

NORTH LINCOLNSHIRE COUNCIL

AUDIT COMMITTEE

31 October 2019

PRESENT: - Councillor K Vickers in the chair

Councillors Clark, Ellerby, T Foster, Gosling, Mumby-Croft and O’Sullivan.

The committee met at Church Square House, Scunthorpe.

552 **MINUTES SILENCE** – As a mark of respect, the committee observed a minutes silence following the sad and untimely passing of Councillor John Collinson.

553 **DECLARATIONS OF DISCLOSABLE PECUNIARY, PERSONAL OR PERSONAL AND PREJUDICIAL INTERESTS** – There were no declarations of disclosable pecuniary interests and personal or personal and prejudicial interests.

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

555 **DIRECTOR OF PUBLIC HEALTH – ASSURANCE** - The Chairman welcomed Penny Spring to the meeting, the council’s Director: Public Health. Mrs Spring had been invited to the meeting to guide members through the governance framework that was in place in respect of all financial, assurance and operational matters within the portfolio of the Director: Public Health.

Following the verbal presentation, which included the playing of a short video, the Chairman facilitated a discussion between the Director and committee members.

Resolved – (a) That the presentation be noted, and (b) that the Director: Public Health be thanked for her attendance, presentation and for answering members questions.

556 **ANNUAL AUDIT LETTER** – The council’s External Auditors Mazars submitted its Annual Audit Letter for the year ending 31 March 2019. The Annual Audit Letter summarised the work the external auditor had undertaken as the auditor for North Lincolnshire Council for the year ended 31 March 2019. The external auditors responsibilities were defined by the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (the NAO). The key points of the report included -

- That the financial statements gave a true and fair view of the council’s financial position as at 31 March 2019 and of expenditure and income for the year then ended; and had been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

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- The auditor's report issued on 31 July 2019 included an opinion that the other information in the Statement of Accounts was consistent with the audited financial statements.
- The report concluded that the auditors were satisfied that in all significant respects, the council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.
- Reporting to the group auditor, on 31 July 2019, the external auditor reported that the council's activity was below the threshold set by the NAO, meaning that there was no requirement to review the Whole of Government Accounts return.
- The external auditor's report confirmed that they did not use its powers under s24 of the 2014 Act to issue a report in the public interest or to make written recommendations to the council.

Members briefly discussed the content of the report and letter.

Resolved - That the Annual Audit Letter for the year ending 31 March 2019 be noted and welcomed.

557 **TREASURY MANAGEMENT MID-YEAR REPORT 2019-20** – The Director: Governance and Partnerships submitted a report that provided an overview of the council's treasury performance in 2019/20.

The report fulfilled the council's legal obligation under the Local Government Act to have regard to both the Chartered Institute of Public Finance and Accountancy (CIPFA) Code and the Ministry of Housing, Communities & Local Government (MHCLG) 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 was 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 was without risk and management of risks was the key purpose of the treasury management strategy.”

Council agreed the Treasury Management Strategy for 2019/20 in February 2019. The Annual Treasury report, which was attached as an appendix, provided the detail of the activity and performance against the strategy, including the agreed Prudential Indicators for 2019/20.

Following the Directors verbal presentation, the Chairman facilitated a discussion on the Treasury Management Mid-Year report for 2019-20.

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Resolved – (a) That the mid-year treasury management performance for 2019-20 be noted, and (b) that the Treasury Management Mid-Year report for 2019-20 provided the committee with a sufficient level of assurance on the adequacy of the council’s treasury management performance.

- 558 **TREASURY MANAGEMENT PRACTICES 2019-20** – The Director: Governance and Partnerships submitted a report that updated the council’s treasury management practices to reflect service structure changes during 2018-19.

The Local Government Act 2003 required local authorities to have regard to such guidance as the Secretary of State may by regulations specify. The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 specify the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance (The Code) as such guidance.

CIPFA had adopted the following as its definition of treasury management activities:

“The management of the organisation’s investments, borrowing and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks”.

The high level objectives of the council’s treasury management activities were set out in the Treasury Management Policy Statement, attached at Appendix 1 to the report.

The Code also required the council to maintain suitable Treasury Management Practices (TMPs), setting out the manner in which the council would seek to achieve its TMPs policies and objectives, and prescribing how it would manage and control those activities. The TMPs, adopted by the council were reviewed on a regular basis. They were attached at Appendix 2 of the report.

Following the Directors verbal presentation, the Chairman facilitated a discussion on the council’s Treasury Management Practices for 2019-20.

Resolved – (a) That the Treasury Management Practices for the 2019-20 financial year be noted, and (b) that the Treasury Management Practices for 2019-20 provided the committee with a sufficient level of assurance on the adequacy of the council’s treasury management performance.

- 559 **INTERNAL AUDIT UPDATE REPORT** - The Director: Governance and Partnerships submitted a report that updated the committee on Internal Audit activity up to 30 September 2019.

Members were informed that it was a requirement of the Public Sector Internal Audit Standards (PSIAS) for the committee to receive regular updates on the activities of Internal Audit, in particular:

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- providing assurance that sufficient work would be carried out to provide a reliable risk based annual opinion on the effectiveness of the control environment;
- bringing to the committee's attention any issues identified during the course of the 2017/18 audit which could impact on the annual opinion; and
- providing assurance of Internal Audit's compliance with Public Sector Internal Audit Standards (PSIAS).

Appendix 1 of the report prepared by the Head of Audit and Assurance provided an update on the delivery of the audit plan up to 30 September 2019. Sufficient work should be carried out by May 2020 to provide a reliable opinion on the council's control environment.

Following the Directors update, the Chairman facilitated a discussion on the delivery of the audit plan up to 30 September 2019.

Resolved – That the Internal Audit update report be noted.

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

The committee was informed that the council's fraud resource formed part of the Audit and Assurance team under the shared service arrangements with North East Lincolnshire Council.

The report highlighted the actions taken by the Audit and Assurance section in the period up to 30 September 2019, around the three central anti-fraud and corruption themes of:

- Acknowledge - acknowledging and understanding fraud risks.
- Prevent - preventing and detecting fraud.
- Pursue - punishing fraudsters and recovering losses.

The Director: Governance and Partnerships guided the committee through the key counter fraud arrangements and how fraudulent attacks on the council finances and services were being minimised.

Resolved – That the progress report, including the counter fraud work programme, provided sufficient level of assurance on the adequacy of the council's counter fraud arrangements.

- 561 **RISK MANAGEMENT PROGRESS REPORT** – The Director: Governance and Partnerships submitted a report that informed the committee of the key issues arising from risk management work.

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The committee was informed that at the January 2019 Audit Committee, members were advised that, as part of the 2018/19 Internal Audit Programme, Lincolnshire County Council would conduct an audit of the council's risk management arrangements. Following the audit, a substantial assurance was provided. The two recommendations had also been implemented, namely that -

- The standard decision making report template had been updated to include a section on Risk.
- The Strategic Risk Register had been reviewed and reframed under strategic risk areas.
 - Financial Resilience
 - Safeguarding Vulnerable Persons
 - Organisational Leadership and Governance
 - Workforce Planning
 - Stakeholder Engagement
 - Service Delivery and achievement of intended outcomes

The latest edition of Risk Roundup had been published. The newsletter included important articles on significant risk topics such as health and safety, information governance, fraud and insurance.

In addition, a training tool to help staff use the risk management system had been produced in a presentation format. This had been published on Top Desk.

Resolved - That the risk management progress report provided sufficient level of assurance on the adequacy of the council's risk management arrangements.

562 **CONSIDERATION OF CO-OPTED INDEPENDENT AUDIT COMMITTEE MEMBER** – The Director: Governance and Partnerships submitted a report on the options available to it were it minded to appoint a co-opted independent member.

Members were informed that in 2018, the Chartered Institute of Public Finance and Accountancy updated its "Practical Guidance to Audit Committee". This document set out recommended good practice in relation to the membership, role and operation of audit committees in local government.

Welsh Local Authority Audit Committees, Combined Authorities and Police Audit Committees were required by statute or regulation to include independent co-opted members. In its guidance CIPFA stated that it "endorsed the approach of mandating the inclusion of a lay or independent member and recommended that those authorities, for whom it was not a requirement, actively explore the appointment of an independent member to the committee".

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The Director added that an analysis of the membership of 17 neighbouring Local Authority Audit Committees had found that the majority of them included a co-opted independent member, a list of which was attached as an appendix. In its guidance CIPFA had identified a number of potential benefits of having such a member, such as:

- the injection of an external view can often bring a new approach to committee discussions;
- to bring additional knowledge and expertise to the committee
- to reinforce the political neutrality and independence of the committee;
- to maintain continuity of committee membership where membership was affected by the electoral cycle.

The guidance, however, recognised that there were some potential risks in relation to having co-opted independent members that would need to be mitigated, such as:

- over-reliance on the independent members by other committee members could lead to a lack of engagement across the full committee;
- lack of organisational knowledge or ‘context’ among the independent members when considering risk registers or audit reports; and
- the need to establish an effective working relationship and establish appropriate protocols for briefings and access to information.

The Chairman then facilitated a discussion between the Director and the committee on whether to co-opt an independent member on to the Audit Committee.

Resolved – That the Audit Committee continue with its current membership of seven councillors.