

Public Document Pack

NORTH LINCOLNSHIRE COUNCIL

AUDIT COMMITTEE

6 October 2023

PRESENT: - Councillor K Vickers (Chairman)

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

Councillor R Waltham MBE attended the meeting in accordance with Procedure Rule 1.37(b).

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

741 **SUBSTITUTIONS (IF ANY)** - Councillor D Wells substituted for Councillor T Mitchell.

742 **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.

743 **TO TAKE THE MINUTES OF THE MEETING HELD ON 12 JULY 2023 AS A CORRECT RECORD AND AUTHORISE THE CHAIRMAN TO SIGN** - That the minutes of the proceedings of the meeting held on 12 July 2023, having been printed and circulated amongst the members, be taken as read and correctly recorded and be signed by the Chairman.

744 **POST ELECTION INDEPENDENT REVIEW** - The Director: Outcomes circulated a report that informed members of the outcome of the independent review undertaken by the Association of Electoral Administrators (AEA) into the failure to count some postal ballots for the Broughton and Scawby ward in the May 2023 local elections.

Members were informed that at its last meeting, the Committee received a report on the draft Annual Governance Statement for 2022-23. Within that report reference was made to the Returning Officer having made a referral to the Electoral Commission following the Local Elections in May 2023 when it was identified that some postal ballots for the Broughton and Scawby ward had not been counted.

The committee heard that in addition to informing the Electoral Commission, the Returning Officer commissioned, via the Director: Governance and Communities, a post-election independent review by the Association of Electoral Administrators (AEA). The review was undertaken by the AEA's Chief Executive, Peter Stanyon and his report was attached at appendix 1.

AUDIT COMMITTEE
6 October 2023

The AEA's report had been shared with the relevant candidates and agents that, in addition to relevant officers, took part in the review. Officers had carefully considered the review recommendations and prepared an action plan in response which was attached at appendix 2 and would assist the Returning Officer in administering future elections.

The AEA's report had also been shared with the Electoral Commission, which had referenced the referral in its post poll report into Performance Standards for the May 2023 elections.

The Chair then facilitated a discussion amongst the committee and the Director on the Association of Electoral Administrators report, including the action plan.

Resolved – That the Association of Electoral Administrators report and the subsequent action plan be referred to the council's Governance Scrutiny Panel for their consideration.

745 **ANNUAL INFORMATION GOVERNANCE UPDATE** - The Director: Outcomes circulated the annual Information Governance update for members consideration. Members were informed that an assurance report was presented to the committee each year to provide an update on the council's information governance arrangements and associated compliance.

The committee heard 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 sets 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.

Members were informed that 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, with a high standard of compliance evidenced.

The Director guided members through the key developments and assurance highlights over the last 12 months.

The Chair then facilitated a discussion between the committee and Director.

Resolved – That the annual Information Governance update provided sufficient assurance of the adequacy of the council's Information Governance arrangements.

746 **SICKNESS ABSENCE 2022-23** - The Director: Outcomes circulated a report

AUDIT COMMITTEE
6 October 2023

that informed the committee of the council's 2022-23 sickness absence levels including the year-end position.

Members heard that the average number of working days lost due to sickness absence in 202-23 was 10.16 days. This indicated a 6% increase in overall sickness absence levels compared to 2021-22. The average number of days lost had also increased by 0.57 days.

The report provided details on the –

- Average number of days lost per full time equivalent employee during 2022-23
- Number of full time equivalent days lost due to sickness absence during 2022-23.
- 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 sickness absence report for 2022-23.

Resolved – (a) That following consideration of the report, and discussion on its content, the attendance management annual report for 2022-23 provided the committee with sufficient assurance that the risk to capacity due to sickness absence was being managed through adequate controls, and (b) that members be provided details on the sickness absence statistics for individual service areas.

747 **AUDITED ACCOUNTS 2021-22** - The Chairman welcomed Mr Stuart Fair to the meeting, the council's interim Chief Financial Officer. Mr Fair informed the meeting that the Accounts and Audit Regulations 2015 (England) required the council to publish a statement of accounts each financial year. These accounts were the formal statement of the council's financial performance for the year and its financial position at the end of that period. A financial year ran from April to March.

The legislation relating to the timescale for the production and audit of the accounts was amended for the 2021-22 financial years. This change was incorporated into the Accounts and Audit (Amendment) Regulations 2021 (SI 2021/263).

Members heard that the production of the draft accounts deadline moved from 31 May to 31 July 2022 and the audit completion date moved from 31 July to 30 September 2022.

The council's unaudited accounts were approved by the Director: Governance and Communities on 28 July 2022. This met the statutory

AUDIT COMMITTEE
6 October 2023

requirement that they be approved by 31 July 2022.

During 2022, the Government became aware of an issue relating to the reporting of infrastructure assets. This led to delays in local authority audits. In response, CIPFA LASAAC Code Board agreed to try to assist in the resolution of the issue through changes to the Code of Practice on Local Authority Accounting (the Code) and in January 2023 they produced guidance on the temporary solution they put in place.

The temporary solution was brought into statute via a statutory override in the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulation 2022 SI 1232/2022.

The statutory override required some extra information to be included within the property, plant and equipment note relating to the infrastructure assets. This would remain in place until 31 March 2025 to allow for a permanent solution to be fully formed and implemented.

The implementation of the statutory override also allowed the audit of the accounts to continue once the changes had been carried out.

As the infrastructure assets issue delayed the audit sign off of the accounts, this then raised the issue of the triennial valuation of the local Government Pensions Scheme (LGPS) being produced before the auditors had provided their opinion.

The actuarial valuation referred to an authority's triennial valuation of the LGPS as its starting point as it was the best measurement of an authority's obligations for pensions.

The council had to assess whether amendments needed to be made as an Event after the Reporting Period following receipt of the final triennial valuation. This was done and it was determined that, following receipt of an updated actuarial report, this was an adjusting event due to the figures involved being material (£29.9m).

Following the comprehensive update, the Chairman facilitated a discussion on the council's audited accounts for 2021-22.

Resolved – (a) That the reasons for the delay in the signing of the 2021-2022 statement of accounts be noted, and (b) that delegated approval be given to the Interim Chief Financial Officer in consultation with the Chair of the Audit Committee to approve the audited set of accounts and final Annual Governance Statement on behalf of the Audit Committee following the satisfactory completion of all audit work.

748 **GOING CONCERN ASSESSMENT AS AT 31 MARCH 2023** - The Director: Outcomes submitted a report that summarised the management assessment of the council continuing to operate as a going concern for the purposes of producing the Statement of Accounts for 2022-

AUDIT COMMITTEE 6 October 2023

Members heard that the council prepared its Statement of Accounts in accordance with the Code of Practice for Local Authority Accounting (the Code) as published by the Chartered Institute of Public Finance and Accountancy (CIPFA). In presenting information in its financial statements, the council was required to have regard to the going concern assumption (which was attached to the report at appendix 1). The detailed requirements of the code were considered in further detail in appendix 2, together with the responsibilities placed on the council's external auditors in obtaining sufficient assurance via an annual management assessment.

The concept of 'going concern' assumed that an authority, its functions, and services, would continue in operational existence for the foreseeable future. This assumption underpinned the accounts drawn up under the Code of Practice for Local Authority Accounting and was made because local authorities carry out functions essential to the local community and were themselves revenue raising bodies (with limits on their revenue raising powers arising only at the discretion of central government).

If an authority were in financial difficulty, alternative arrangements would be made by central government either for the continuation of the services it provided or for assistance with the recovery of a deficit over more than one financial year.

If the going concern assumption was deemed not to apply, this would have a material impact on the financial statements. Adjustments would be needed in the valuation of assets, as inventories and property, plant and equipment may not be realisable at their book values and provisions may be needed for closure costs or redundancies. An inability to apply the going concern concept potentially had a fundamental impact on the financial statements.

In accordance with the Code, the Council's Statement of Accounts had been prepared on a going concern basis assuming the council would continue to operate in the foreseeable future and was able to do so within the current and anticipated resources available. This meant the council would realise its assets and settle its obligations in the normal course of business.

This was supported by the going concern assessment undertaken by the Section 151 officer which concluded that the council could operate in the foreseeable future as a going concern.

The going concern assessment had been completed as at the Balance Sheet date of 31st March 2023. It included consideration of the impact that increased inflation and interest rates, as well as the residual impact of Covid-19 had had, and continue to have, on the council's finances.

Resolved – That the outcome of the Section 151 Officer's assessment of the council's going concern status for the purpose of preparing the Statement of Accounts as at the Balance Sheet date of 31st March 2023 be accepted.

AUDIT COMMITTEE
6 October 2023

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 2023.

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, 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 audit, and forthcoming accounting issues and other issues that may be of interest.

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

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

750 **TREASURY MANAGEMENT QUARTER ONE 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 set out national factors that affected the council's Treasury activity.

Members heard 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

AUDIT COMMITTEE
6 October 2023

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 set 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."

Full Council agreed the Treasury Management Strategy Statement (TMSS) for 2023-24 in February 2023. The report highlighted the key financial messages affecting its financial performance during quarter one of 2023-24.

Resolved – (a) That the report and the treasury management activity during the first quarter of 2023-24 be noted, and (b) that following consideration of the report and appendices, and discussion of their content, the Treasury Management quarter one report provided sufficient assurance on the effectiveness of the arrangements for treasury management.

751 **INTERNAL AUDIT PLAN 2023-24 UPDATE** - The Director: Outcomes submitted a report that updated the committee on the Internal Audit Plan for 2023-24.

Members heard that at the meeting of the Audit Committee held on 15 March 2023, the Head of Audit and Assurance presented the Internal Audit Plan 2023-24. The report provided an outline of the audit priorities and activities for 2023-24, how it would be delivered and resourced, a commentary on the methodology for its compilation, and assurance on compliance with auditing standards.

As previously reported the section relating to strategic risks/operational risks/governance was subject to final discussion with the council's senior leadership team, as well as further developments so that any risks raised through the completion of the Annual Governance Statement could be factored into the Plan.

Members were informed that a final detailed plan would be shared with the Audit Committee later in the year.

The updated Audit Plan 2023-24 was attached to the report as an appendix. This included a breakdown of the planned audits relating to strategic risks / operational risks / governance, their links to Council Plan Outcomes, and as requested by the Audit Committee, when they were last subject to audit.

The Chair then facilitated a discussion with the members on the audit plan, including changes in planned days since March 2023.

Resolved - That the updates to the strategic risks, operational risks and

AUDIT COMMITTEE
6 October 2023

governance section of the Internal Audit Plan 2023-24 be noted.

- 752 **ANY OTHER ITEMS WHICH THE CHAIRMAN DECIDES ARE URGENT BY REASONS OF SPECIAL CIRCUMSTANCES WHICH MUST BE SPECIFIED** - The Chairman informed the meeting that the Assistant Director: Governance and Partnerships (and the council's Monitoring Officer) had been successful in obtaining a new position at Lincolnshire County Council, leaving his current position on 10 November 2023. The Chair thanked the Assistant Director for his help, advice, commitment, guidance professionalism and patience with the council and committee and wished him every success in his new role.
- 753 **EXCLUSION OF PRESS AND PUBLIC - Resolved** - That the public be excluded from the meeting for consideration of the following item (Minute 754 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).
- 754 **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.