



To be submitted to the Council at its meeting on 17th December 2020

AUDIT AND GOVERNANCE COMMITTEE

12th November 2020 at 10.30.a.m.

Present:

Mr. T. Render (in the Chair)

Councillors Beasant, Furneaux, Harness, Hudson, Parkinson, Patrick, Silvester, Watson (substitute for Rogers) and Wheatley.

Officers in attendance:

- Rob Walsh (Chief Executive)
- Sharon Wroot (Director of Resources and Governance)
- Simon Jones (Chief Legal and Monitoring Officer)
- Peter Hanmer (Head of Audit and Assurance)
- Guy Lonsdale (Deputy Section 151 Officer)
- Mark Edwards (Strategic Lead – Fraud)
- Clare Swainson (Technical Accountant)
- Bev O'Brien (Scrutiny and Committee Advisor)

Also, in attendance:

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

AC.28 APOLOGIES FOR ABSENCE

An apology of absence was received from Councillor Rogers for this meeting.

AC.29 DECLARATIONS OF INTEREST

There were no declarations of interest made with regard to any items on the agenda for this meeting.

AC.30 MINUTES

RESOLVED – That the minutes of the Audit and Governance Committee meeting held on 24th September 2020 be agreed as an accurate record.

AC.31 TRACKING THE RECOMMENDATIONS

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

Members were happy with the comments received, as part of the report.

RESOLVED – That AC.40 and AC.25 be removed from the tracking report.

AC.32 UNION BOARD UPDATE

The committee received a verbal update from the Chief Executive of North East Lincolnshire Council and the North East Lincolnshire Clinical Commissioning Group on the progress of the Union arrangements.

Mr Walsh focused on the working arrangements since March 2020. He explained that since the pandemic hit there had been obvious reasons why it was a benefit to have such a close relationship with North East Lincolnshire Clinical Commissioning Group (NELCCG) and the Union arrangements. There was now a single line of sight through a single Leadership Team and it had enabled decisions to be made together, quickly and effectively. The clinical and democratic oversight was one of the main objectives for bringing the council and NELCCG closer together and this had continued to develop and continued to work. The arrangement had been put to the test in the last eight months, and he believed the test had been passed. He stated that the future was now about change and uncertainty on what may happen, but Members needed to stay wedded to “Place”. In terms of the Humber, Coast and Vale integrated care system (ICS), there currently was a lot going on, but one thing that hadn’t changed was the place that was North East Lincolnshire, with the Union Board and governance arrangements having a key role in ensuring singular focus on what was best for the Borough.

Councillor Patrick asked if there were any examples of joint working that would emphasise why we need the Union arrangements. Mr Walsh explained that by having a single leadership team across the two organisations, this enabled a more joined up approach, not just for health and social care, but across the wider place-based issues as well. Ms Wroot provided a working example of how working collaboratively together across the council and the CCG meant our response to the pandemic was swift, robust, and enabled a single approach. Ms Wroot explained that a project had been in place prior to the pandemic, examining the way both organisations worked, looking for synergies, opportunities to improve or implement new ways of working. We were

able to use this evidence when we were developing our approach to the pandemic. In response to the requirement to set up shielding hubs, the Council and the CCG, along with partners, came together to develop an approach which ensured that data and intelligence was being collated and used in the most efficient and effective way. This meant that all partners were provided with relevant intelligence and information, to enable the right decisions to be made to ensure that those most vulnerable in the community were given the right support. It also avoided unnecessary duplication of time and effort, and that people had access to one source of messaging and information.

We were now intending to build on what we had learnt from this experience to design and implement new ways of working across the arrangements.

Councillor Harness explained that the pandemic had tested the country and, locally, our Union arrangements. He wondered whether Officers believed the Union had passed that test. Mr Walsh believed that from where he sat there was not a lot more that could have been done to mobilise the response and work so effectively across our key sectors.

RESOLVED – That the update be noted.

AC.33 STATEMENT OF ACCOUNTS 2019/2020

The committee considered a report from the Director of Resources and Governance introducing the external auditor's Annual Governance Report and seeking approval of the Council's financial statements.

Ms Wroot gave a brief overview of the statement of accounts and the accompanying narrative statement. She reminded members that Covid19 only impacted on the last month of the 2019/20 accounting period, and that the major impacts in financial terms would be felt in future years.

Councillor Shreeve thanked the team for the transparency of the narrative of the Statement of Accounts report.

Councillor Patrick asked about the Council's financial position, in terms of noting a £25.1million increase in long term asset balance. He wondered what we had invested £25 million on. Mr Lonsdale confirmed that a written response on the increase would be provided and added that the quarterly monitoring reports provided an update on capital investments the Council had made.

The Chair asked whether the Committee needed to be made aware of any amendments or suggestions that had taken place since the Annual Governance Statement was approved by this committee in July. Ms Wroot reassured members that there were no material issues that they needed to draw Members attention to.

The Chair noted the improvement in the narrative regarding the council as a going concern, but given the impact of the current situation on the local and national economy, and its likely impact on local authority finances, asked the Director of Resources and Governance if she had any comment to make in relation to the going concern position. Ms Wroot acknowledged the challenges that the impact of the response to the Covid19 pandemic had had on local authority finances, and reminded members that whilst funding has been available in the current financial year to help meet those challenges, it would be in future financial years that further risk would materialize. Ms Wroot emphasized the importance of a robust planning process and that as part of that process, the challenges of the current situation would need to be addressed. Future financial sustainability and resilience was absolutely critical and, therefore, our financial plans needed to ensure that we were positioned to recover well over time from this pandemic.

The Chair experienced technical difficulties throughout the meeting and asked Councillor Harness, as Deputy Chair, to chair the remainder of the meeting.

COUNCILLOR HARNESS IN THE CHAIR

RESOLVED - That the Statement of Accounts 2019/2020 be approved and signed by the Chairman of the Audit and Governance Committee.

AC.34 EXTERNAL AUDIT COMPLETION REPORT

The panel received the External Audit Completion Report from the Council's external auditors.

Mr SurrIDGE drew the committee's attention to one item of unadjusted mis-statement. However, auditors were not recommending that an adjustment to the accounts needed to be made as the figures fell considerable below their threshold for concerns. He advised the committee that there would be a clean opinion statement on the annual accounts. The management letter would include an emphasis of matter paragraph in relation to valuation of assets but this would not change the overall audit opinion. He also advised that the value for money conclusion would also be a clean opinion statement.

Councillor Patrick asked what the potential material risk to the authority was if we valued assets incorrectly. Mr SurrIDGE explained that it was materially a disclosure, but there were broader issues that had been covered as part of the going concern report already. Councillor Patrick asked if it would have a direct impact on our commercial assets. Mr SurrIDGE stated that he could not see that it would.

Councillor Patrick stated that there was a reference to Labour Party in the letter, but he believed it was more of a reference to the Labour Group, as there was not a financial interest to the local Labour Party.

RESOLVED – That the Director of Resources and Governance sign the letter of representation on behalf of the Council.

AC.35 TREASURY MANAGEMENT MID-YEAR REPORT 2020-2021

The panel considered a report from the Director of Resources and Governance presenting details of the treasury management arrangements, activity and performance during the first six months of 2020/21.

Councillor Patrick asked about LOBOs currently making up a big proportion of our long-term debt. He wondered whether there was still a strategy in place that meant we must pay off our long-term debt. Mr Lonsdale stated that the position we hold with LOBO's was no different to any other borrowing we had. He explained that the LOBOs could not be repaid without being charged a significant amount of penalties so that's why they went back quite a long time. If a chance came to have this borrowing at a lower rate, they would certainly look at doing so.

RECOMMENDED TO CABINET- That the content of the report, in respect of treasury management activity during 2020/2021 be noted.

AC.36 HALF YEARLY FRAUD UPDATE 2020/21

The panel received a report from the Strategic Lead - Fraud that highlighted the work that has been undertaken for the prevention and detection of fraud, corruption, and financial misconduct within North East Lincolnshire Council.

RESOLVED – That the content of the report now submitted be noted as part of this committee's responsibilities for monitoring and reviewing the Council's arrangements in relation to fraud and corruption.

AC.37 COVID 19 RECOVERY PLAN - THE IMPLICATIONS FOR INTERNAL CONTROL

The panel considered a presentation from the Head of Audit and Assurance on the implications for internal control due to the Covid 19 pandemic.

Councillor Patrick sought clarification around accountability for the emergency decision making arrangements, particular in relation to the role of the scrutiny chair. Ms Wroot explained the process for emergency decision making and the process for creating and approving emergency officer decision records, including the role of the scrutiny chair in supporting such decisions. Ms Wroot proposed to provide the committee with a further briefing from the Monitoring Officer on emergency decision making powers.

Councillor Patrick also asked about the grant being received from the government, with regard to Covid 19. He wondered how Members would be reassured that such grant was getting spent appropriately as scrutiny only looked at areas covered by their panel. He suggested that it would be helpful to receive an overview of such spend. Ms Wroot outlined the role of the Communities Scrutiny Panel in governance of emergency decisions, including receipt of grant funding. She also reminded members that information on grants was published on our website. Ms Wroot proposed a further briefing paper on the process of adhering to grant requirements and/or the process of determining the use of grant to the next meeting of this committee. Councillor Patrick asked if they could specifically know where the funding had gone. Ms Wroot assured Members that they would include the grants that they had received.

Mr Render stated that presentation made it obvious that things had changed in terms of process and governance due to Covid 19, but the Council had tried to maintain the basis of good internal control and governance. He stated that things were bound to change again, but he found it useful to listen to where the Council was currently with internal control.

Councillor Harness asked whether the recovery plan would be updated when we enter the vaccination stage or would it be overlooked by relevant scrutiny panels. Mr Hanmer was not aware at this stage as to how this would be dealt with by the recovery plan process, but he would expect the Council to do a risk assessment on how it would deliver a future vaccination programme at the appropriate time. Ms Wroot added that it was obviously very early stages, with a lot of the logistical arrangements still to be determined by our health colleagues. Once we had further detail, the recovery plan would be updated

RESOLVED –

1. That the update be noted.
2. That Members of the Audit and Governance Committee receive further information on the governance of decision making during the response to the pandemic and the delegations and emergency power arrangements.
3. That a briefing note on the process of adhering to grant requirements and/or the process of determining the use of grant at the next Audit and Governance Committee.

AC.38 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.39 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 12.36 p.m.