

NORTH LINCOLNSHIRE COUNCIL

AUDIT COMMITTEE

AUDIT COMMITTEE ANNUAL REPORT 2018-19

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 To consider the annual report of the Audit Committee under the council's governance arrangements for the year 2018/19.
- 1.2 Key points in the report are:
- 1.2.1 The Annual Report of the Audit and Committee is designed to inform the full Council of the Committee's activities during the Council year (May 2018 - to May 2019), and how it has discharged its responsibilities.
- 1.2.2 The report demonstrates that the committee operates in line with expected practice, and also identifies areas for further development.

2. BACKGROUND INFORMATION

- 2.1 A draft of the annual report of the Audit and Governance Committee is attached. It summarises the activities of the Committee, and demonstrates how it has discharged its duties. The report includes the outcome of a self-assessment against good practice identified by the Chartered Institute of Public Finance and Accountancy (CIPFA) that was carried out by the committee.
- 2.2 The main conclusions of the report are:
- the Audit Committee has effectively discharged its duties, and its design and operation complies with expected practice;
 - there is scope to promote the role and purpose of the audit committee across the authority; and
 - whether the Committee's effectiveness would be enhanced by the appointment of a co-opted independent member requires further investigation

3. OPTIONS FOR CONSIDERATION

- 3.1 That Audit Committee receive the report and agree its presentation to Full Council.
- 3.2 The Audit Committee may wish to consider ongoing developments and current trends, including good practice guidance to ensure local governance and assurance arrangements remain robust.

4. ANALYSIS OF OPTIONS

- 4.1 Although not mandatory an annual report is considered good practice as it promotes the role of the Audit Committee and demonstrates how it discharges its duties. By including a self-assessment it also ensures that the Audit Committee can ensure that its operations in line with good practice, and provide supporting evidence for the Annual Governance Statement (AGS)
- 4.2 Publishing an annual report provides a mechanism to transparently demonstrate the effectiveness of the audit committee and provide assurance on the effectiveness of its role.

5. FINANCIAL AND OTHER RESOURCE IMPLICATIONS (e.g. LEGAL, HR, PROPERTY, IT, COMMUNICATIONS etc.)

- 5.1 None

6. OTHER RELEVANT IMPLICATIONS (e.g. CRIME AND DISORDER, EQUALITIES, COUNCIL PLAN, ENVIRONMENTAL, RISK etc.)

- 6.1 None

7. OUTCOMES OF INTEGRATED IMPACT ASSESSMENT (IF APPLICABLE)

- 7.1 Not applicable

8. OUTCOMES OF CONSULTATION AND CONFLICTS OF INTERESTS DECLARED

- 8.1 Not applicable

9. RECOMMENDATIONS

- 9.1 That the Audit Committee consider the draft report, taking action as deemed appropriate
- 9.2 That the Audit Committee request the Director Governance and Partnerships to submit the approved annual report to Council for further discussion to support the requirements of the Code of Governance.

DIRECTOR: GOVERNANCE AND PARTNERSHIPS

Civic Centre/
Church Square House
SCUNTHORPE
North Lincolnshire

Author: Peter Hanmer, Head of Audit and Assurance
Date: 17 June 2019

Background Papers used in the preparation of this report –
Audit Committees: Practical Guidance for Local Authorities and Police (2018).

**North Lincolnshire Council
Audit Committee Annual Report**

2018/2019



**FOREWORD BY COUNCILLOR IVAN GLOVER
CHAIRMAN OF THE COMMITTEE**

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

The Audit Committee provides a key component of corporate governance. Over the past 12 months the committee have provided 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.

In my role as chair, I have also welcomed the development sessions that the committee have attended. These sessions provide the opportunity for members to receive a more in depth understanding of issues that we consider as part of our ordinary business such as Treasury Management, Counter Fraud arrangements and Risk Management. The presentation by the council's treasury advisors giving an independent, positive view of the finances of the Council in the context of our Borrowing and Investment Strategies, being of the opinion they were robust enough to meet any future downturn, was most reassuring.

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. In conclusion, I would like to thank all Members of the Committee for their support and diligence during the year.

Cllr Ivan Glover
Chairman 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 2018 to April 2019), and how it has discharged its responsibilities.

2. COMMITTEE INFORMATION

Audit Committee Membership

During the year the Committee had seven members. The membership was as follows:

Ivan Glover (Conservative) (Chairman)

- Trevor Foster (Conservative) (Vice-Chairman)
- Peter Clark (Conservative)
- Tony Gosling (Labour)
- Mark Kirk (Labour)
- Barbara Perry (Labour)
- Keith Vickers (Conservative)

Audit Committee Meetings and Attendance

During 2018/19 four meetings were held, plus two development sessions where Members received a more detailed briefing on focussed areas of the business. The schedule of meetings and attendees is shown in Table 1 below. Including substitutes, during the year members achieved an attendance rate of 96% (27 out of a possible 28).

The schedule of Members attendances is shown below.

Table 1: Attendance at Audit Committee Meetings

	27 June 2018	27 July 2018	23 January 2019	27 March 2019
Number attended including subs	6	7	7	7

In line with good practice, the Director of Governance and Partnerships and the Head of Audit and Assurance have attended all formal Audit Committee meetings. In addition other Directors have attended where appropriate.

Training and Development

The Council recognises the importance of providing Committee Members with the knowledge and skills to allow them to effectively carrying out what can be a demanding and technical role. In 2018/19 Members received development sessions covering the following areas:

- Treasury Management (September 2018)
- Financial Management (February 2019)
- Risk Management (February 2019)
- Counter Fraud (February 2019)

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

The Committee has discharged its responsibilities in 2018/19 and added value as shown below.

The statement of accounts

- Approved Statement of accounts 2017/18 and received the external auditor report (July 2018)
- Approved Accounting policies 2018/19 (January 2019)

Governance

- Approved the Annual Governance Statement 2017/18 (June 2018) and recommended formal adoption by the Council
- Approved updated Code of governance (January 2019)

External audit

- Received an update report from the Council's newly appointed external auditors (January 2019)
- Received the External Audit Strategy Memorandum (March 2019) – received assurance on the how external audit's strategy to ensure it carries out sufficient work to provide an opinion on the annual statements of accounts has been compiled

Internal audit

- Received the Internal Audit Annual Report and Opinion 2017/18 (June 2018) - included receiving assurances that sufficient work had been carried out and Internal Audit's quality assurance processes
- Received Internal Audit Interim report (January 2019) - update on the delivery of the audit plan, amendments to the audit plan, any material issues identified by audit, approve the updated audit charter

- Received the Internal Audit plan 2019-20 (March 2019) - received assurances on the compilation of the audit plan including compliance with auditing standards

Counter Fraud

- Approved Anti-Bribery Policy and Anti-Money Laundering Policy (January 2019)
- Received Annual Fraud Report (March 2019) - received assurance on the Council's counter fraud activities

Risk Management

- Received Risk Management Update Report (January 2019) - received assurance on the development of the Council's approach to risk management

Treasury Management

- Received Treasury Management and Investment Strategy Mid-Year Report 2018-19 (January 2019) - received assurance on the council's approach to Treasury Management

Other sources of assurance received by the committee

- Received Information Governance and ICT Security Annual Report (June 2018) - Assurance on the Council's information security policies, in particular the implementation of the General Data Protection Regulations (GDPR).
- Received Attendance Management Report (June 2018) - 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. The Committee subsequently requested and received an update in January 2019 as a follow up to the committee's challenge in respect of absence due to stress and depression. The update provided the assurance the committee had sought.
- Received a presentation from the Director of Learning, Skills and Culture on the assurance mechanisms within in his areas of responsibility (June 2018), highlighting how the council provides strong leadership in the education system and holding all schools to account, leading to improved standards and quality of education.
- Received a presentation from the Director of Children's and Community Resilience on how he receives assurance that the Council complies with its statutory responsibilities relating to Children's Services (January 2019)

4. AUDIT COMMITTEE SELF-ASSESSMENT

As part of the production of this report, members carried out, at the Audit Committee meeting on 27 March 2019, a self-assessment based on a self-assessment 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. It also considered the suggestion from CIPFA about whether the Audit Committee should include a co-opted independent member.

Members concluded that the Audit Committee operated in line with expected practice and was provided with good support from officers. It did, however, identify areas where further enhancements could be made;

- Promote the role and purpose of the audit committee across the council- *one suggestion was that the role of the audit committee should be included in Member induction*
- Increase the Committee’s knowledge of Partnerships and Collaboration and Value for Money - *Members will receive briefing sessions as part of the 2019/20 Audit Committee work programme*
- Invite managers with adverse internal audit reports to meet with the Committee to receive assurance on how they are dealing with the issues identified

Members considered the possibility of having a co-opted independent Member. Advantages and disadvantages were identified and consequently the Director of Governance and Partnerships has been asked to bring a report to a future committee meeting where this could be considered further.

Annex A

AUDIT COMMITTEE - TERMS OF REFERENCE

Internal Audit

(a) To approve the audit charter and annual audit plan;

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
- 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).

(b) To consider significant issues arising from internal audit reviews carried out and high risk agreed actions not implemented within a reasonable timescale.

(c) To consider the external auditor's annual letter, relevant reports, and the auditors ISA 260 report on the conclusion of the accounts

(d) To consider specific reports as agreed with the external auditor.

(e) To comment on the scope and depth of external audit work and to ensure it gives value for money.

(f) To be kept informed of over the appointment of the council's external auditor by Public Sector Appointments Limited (PSAA).

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, including the joint committee established thereunder.

(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 arrangement. 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, 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.

(e) 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.

(f) To consider the council's compliance with its own and other published standards and controls.

(g) To consider the council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.

(h) Reviewing and monitoring treasury management arrangements in accordance with the CIPFA Treasury Management Code of Practice.

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