



To be submitted to the Council at its meeting on 17<sup>th</sup> September 2020

## **AUDIT AND GOVERNANCE COMMITTEE**

**23<sup>rd</sup> July 2020 at 9.30.a.m.**

### **Present:**

Mr. T. Render (in the Chair)

Councillors Beasant, Furneaux, Harness, Hudson, Patrick, Rogers, Silvester and Wheatley.

### **Officers in attendance:**

- Sharon Wroot (Director of Resources and Governance)
- Simon Jones (Chief Legal and Monitoring Officer)
- Peter Hanmer (Head of Audit and Assurance)
- Bev O'Brien (Scrutiny and Committee Support Officer)
- Caroline Wilson (Strategic Lead Risk and Governance)
- Paul Windley (Democratic Services Team Manager)

### **Also in attendance:**

- Mark Surrige (Mazars)
- Councillor Shreeve (Portfolio Holder for Finance and Resources)

### **AC.1 APOLOGIES FOR ABSENCE**

No apologies for absence were received for this meeting

### **AC.2 DECLARATIONS OF INTEREST**

Councillor Rogers declared a personal, non-prejudicial interest in AC.17 as she is an employee of North East Lincolnshire Clinical Commissioning Group.

### **AC.3 MINUTES**

RESOLVED – That the minutes of the Audit and Governance Committee meeting held on 16<sup>th</sup> January 2020 be agreed as an accurate record.

#### **AC.4 TRACKING THE RECOMMENDATIONS**

The committee received a report from the Director of Resources and Governance tracking the recommendations of the Audit and Governance Committee

RESOLVED – That the report be noted.

#### **AC.5 HEAD OF INTERNAL AUDIT ANNUAL REPORT AND OPINION 2019/20**

The committee received a report from the Head of Audit and Assurance which summarised the work of Internal Audit during 2019/20, provided an opinion on the overall arrangements for governance, risk and the internal control framework, and provided assurance on the quality of its work.

The Chair referred to the impact Covid 19 may have had on resources available to undertake the required audit tasks. He wondered whether they were able to receive assurance that required work had been done. Mr Hanmer stated that resources had to be refocused to support the Council's response to Covid 19, but sufficient work was carried out on the 2019/20 planned work to provide a reliable annual audit opinion.

RESOLVED – That the report be noted.

#### **AC.6 ANNUAL GOVERNANCE STATEMENT 2019/20**

The committee received a report from the Director of Resources and Governance which assessed the effectiveness of the Council's governance arrangements.

The Chair believed it would be beneficial for the improvements in Capital Programme management recognised in the Annual Governance Statement to be maintained and not get lost to the bigger issues of Covid 19. Ms Wroot was happy to take on board the comment from the Chair. She explained that as part of the response in terms of financial resilience and sustainability going forward, there would be a review of our capital investment strategy.

RESOLVED –

1. That it be agreed that the draft Annual Governance Statement 2019/20 provides a sufficient level of assurance on the adequacy of the council's governance arrangements to allow the committee to fulfil its role.
2. That the publishing of the draft Annual Governance Statement, alongside the draft accounts 2019/20, on the Council's website be approved.

## **AC.7 VALUE FOR MONEY – ANNUAL REPORT 2019/20**

The panel received a report from the Director of Resources and Governance summarising value for money activity during 2019/20.

Ms Wroot explained that while Covid 19 affected the final period of 2019/20, its impact would be felt over a much longer period. Ms Wroot provided assurance that value for money remained a large part of the Council's responsibilities and that, as part of our approach to recovery, we would ensure that we continue to operate in an effective and efficient environment.

RESOLVED – That it be agreed that the report now submitted provided the Audit and Governance Committee with sufficient assurance in relation to the Council's Value for Money arrangements.

## **AC.8 TREASURY MANAGEMENT OUTTURN REPORT 2019/20**

The committee received a report from the Director of Resources and Governance containing details of treasury management arrangements, activity, and performance during 2019/20.

Councillor Furneaux wondered whether borrowing money had become more difficult. He wondered whether lenders had become stricter with their requirements. Ms Wroot explained that the control environment around borrowing and investment was still fairly stringent. She stated that earlier this year, the Public Works Loan Board (PWLB) changed their borrowing rates, and this had opened the market to other external opportunity. However, she assured members that all the council's processes were in line with the council's treasury management strategy and were very robust and comprehensive. Ms Wroot also explained that the council's cashflow position at the end of the year was strong due to the grants the council had received from the Government, which negated the need to borrow at the year end.

Councillor Patrick asked about the council's levels of borrowing in relation to the Capital Programme and where this fitted in to the council's medium-term financial plan. He further questioned whether the level of borrowing would be sustainable in the current environment.

Ms Wroot explained that we have an internal guide around the cost of borrowing in terms of the Councils revenue budget. If the borrowing forecast stated in the Capital Programme stays as it is, it would not be above 8.5% of the revenue budget, which is within the internal limit. She also explained that based on the current forecast capital programme, the Council would stay within its borrowing limits and this would mean that the Council could be reasonably comfortable that capital plans were sustainable. However, Ms Wroot also stated that as part of our approach to recovery, all capital plans would be reviewed within the next two to three months, to ensure that assumptions remain robust, sustainable and achievable.

Councillor Patrick wondered whether the Portfolio Holder for Finance and Resources was happy with the amount the Council would be borrowing. Councillor Shreeve stated that he was but could understand why there was a degree of uncertainty because of Covid 19. However, as far as he could tell and the information he had received showed that the Council was being as efficient as possible. Councillor Patrick questioned whether he would be comfortable with more borrowing on top of what was already forecast. Councillor Shreeve stated that it entirely depended on what the Council was borrowing money for and whether it would benefit the local community/authority, but yes, he would if it was based on sound commercial sense.

The Chair stated that the report showed that there was clearly more cash at the end of the year than the previous year due to grants received from the government. He wondered whether this explained the increased amount of investment at year end. Ms Wroot confirmed that it was and it was solely down to the business support grants received from the government. The Chair also picked up on the two operational breaches outlined within the report. Ms Wroot confirmed that these were isolated breaches which had been corrected straight away. She had no further concerns with any current issues.

Councillor Harness queried the PWLB review. He wondered whether the council knew when the direction of travel for PWLB would be known as it was important to the council for borrowing and servicing of debt. Ms Wroot confirmed that the council was fully engaged with the consultation and once the outcome was known, she would share it with the committee.

RECOMMENDED TO CABINET – That the content of the Treasury Management Outturn Report 2019/20 be noted.

## **AC.9 ANNUAL FRAUD REPORT**

The committee received a report from the Director of Resources and Governance highlighting the work that has been undertaken for the prevention and detection of fraud, corruption, and financial misconduct.

The Chair urged that the appropriate publicity of this report be done to discourage fraud within the organisation.

RESOLVED – That the report be noted.

## **AC.10 INFORMATION GOVERNANCE AND SECURITY- ANNUAL GOVERNANCE REPORT**

The committee considered a report from the Director of Resources and Governance outlining key information, governance activities undertaken in 2019.

RESOLVED – That the Annual Information Governance Report for 2019 as set out at Appendix 1 to the report now submitted, be received and approved.

## **AC.11 ANNUAL AUDIT COMMITTEE REPORT**

The committee considered a report from the Chair of Audit and Governance committee detailing its activities during the Council year.

RECOMMENDED TO COUNCIL –

That the Annual Audit Committee Report 2019/20 be approved.

## **AC.12 ANNUAL AUDIT PLAN 2020/21**

The committee considered a report from the Head of Audit and Assurance presenting the annual audit plan for 2020/21.

Mr Hamner explained that a lot had happened since the Annual Audit Plan was drafted in March 2020. However, the Audit Plan was always kept as a live document and always amended to make sure they were covering the key risks and to make sure key resources were prioritised. The Chair stated that a lot of things had been included in the plan. He believed the audit team needed to keep on prioritising workload but based on the estimates and the information included in this report, the Chair hoped there was sufficient time for everything included in the report. He stated that the risk had changed significantly. Mr Hanmer confirmed that he was confident that they could provide a full opinion, although the plan would need to be subject to regular review and re-prioritisation.

The Chair questioned the inclusion of the number of audits, for example educational standards and special educational needs, and wondered whether these could be picked up somewhere else. Mr Hanmer stated that audit needed to be satisfied that the risks in relation to those areas were being managed. Councillor Rogers queried the time allocated to follow-up. She thought it was a shame that audit had to chase up managers in relation to the implementation of audit actions, but Mr Hanmer explained that most of the time was in relation to follow-up audits.

RESOLVED – That the Internal Audit plan for 2020/21 be approved.

### **AC.13 EXTERNAL AUDIT STRATEGY MEMORANDUM 2020/21**

The committee received a report from the Council's External Auditor presenting their Audit Strategy Memorandum for year ending 31<sup>st</sup> March 2020. The external auditor had no material issues to draw to the attention of the committee.

RESOLVED – That the report be noted.

### **AC.14 EXTERNAL AUDIT PROGRESS AND TECHNICAL UPDATE**

The committee received a report from the Council's External Auditor providing an overview on progress in delivering its responsibilities as our external auditors. Mr Surrige confirmed that matters were all progressing and that there were no issues to raise with the committee in relation to the external audit.

RESOLVED – That the report be noted.

### **AC.15 AUDIT AND GOVERNANCE COMMITTEE WORK PROGRAMME**

The committee considered a report from the Chair of Audit and Governance committee setting out the proposed work programme for this committee during 2020 – 2021.

RESOLVED –

1. That the Audit and Governance work programme for 2020- 2021 be approved.
2. That the work programme be sent to the chairs of scrutiny for information.
3. That the Chief Executive ensure that relevant officers who may be called to report to the committee during the year be informed of the programme as soon as possible to facilitate diary planning.

### **AC.16 EXCLUSION OF PRESS AND PUBLIC**

RESOLVED – That the press and public be excluded from the remainder of the meeting on the grounds that discussion of the following business was likely to disclose exempt information within paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended).

### **AC.17 RISK MANAGEMENT ANNUAL REPORT**

The committee received a report from the Director of Resources and Governance providing a summary of the developments relating to risk management and the Strategic Risk Register as of 9<sup>th</sup> July 2020

RESOLVED – That the report be noted.

**AC.18 ISSUES FOR DISCUSSION WITH THE INTERNAL AND EXTERNAL AUDITORS**

The committee was provided an opportunity, at the close of this meeting, to discuss any confidential matters of concern with the External Auditor and the Head of Internal Audit.

No such matters were raised.

There being no further business, the Chair declared the meeting closed at 11.00 a.m.