

# Public Document Pack

## NORTH LINCOLNSHIRE COUNCIL

### AUDIT COMMITTEE

22 November 2023

**PRESENT:** - Councillor K Vickers (Chairman)

Councillors T Foster (Vice-Chair), L Yeadon, N Ahmed, S Swift and D Wells

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

755 **SUBSTITUTIONS (IF ANY)** - Councillor N Ahmed substituted for Councillor H Yates, Councillor S Swift substituted for Councillor A Davison and Councillor D Wells substituted for Councillor P Clark.

756 **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.

757 **TO TAKE THE MINUTES OF THE MEETING HELD ON 6 OCTOBER 2023 AS A CORRECT RECORD AND AUTHORISE THE CHAIRMAN TO SIGN** - That the minutes of the proceedings of the meeting held on 6 October 2023, having been printed and circulated amongst the members, be taken as read and correctly recorded and be signed by the Chairman.

758 **AUDIT COMPLETION REPORT - YEAR ENDING 31 MARCH 2023 - REPORT BY MAZARS** - The council's external auditors circulated the Audit Completion report for members information. Members heard that the detailed scope of the external auditors work was set out in the National Audit Office's (NAO) Code of Audit Practice, with its responsibilities and powers derived from the Local Audit and Accountability Act 2014, and as outlined in the Audit Strategy Memorandum. The external audit had also been conducted in accordance with International Standards on Auditing (UK).

Contained within section 4 of the report was the external auditors conclusions and significant findings from their audit. This section included Mazars conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which included -

- management override of controls;
- valuation of property, plant and equipment; and
- net defined benefit liability valuation.

Section 5 of the report contained Mazars internal control recommendations and section 6 stated the audit misstatements.

Section 7 outlined Mazars work on the Council's arrangements to achieve

**AUDIT COMMITTEE**  
**22 November 2023**

economy, efficiency and effectiveness in its use of resources.

Members heard that Mazars had substantially completed its audit in respect of the financial statements for the year ended 31 March 2023 and were guided through the significant matters that remained outstanding.

Upon completion of Mazars verbal presentation, the Chairman facilitated a discussion between the committee and its external auditors.

**Resolved** – That the Audit Completion report be noted.

- 759 **AUDITED ACCOUNTS 2022-23** - The Director: Outcomes informed the meeting that the council's unaudited accounts were approved on 30 May 2023. This met the statutory requirement that they be approved by 31 May 2023.

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 2020-2021 and 2021-2022 financial years. These changes were incorporated into the Accounts and Audit (Amendment) Regulations 2021 (SI 2021/263).

The production of the draft accounts deadline moved from 31 May to 31 July. The audit completion date moved from 31 July to 30 September.

For 2022-2023 the deadlines reverted back to 31 May for the draft accounts and the 30 September deadline remained for the audited accounts. The council's unaudited accounts were approved by the Director Governance and Communities on 30 May 2023. This met the statutory requirement that they be approved by 31 May 2023.

The International Standard on Auditing 260 – 'The Auditor's Communication with Those Charged with Governance (ISA 260)' requires auditors to report certain matters arising from the audit of the council's financial statements before giving an opinion on them.

The Audit Completion Report (ACR) from the council's auditors (Mazars) sets out the matters arising from the audit of the council's 2021-2022 accounts. A copy of the amended accounts was attached to the report as an appendix.

Members heard that it was expected that an unqualified opinion on the council's accounts following the outstanding work being completed. It was also expected that an unqualified opinion on the council's arrangements for securing Value for Money would be issued but this work was not yet complete.

**AUDIT COMMITTEE**  
**22 November 2023**

The error had been extrapolated to £2,424k across the sampled expenditure population, but as the individual amount was below trivial, it had been agreed that this would not be corrected.

International Standard on Auditing 580 'Management Representations' required auditors to obtain written confirmations of appropriate representations from management before the audit report was issued. A proposed letter of representation was attached as an appendix to the Audit Completion report, which the Committee was asked to approve and authorise the Chair of the Audit Committee and the Director: Governance and Communities to sign.

Additionally, IAS 570 required a specific statement on the applicability of the 'Going Concern' concept to the council. The accounts had been prepared on a going concern basis.

The Director guided the committee through the Statement of Accounts for the Financial Year 2022-23 (which were attached to the report as an appendix) and responded to questions.

**Resolved** – (a) That the Statement of Accounts for 2022-2023 be approved; (b) that the signing of the Letter of Representation by the Chair of the Audit Committee and the Director: Finance and Section 151 Officer (Interim) be endorsed, and (c) that the Chair of the Audit Committee and the Director: Finance and Section 151 Officer (Interim) be given delegated authority to approve the audited set of accounts on behalf of the Audit Committee following the completion of all audit work.

**760 TREASURY MANAGEMENT MID-YEAR REPORT 2023-24**

The Director: Outcomes submitted a report that provided an overview of the council's treasury performance during the first six months of 2023-24 and set out national factors that affected the council's treasury activity.

The Director reminded members that the report fulfilled the Authority's legal obligation under the Local Government Act to have regard to both the Chartered Institute of Public Finance and Accountancy (CIPFA) Code and the Department for Levelling Up, Housing and Communities (DLUHC), previously Ministry of Housing, Communities and Local Government, Investment Guidance. The CIPFA Code required that Full Council receive a report at the start of the financial year, mid-year and year end. The Audit Committee also received regular updates regarding treasury activity, providing assurance on the effectiveness of the council's treasury management arrangements.

The committee heard that the CIPFA Code set out the following objectives for treasury management:

"It was important that treasury management policies adequately reflect risk and in particular security, liquidity and yield risk, in that order of importance.

**AUDIT COMMITTEE**  
**22 November 2023**

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.

Members were informed of the following –

- Interest rates remained high and were not expected to fall significantly until at least 2025. The bank rate was expected to remain at 5.25% into the next financial year with gradual reductions during 2024, not reaching 4.00% until March 2025.
- The council aimed to achieve optimum return on its investments in accordance with its priorities of security, liquidity and risk appetite.
- The Council’s average level of funds for investment during the first six months of the year were £44.7m and was therefore able to meet its liabilities, while managing risks associated with carrying cash balances.
- Interest earned in the first six months amounted to £1.021m an average of 4.67%. This was 0.3% higher than the SONIA benchmark. The council continued to prioritise security, liquidity and yield in that order.
- The investment activity during the year conformed to the approved strategy, and the council had no liquidity difficulties.
- The current forecast was that cash balances would continue to reduce towards year end. This being due to increased levels of capital expenditure, repayment of existing borrowing and planned use of reserves. It was anticipated that borrowing would be required towards the end of this financial year.

Following the Director’s verbal presentation, the Chairman facilitated a discussion between the members and the Director on the Treasury Management Mid-Year report.

**Resolved** – (a) That the mid-year treasury management performance for 2023-24 be noted, and (b) that the treasury management mid-year report provided a sufficient level of assurance on the effectiveness of the council’s treasury management arrangements.

761 **ANTI FRAUD AND CORRUPTION STRATEGY REVIEW REPORT** - The Director: Outcomes submitted a report that informed members that effective anti-fraud and corruption arrangements supported the delivery of the council’s strategic objectives by contributing to effective governance arrangements designed to underpin them.

These arrangements were periodically reviewed to ensure they remained relevant and effective. The report introduced the council’s updated Anti-

**AUDIT COMMITTEE**  
**22 November 2023**

Fraud and Corruption Strategy. Members heard that whilst there were no material changes to the strategy, its approval would provide a clear and consistent message that the risk of fraud and corruption was real, would not be tolerated and was the responsibility of all council employees to minimise.

The council's anti-fraud and corruption strategy was last reviewed and approved in July 2021. It was strongly influenced by 'Fighting fraud and corruption locally – a strategy for the 2020's'. The 'Fighting fraud and corruption locally' strategy was based on best practice throughout the country and had been produced specifically for the fraud challenges that councils faced.

The strategy and accompanying fraud response plan had been reviewed to ensure that the council's response was as robust as possible to protect public funds, through good governance, awareness of the fraud risks, the ability to prevent and detect fraud and in taking action against those that seek to defraud us.

In reviewing the strategy and response plan, only minimal changes had been made to increase clarity and provide an update on the latest available data in relation to fraud losses in Local Government.

The message remained clear that fraud and corruption would not be tolerated.

The Chair then facilitated a discussion on the anti-fraud and corruption strategy report.

**Resolved** – (a) That the updated anti-fraud and corruption strategy be approved, and (b) that the Leader of the Council and Chief Executive endorse and sign the foreword to emphasise the council's zero tolerance to fraud.

762 **COUNTER FRAUD PROGRESS REPORT** - The Director: Outcomes circulated a report that informed members of the key issues arising from counter fraud work.

Members heard that the council's framework to combat fraud, corruption and misappropriation was approved by the Audit Committee in September 2021. The framework followed national guidance as laid out in the document 'Fighting Fraud and Corruption Locally (FFCL) - a strategy for the 2020's', and was based upon the key principles of:

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

This update, which was attached as an appendix highlighted the work carried out in each of these areas and demonstrated the council's continuing

**AUDIT COMMITTEE**  
**22 November 2023**

commitment to minimise the risk of fraud.

The Director sought the committees' views on whether they believed it was necessary for a member with lead responsibility for fraud should receive a regular report that included information, progress and barriers on the assessment against the FFCL checklist, fraud risk assessment and horizon scanning. Following an informed debate, the committee agreed that, in their opinion, it was not necessary for a member of the council's Executive to hold lead responsibility for fraud.

To conclude, the Director confirmed that during the period covered by this report, there had been no significant frauds reported and no major issues had been identified as a result of the fraud work undertaken.

**Resolved** – (a) That the progress report provided a sufficient level of assurance on the adequacy of the council's counter fraud arrangements; (b) that the counter fraud work programme provided a sufficient level of assurance on the adequacy of the council's counter fraud arrangements, and (c) that the Director, on behalf of the committee, thank the council's Fraud Team for their continued efforts to combat fraud, corruption and misappropriation.

- 763 **EXCLUSION OF PRESS AND PUBLIC - Resolved** - That the public be excluded from the meeting for consideration of the following item (Minute 764 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).
- 764 **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.