understandability

The guide showcases real-world examples of good practice for annual reporting from organisations from the public, private and charity sectors, who are leading the way.

[Good practice in annual reporting - National Audit Office \(NAO\) insight](#)

National publications

NAO Publications continued

9. NAO insight: Whistleblowing in the civil service Communities 2022-23

The NAO has published a guide for people who deal with whistleblowers, investigate concerns or manage whistleblowing processes in government organisations for example those who might:

- work in HR policy
- work in a team that oversees progress with whistleblowing cases
- design whistleblowing processes
- be the first point of contact for whistleblowers who raise concerns by email or phone
- investigate concerns raised by whistleblowers
- be a nominated officer or senior member of staff that people can raise concerns with

Every organisation is different, so there is no single approach to follow for improving whistleblowing. This guide is not a comprehensive list of everything but it does set out areas to be mindful of and what other organisations find helps them.

[Whistleblowing in the civil service - NAO insight](#)

National publications

Other Publications

10. Consultation on changes to statutory guidance and regulations: Minimum Revenue Provision

DLUHC consulted on the statutory guidance and final form of the Minimum Revenue Provision Regulations. Further details and the consultation itself can be found here:

[Consultation on changes to statutory guidance and regulations: Minimum Revenue Provision - Department for Levelling Up, Housing and Communities - Citizen Space](#)

The consultation closed on 16 February 2024 however the link provides information on the key issues that were consulted on.

11. Call for views on new local authority capital flexibilities

DLUHC is sought views on a set of options with respect to capital flexibilities and borrowing, to be managed locally, that could be used to encourage and enable local authorities to invest in ways that reduce the cost of service delivery and provide more local levers to manage financial resources.

[Call for views on new local authority capital flexibilities - Department for Levelling Up, Housing and Communities - Citizen Space](#)

The consultation closed on 31 January 2024 however the link provides information on the key options that were consulted on.

12. HM Treasury consultation: Non-investment Asset Valuation – Exposure Draft

Draft HM Treasury has published its consultation on proposals for changes that will affect Financial Reporting Manual (FRm) adaptations and interpretations of International Accounting Standard 16 Property Plant and Equipment (IAS 16) and adaptations of International Accounting Standard 38 Intangibles (IAS 38), in respect of the measurement of assets. The changes flow from HM Treasury's thematic review of non-investment asset valuations and the exposure draft covers the whole UK public sector, which is the boundary for the Whole of Government Accounts.

The document contains HM Treasury's proposed changes to the valuation of non-investment assets as discussed and agreed by the Financial Reporting Advisory Board. Its publication forms part of due processes for any such changes. It is a technical document that sets out the rationale for HM Treasury's conclusions, and the detail of proposed changes to the FRm.

[Non-investment Asset Valuation - Exposure Draft 23 \(01\) - GOV.UK \(www.gov.uk\)](#)

Other Publications continued

13. HM Treasury consultation: Phase 2 Exposure Draft for Task Force on Climate-related Financial Disclosure (TCFD) -aligned disclosure in annual Reports

HM Treasury has published its consultation on new climate-related financial disclosures in entity-level annual reports that align with the Task Force on Climate-related Financial Disclosure (TCFD) recommendations.

The Phase 2 Exposure Draft addresses the recommended disclosures for the Risk Management and Metrics and Targets pillars of the TCFD framework. These requirements follow on from the TCFD-aligned disclosure application guidance for Phase 1 of TCFD implementation, published in July 2023.

This Exposure Draft covers the whole UK public sector, which is the boundary for the Whole of Government Accounts.

The proposed effective date for central government bodies is 1 April 2024, with Phase 2 disclosures required in annual reports and accounts for 2024-25 on a comply or explain basis. Other public sector bodies should follow the direction from their respective relevant authority. Public sector bodies may choose to voluntarily apply this guidance - in full or in part.

[TCFD-aligned disclosure Exposure Draft for Phase 2 - GOV.UK \(www.gov.uk\)](https://www.gov.uk)

National publications

Other Publications continued

14. FRC's report on the quality of major local audits

The Financial Reporting Council (FRC) has published its report on the quality of major local audits which summarises the FRC's regulatory approach for financial years up to and including the year ended 31 March 2023 and sets out the findings from the 2022-23 inspections cycle.

There were six health and four local government audits selected for inspection in the 2022-23 cycle. The audits inspected had year-ends in March (or in one case May) 2021 (local government) and March 2022 (health). For local government audits, inspections were selected from those finished in the 2022 calendar year (regardless of the financial year the audit related to) due to the challenges brought on by the backlog.

Therefore, more audits were inspected from the health sector and as a result, the findings in the report are more indicative of audit quality in the health sector. All financial statement audits were assessed as good or limited improvements required. Areas requiring limited improvements included:

- Audit procedures regarding completeness and accuracy of expenditure.
- On the audit of one NHS Trust, the inspection concluded that audit procedures were not sufficiently tailored to address the impact of backlog maintenance.

In terms of value for money (VfM) inspections, six related to health and three local government bodies. This is less than the number of financial statement audits inspected because the auditor's work on VfM arrangements was not complete on one audit that was inspected. All VfM inspections were assessed as good or limited improvements required. Areas requiring limited improvements included:

- Risk assessment procedures not being performed in a timely manner.
- Not considering the arrangements in place at the body to manage, monitor and oversee its subsidiaries.
- The audit team not updating their initial risk assessment or reporting to consider how the body had achieved its outturn financial position.

[FRC publishes report on the quality of major local audits amid delays in local government](#)

Other Publications continued

15. Department for Levelling up, Housing and Communities proposals to clear the audit backlog.

In late February, the Department for Levelling up, Housing and Communities (DLUHC) published a joint statement setting out the proposals to clear the backlog. The joint statement and the full consultation proposals, which ran until 7 March 2024, can be found using the following links:

[Local audit delays: Joint statement on update to proposals to clear the backlog and embed timely audit - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/addressing-the-local-audit-backlog-in-england-consultation/addressing-the-local-audit-backlog-in-england-consultation)

<https://www.gov.uk/government/consultations/addressing-the-local-audit-backlog-in-england-consultation/addressing-the-local-audit-backlog-in-england-consultation>

The consultation proposes putting a date in law of the 30th September 2024 (the “backstop date”), by which point local bodies would publish audited accounts for all outstanding years up to and including 2022/23. The report notes that the backstop date coming into effect is likely to be a factor in local auditors issuing a greater number of modified or disclaimed opinions on outstanding accounts, where there is not enough time to complete all audit work before the deadline. It is auditor’s statutory duty to report on Value for Money (VFM) arrangements, this remains a high priority in governments proposals.

To ensure that delays do not re-emerge once the backlog of local body audit opinions has been cleared, DLUHC proposes to put further backstop dates into law for the publication of audited accounts by local bodies. These would cover the five-year audit appointments awarded in 2022 by Public Sector Audit Appointments (PSAA) running from financial years 2023/24 to 2027/28. The backstop date for the audit of the 2023/24 accounts is proposed to be 31 May 2025. The measures are being suggested as a way for auditors to rebuild assurance over several audit cycles, as a result of the anticipated increase in modified and disclaimer opinions, due to the backstop date.

Furthermore, the National Audit Office have launched a four-week consultation seeking views on changes to the Code of Audit Practice, which sets out how local auditors in England meet their responsibilities under the Local Audit and Accountability Act 2024. One of the consultation proposals is that the Auditor’s Annual Report is published each year by 30 November and summarises the audit work completed in the previous 12 months. The NAO consultation also ran until 7 March 2024 and can be found using the following link:

[Code of Audit Practice Consultation - National Audit Office \(NAO\)](#)

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

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NORTH LINCOLNSHIRE COUNCIL

AUDIT COMMITTEE

ANTI-FRAUD REPORT 2023-24

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 To demonstrate to the public, members, staff and partners the progress made during 2023/24 in developing an anti-fraud culture;
- 1.2 To publicise the actions taken when fraud or misconduct has been identified.

2. BACKGROUND INFORMATION

2.1. The council's framework to combat fraud, corruption and misappropriation was approved by Audit Committee in November 2023. The framework follows national guidance as laid out in the document "Fighting fraud and corruption locally (FFCL)- the local government counter fraud and corruption strategy 2020's, and is based upon five key principles:

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

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

3. OPTIONS FOR CONSIDERATION

3.1 The Committee is asked to consider whether the Annual Fraud Report provides sufficient assurance on the adequacy of counter fraud arrangements during 2023/4. The Committee is invited to ask questions about the contents of the report and seek clarification as necessary.

4. ANALYSIS OF OPTIONS

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

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

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

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

6.1 Fraud is a risk to both the council's finances and its reputation. Resources lost to fraud, both monetary and through the provision of services are resources that are no longer available to support the council's aims and in turn the community.

6.2 Regular reviews of counter fraud arrangements should minimise the risk of fraudulent attacks on council finances and services.

7. OUTCOMES OF INTEGRATED IMPACT ASSESSMENT (if required)

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

8. OUTCOMES OF CONSULTATION AND CONFLICTS OF INTERESTS DECLARED

8.1 There are no conflicts of interests to declare.

9. RECOMMENDATIONS

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

DIRECTOR: OUTCOMES

Church Square House
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North Lincolnshire
DN15 6NL

Author: Peter Hanmer
Date: 28 March 2024

Background papers used in the preparation of this report

None.

SAFE WELL PROSPEROUS CONNECTED

Annual Fraud Report 2023-24

Introduction

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

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

This report highlights the work which has been carried out across the council during 2023-24 under the key principles of:

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

Govern

The council has a robust framework of procedures and controls to minimise the risk of losses due to fraud. Our anti-fraud and corruption strategy makes it absolutely clear that fraud and corruption will not be tolerated. The strategy is strongly influenced by 'Fighting fraud and corruption locally (FFCL)- the local government counter fraud and corruption strategy 2020' and provides the basis for our anti-fraud activities.

As part of the continuous review of our fraud related policies and procedures, both the anti-fraud and corruption strategy and fraud response plan were reviewed in November 2023 and approved at the Audit Committee meeting on 23rd November 2023. The review and approval of these documents re-affirms our commitment to fighting fraud, makes it clear the cost of failing to tackle fraud and provides a clear pathway for reporting concerns and process for dealing with those concerns.

To provide independent assurance that our fraud response is appropriate and meets the needs of the council, Lincolnshire County Council we invited to conduct a 'peer review' of our arrangements against the checklist in the FFCL strategy. This provided satisfactory assurance on the effectiveness of the control environment in relation to fraud. In coming to this conclusion, the review made a number of recommendations that we have considered to improve our fraud response, including carrying out an updated fraud risk assessment.

The fraud risk assessment will initially take the form of a self assessment questionnaire for services to complete. The methodology for selecting services for assessment is currently being reviewed to ensure that all major areas of fraud risk are captured. It is anticipated that the questionnaires will have been issued by the time this report is issued.

Acknowledge and understand

The past few years have seen changes on a massive scale. COVID has transformed the way we work as council, with home and hybrid working now the norm. The rise in the cost of living and conflict in Ukraine are also placing strains on finances both public and personal.

At the same time, it is reported that fraud is now the most prevalent crime¹ and latest estimates of fraud losses within Local Government have increased from £7.8bn in 2017 to £8.8bn in 2023². It is clear that fraud is and will remain a significant risk.

We cannot afford to lose money to fraud. We all have a responsibility to understand what fraud looks like, what to do when we suspect it and how to report it. Advice and guidance is available on the council wiki pages and a suite of fraud awareness e-learning modules, specifically developed to raise awareness of fraud are also available on the LearningLincs platform. The more employees understand what fraud is, how their service might be targeted by fraudsters and how to respond to instances of fraud, the harder we make it for fraudsters to steal public money.

But, having the tools to prevent fraud is only effective if those tools are used and understood. Therefore, we have undertaken a short staff survey, not only to assess the level of knowledge and understanding of fraud but also to assess our employees' confidence in using those tools (such as the reporting a concern (whistleblowing) policy).

Our last staff survey in relation to fraud awareness was conducted in 2018/2019. During a four month period in 2023, a refreshed survey was made available to employees to complete. A variety of methods were used to promote the completion of the survey, including the weekly corporate communication to staff and through senior leadership team. At the end of the survey period in August 2023, 72 responses had been received. Some of the key findings are shown as follows:

72% of respondents are aware of the fraud awareness modules

83% of respondents agreed that the council had made clear its commitment to fight fraud and corruption (7% in 2019)

94% of respondents are aware of their personal responsibilities and conduct in respect of fighting fraud and corruption (89% in 2019)

72% of respondents are aware of the councils fraud and corruption strategy (50% in 2019)

98% of respondents understood their responsibilities under the Bribery Act (84% in 2019)

73% of respondents are aware of the register of gifts and hospitality and that periodic reminders are issued

¹ Crime in England and Wales: year ending March 2023

² Annual Fraud Indicator 2023

Of the 15 questions asked in the survey, 12 showed improvements on the 2018/19 responses and indicates that in general the level of fraud awareness has improved, although there are areas where more can be done to raise awareness or confidence further including:

- Improving awareness of internal controls such as segregation of duties and how they are effective in preventing fraud and corruption.
- Improving awareness of the arrangements in place to deal with allegations of money laundering.
- Awareness of the register of interests.
- Awareness of how the Council's disciplinary procedures provide an effective deterrent to fraud and corruption; (25% answered 'Don't know' to this question).

We continue to identify and monitor risk through alerts issued by law enforcement agencies and the National Anti-Fraud Network (NAFN). These risks are disseminated to the relevant services including local taxation & benefits, electoral services, blue badge administration and finance teams as appropriate. The value of receiving such alerts is clear and is another line in our defence against fraudulent activity.

Preventing and detecting fraud

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

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

During 2023/24, proactive work has also been completed in relation to expenses, members allowances, community grants, duplicate payments and mandate fraud.

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

Council Tax single residency review

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

The council has approximately 77,000 Council Tax payers, of which about 26,000 receive a SRD entitling them to a 25% reduction in their Council Tax bill. Evidence suggests that without intervention, the number of SRD's increases due to the failure of a small number of Council Tax payers to report when they are no longer entitled to the discount. This in turn reduces the income available to collect and use on council priorities.

Having implemented the monthly review of SRD entitlements in 2021/22 this work has been ongoing throughout the year. We continue to monitor every council tax liability that receives a SRD on a monthly basis, in order to quickly amend liabilities, thus ensuring that the maximum amount of Council Tax is available for collection. Figures for the first two full years' exercises show that over 500 discounts were removed as a result of the review, increasing the amount of Council Tax available for collection by almost £200k.

Summary	Values
2021/2022 Number of SRD's removed	406
2021/2022 Value of discounts removed	£143,762
2022/2023 Number of SRD's removed	136
2022/2023 Value of discounts removed	£51,935

For the current year, we have taken the following action as of the 5th February 2024. The full year results will be reported in the Counter Fraud Progress Report later in the year:

Summary	Values
Number of review letters sent	349
Number of reminders sent	110
Number returned	283
Number returned with no change reported	216
Number of changes reported	84
Number of single residency discounts removed	58
Value of discounts removed	£21,902

It is worth noting that an additional 47 SRD’s have been removed and replaced with student exemption discounts. Whilst this does not increase the amount of Council Tax available for collection, the student exemption is not an indefinite award and will stop once an individual ceases full time education at which point a full charge will be applied.

Participation in the National Fraud Initiative (NFI)

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

The council received 5,240 matches in 43 separate reports. 2,463 of these matches have been cleared and no fraud or error has been identified as a result. 10 matches have been referred to DWP to investigate and a further seven are the subject of ongoing investigations by our own investigation team. Of the remaining matches, no further action was taken as it was established that the match posed little or no risk of fraud or incorrectness. For example, a match of duplicate creditors identified by address was deemed to be low risk as the finance system was cleansed as part of the transfer of data to the new finance system.

Although there are outstanding cases under investigation, to date there has been no instances of fraud or error highlighted as a result of this data matching process. This continues to provide assurance that the quality of the council’s data and processes remains high minimising the risk of losses.

School admissions

The process for checking school admission applications to deter fraudulent applications is now fully embedded in the admissions process. For the September 2023 intake, there were two oversubscribed schools. Applications for these schools were checked against Council Tax data to identify discrepancies in the information provided.

1713	Applications checked
74	Required further investigation
9	Number of school places affected

As always, the vast majority of the school applications received were correct applications requiring no further validation. However, data-matching identified 74 applications where further enquiries were made to ensure the application was correct. The result of these investigations stopped nine school places being awarded to students incorrectly. More importantly, it enabled those places to be allocated to students who had a legitimate application to attend those schools.

Following allocation day there were no reports of fraudulent addresses being used and no offers of a school place were withdrawn as a result of conducting the checks prior to allocation.

Although the numbers involved are small, feedback from parent and carers is that this approach makes a big difference to them. It also provides the public with assurance that the council takes appropriate action to ensure that school places are allocated correctly.

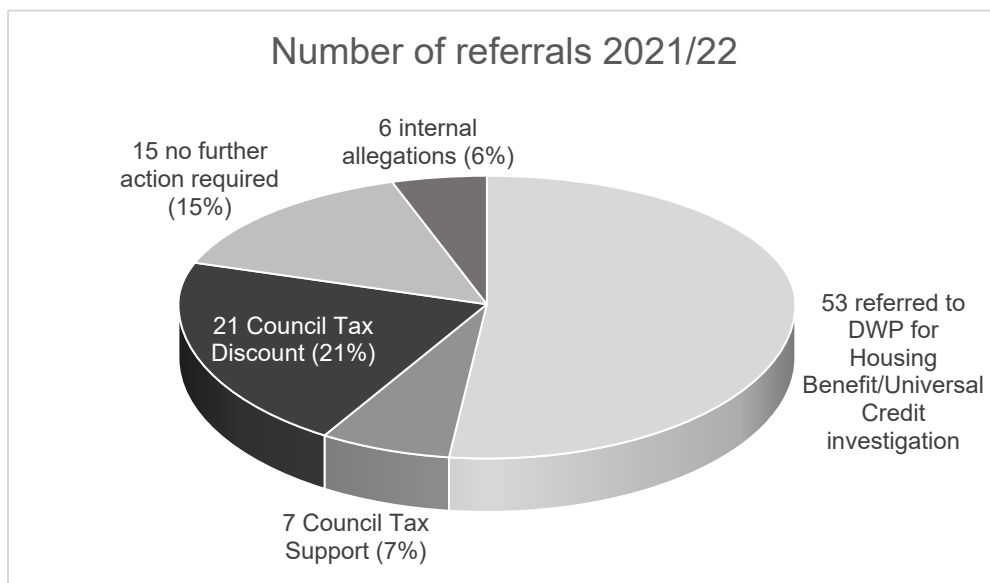
Reactive investigations

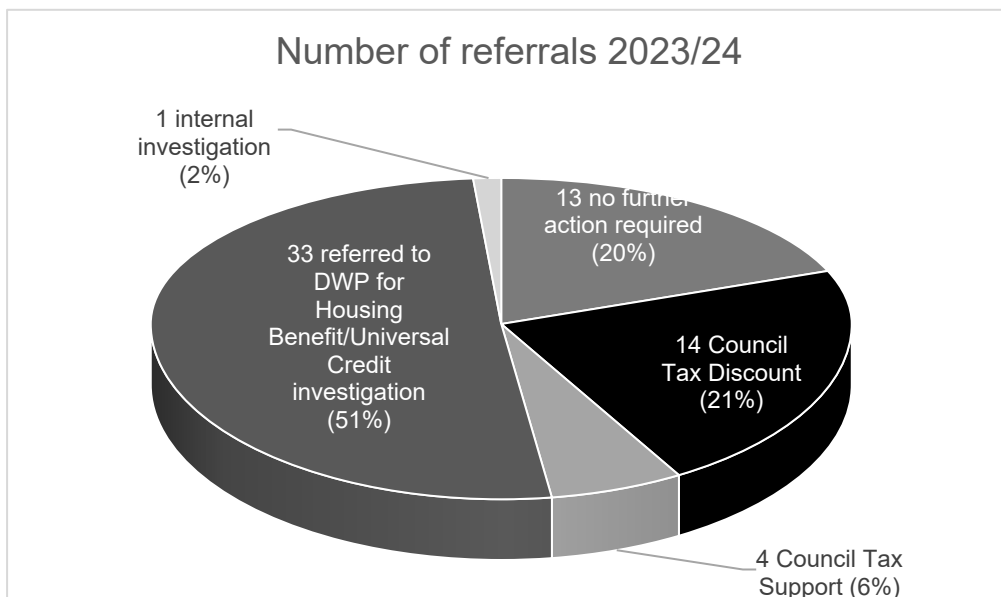
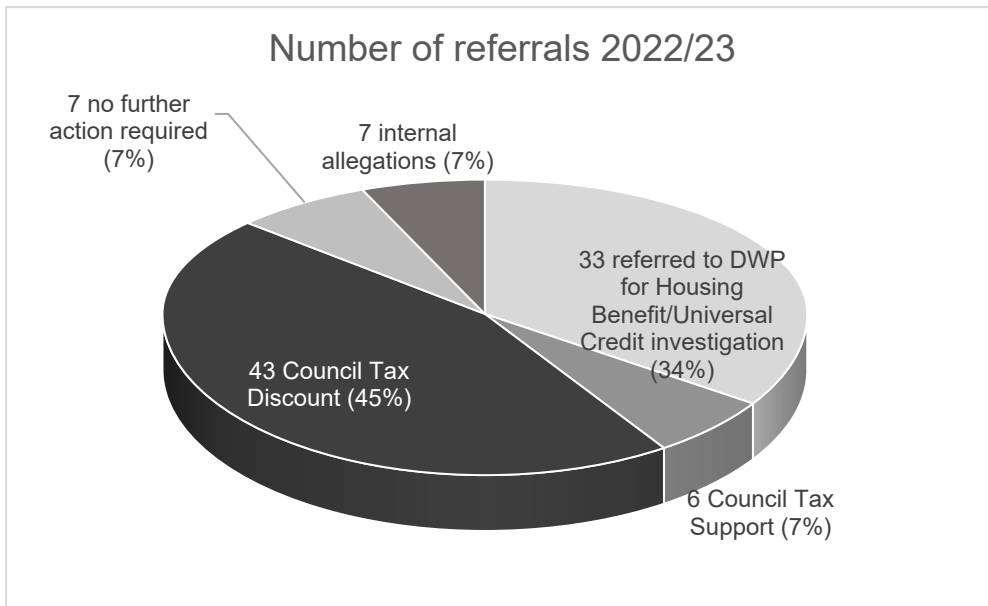
Allegations are received from a variety of sources, including members of the public, internal council teams, the Police, the NFI exercise and the Department for Work and Pensions (DWP).

In 2023/24, the council received 65 referrals relating to allegations of fraud or financial misconduct (to 9 Feb 2024).

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

A further 33 have been sent to the Department for Work and Pensions (DWP) to consider investigation for Housing Benefit or Universal Credit offences.



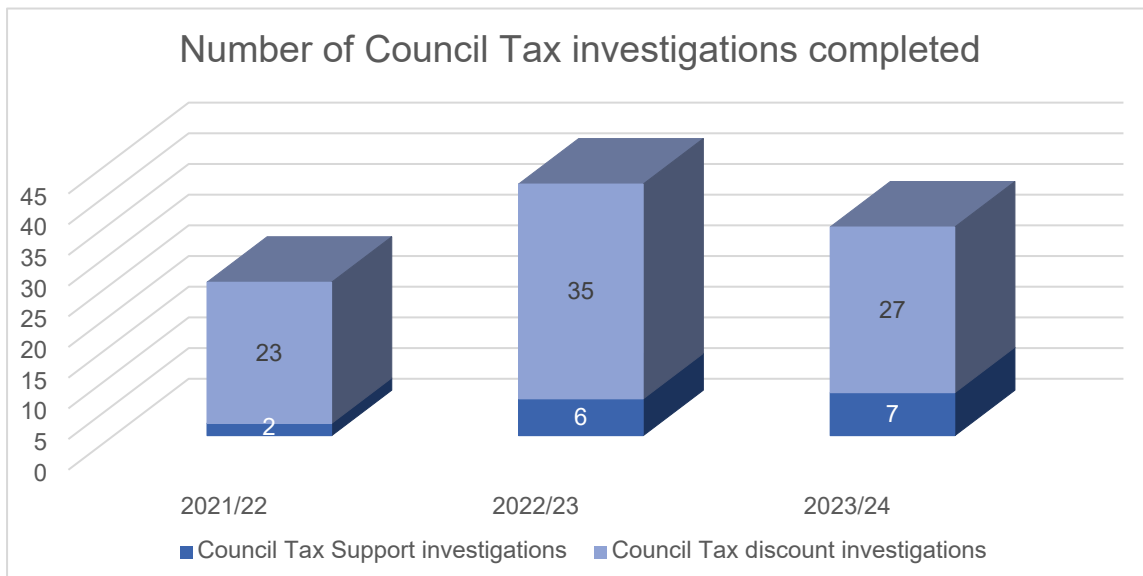
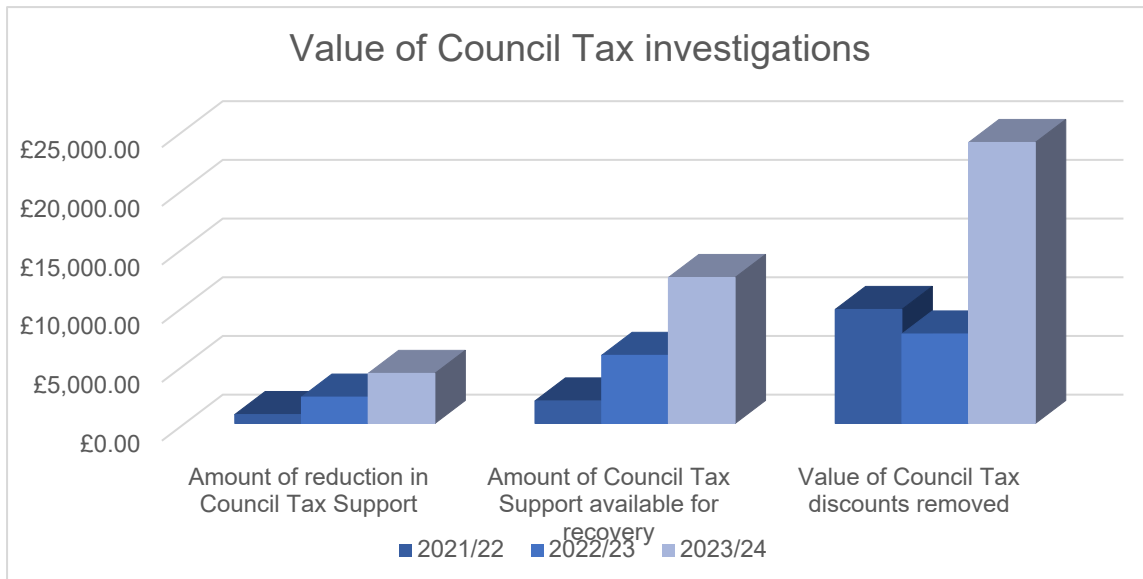


Council Tax investigations

The number of allegations of Council Tax fraud we receive continue to fluctuate and although are lower than the previous year, this reflects the fact that we currently have a temporary vacancy for an investigation officer at this time.

Referrals to DWP have remained constant and with the rollout of Universal Credit well advanced, we can anticipate similar numbers being referred on in future.

Whilst the number of referrals received has reduced, the actual value of the investigations completed has increased significantly on previous years. This demonstrates the value of conducting intelligence led investigations to ensure that any abuse of the Council Tax system is stopped and to identify money that the council can seek to recover.



Internal allegations

One allegation of fraud or financial misconduct has been reported during 2023/24. The council received no whistleblowing allegations.

Of the allegations received (including those carried over from 2022/23), the following action has been taken:

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

Of the four investigations completed, one individual received a final written warning and requirement to repay monies they were not entitled to. A further investigation established that there was no wrongdoing. Of the two remaining investigations, whilst no wrongdoing by the individuals was established, recommendations were made and accepted to tighten up controls in one case and the other led to a separate Council Tax investigation that resulted in a single residency discount being removed and the recipient being required to repay £1,316.13 incorrectly claimed.

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

The number of internal reports of fraud and financial misconduct has reduced from seven in 2023 to only one in this period. We would be foolish to believe that this is due to there being no fraud. Therefore, we will undertake a piece of work in 2024/25 to establish whether there is any cause for concern in this drop in internal referrals. We will take appropriate action to provide assurance that the referral process is working properly and that all appropriate reports of concern are fully reported.

Information requests

The investigation team continue to support other enforcement agencies in their efforts to prevent and detect crime and protect the public purse, acting as a single point of contact in the Council for the Department for Work and Pensions (DWP) fraud investigation team, who have responsibility for investigating allegations of Housing Benefit Fraud; and also for other enforcement agencies including the Police, UK Border Agency and other Local Authorities.

50	Number of DWP requests for information
347	Number of Police requests for information
135	Number of ‘other’ enforcement agency enquiries

DWP requests have fallen sharply from the previous year. This may be attributable to changes to DWP priorities regarding investigation. Requests from the Police and other enforcement agencies have remained constant at 482 this year compared with 470 in the previous year.

Pursue

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

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

Protect

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

Future developments

The fraud risk assessments will be assessed to ensure that services understand and appropriately mitigate fraud risk (including the risk of bribery). We will work with services where appropriate to strengthen their risk assessments to minimise the risks of fraud occurring.

We will focus on the results of the staff survey and take actions to improve the understanding and awareness of our anti-fraud and corruption policies and procedures.

We will continue to develop and produce online fraud awareness packages, including the development of a Money laundering e-learning package.

A draft plan for proactive counter fraud work to be completed by Audit in 2024/25 is also in the process of being developed as part of the audit planning process.

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NORTH LINCOLNSHIRE COUNCIL

AUDIT COMMITTEE

CODE OF CORPORATE GOVERNANCE

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 To approve the updated Code of Corporate Governance which has been compiled in accordance with guidance provided by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Government Chief Executives (SOLACE) in their document “Delivering Good Governance in Local Governance Framework” (2016).
- 1.2 The council is committed to achieving good corporate governance and this Local Code describes how the council intends to achieve this in an open and explicit way.

2. BACKGROUND INFORMATION

- 2.1 In April 2016 the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Government Chief Executives (SOLACE) issued their document “Delivering Good Governance in Local Government: a Framework”. It is based on seven principles underpinning the framework.
 - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
 - Ensuring openness and comprehensive stakeholder engagement
 - Defining outcomes in terms of sustainable economic, social and environmental benefits
 - Determining the interventions necessary to optimize the achievement of intended outcomes
 - Developing the entity’s capacity, including the capacity of its leadership and the individuals within it
 - Managing risks and performance through robust internal control and strong financial management
 - Implementing good practices in transparency, reporting and audit to deliver effective accountability
- 2.2 In 2016/17 the council revised the format of its Local Code using the principles in the framework. The Code is subject to annual review to ensure that it continues to reflect the current position.

2.3 The updated version of the Code, as of April 2024, following the annual review, is shown in Appendix 1. There have been only minor changes to the Code since it was previously presented to the Audit Committee in January 2023, although some further actions for 2024/25 have been identified e.g.

- a review of the residents panel (Principle B);
- developments in relation organisational development (Principle E);
- review performance measures for 2024/25 to ensure ongoing relevance (Principle F); and
- produce annual review against the Council Plan Principle G)

2.4 The updated Code shows that overall the council continues to comply with the principles outlined in the CIPFA/SOLACE Framework. The effectiveness of these arrangements will be reported in the Annual Governance Statement.

3. **OPTIONS FOR CONSIDERATION**

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

4. **ANALYSIS OF OPTIONS**

4.1 The Code of Corporate Governance provides this Committee with an overview of the council's governance arrangements. Included in the Code are actions that have already been timetabled or recognised as being required. Members should seek clarification on its contents as necessary to ensure the Code provides sufficient assurance to fulfil their role as set out in the Committee's terms of reference.

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

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

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

6.1 Ineffective corporate governance arrangements have a number of inherent risks in the context of organisational management, the use of resources and service delivery.

7. OUTCOMES OF INTEGRATED IMPACT ASSESSMENT (IF APPLICABLE)

7.1 An Integrated Impact Assessment is not required.

8. OUTCOMES OF CONSULTATION AND CONFLICTS OF INTERESTS DECLARED

8.1 There are no conflicts of interests to declare.

9. RECOMMENDATIONS

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

DIRECTOR: OUTCOMES

Church Square House
SCUNTHORPE
North Lincolnshire

Author: Peter Hanmer/ James O'Shaughnessy
Date: 10 April 2023

Background Papers used in the preparation of this report

"Delivering Good Governance in Local Government: a Framework"- CIPFA/ SOLACE (2016)
Previous Code of Corporate Governance (January 2023)

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SAFE WELL PROSPEROUS CONNECTED

North Lincolnshire Council Local Code of Corporate Governance 2024

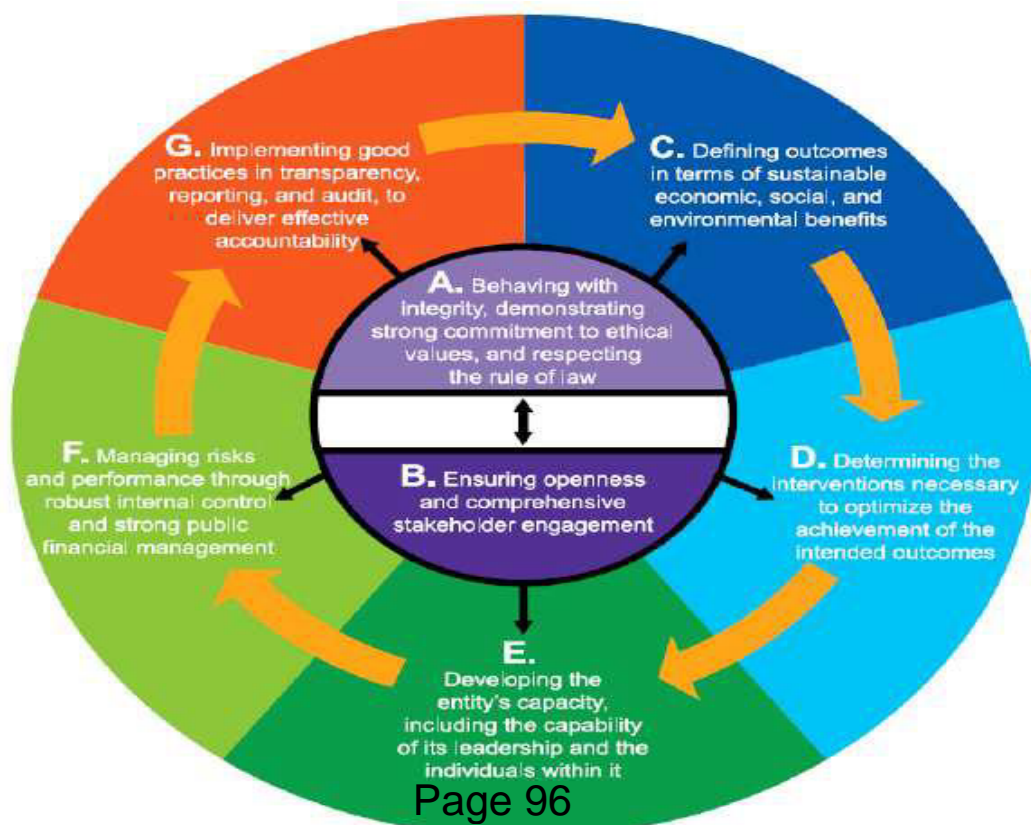
INTRODUCTION

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

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

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

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



MONITORING AND REVIEW

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

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

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

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

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

North Lincolnshire Council Demonstrates this by:

SUB PRINCIPLE: Behaving with Integrity

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

SUB PRINCIPLE: Demonstrating Strong Commitment to Ethical Values

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

SUB PRINCIPLE: Respecting the Rule of Law

- Statutory roles clearly defined in the Constitution, including the roles of, Head of Paid Service, Chief Financial Officer and Monitoring Officer; the latter responsible for ensuring the council operates within the law and decisions are administered correctly.

- Anti-Fraud and Corruption Strategy which is supported by the Whistleblowing Policy and a hotline for employees and customers to report irregularity and fraud.
- Internal Audit.
- External Audit.
- Overview and Scrutiny arrangements.
- Contract Procedure Rules designed to deliver robust and fair procurement processes.
- Data Protection Officer (DPO) and Senior Information Risk Owner (SIRO) roles allocated within the Council.

PRINCIPLE B: Ensuring openness and comprehensive stakeholder engagement

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

North Lincolnshire Council Demonstrates this by:
SUB PRINCIPLE: Openness
<ul style="list-style-type: none"> • The annual statement of accounts which are published annually. • A Publication Scheme that describes the kinds of information available and provides guidance about how to access information and submit a Freedom of Information request. • A Council Plan that sets out the vision and priorities for North Lincolnshire and strategic direction for the council. • Systems in place to ensure that relevant decisions taken by officers are published in accordance with legislative requirements – Officer Decision Notice and Record. • Mechanisms for seeking views from service users, stakeholders and residents ‘Engaging With You’ statement. • A standard decision-making report template is used to help ensure that readers are provided with information that is accurate, complete and unbiased. • Council meetings are open to the public unless there are good reasons for not doing so on the grounds of confidentiality.
SUB PRINCIPLE: Engaging Comprehensively with Institutional Stakeholders
<ul style="list-style-type: none"> • Established strong partnerships with the public sector, business and community and voluntary sector across North Lincolnshire, including statutory arrangements for Community Safety, Health and Wellbeing and Safeguarding. • Mechanisms in place to consult where necessary with public sector bodies such as Police and Fire. • The Adults Partnership and Children’s & Young People Partnership provide a framework for consulting and engaging with key stakeholders including voluntary and community groups. • Established Partnership Protocol and Joint Working Framework.
SUB PRINCIPLE: Engaging Stakeholders Effectively, Including Individual Citizens and Service Users
<ul style="list-style-type: none"> • News Direct is distributed to residents on a quarterly basis. • A Public Engagement Framework and ‘Engaging With You’ statement, which summarises how the council engages. • The Residents Panel is used as a primary method for gathering views that are representative of the North Lincolnshire population.

- The Community Safety Partnership regularly engages and consults with the community about their priorities and progress towards achieving them.
- A petitioning process embedded within the Constitution for the public to bring concerns to the council's attention.
- Greater use of social media to communicate with the communities.
- A Consultation and Engagement Strategy to provide guidance on why and how best to engage with stakeholders.

ACTION REQUIRED:

- Review Residents Panel and look to increase numbers

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

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

North Lincolnshire Council Demonstrates this by:

SUB PRINCIPLE: Defining Outcomes

- A Council Plan that sets out the council’s ambitions and defines the outcomes, goals and values for people and place.
- Delivery of the Plan is monitored through a Performance Framework that sets out how we monitor performance of the Plan as well as performance over our day-to-day operations.
- A strategic planning framework that links all strategies and plans to the Council Plan and needs assessment.
- Setting the budget around the outcomes and priorities.

SUB PRINCIPLE: Sustainable Economic, Social and Environmental Benefits

- Integrated Impact Assessment used in the decision-making process considers risks and impacts for individuals and communities.
- Social Value Charter which helps suppliers and contractors to contribute to the long-term social, economic and environmental wellbeing of residents.
- Medium Term Financial Plan.
- Green Futures Plan that sets out the council’s strategy and action plan for reducing carbon omissions.
- Economic Growth Plan 2023-2028 approved.

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

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

North Lincolnshire Council Demonstrates this by:

SUB PRINCIPLE: Determining Intervention

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

SUB PRINCIPLE: Planning Interventions

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

SUB PRINCIPLE: Optimising Achievement of Intended Outcomes

- Integrated Strategic Assessment that is structured around four high level outcomes and brings together evidence across the outcomes, giving the council an overview of the state of North Lincolnshire with a focus on the people who live there.
- Annually updated Procurement and Commissioning Plans supported by sector specific Market Position Statements that identify service developments and specification.

- A Medium-Term Financial Strategy agreed and reviewed and is based upon Council Plan ambitions and priorities.
- Quarterly overview to update the council's Assurance Group on the position against set criteria which helps identify the council is fulfilling its duties as an organisation and employer.

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

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

North Lincolnshire Council Demonstrates this by:

SUB PRINCIPLE: Developing the Entity’s Capacity

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

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

- A Constitution that is subject to regular review.
- Protocols are in place for governing members’ and statutory officers’ responsibilities. Member role descriptions are set out in the Constitution.
- Protocols in place to ensure the Leader and Chief Executive have a shared understanding of roles and objectives.
- A Scheme of Delegation to Officers and Appointment of Proper Officers that are reviewed regularly.
- Organisational Development (OD) Plan provides an overarching framework for the council to implement and realise the vision of a progressive and agile organisation.
- A HR & OD roadmap is in place for the workforce aspects of the council’s ODP setting out key priorities on how the council will engage and support the workforce.
- Induction programmes for members and staff.
- My Conversation Framework in place for staff.

- Training for officers is made available through the annual Corporate Training Programme including a wide range of development and support via eLearning packages.
- HR policy framework in place to enable sound people management decisions and support agile organisation.
- Apprenticeship Programme offering training, skills and experience in Local Government.
- Ongoing participation in the LGA National Graduate Scheme.

ACTION REQUIRED:

- Review OD Plan to ensure it remains fit for purpose to support the delivery of the council's outcomes – Sept 2024
- Refresh Team NL induction to reflect new OD Plan – Dec 2024
- Develop Recruitment and Retention Strategy – March 2025
- Review and refresh of effectiveness of My Conversations framework – March 2025

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

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

North Lincolnshire Council Demonstrates this by:

SUB PRINCIPLE: Managing Risk

- A Council Assurance group which provides strategic oversight of the processes in place to manage risk and to identify and manage council and strategic risk.
- Risk management arrangements in place including robust systems of identification, evaluation and control of risks which threaten the council’s ability to meet its objectives to deliver services.
- Producing a Risk and Opportunities Protocol within which responsibilities for managing individual risks are contained.
- Maintaining a corporate risk register detailing the council’s strategic and operational risks.
- Risk appetite and risk management training provided for members and officers.

SUB PRINCIPLE: Managing Performance

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

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

ACTION REQUIRED:

- Review performance measures for 2024/25 to ensure ongoing relevance

SUB PRINCIPLE: Robust Internal Controls

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

ACTION REQUIRED:

- Work to commence producing the AGS in April 2024

SUB PRINCIPLE: Managing Data

- The Information Governance Framework sets out the roles, responsibilities, policies and procedures for managing the council's information assets. This is subject to an annual review.
- The council's Information and Cyber Security standards and guidance on the arrangements that must be in place to ensure personal data is kept protected and secure.
- Information governance and information security awareness with officers and members through mandatory information governance training, an annual information governance campaign and council wide messages.
- Information Sharing Agreements are in place to document the sharing of information using national agreements and are reviewed on a regular basis.
- UK GDPR compliant contracts are in place with Data Processors.
- Data verification and validation processes are integrated within systems and processes.
- A Record of Processing Activity has been produced to document the processing of personal data.
- An Information Asset Register has been produced to document systems in place, including where these contain personal data.
- Privacy Notices are published to explain the processing of personal data.
- Details of how to exercise data protection rights are published.

- The council completes external self-assessments when required e.g. NHS Data Security and Protection Toolkit.
- PSN Code of Connection.
- Cyber Essentials accreditation.

SUB PRINCIPLE: Strong Public Financial Management

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

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

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

North Lincolnshire Council Demonstrates this by:

SUB PRINCIPLE: Implementing Good Practice In Transparency

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

SUB PRINCIPLE: Implementing Good Practices In Reporting

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

ACTION REQUIRED:

- Produce annual review against the Council Plan

SUB PRINCIPLE: Assurance and Effective Accountability

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

ACTION REQUIRED:

- Work to commence producing the AGS in April 2024