



To be submitted to the Council at its meeting on 16th September 2021

AUDIT AND GOVERNANCE COMMITTEE

22nd July 2021 at 9.30.a.m.

Present: Mr. T. Render (in the Chair)
Councillors Harness, Furneaux, Mickleburgh, Parkinson, Patrick, Reynolds, Robinson, Silvester and Westcott.

Officers in attendance:

- Sharon Wroot (Executive Director Environment, Economy and Resources)
- Helen Isaacs (Assistant Chief Executive)
- Simon Jones (Assistant Director Law, Governance and Assets)
- Jo Robinson (Assistant Director Policy Strategy and Resources)
- Peter Hanmer (Head of Audit and Assurance)
- Bev O'Brien (Scrutiny and Committee Advisor)

Also, in attendance:

- Councillor Shreeve (Portfolio Holder for Finance, Resources and Assets)
- Rob Walker (Mazars – Senior Manager)

AC.15 APOLOGIES FOR ABSENCE

There were no apologies for absence for this meeting.

AC.16 DECLARATIONS OF INTEREST

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

AC.17 MINUTES

Councillor Patrick asked for a few amendments to be made to the minutes, particularly where he had spoken. He explained that with regards to AC.8 (Treasury Management) what he meant was that historically council debt had stayed steady, but he believed debt would start to rise over the upcoming years. He also corrected the amount stated for the amount borrowed to rebalance maturing loans to £31million and in terms of AC.9 (Risk Management Annual Report 2020/21) he wanted it to be clarified that he was asking whether there was a legal reason why the Audit and Governance Committee did not look at the Operational Risk Register.

RESOLVED – That the minutes of the Audit and Governance Committee meeting held on 24th June 2021 be agreed as an accurate record, subject to the clarification of the points made by Councillor Patrick.

AC.18 TRACKING OF RECOMMENDATIONS

The committee received a report from the Executive Director for Environment, Economy and Resources tracking the recommendations of the Audit and Governance Committee.

The Chair asked if a date could be set for AC.62 (update on cyber security risk management) and for it to be included in the work programme for the municipal year 2021/22.

RESOLVED – That the tracking report be noted.

AC.19 HEAD OF INTERNAL AUDIT ANNUAL REPORT AND OPINION 2020/21

The committee considered a report from the Head of Audit and Assurance on the overall arrangements for governance, risk and the internal control framework, taking into account those areas for which limited assurance was provided.

Councillor Patrick noted that the report mentioned a scope to improve the approach. He believed that this warranted the need for the operational risk register to receive the same level of scrutiny as the strategic risk register and it justified it being received by the Audit and Governance Committee. Mr Hanmer explained that this statement in the report related to the need to prompt managers to keep their risks related to proposed key decisions up to date. He reassured members that there were no major issues. Ms Wroot added her recommendation that the operational risk register was related to delegations to senior management with regard to the day to day running of the organisation. The comments within the annual report relate to how we can improve our internal processes. Ms Wroot suggested, as an alternative, that the Committee may wish to

receive a report outlining the process of maintaining the operational risk register, and related governance arrangements.

The Chair stated that historically they had debated the need for this committee to view the operational and strategic risk register. It was believed that the strategic risk register was the more suitable of the two as it focused more on monitoring the governance of each risk. If the Committee were to receive a copy of the operational risk register, he believed it would be very overwhelming for Members to receive. However, Ms Wroot's proposal to receive assurance around how the governance process may have developed since the last review would be something he felt the Committee should receive as this may highlight a link from the risks raised by the operational risk register to the strategic risk register. Mr Hanmer added that the Council's main insurers Zurich Municipal had been asked to carry out a review of how the Council managed risk. He stated that it was due to start in the next couple of months so a report would be produced in late autumn. The Chair suggested that once that review had been completed, that the Committee then receive the report.

Councillor Furneaux noted that the report mentioned that there was a back log of some audits. He wondered whether this would impact on the immediate audits that needed to take place. Mr Hanmer confirmed that they were working hard to complete the backlog, but reassured members that this should not impact the audit's required to be completed within 2021/22. Councillor Furneaux showed concern over the Health and Safety policy review that had not taken place. He added that a statutory inspection was also due to be undertaken. This added to his concerns. Mr Hanmer confirmed that the new Health and Safety Manager had been recruited and they were working their way through issues. Ms Wroot explained that due to COVID, the Health and Safety Team's focus had to be redirected away from their every day activities resulting in some reviews and inspections not being completed. The Chair asked for the Health and Safety Audit report to be received at a future Audit Working Group and he also asked for the Health and Safety Manager to be invited to attend.

Councillor Patrick raised his concerns again on the Committee receiving the operational risk register. He stated that over the years he had experienced operational areas being overlooked, particularly the controls in place for the operational risk register. Mr Jones explained that, as suggested, it would be under the committee's remit to focus on the policy protocol and governance around the operational risk register, but if it were to be received by members, he confirmed that commercial affairs were closed to members so this would not be included in the documentation members receive. The Chair added that officers had confirmed that an external review would take place to look at the process of risk management, therefore he believed it was sensible to wait to see their results before deciding what needed to be done.

The Chair asked whether officers believed audit had adequate resources. Ms Wroot confirmed that she was comfortable with saying that they had sufficient resources. The Chair noted that COVID had put a delay in works the Council normally provide. He wondered whether the library and

leisure programme was now moving forward. Ms Wroot stated that effectively, the whole business for libraries and leisure shut down due to COVID and had limited capacity since lockdown was lifted. This therefore put a delay on audit actions being implemented. Over the last month they had re-established their working relationship with the service and a plan had been embedded within the council's commissioning and business plan. Mr Hanmer endorsed what Ms Wroot had said, he added that the audit was not following up these actions from the previous audit as they wanted to give leisure and libraries the chance to implement changes before the audit took place in order to add value to it.

RESOLVED –

1. That the Head of Internal Audit's annual report and control issues be noted.
2. That the Zurich Municipal report reviewing the council's approach to risk management be submitted to a future meeting of the Audit and Governance Committee.
3. That the Health and Safety Audit Report be received at a future Audit Working Group and the Health and Safety Manager be invited to attend.

AC.20 ANNUAL GOVERNANCE STATEMENT 2020/21

The committee considered a report from the Executive Director Environment, Economy and Resources laying out the Council's governance framework, how it obtained assurance that the governance framework was operating as intended, and highlighting those areas for focus in 2021/22.

Councillor Patrick commented on the number of occasions where the Council had failed to engage with stakeholders and scrutiny. He particularly focused on the decision to close a number of Family Hubs. He asked for reassurance on the governance framework and making sure scrutiny was involved in key decisions. Ms Isaacs explained that they were making sure that all business was being built into scrutiny. Scrutiny panels had the opportunity to look at the Council's commissioning plan and were able to alert the panel of any key decisions noted to take place within the forward plan. Officers were very aware of this needing to happen and that the most significant key decisions needed to be covered in scrutiny panel meetings. Ms Isaacs confirmed officers met regularly with scrutiny chairs to ensure forthcoming business was shared and incorporated into the upcoming year's work programme.

RESOLVED – That it be agreed that the draft Annual Governance Statement 2020/21 provided a sufficient level of assurance on the adequacy of the Council's governance arrangements.

AC.21 EXTERNAL AUDIT STRATEGY MEMORANDUM

The Committee received a report from the Council's External Auditor

presenting their Audit Strategy Memorandum for North East Lincolnshire Council for the year ending 31 March 2021.

The external auditor had no material issues to draw to the attention of the committee.

RESOLVED – That the report be noted.

AC.22 EXCLUSION OF PRESS AND PUBLIC

RESOLVED - That the press and public be requested to leave 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.23 STRATEGIC RISK REGISTER

The committee received a report from the Executive Director Environment, Economy and Resources providing a summary of the developments relating to risk management and the Strategic Risk Register as of 30 June 2021.

RESOLVED – That the report be noted.

AC.24 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 10.45 a.m.