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NORTH LINCOLNSHIRE COUNCIL

AUDIT COMMITTEE

27 January 2021

PRESENT: -

K Vickers (Vice-Chair), P Clark, T Ellerby, T Foster, T Gosling, L Yeadon and D Wells

The meeting was held at the Virtual Meeting Microsoft Teams.

603 **SUBSTITUTIONS**

Councillor Wells filled the vacancy at this meeting.

604 **DECLARATIONS OF DISCLOSABLE PECUNIARY INTERESTS AND PERSONAL OR PERSONAL AND PREJUDICIAL INTERESTS (IF ANY).**

There were no declarations made at this meeting.

605 **TO TAKE THE MINUTES OF THE MEETING HELD ON 23 NOVEMBER 2020 AS A CORRECT RECORD AND AUTHORISE THE CHAIRMAN TO SIGN.**

Resolved – That the minutes of the proceedings of this committee held on 23 November 2020, having been printed and circulated amongst the members, be taken as read and correctly recorded and signed by the Vice-Chairman.

606 **ANNUAL AUDIT LETTER - YEAR ENDING 31 MARCH 2020**

The council's External Auditors Mazars submitted its Annual Audit Letter for the year ending 31 March 2020, which summarised the work the external auditor had undertaken as the auditor for North Lincolnshire Council. The external auditors responsibilities were defined by the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (the NAO). The key points of the report included

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- That the financial statements gave a true and fair view of the council's financial position as at 31 March 2020 and of expenditure and income for the year then ended; and had been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
- The auditor's report issued on 30 November 2020 included an opinion that the other information in the Statement of Accounts was consistent with the audited financial statements.
- The report concluded that the auditors were satisfied that in all significant respects, the council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

AUDIT COMMITTEE
27 January 2021

- That in line with group audit instructions issued by the NAO on 4 November 2020, Mazars reported to the group auditor in line with the requirements applicable to the Whole of Government Accounts return.
- The external auditor's report confirmed that they did not use its powers under s24 of the 2014 Act to issue a report in the public interest or to make written recommendations to the council.

Members discussed the content of the report and letter with the council's external auditors.

Resolved - That the Annual Audit Letter for the year ending 31 March 2020 be noted and welcomed.

607 **AUDIT PROGRESS REPORT - JANUARY 2021**

The council's External Auditors Mazars submitted its audit progress report which provided the committee with an update on Mazars progress in delivering its responsibilities as the council's external auditors.

Mazars informed the committee that since the 23 November 2020 meeting, the external auditors had -

- completed its work on the 2019/20 financial statements, and issued an unqualified opinion;
- issued its 'follow-up letter' which concluded on all the areas of outstanding work at the time of the November 2020 Audit Committee; and
- issued its Annual Audit Letter.

The Chairman then facilitated a discussion between Mazars and the committee on the content of the audit progress report.

Resolved – That the audit progress report for the period up to the end of January 2021 be noted.

608 **INTERIM INTERNAL AUDIT REPORT 2020-21**

The Director: Governance and Partnerships circulated the interim internal audit, which provided an update on Internal Audit activity up to 20 December 2020, including the impact of COVID 19 on the delivery and content of the audit plan.

The Director informed the committee that it was a requirement of the Public Sector Internal Audit Standards (PSIAS) for the Audit Committee to receive regular updates on the activities of Internal Audit, in particular:

- providing assurance that sufficient work would be carried out to provide a reliable risk based annual opinion on the effectiveness of the control environment and any amendments to the audit plan;
- bringing to the Committee's attention any issues identified during the course of the 2020/21 audit which could impact on the annual opinion; and

AUDIT COMMITTEE
27 January 2021

- providing assurance of Internal Audit's compliance with PSIAS.

On 20 May 2020, the Audit and Governance Committee formally approved a plan consisting of 1145 days. However, the committee was informed that due to the impact of the pandemic there was likely to be a greater degree of ongoing amendment and re-prioritisation to the plan than in previous years.

Attached as an appendix to the report was an update on the delivery of the audit plan up to 20 December 2020 by the Head of Audit and Assurance.

The appendix showed that sufficient work should be carried out by May 2021 to provide a reliable opinion on the council's control environment during the year the plan had been subject to significant change. Consequently, the ongoing impact of the pandemic meant that that risk to the delivery of the plan remained a risk that needs to be managed.

A list of final reports issued up to 20 December 2020 was shown within the report. There was currently one limited assurance report, which the committee was informed should not impact on the overall annual audit opinion.

The committee was informed that when preparing this report, the Head of Audit and Assurance also considered whether there was a need to amend the Audit Charter. The Charter defined internal audit purpose, authority, responsibility, and position within an organisation. Members heard that there was no requirement to amend it this year as there had been no changes to Internal Audit's scope or the standards.

The Director and Head of Audit and Assurance then responded to questions on the interim internal audit report.

Resolved – That the Interim Internal Audit report 2020-21 be received with thanks.

609 **ACCOUNTING POLICIES 2020-21**

The Director: Governance and Partnerships submitted a report that informed the committee that the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (The Code) required each local authority to adopt accounting policies that set principles for recording financial transactions within the council's accounts.

The report explained that The Code specified the principles and practices required to prepare a Statement of Accounts to give a true and fair view of the financial position, financial performance and cash flows of the council.

The policies proposed for North Lincolnshire are based upon guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and take account of local circumstances.

The report requested that members satisfy themselves that the Accounting

AUDIT COMMITTEE
27 January 2021

Policies at Appendix 1 were appropriate.

The Director responded to members questions on aspects of her report.

Resolved – (a) That following consideration of the report and appendix, and discussion of their content, the Accounting Policies set out at Appendix 1 of the report be approved, and (b) that the Director: Governance and Partnerships be authorised to amend any existing policies during the production and audit of the financial statements allowing for minor amendments to be made which may be picked up during the audit. Any major amendments to accounting policies would be reported back to this committee at the time of approving the audited version of the accounts.

610 **LOCAL CODE OF CORPORATE GOVERNANCE**

The Director: Governance and Partnerships circulated the updated Code of Corporate Governance which had been compiled in accordance with guidance provided by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Government Chief Executives (SOLACE) in their document “Delivering Good Governance in Local Governance Framework” (2016).

The committee heard that in April 2016 the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Government Chief Executives (SOLACE) issued their document “Delivering Good Governance in Local Government: a Framework”. It was based on seven principles underpinning the framework. Namely -

- Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
- Ensuring openness and comprehensive stakeholder engagement
- Defining outcomes in terms of sustainable economic, social and environmental benefits
- Determining the interventions necessary to optimize the achievement of intended outcomes
- Developing the entity’s capacity, including the capacity of its leadership and the individuals within it
- Managing risks and performance through robust internal control and strong financial management
- Implementing good practices in transparency, reporting and audit to deliver effective accountability

The Council adopted this framework in 2016 and adopted a local code around the seven principles. The Code was subject to annual review and the latest Local Code of Corporate Governance was shown at Appendix 1 of the report.

The updated Code shows that overall the council continues to comply with the principles outlined in the CIPFA/SOLACE Framework. The effectiveness of these arrangements would be reported in the Annual Governance Statement.

AUDIT COMMITTEE
27 January 2021

The Director responded to members questions on aspects of her report.

Resolved – That following consideration of the report and appendix, and discussion of their content, the Local Code of Corporate Governance set out at Appendix 1 of the report be approved.

611 **RISK AND OPPORTUNITY PROTOCOL**

The Director: Governance and Partnerships circulated the updated Risk and Opportunities Protocol.

The Director informed the meeting that the council's Risk and Opportunity Protocol had been reviewed and updated and was attached at Appendix 1 of the report.

The Protocol had been evaluated against best practice and described the risk management framework that was in place. The Protocol also demonstrated commitment to the promotion of sound risk management throughout the council.

The Risk and Opportunities Protocol provided a framework by which the Audit Committee could seek assurance that any significant risks to the council achieving its priorities were adequately managed. The key elements of the Protocol were:

- evaluation of the Council's risk maturity, which had been stated that "there was an organisational managed approach to risk management, based on recognised risk management principles, had been developed and communicated"
- definition of the Council's risk appetite which had been defined as "open"
- mapping out roles and responsibilities for risk management and
- setting out actions to further develop risk management in relation to the Council.

The Director responded to members questions on aspects of her report.

Resolved – That following consideration of the report and appendix, and discussion of their content, the Risk and Opportunity Protocol set out at Appendix 1 of the report be approved.

612 **RISK MANAGEMENT PROGRESS REPORT**

The Director: Governance and Partnerships submitted a report that informed the committee of the key issues arising from risk management work at the council.

The Council's strategic risks were attached to the report at Appendix 1.

Members heard that the council's strategic risks were reviewed regularly to assess the triggers, impacts and controls. Overall, with the controls and mitigations that were in place overall risk levels were assessed as low.

AUDIT COMMITTEE
27 January 2021

The council had generated specific and risk logs to reflect the external operating environment: 'Adverse impacts arising from COVID 19' and 'EU Exit'. Controls were in place to mitigate and the risk triggers were being monitored and reviewed.

Work to further embed risk management continued. In addition to delivering workshops the latest edition of Risk Roundup had been published and was attached at Appendix 2 to the report. The newsletter included important articles on significant risk topics such as health and safety, information governance, fraud and insurance.

The Director added that a review of the Council's operational risk registers was carried out by the Strategic Lead Risk and Governance in December 2020. 18 of the 170 risks in the system either had not been reviewed by the service after the due date or had an outstanding action after the due implementation date, equating to 11%. Work was ongoing with service leads to ensure regular reviews were updated on the system.

Resolved - That following consideration of the report and appendices, and discussion of their content, that the Risk Management Progress Report provided adequate assurance in respect of the council's risk management arrangements.

613 **AUDIT OF ACCOUNTS 2019-20**

The Chairman formally thanked all council officers for their hard work, diligence and professionalism during the pandemic to finalise the council's accounts for the financial year 2019-20.

This item was deemed urgent as the meeting was the first opportunity that the committee could express its gratitude to council officers following the confirmation that the council's accounts had been signed off by the statutory deadline of 30 November 2020.

Resolved - That the Audit Committee was very satisfied that the accounts of North Lincolnshire Council continue to be ran in a good and excellent manner with the thanks of the committee members to all concerned.