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NORTH LINCOLNSHIRE COUNCIL

AUDIT COMMITTEE

13 July 2022

PRESENT: - Councillor K Vickers (Chairman)

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

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

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

669 **DECLARATIONS OF DISCLOSABLE PECUNIARY INTERESTS AND PERSONAL OR PERSONAL AND PREJUDICIAL INTERESTS (IF ANY)** - There were no declarations of Disclosable Pecuniary Interests and Personal or Personal and Prejudicial Interests.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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Annual Report for 2021-22.

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

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

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

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

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

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

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

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

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

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

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

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

Mazars consider two-way communication with the council to be key to a successful audit and important in:

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

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

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

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

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

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

Members were informed that CIPFA had defined treasury management as:

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

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

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

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

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

Members heard that –

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

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

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

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

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

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

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

The report provided details on the –

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

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

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

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

The committee was informed that the council had a legal obligation to comply with information legislation, notably the UK General Data Protection Regulation (UK GDPR)/Data Protection Act 2018, Freedom of Information Act and the Environmental Information Regulations. Collectively, these requirements were referred to as "information governance".

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

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

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

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

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

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

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

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

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

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

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

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

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

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the work completed by internal audit to support its opinion.

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

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

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

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