

**North Lincolnshire Council
Audit Committee Annual Report**

2021-2022

FOREWORD

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

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

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

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

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

Cllr Keith Vickers
Chairman of the Audit Committee

1. INTRODUCTION

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

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

2. COMMITTEE INFORMATION

Audit Committee Membership, Meetings and Attendance

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

Training and Development

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

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

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

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

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

The statement of accounts

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

Governance

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

External audit

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

Internal audit

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

Counter Fraud

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

Risk Management

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

Treasury Management

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

Other sources of assurance received by the committee

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

4. AUDIT COMMITTEE SELF-ASSESSMENT

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

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

Annex A

AUDIT COMMITTEE - TERMS OF REFERENCE

Internal and External Audit

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

Regulatory Framework

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

This includes:

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

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

Financial Reporting

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

Annex 2: Audit Committee Attendance 2021/22

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

Annex C: Audit Committee Self-Assessment March 2022

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

<p>„ financial reporting „ risk management „ value for money or best value „ counter fraud and corruption „ supporting the ethical framework</p>			
<p>8 Is an annual evaluation undertaken to assess whether the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas?</p>	Y		
<p>9 Has the audit committee considered the wider areas identified in CIPFA's Position Statement and whether it would be appropriate for the committee to undertake them?</p>	Y - e.g. receives reports in relation to treasury management and partnerships		
<p>10 Where coverage of core areas has been found to be limited, are plans in place to address this?</p>	Yes - following previous self-assessments the committee now receives updates on partnership governance and value for money following previous review		
<p>11 Has the committee maintained its advisory role by not taking on any decision-making powers that are not in line with its core purpose?</p>	Y		

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

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

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