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## NORTH LINCOLNSHIRE COUNCIL

### AUDIT COMMITTEE

26 January 2022

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

Councillors T Mitchell, C Sherwood, S Wilson and L Yeadon.

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

651 **SUBSTITUTIONS (IF ANY)** - Councillor C Sherwood substituted for Councillor T Foster.

652 **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.

653 **TO TAKE THE MINUTES OF THE MEETING HELD ON 3 NOVEMBER 2021 AS A CORRECT RECORD AND AUTHORISE THE CHAIRMAN TO SIGN - Resolved** - That the minutes of the proceedings of this committee held on 3 November 2021, having been printed and circulated amongst the members, be taken as read and correctly recorded and signed by the Chairman.

654 **TREASURY MANAGEMENT STRATEGY AND PRACTICES 2022-23** - The Director: Governance and Communities circulated the Treasury Management Strategy and Practices for 2022-23. Members heard that the council was required to comply with the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management in the Public Services (The Code) as revised in 2017.

In order to comply with the key requirements of the Code, it was advisable for the council to keep under review the following –

- A Treasury Management Policy Statement, stating the policies and objectives of its treasury management activities, as approved by council.
- A Treasury Management Strategy covering the council's borrowing and investing Activities.
- Suitable Treasury Management Practices (TMPs) setting out the manner in which the organisation would seek to achieve those policies and objectives and prescribing how it would manage and control those activities.

The Director reiterated that the Committee was responsible for ensuring effective scrutiny of the treasury management arrangements.

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The proposed Treasury Management Policy Statement, Treasury Management Strategy Statement (TMSS) for 2022/23 and Treasury Management Practices, developed in consultation with the council's treasury management advisors, Link Group were attached to the report as appendices.

The Chairman then facilitated a discussion on the Treasury Management Policy Statement, Treasury Management Strategy Statement for 2022/23 and its Treasury Management Practices.

**Resolved** – (a) That the council adopt the Prudential Code 2017, the CIPFA Treasury Management in Public Services Code of Practice and related Ministry of Housing, Communities and Local Government Guidance; (b) that the Treasury Management Policy Statement be noted; (c) that the Treasury Management Strategy for 2022-23 be noted; (d) that the Treasury Management Practices be noted, and (e) that following consideration of the report and appendices, and discussion of their content, the Treasury Management Policy Statement, Treasury Management Strategy and Treasury Management Practices provided adequate assurance in respect of the council's treasury management practices.

- 655 **EXTERNAL AUDIT PROGRESS REPORT - JANUARY 2022** - The Chairman welcomed a representative of the council's External Auditors Mazars to the meeting, and invited them to present the council's audit progress report for January 2022.

The report provided the Audit Committee with an update on progress in delivering Mazars responsibilities as the council's external auditors and also included, at Section 2, a summary of recent reports and publications.

Following the verbal presentation, the Chairman facilitated a discussion between Panel Members and the council's External Auditors.

**Resolved** – That the audit progress report for January 2022 be received with thanks.

- 656 **ACCOUNTING POLICIES 2021-22** - The Director: Governance and Communities informed the meeting that the Code of Practice on Local Authority Accounting in the United Kingdom 2021/2022 (The Code) required each local authority to adopt accounting policies that set principles for recording financial transactions within the Council's accounts.

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 were based upon guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and amended to take account of local circumstances.

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The local amendments to the standard accounting policies were set out below.

- A de minimis level had been applied to the accrual of income and expenditure. The de minimis level had been applied to reduce the administration surrounding the accrual of income and expenditure, without materially affecting the accounts. For 2021/2022 the level remained unchanged from previous years, being set at £10,000, subject to justified exceptions e.g., where grant conditions applied.
- The council had set a de minimis level of £100,000 for inventories. Any inventories valued at less than £100,000 were not accounted for as inventories. This reduced administration and does not have a material effect on the accounts.
- Accruals were not processed for Housing Benefit Payments, Social Services Income for Home Care. Travel payments & supply Teachers and Property Trading Account Income for commercial properties. The accounts still contained 12 months activity.
- Depreciation normally commenced in the first full year of operational use. In the case of vehicles this was applied from the point of initial use (less estimated residual value) to align with the fleet hire charging policy.

The Director informed the meeting that some of the standard accounting policies within the Code were not relevant to the council and in the interest of clarity, had been removed. E.g., References to Housing Revenue Account (HRA) sales and Private Finance Initiative (PFI) arrangements.

There had been no additions, or amendments, to the accounting policies this financial year.

Delegating approval to the Director: Governance and Communities to amend any existing policies during the production and audit of the financial statements allowed 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.

The Chairman facilitated a discussion between the committee and the Director on the council's accounting policies.

**Resolved** – (a) That the accounting policies set out in Appendix A of the report be approved, and (b) that the power to make new accounting policies and amend existing policies as may become necessary in the production of the accounts or during the audit of the accounts, with any such changes being reported to the next meeting of this committee be delegated to the Director: Governance and Communities.

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- 657 **INTERIM INTERNAL AUDIT REPORT - 2021-22** - The Director: Governance and Communities circulated a report that provided the committee with an update on internal audit activity up to 30 November 2021.

The members heard 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 2021/22 audit which could impact on the annual opinion; and
- providing assurance of Internal Audit's compliance with PSIAS.

On 8 April 2021, the Committee formally approved an audit plan consisting of 1145 days. As communicated to the committee there would potentially be ongoing amendment and re-prioritisation to the plan to reflect changes in risk.

Attached to the report as an appendix was an update on the delivery of the audit plan up to 30 November 2021. Although it forecast that sufficient work should be carried out by May 2022 to provide a reliable opinion on the council's control environment during the year the plan had been subject to significant change. Consequently, there was risk to the delivery of the plan which would need to be managed.

A list of final reports issued up to 23 December 2021 was shown within the report. There were currently two limited assurance reports. However, the Director informed the committee that these should not impact on the overall annual audit opinion.

The Chairman and members discussed at length with the Director the interim internal audit report.

**Resolved** - That that following consideration of the report and appendix, and discussion of their content, the interim internal audit report provided adequate assurance in respect of the council's internal control environment.

- 658 **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.