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## NORTH LINCOLNSHIRE COUNCIL

### AUDIT COMMITTEE

3 November 2021

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

Councillors T Foster (Vice-Chair), C Sherwood, S Wilson and L Yeadon.

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

637 **SUBSTITUTIONS (IF ANY)** - Councillor C Sherwood substituted for Councillor T Mitchell.

638 **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.

639 **TO TAKE THE MINUTES OF THE MEETING HELD ON 21 JULY 2021 AS A CORRECT RECORD AND AUTHORISE THE CHAIRMAN TO SIGN - Resolved**– That the minutes of the proceedings of this committee held on 21 July 2021, having been printed and circulated amongst the members, be taken as read and correctly recorded and signed by the Chairman.

640 **ANNUAL INFORMATION GOVERNANCE UPDATE** - The Director: Governance and Partnerships submitted a report that provided the committee with an annual position statement on the council's Information Governance arrangements.

The committee was informed 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 are referred to as "information governance".

An Information Governance Framework comprising a series of individual policy schedules set 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.

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.

The committee discussed the key developments and assurance highlights over the last twelve months, before the Chairman facilitated a discussion with the Director.

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**Resolved** – That after consideration of the report and discussion of its content, the Annual Information Governance update provided sufficient assurance on the adequacy of the council's Information Governance arrangements.

- 641 **GOING CONCERN ASSESSMENT AS AT 31 MARCH 2021** - The Director: Governance and Partnerships submitted a report that summarised the management assessment of the council continuing to operate as a going concern for the purposes of presenting the completed Statement of Accounts for 2020-21.

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. The detailed requirements of the code were included at appendix 1 to the report, together with the responsibilities placed on the council's external auditors in obtaining sufficient assurance via an annual management assessment.

The going concern assumption underpinned the accounts drawn up under the Code and was made because local authorities carried out functions essential to the local community and were themselves revenue-raising bodies. If an authority were in financial difficulty, alternative arrangements may 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.

In accordance with the Code, the council's statement of accounts had been prepared under the 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 31 March 2021. It included consideration of the impact that Covid-19 had had, and continued to have, on council finances.

Members were informed that the approved 2020-21 budget pre-dated the pandemic, and accordingly plans were altered during 2020-21 to reflect the changing composition of funding, income and expenditure brought about by

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the pandemic.

The Director guided the committee through the council's going concern assessment, before responding to questions on aspects of her report.

**Resolved** – That the going concern assessment set out in Appendix 1 of the report be endorsed.

- 642 **AUDIT COMPLETION REPORT - REPORT OF 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 the Audit Strategy Memorandum, which were –

- 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 and unadjusted misstatements.

Section 7 of the report outlined the external auditors work on the councils arrangements to achieve economy, efficiency and effectiveness in its use of resources.

The main findings within the Audit Completion Report that had led to amendments to the accounts were

- 1 Adjusted misstatement was identified in relation to the Cashflow.
  - Presentational error within the supporting notes relating to sale of property, plant and equipment
- 3 disclosure amendments were identified:
  - Capital Commitments – commitment figure reduced to reflect that £0.7m of the contract has been accrued for.
  - Related Party Transactions – Typographical error amended from £115k to £15k.
  - Agency Income and Expenditure – disclosure note removed as the administering of COVID19 grants not an agency arrangement covered by this disclosure

Upon completion of Mazars verbal presentation, the Chairman facilitated a

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discussion between the committee and its external auditors.

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

- 643 **AUDITED ACCOUNTS 2020-21** - The Director: Governance and Partnerships circulated the councils audited accounts for the financial year 2020-21.

The committee was informed 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 2020-21 and 2021-22 financial years. These changes were incorporated into the Accounts and Audit (Amendment) Regulations 2021 (SI 2021/263).

The production of the draft accounts deadline had moved from 31 May to 31 July 2021. The audit completion date moved from 31 July to 30 September 2021.

The council's unaudited accounts were approved by the Director: Governance and Partnerships on 1 July 2021. This met the statutory requirement that they be approved by 31 July 2021. The audit deadline was not met and full disclosure was published in line with guidance on the local authority's website.

Members commented on particular aspects of the report, to which the Director responded.

**Resolved** – That the audited accounts report be noted.

- 644 **STATEMENT OF ACCOUNTS** - The Director: Governance and Partnerships circulated the council's Statement of Accounts for the financial year 2020-21.

Members commented on particular aspects of the council's Statement of Accounts, which the Director responded to.

**Resolved** – (a) That the Statement of Accounts for 2020-21, prepared on a going concern basis and as amended in line with the auditors findings, be received and approved; (b) that the Chairman of the Audit Committee and Director: Governance and Partnerships be authorised to approve the audited set of accounts on behalf of the committee following the completion of all audit work, and (c) that all council officers who had contributed towards the closedown of the council accounts be congratulated for their commitment and professionalism.

\* *The Director: Governance and Partnerships received confirmation on 2*

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*December 2021 that Mazars had now completed its work on the outstanding items and, as a result of the findings, had amended the ISA 260 report. Therefore, following receipt of the amended ISA 260 report, the council's external auditors had now given the council's accounts an unqualified opinion.*

- 645 **ANNUAL GOVERNANCE STATEMENT 2020-21** - The Director: Governance and Partnerships submitted the revised Annual Governance Statement for 2020-21, which had been amended to reflect the significant findings within the external auditors Audit Completion report (minute 642 refers).

The Director responded to members questions.

**Resolved** – That the revised Annual Governance Statement for 2020-21 be received and approved.

- 646 **NORTH LINCOLNSHIRE COUNCIL DRAFT MANAGEMENT REPRESENTATION LETTER** - The Director: Governance and Partnerships circulated the draft management representation letter for consideration by the committee.

**Resolved** - That the signing of the Letter of Representation by the Chairman of the Audit Committee and the Director: Governance and Partnerships be endorsed.

- 647 **EXTERNAL AUDIT APPOINTMENT PROCESS** - The Director: Governance and Partnerships circulated a report that set out the process for the external audit procurement process and the options available to the council.

The Local Audit and Accountability Act 2014 established arrangements for the appointment of external auditors and the setting of audit fees for all local government bodies in England. In relation to appointing external auditors, local bodies have options to arrange their own procurement and make the appointment themselves or in conjunction with other bodies, or they could join and take advantage of the national approved collective scheme where contracts were negotiated with audit firms nationally, maximising the opportunities for the most economic and efficient approach to procurement of external audit on behalf of the whole sector.

Members heard that in July 2016, the Secretary of State specified Public Sector Audit Appointments Ltd (PSAA) as an appointing person for principal local government and police bodies for audits from 2018/19, under the provisions of the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015.

In 2017 the Committee approved the council opting into the scheme, and consequently Mazars was appointed as its external auditor.

Prior to the end of the current contract on 31 March 2023, the council would

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need to reprocur external audit services. The Regulations required the appointing person to set the duration of each appointing period; the maximum duration was five years.

The council had until December 2022 to make an external audit appointment. In practical terms this meant a decision by spring 2022 in order that the contract negotiation process could be carried out during 2022. However, the council was required to indicate whether it wished to continue with the PSAA Framework arrangement, by 11 March 2022.

The Director responded to members' questions on her report.

**Recommended to Council** – That the council continue to adopt into the Public Sector Audit Appointments Ltd framework.

- 648 **TREASURY MANAGEMENT MID YEAR REPORT 2021-22** - The Director: Governance and Partnerships circulated the treasury management mid-year report for the financial year 2021-22. The report provided an overview of the council's treasury performance during the first six months of 2021-22 and set out national factors that affect the council's treasury activity.

Members heard that the report fulfilled the authority'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), previously Ministry of Housing, Communities & Local Government, Investment Guidance. The CIPFA Code required that 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 CIPFA Code set out the following objectives for treasury management:

"It is important that treasury management policies adequately reflect risk and in particular security, liquidity and yield risk, in that order of importance. No treasury management transaction is without risk and management of risks is the key purpose of the treasury management strategy." 2.3 Full Council agreed the Treasury Management Strategy Statement (TMSS) for 2021/22 in February 2021".

Full Council agreed the Treasury Management Strategy Statement for 2021-22 in February 2021.

The Director informed the committee that –

- Investment returns remained at near zero due to the impact of the Covid 19 pandemic. The council had continued to take a cautious approach to investing.
- Borrowing remained comfortably within the control levels set and no new borrowing was undertaken.
- Treasury activity was compliant with the Prudential Indicators set for the

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financial year.

The Director responded to members' questions.

**Resolved** – (a) That after consideration of the report and discussion of its content, the Treasury Management Mid-Year report 2021-22 provided sufficient assurance on the adequacy of the council's Information Governance arrangements, and (b) that the mid-year treasury management performance for 2021-22 be noted.

- 649 **COUNTER FRAUD PROGRESS REPORT** - The Director: Governance and Partnerships submitted a report that informed the committee of the key issues arising from the council's counter fraud work.

The committee was informed that the council's framework to combat fraud, corruption and misappropriation was approved by the Audit Committee in April 2018. The framework followed national guidance as laid out in the document 'Fighting Fraud and Corruption Locally - The local government counter fraud and corruption strategy 2016-2019', published by the Chartered Institute of Public Finance and Accountancy (CIPFA) Counter Fraud Centre. It was based upon three key principles:

- Acknowledging and understanding fraud risks
- Preventing and detecting fraud
- Pursue - Being stronger in punishing fraud and recovering losses.

The Director highlighted the work carried out in each of these areas to demonstrate the council's continuing commitment to minimise the risk of fraud. Attached to the report as an appendix was a fraud six-month progress report.

Following the verbal presentation, the Director responded to members questions.

**Resolved** - That the counter fraud work programme provided a sufficient level of assurance on the adequacy of the council's counter fraud arrangements.

- 650 **ANY OTHER ITEMS WHICH THE CHAIRMAN DECIDES ARE URGENT BY REASONS OF SPECIAL CIRCUMSTANCES WHICH MUST BE SPECIFIED**  
- There were no urgent items for consideration at the meeting.

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