

North Lincolnshire Council
Audit Committee Annual Report
2020/2021

FOREWORD

I am pleased to introduce this annual report of the Council's Audit Committee.

The Audit Committee provides a key component of corporate governance. Over the past 12 months the committee have continued to provide 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 committee has also welcomed the development sessions that members have attended. These sessions provided the opportunity for members to receive a more in depth understanding of issues in relation to providing assurance on the use of public funds and the findings of the 'Redmond Review'. We also spent time undertaking a self-assessment of our effectiveness to ensure we operate to the required standards. Linked to our self-assessment we took the time to observe Audit Committees of other councils to consider to inform our continuous development.

I am confident that the Council operates within robust assurance and governance frameworks, providing a strong foundation upon which to deliver excellent outcomes for our residents. During 2021/22 we will continue to focus on promoting the important role of the committee in promoting good governance. In conclusion, I would like to thank all members of the committee for their support and diligence during the year.

Cllr Keith Vickers
Chair of the Audit Committee

1. INTRODUCTION

The role of the Audit Committee is defined in its terms of reference, as laid out in the Council's constitution, as shown on Annex A. The areas covered within them are consistent with those identified as good practice by the Charter Institute of Public Finance and Accountancy and Finance (CIPFA) in its document "*Audit Committees: Practical Guidance for Local Authorities and Police*" (2018).

This report informs the full Council of the Committee's activities during the Council year (May 2020 to April 2021), and how it has discharged its responsibilities.

2. COMMITTEE INFORMATION

Audit Committee Membership, Meetings and Attendance

An analysis of committee meetings held during the year is shown on Annex B. Six meetings were held, including an additional meeting in May 2020 to keep Members informed of how the Council was responding to the potential impact of COVID-19 on governance and internal control arrangements. All meetings were held virtually as a result of the pandemic.

During the year, the Committee had seven members, plus substitutes where appropriate. Taking account of substitutes there was full attendance at each meeting.

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 2020/21, the following development sessions were held.

- North Lincolnshire Council Accounts (9 September 2020) – How to provide Assurance on the Use of Public Money.
- Audit Committee Self-Assessment (8 April 2021).
- Briefing on 'the Redmond Review', including the response from the Ministry of Housing, Communities and Local Government (8 April 2021).

In addition, as a result of the pandemic, all committee members took the opportunity to observe neighbouring council's Audit Committee meetings that were being streamed via the world wide web. This allowed the committee to observe and compare and contrast the council's Audit Committee with that of its neighbours. On 8 April 2021, members discussed at length their observations of the meetings, sharing best practice and suggesting ways to enhance the council's committee.

The Vice-Chairman also attended a virtual Chartered Institute of Public Finance and Accountancy webinar on "the role of the Audit Committee" (8 September 2020).

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

The Committee has discharged its responsibilities in 2020/21 and added value as shown below.

The statement of accounts

- The committee was updated on the changes to the Accounts process for the 2019-20 Accounts due to the Coronavirus emergency (May 2020)
- Approved the Statement of accounts 2019-20 and received the external auditor report (November 2020)
- Approved Accounting policies 2020-21 (January 2021)

Governance

- The committee was informed of the changed timetable for the production of the Annual Governance Statement (AGS) as a result of Covid-19. The report also identified the changes to the guidance on the content of the AGS, which required an assessment on the impact of Covid-19 on effectiveness of the council's governance and internal control arrangements (May 2020)
- Approved the draft Annual Governance Statement 2019-20 and recommended formal adoption by the Council (July 2020)
- Approved the final Annual Governance Statement 2019-20 and recommended formal adoption by the Council (November 2020)
- Approved the updated Code of governance (January 2021)

External audit

- Received the External Audit Strategy Memorandum 2019-2020- the document summarised the external audit approach, highlighting significant audit risks and areas of key judgements relating to the audit of the 2019-20 statements of accounts (July 2020)
- Received the Annual Audit Letter (January 2021)
- Received the External Audit Strategy Memorandum 2020-2021- the document summarised the external audit approach, highlighting significant audit risks and areas of key judgements relating to the audit of the 2020-21 statements of accounts. It included assurances of the independence of external audit (January 2021)

Internal audit

- The committee was updated on the progress in delivering the Audit Plan 2019-20, the production of the 2020-21 Audit Plan and the impact of COVID-19 on the activities of Internal Audit. (May 2020)

- Received the Internal Audit Annual Report and Opinion 2019-20 - 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 2020)
- Approved the Internal Audit Plan 2020-21- 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 (July 2020)
- Received Internal Audit Interim report (January 2021) - update on the delivery of the audit plan, amendments to the audit plan and any material issues identified by audit (January 2021)
- Approved the Internal Audit Plan 2020-21- 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 (April 2021)

Counter Fraud

- Received the Annual Fraud Report 2019-20 deferred from April 2020- the report demonstrated to the public, councillors, staff and partners the progress made during 2019/20 in developing an anti-fraud culture (May 2020)
- Received Counter Fraud Update Report- concluded that the counter fraud work programme provided a sufficient level of assurance on the adequacy of the council's counter fraud arrangements (November 2020)
- Received the Annual Fraud Report 2020-21 - received assurance on the Council's counter fraud activities, including the arrangements in relation to business grants (April 2021)

Risk Management

- Received Risk Management Update Report - informed members of the key issues arising from risk management work and provided a comprehensive update of the initiatives and developments that were in place to manage risk. (May 2020)
- Approved the Risk and Opportunities Protocol (January 2021)
- Received Risk Management Update Report- provided an update on risk management activities including the strategic risk register (January 2021)

Treasury Management

- Received the Treasury management Annual Report 2019-20 (September 2020)

- Approved the updated Treasury Management Practices and the Treasury Management Strategy 2021-22 (April 2021)

Other sources of assurance received by the committee.

- COVID-19 Assurance- received assurance on the governance and internal mechanisms in place in respect of the council's response to the COVID-19 pandemic (May 2020)
- Received the Information Governance and ICT Security Annual Report – received assurance on the Council's information security policies (July 2020)
- 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 2020)
- Approved the Partnership protocol and joint working framework and guidance (July 2020)
- Received a presentation from the Director of Governance and Partnerships on the Council's Value for Money arrangements (September 2020)

4. AUDIT COMMITTEE SELF-ASSESSMENT

Following the Audit Committee meeting on 8 April 2021 Members 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. The outcome of this is shown in this report (Annex C). It confirmed that the Audit Committee continued to operate in line with expected practice and was provided with good support from officers. It did identify three areas for further development:

- Invite a wider range of Directors and Heads of Service 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.

In addition to the self-assessment Committee Members took advantage of "virtual" meetings open to the public to observe how Audit Committee meetings were conducted at neighbouring authorities and identify any notable practice that could be adopted by the North Lincolnshire Audit Committee.

Annex A

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.
- (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 Attendance 2020/21

Member	20 May 2020	15 July 2020	16 Sep 2020	23 Nov 2020	27 Jan 2021	8 April 2021	Total (6)
P Clark	✓	✓	✓	✓	✓	✓	6
T Ellerby	✓	✓	✓	✓	✓	✓	6
T Foster	✓	✓	✓	✓	✓	✓	6
T Gosling	✓	✓	✓		✓	✓	5
K Vickers (vice Chair)	✓	✓	✓	✓	✓	✓	6
L Yeadon	✓	✓	✓	✓	✓	✓	6
Chair (vacant)							
D Wells		Sub Con	Sub Con	Sub Con	Sub Con		4
T Mitchell	Sub Con					Sub Con	2
M Kirk	1.37 (b)						1
A Davison				Sub Lab			1

Annex C: Audit Committee Self-Assessment April 2021

	Yes	Partial	No
1 Does the authority have a dedicated audit committee?	Y		
2 Does the audit committee report directly to full council?	Y		
3 Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's Position Statement?	Y		
4 Is the role and purpose of the audit committee understood and accepted across the authority?	Y		
5 Does the audit committee provide support to the authority in meeting the requirements of good governance?	Y		
6 Are the arrangements to hold the committee to account for its performance operating satisfactorily?	y- via the annual report		
Functions of the committee			
7 Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement? „ good governance „ assurance framework, including partnerships and collaboration arrangements	Y		

<ul style="list-style-type: none"> ” internal audit ” external audit ” financial reporting ” risk management ” value for money or best value ” counter fraud and corruption ” supporting the ethical framework 			
8 Is an annual evaluation undertaken to assess whether the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas?	Y		
9 Has the audit committee considered the wider areas identified in CIPFA’s Position Statement and whether it would be appropriate for the committee to undertake them?	Y- e.g receives reports in relation to treasury management, although did not receive required mid-year report in 2020/21		
10 Where coverage of core areas has been found to be limited, are plans in place to address this?	N/A - the committee now receives updates on partnership governance and value for money following previous review		
11 Has the committee maintained its advisory role by not taking on any decision-making powers that are not in line with its core purpose?	Y		

Membership and Support			
<p>12 Has an effective audit committee structure and composition of the committee been selected? This should include:</p> <ul style="list-style-type: none"> „ separation from the executive „ an appropriate mix of knowledge and skills among the membership „ a size of committee that is not unwieldy „ „ consideration has been given to the inclusion of at least one independent member 	Y		
<p>13 Have independent members appointed to the committee been recruited in an open and transparent way and approved by the full council</p>	N/A- after discussion committee decided not to appoint independent members, but will be kept under review following the recommendations of the Redmond Report		
<p>14 Does the chair of the committee have appropriate knowledge and skills?</p>	Y		
<p>15 Are arrangements in place to support the committee with briefings and training?</p>	Y (although have not yet had induction session as planned for new members due to COVID-19)		

16 Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?			N- in the new municipal year will look to have a session with members on core knowledge and skills
17 Does the committee have good working relations with key people and organisations, including external audit, internal audit and the CFO?	Y		
18 Is adequate secretariat and administrative support to the committee provided?	Y		
Effectiveness of the committee			
19 Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?		Y	
20 Are meetings effective with a good level of discussion and engagement from all the members?	Y		
21 Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?		Y- identified as scope for further development	

22 Does the committee make recommendations for the improvement of governance, risk and control and are these acted on?			N/A – the committee have not identified any gaps on which to make improvement recommendations. If gaps were identified they would make the necessary recommendations.
23 Has the committee evaluated whether and how it is adding value to the organisation?	Y- annual self-evaluation		
24 Does the committee have an action plan to improve any areas of weakness?	Y- an action plan to be incorporated into the annual report relating to issues identified as part of the self-assessment		
25 Does the committee publish an annual report to account for its performance and explain its work?	Y		