

**North Lincolnshire Council
Audit Committee Annual Report**

2022-2023

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 continues to attend development sessions to have a more in depth understanding of issues in relation to public finances. During 2022-23 the Audit Committee has continued to focus on promoting good practice and governance across all areas of responsibility. In particular, during the year the effectiveness of the Committee has been further enhanced by:

- inviting 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; and
- inviting managers with limited or adverse internal audit reports to meet with the Committee to receive assurance on how they are dealing with the issues identified.

During 2022-23 the Chartered Institute of Public Finance and Accountancy (CIPFA) issued its updated "Audit Committee Position Statement", which sets out the purpose, model, core functions and membership of audit committees. The Committee continues to comply with the requirement of this statement, but has identified areas for further development:

- at our meeting held on 25 January 2023 it was agreed that the terms of reference should be amended to allow for the future appointment of a co-opted Independent Member; and
- as shown in Section 4 of this report identified some improvements to further develop the Committee

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

In May 2022 the Chartered Institute of Public Finance and Accountancy (CIPFA) issued its updated “Audit Committee Position Statement”, which sets out the purpose, model, core functions and membership of audit committees. Endorsed by the Department for Levelling up, Housing and Communities, the statement is shown on Annex 3. The statement defines the role of an Audit Committee to:

“provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. The committee’s role in ensuring that there is sufficient assurance over governance risk and control gives greater confidence to all those charged with governance that those arrangements are effective” and.

“have oversight of both internal and external audit together with the financial and governance reports, helping to ensure that there are adequate arrangements in place for both internal challenge and public accountability.”

The role of North Lincolnshire’s Council’s Audit Committee is defined in its terms of reference, as laid out in the Council’s constitution, as shown on Annex A, and were last amended in May 2022. They are consistent with the requirements of the statement issued previous CIPFA’s Position Statement issued in 2018.

This report informs Full Council of the Committee’s activities during the Municipal year (May 2022 to April 2023), how it has discharged its responsibilities, and a self-assessment of its performance against the most recent guidance.

2. COMMITTEE INFORMATION

Audit Committee Membership, Meetings and Attendance

An analysis of committee meetings held during the year is shown on Annex B. Five meetings were held during the year, and the Committee had five members, plus substitutes where appropriate. Taking account of substitutes, for three of the four meetings in the year there was full attendance at each meeting, apart from the meeting held on 13 July 2022 when four Members were in attendance.

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 2022-23 the following development sessions were held.

- The Annual Statement of Accounts (23 November 2022) – training on how to understand and review the annual statements of accounts
- Treasury Management (25 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.
- Fraud awareness training, with particular reference to the Audit Committee's role in receiving assurance on the Council's Counter Fraud processes (15 March 2023)
- Attendance at Regional Yorkshire and Humber Audit Committee Chairs Forum by the Chair and Deputy Chair – The Forum was established in response to a number of high-profile failures of governance or financial management in councils, alongside reduced resources and issues with external audit. Therefore, the Local Government Association had agreed with the Department for Levelling Up, Housing and Communities that a network of forums to share good practice and discuss common issues would support colleagues in the role to build a 'community of practice nationally.
- Attendance by the Chair at a CIPFA event held on 8/11/22 to discuss the implications of CIPFA's updated Audit Committee Position Statement and additional guidance.
- In August 2022 Members received an Audit Committee newsletter from CIPFA which focused on its updated "Guidance on Audit Committees in Local Authorities and Police" and on a report it issued called "Internal Audit: Untapped Potential"

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

The Committee has discharged its responsibilities in 2022-23 and added value as shown below.

The Statement of Accounts

- Approved the Statement of accounts 2021/22 and received the external auditor's completion report (November 2022)
- Approved the Accounting Policies for 2022/23 (March 2023)

Governance

- Reviewed and approved the draft Annual Governance Statement 2022-23 and recommended formal adoption by the Council (September 2022)
- Approved the updated Code of governance (January 2023)

External audit

- Received the Audit Strategy Memorandum laying out the approach for the 2022/23 audit external audit- this also included confirmation of External Audit's independence (July 2022)
- Received an External Audit Progress Report (September 2022)
- Received an update on the External Audit Appointment Process – following a procurement exercise carried out nationally by Public Sector Audit Appointments (PSAA), the Committee endorsed the appointment of Mazars as the council's external auditors from 2023-24 (November 2022)
- Received an External Audit Progress Report (January 2023)

Internal audit

- Received the Internal Audit Annual Report and Opinion 2021/22 - 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 2022)
- Received an update on the content and delivery of Internal Audit Plan 2022/23 approved by the Committee in March 2022 (September 2022)
- Received a progress report on the delivery of the Internal Audit Plan any issues identified from audit work (November 2022)
- Received the Internal Head of Internal Audit Interim Report- this provided an update on the delivery of the audit plan, amendments to the audit plan and any material issues identified by audit via its work (January 2023)
- Received a presentation from the council's Deputy Chief Executive and Assistant Director - Public Protection in relation to the actions that had been put in place to address the limited assurance internal audit report into emergency planning. (January 2023)

- Approved the updated Internal Audit Charter that defines internal audit's purpose, authority, responsibility and position within the organisation. (March 2023)
- Approved the outline Internal Audit Plan 2023/24 - 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 (March 2023)

Counter Fraud

- Received the Counter Fraud Update Report- this concluded that the counter fraud work programme provided a sufficient level of assurance on the adequacy of the council's counter fraud arrangements (November 2022)
- Received the Annual Fraud Report 2022-23 – this provided assurance on the council's counter fraud activities (March 2023)

Risk Management

- Received updates on the developments of the council's risk management arrangements, including the implementation of recommendations arising from the Zurich Municipal Health Check carried out in November 2021 and the developments to the strategic risk register (November 2022 and March 2023)

Partnership Governance

- Received an update from the Assistant Director: Governance and Partnerships (Monitoring Officer) on the significant partnerships involving the council, and were provided with assurance on the adequacy of the council's governance arrangements around partnership activity (November 2023)

Treasury Management

- Received the Treasury Management Annual Report 2021/22 (July 2022)
- Received the Treasury Management Mid-Year Report 2022/23 (November 2022)
- Recommended the approval by the Full Council of the updated Treasury Management Practices and the Treasury Management Strategy 2023-24 (January 2023)

Other sources of assurance received by the committee

- Received a presentation from, the council's Director of Children and Families, the council's Assistant Director: Children's Standards and Regulations, and the council's Assistant Director: Children's Help and Protection, to inform members of the processes and procedures that were in place within Children and Family services to ensure that the adequate level of assurance was monitored and received. (July 2022)
- Received a presentation from the Assistant Director of Adult Social Services, the Principal Social Worker and the Safeguarding Adults Board Manager to inform

members of the processes and procedures that were in place within Adults and Health to provide assurance on its operation (November 2022)

- Received a presentation from the Director of Economy and Environment and the Assistant Director of Place on the assurance processes within the Economy and Environment Service (March 2023)
- Received the Information Governance and ICT Security Annual Report – received assurance on the Council’s information security policies (July 2022)
- 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 2022)
- Received a self-assessment by the Director of Governance and Communities of the council’s Value for Money arrangements (September 2022)
- Received the Annual Whistleblowing report from the Assistant Director of Governance and Partnerships (Monitoring Officer (March 2023)

4. AUDIT COMMITTEE SELF-ASSESSMENT

As reported in the previous Annual Report in March 2022 the Audit Committee 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. It identified that the Audit Committee continued to operate in line with expected practice and was provided with good support from officers, and identified 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.

As shown in section 3 during 2023/23 the Committee has invited a wider range of Directors and Assistant Directors, and has invited relevant managers to discuss the actions, they have subsequently put in place in response to a limited assurance audit report.

In February 2023 the Chair and Deputy Chair, facilitated by the Head of Audit and Assurance and the Senior Democratic Services Advisor, carried out a self-assessment of the Audit Committee against CIPFA’s “Audit Committee Position Statement (2022) and subsequent additional guidance issued by CIPFA “*Audit Committees: Practical Guidance for Local Authorities and Police*. issued from CIPFA (2022)”.

The outcome of the self-assessment is shown on Annex 4. In most cases it was concluded that the Committee complies with good practice. One area was identified as requiring moderate improvement, and six requiring minor improvement. In addition, there were two areas where the Committee was not operating with good practice during the year, but the Chair and Deputy Chair felt that in one case no further improvement was required (Question 3), or further action had already been agreed (Question 13c)

- **Question 3: Has the committee maintained its advisory role by not taking any decision-making powers?**

The Committee is predominantly advisory in nature, but it acknowledged that it does have a small number of decision-making powers such as approving Code of Governance, counter fraud policies, the risk management protocol etc. For practical reasons it was felt that the decision-making powers in these areas should remain with the Committee.

- **Question 4: Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's 2022 Position Statement?**

This was identified as an area for minor improvement, and it is recommended that the terms of reference be updated to include a statement of its purpose

- **Question 5: Do all those charged with governance and in leadership roles have a good understanding of the role and purpose of the committee?**

This was identified as an area for minor improvement, as it was felt that there was scope to increase the knowledge of the role of the Audit Committee amongst Councillors, and it is recommended that all Council Members receive a short presentation about its role as part of their general induction

- **Question 12: Has the committee met privately with the external auditors and head of internal audit in the last year?**

This was identified as an area for minor improvement. Although the Chair and Deputy Chair met periodically with the Head of Audit privately, there is no formal mechanism to prompt meetings with him and/ or external audit. It is recommended therefore that each Audit Committee agenda should include an option for them to meet privately with the Committee, if required to attend

- **Question 13b: A size that is not unwieldy and avoids use of substitutes.**

It was felt that the current size of the committee was about right. However, this was identified as an area of moderate improvement, as it was felt that due to the technical and specialist nature of the Committee that it should include nominated named substitutes who have received induction and training, to allow them to fully contribute to meetings if required.

- **Question 13c: Inclusion of lay/co-opted independent members in accordance with legislation or CIPFA's recommendation**

Although the Audit Committee has not had a co-opted Member in 2022/23, at its meeting held in January 2023 it was agreed that in order to comply with the Audit Committee Statement 2023 that the terms of reference of the Audit Committee should be amended to allow for a co-opted Member from May 2023.

- **Question 14: Have all committee members been appointed or selected to ensure a committee membership that is knowledgeable and skilled?**

Although Members receive training and develop knowledge one appointed, it was identified as an area for minor improvement as they are not initially appointed due to their previous knowledge. It is recommended therefore that political officers should consider previous knowledge and skills when nominating Audit Committee Members.

- **Question 15: Has an evaluation of knowledge, skills and he training needs of the chair and committee members been carried out within the last two years?**

Although Members do receive induction and regular training, this has been identified as a minor improvement as a formal evaluation of the knowledge, skills and training needs has not been carried out. It is recommended that at the beginning of the 2023/24 Municipal year a separate induction session should be held for Audit Committee Members and nominated substitutes , and this should include an assessment of skills for each Member against a CIPFA devised training guide.

- **Question 17: Across the committee membership, is there a satisfactory level of knowledge, as set out in the 2022 guidance?**

As per question 15

Annex 1

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 Meeting Attendance 2022-23**

Member	13 July 2022	21 Sept 2022	23 Nov 2022	25 Jan 2023	15 Mar 2023	Total (5)
T Foster	✓	✓	✓	✓	✓	5
K Vickers	✓	✓	✓	✓	✓	5
T Mitchell	apols	✓	✓	apols	✓	3
S Wilson	✓	✓	✓	✓	✓	5
L Yeadon	✓	apols	✓	✓	apols	3
D Southern		sub				1 (sub)
J Longcake				sub		1 (sub)
T Ellerby					sub	1 (sub)

Audit Committee Member Development Attendance 2022-23

Member	23 November 2022 Council Accounts	25 January 2023 Treasury Management	15 March 2023 Understanding Fraud	Total (3)
T Foster	✓	✓	✓	3
T Mitchell	✓	apols	✓	2
K Vickers	✓	✓	✓	3
S Wilson	apols	✓	✓	2
L Yeadon	apols	✓	apols	1
H Rowson		sub		1 (sub)
T Ellerby			✓	1 (sub)

Annex 3: CIPFA's Position Statement: Audit Committees in Local Authorities and Police 2022

See attachment

Annex 4: Self-assessment of good practice

See attachment