

NORTH LINCOLNSHIRE COUNCIL

AUDIT COMMITTEE

26 July 2019

PRESENT: - Councillor T Foster in the chair

Councillors Allcock, Clark, Kirk, Mumby-Croft, O’Sullivan, Yeadon,

The committee met at Church Square House, Scunthorpe.

543 **CHAIRMAN - Resolved** - That Councillor T Foster be and he is hereby appointed chairman for the meeting.

Councillor T Foster thereupon took the chair.

544 **DECLARATIONS OF DISCLOSABLE PECUNIARY, PERSONAL OR PERSONAL AND PREJUDICIAL INTERESTS** – The following member declared an interest –

Member	Minute	Nature of Interest
Councillor O’Sullivan	547	Lead Governor of Rotherham Doncaster and South Humber (RDaSH)

545 **MINUTES – Resolved** – That the minutes of the proceedings of this committee held on 26 June 2019, having been printed and circulated amongst the members, be taken as read and correctly recorded and signed by the Chairman.

546 **AUDIT COMMITTEE ANNUAL REPORT 2018-19** – The Director: Governance and Partnerships submitted the annual report of the Audit Committee under the council’s governance arrangements for the year 2018/19. The Annual Report of the Audit and Governance Committee was designed to inform Council of the Committee’s activities during the Council year (May 2018 to May 2019), and how it had discharged its responsibilities.

A draft of the annual report of the Audit and Governance Committee was attached to the report as an appendix. It summarised the activities of the Committee, and demonstrated how it had discharged its duties. The report included 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.

The Director informed the committee that the main conclusions of the report were:

- the Audit Committee had effectively discharged its duties, and its design and operation complied with expected practice;

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- there was 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 required further investigation

The Director and council officers responded to members' questions on aspects of the report.

Recommended to Council – That the Audit Committee Annual Report 2018-19 be considered at a future meeting, to support the requirements of the Code of Governance.

547 **HEAD OF INTERNAL AUDIT ANNUAL REPORT AND OPINION 2018-19** - – The Director: Governance and Partnerships submitted a report that provided an opinion on the adequacy and effectiveness of the council's internal control environment based upon work carried out by Internal Audit in accordance with the approved 2018/19 audit plan. The report also considered the effectiveness of the audit service. This provided the Audit Committee with an important source of assurance when considering the Annual Governance Statement.

The Internal Audit Annual report complied with the Public Sector Internal Audit Standards (PSIAS) and The Accounts and Audit Regulations 2015.

The requirement for Internal Audit was supported by statute in the Accounts and Audit Regulations 2015 and the Local Government Act 1972.

The Accounts and Audit Regulations stated that a "relevant body must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into public sector internal audit standards for guidance"

Internal Audit operated in accordance with PSIAS which defined the way in which the Internal Audit Service should be established and undertake its functions. The PSIAS defined internal audit as:

"an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helped an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes."

As set out in the standards there was a requirement under PSIAS 2450 that the Chief Audit Executive must provide an annual report to the Audit and Governance Committee, timed to support the Annual Governance Statement. This must include:

- an annual internal audit opinion on the overall adequacy and effectiveness of the organisation's governance, risk and control framework (i.e. the control environment);

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- a summary of the audit work from which the opinion was derived (including reliance placed on work by other assurance bodies); and
- a statement on conformance with the PSIAS, the outcome of the five yearly external review of Internal Audit, and the results of the internal audit Quality Assurance and Improvement Programme.

A copy of the Annual Report and Opinion was attached to the report.

Section 2 of the Annual Report referred to the work carried out from which the audit opinion was derived. It also laid out amendments to the plan in-year due to the changes in the council's risk profile and priorities. It concluded that sufficient work was carried out to support the opinion although a small number of planned audits where work was in progress (and to be reported in 2019/20) or the start was deferred into 2019/20.

The Director informed the Committee that the work carried out by internal audit satisfactory assurance could be provided on the council's governance, risk and control framework, with a small number of areas identified for further development.

In addition, the Audit Team complied with the standards in all material respects, and had effective arrangements in place for monitoring quality. Working with clients to improve the timeliness of audit reporting had been highlighted as an area for development.

The Director and council officers then responded to members' questions on aspects of her report.

Resolved – That the Internal Audit Annual Report for 2018-19 provided sufficient assurance on the adequacy and effectiveness of the council's internal control environment.

548 **ANNUAL INFORMATION GOVERNANCE UPDATE** - The Director: Governance and Partnerships submitted the Annual Information Governance Statement for 2018-19 for members consideration.

Members were informed that an assurance report was presented to the Audit Committee each year to provide an update on the council's Information Governance arrangements and compliance.

The council had a legal obligation to comply with information legislation, notably the General Data Protection Regulation (GDPR)/Data Protection Act 2018, Freedom of Information Act and the Environmental Information Regulations. Collectively the council refers to these requirements as "Information Governance".

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An Information Governance Framework comprising a series of 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.

Members learned that 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, with a high standard of compliance evidenced.

Key developments and assurance highlighted over the last 12 months included:

- The annual Information Governance Self-Assessment, necessary for accessing health information, was completed and accepted by the NHS.
- An Internal Audit review of the council's approach to Freedom of Information concluded with a "satisfactory assurance" opinion.
- The information governance framework was reviewed and updated to align it with changes in legislation and professional good practice.
- Training for employees on Information Governance requirements, including new provisions under GDPR, was rolled out to all employees.
- Compliance with national IT security standards was maintained and externally certified with no serious IT breaches occurring.

During the last 12 months there had been eleven referrals from the Information Commissioner's Office (ICO) about how the council responded to requests for information or protected personal information. This number was within the normal reporting level as seen in previous years. In addition the council self-reported two issues to the ICO. The findings were included in the report.

In the 2018 annual report to the Audit Committee it was explained that at that time the council had appealed to the First Tier Tribunal in respect of an ICO Decision Notice. The council was successful in its appeal with the Tribunal Judge granting an order requiring the ICO to amend the Decision Notice and withdraw its instructions.

Further continued strengthening of the council's information governance arrangements would be made over the next 12 months through an action planning based approach.

The Director and council officers responded to members' questions on aspects of her report.

Resolved – That the Annual Information Governance Update for 2018-19 provided sufficient assurance on the adequacy and effectiveness of the council's information governance arrangements.

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549 **ATTENDANCE MANAGEMENT ANNUAL REPORT** – The Director: Business Development submitted a report that informed the committee of the council’s sickness absence levels for 2018-19.

In January 2019, the Audit committee received an interim progress report on sickness absence during 2018/19 covering the period from April to December 2018. The committee requested a further report on sickness absence be submitted detailing the final 2018/19 year-end position.

Members were informed that the average number of working days lost due to sickness absence in 2018/19 was 9.51 days. This indicated a four per cent decrease (0.44 days) in overall sickness absence levels compared to 2017/18. Half of the workforce (47 per cent) had no periods of sickness absence during 2018/19 – this was consistent with levels of zero absence in 2017/18.

At the end of 2018/19, 81 per cent of council employees met attendance targets as set out in the council’s Managing Attendance policy – this meant that they were not meeting or exceeding trigger points based on absence in the 6 months preceding March 2019.

The report included the number of full time equivalent days lost due to short term (up to 20 days) and long term (over 20 days) absence for 2017/18 and 2018/19. During 2018/19, there had been a fall in the number of days lost due to both short and long term absence:

The report provided a breakdown of short and long term absence and the most common reasons for sickness absence during 2018/19.

The report also informed the committee of the following activities that were taking place to support good levels of attendance and achieve a reduction in sickness absence:

- People Plan
- Health champions
- Be Yourself at Work conversations
- Targeted support
- Monitoring and reporting

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

Resolved – That the Attendance Management Update for 2018-19 provided sufficient assurance that the risk to capacity due to sickness absence was being managed through adequate controls.

550 **ANNUAL GOVERNANCE STATEMENT 2018-19** – The Director: Governance and Partnerships submitted the Annual Governance Statement for 2018-19 for members consideration.

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The Accounts and Audit Regulations 2015 required the council to publish with its final accounts an Annual Governance statement (AGS).

The AGS set out the council's governance arrangements in place and considered their effectiveness. The council's governance arrangements were set out in its Code of Governance which were approved by the Audit Committee in September 2016, and subsequently updated in January 2019. The Code was based upon guidance provided by the Chartered Institute for Public Finance and Accountancy (CIPFA) and the Society for Local Government Chief Executives (SOLACE) "Delivering Good Governance in Local Government – a framework" (April 2016).

Members heard that the three lines of defence assurance model was central to the review of effectiveness of the council's governance arrangements. It was as follows:

- First Line – (delivery/operational area) - Each Director undertook an annual self-assessment as to how assurances were sought to confirm that the services and functions they were responsible for comply with each of the seven principles of the Code.
- Second Line - (oversight of management activity and separate from those responsible for delivery) - A range of reports were produced annually or throughout the year from those responsible for the oversight of management activity which provided assurance on the operation of elements of the governance framework (e.g. counter fraud, risk management, Chief Financial Officer, Monitoring Officer, Safeguarding, Information Governance, etc).
- Third line (independent oversight) - e.g Internal Audit/ External Audit/ External Regulatory Inspections and assessment.

The draft AGS 2018/19 was attached to the report. It showed that the council had well-established governance arrangements that were monitored and reviewed on a regular basis. As at 31 May 2019 no significant governance issues requiring reporting had been identified.

The AGS accompanied the accounts and was for the period up to the accounts were approved. The final published version therefore would be updated to take account of the completion of the audit of the statements of accounts 2018/19 and any additional sources of assurance completed up to that date.

The Audit Committee, as the body charged with governance, was responsible for advising on whether the council should adopt the AGS and for it to be signed by the Leader of the Council and the Chief Executive on the council's behalf.

The Director and council officers responded to members' questions on aspects of her report.

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Resolved – (a) That the Annual Governance Statement for 2018-19 provided a sufficient level of assurance on the adequacy of the council’s governance arrangements to allow the committee to fulfil its role; (b) that the Annual Governance Statement for 2018-19 be adopted by the council and be signed by the Leader of the Council and its Chief Executive, and (c) that the Director: Governance and Partnerships be provided with delegated responsibility to make any amendments to the Annual Governance Statement resulting from the outcome of the audit of the statements of accounts and any additional sources of assurance received up to the date of the approval of the accounts. This was on the proviso that any subsequent changes to section 4 of the Statement would require further approval by the committee.

551 **AUDIT OF ACCOUNTS 2018-19 – MATTERS ARISING FROM THE AUDIT –**
The Director: Governance and Partnerships submitted a report informing the committee that the Accounts and Audit Regulations 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 Director confirmed that she approved the council’s unaudited accounts on 31 May 2019. This met the statutory requirement that they be approved by 31 May 2019.

The Accounts had been produced under International Financial Reporting Standards (IFRS).

The accounts had since been audited and the external auditors had set out their findings in a report. Members were required to consider the proposed amendments and approve the changes to the accounts that result from it. It was a statutory requirement that this process concluded by 31 July 2019.

The International Standard on Auditing 260 – ‘The Auditor’s Communication with Those Charged with Governance (ISA 260)’ required auditors to report certain matters arising from the audit of the council’s financial statements before giving an opinion on them.

The report from the council’s Auditors (Mazars) was attached to the report. It set out the matters arising from the audit of the council’s 2018-2019 accounts. A copy of the amended accounts was attached as an appendix.

The main findings of the report were:

- It was expected that an unqualified opinion on the council’s accounts and arrangements for achieving Value for Money would be issued (subject to the completion of their outstanding work).
- That the closedown process had met the necessary statutory deadlines.

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- An error was identified on the recording of two payments within the ledger at the year end. The balance sheet entries for these two payments were recorded as liabilities rather than cash. There was no impact on the general fund balance, however a number of notes were affected.
- During the audit process it was confirmed that the Government wouldn't be granted leave to appeal against a court decision which affected the benefits of some members of the Local Government Pension Scheme. Changes were therefore made through the accounts to reflect the additional pension liability.
- Some other minor adjustments to disclosure notes within the accounts were required.

International Standard on Auditing 580 'Management Representations' required auditors to obtain written confirmations of appropriate representations from management before the audit report was issued. A proposed letter of representation was attached to the report, which the Committee was asked to approve and authorise the Chairman of the Audit Committee and the Director: Governance and Partnerships to sign.

Additionally, IAS 570 required a specific statement on the applicability of the 'Going Concern' concept to the council. The accounts had been prepared on a going concern basis. A review of the applicability of the concept to the council was included at Appendix 1.

The Chairman invited representatives of Mazars, the council's external auditors, to comment on the ISA 260 report. Mazars guided members through the ISA 260 report, paying particular attention to the outstanding work to be completed. To conclude, Mazars publically thanked council officers from the Accountancy Team for their co-operation and partnership approach to the closedown of the council's accounts.

Members commented on particular aspects of the council's Statement of Accounts 2018-2019 and ISA 260 Report to which the Director: Governance and Partnerships and representatives of Mazars responded to.

Resolved – (a) That the Statement of Accounts for 2018-19, prepared on a going concern basis and as amended in line with the auditor's findings, be received and approved, subject to confirmation from the council's external auditors that all outstanding work had been completed; (b) that the contents of the ISA 260 Report be noted; (c) that the signing of the Letter of Representation by the Chairman of the Audit Committee and the Director: Governance and Partnerships be endorsed, and (d) that all council officers who had contributed towards the earlier closedown of the council accounts be congratulated for their commitment and professionalism towards achieving the 31 July 2019 statutory deadline. *

* *The Director: Governance and Partnerships received confirmation on 31 July 2019 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 a clean opinion, prior to the statutory deadline of 31 July 2019.

