



To be submitted to the Council at its meeting on 28th July 2022.

AUDIT AND GOVERNANCE COMMITTEE

21st April 2022 at 9.30.a.m.

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

Officers in attendance:

- Sharon Wroot (Executive Director Environment, Economy and Resources)
- Simon Jones (Assistant Director Law, Governance and Assets)
- Peter Hanmer (Head of Audit and Assurance)
- Guy Lonsdale (Deputy Section 151 Officer)
- Mark Edwards (Strategic Lead – Fraud)
- Caroline Wilson (Strategic Lead Risk and Governance)
- Beverly O'Brien (Scrutiny and Committee Advisor)

Also in attendance:

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

AC.59 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Robinson, Patrick and Mickleburgh for this meeting

AC.60 DECLARATIONS OF INTEREST

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

AC.61 MINUTES

RESOLVED – That the minutes of the Audit and Governance Committee meeting held on 20th January 2022 be agreed as an accurate record.

AC.62 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.

RESOLVED – That all completed recommendations be removed from the tracking report.

AC.63 AUDIT AND GOVERNANCE COMMITTEE WORK PROGRAMME

The committee considered a report from the Chair of the Audit and Governance Committee setting out the proposed work programme for this Committee during 2022/23.

The Chair asked that when the Committee dates for the next municipal year have been approved, relevant Officers be invited to their designated meetings.

RESOLVED – That the Audit and Governance Work Programme for 2022/23 be approved.

AC.64 ANNUAL REPORT OF THE AUDIT AND GOVERNANCE COMMITTEE 2020/21

The Committee considered a report from the Chair of the Audit and Governance Committee detailing the Committee's activities during the Council year and setting out how it had discharged its responsibilities.

Councillor Shreeve added that the committee had executed this year's work programme eloquently and how Members had dealt with issues via working groups had been ideal.

- 1) RECOMMENDED TO COUNCIL - That the Audit and Governance Committee Annual Report be presented to Full Council.

AC.65 ANNUAL FRAUD REPORT 2021/22

The committee received a report from the Executive Director for Environment, Economy and Resources highlighting the work that had been undertaken for the prevention and detection of fraud, corruption and financial misconduct within North East Lincolnshire Council.

One councillor wondered about the extra challenges they had during Covid with additional resources being claimed by different individuals, they believed it would have been a large volume of work to tackle. Mr Edwards confirmed that they had worked with finance to do additional checking from their side, and they had also designed a scheme to make sure they captured all the information needed. The Chair noted how Covid grants were a good example of how Officers would have had to have a different mindset, especially if huge sums were lost in different grants. The Chair added that he hoped Officers would publicise council tax issues, so that the public know that things like this were being investigated.

RESOLVED – That the annual fraud report for 2021/22 be noted.

AC.66 INFORMATION GOVERNANCE AND SECURITY - ANNUAL REPORT

The committee received a report outlining the key information governance activities undertaken by the Council in 2021 and provided Members with assurance that the Council across all work areas and functions remained compliant with its legal obligations and followed good practice.

RESOLVED – That the Information Governance and Security annual report 2021/22 be noted.

AC.67 INTERNAL AUDIT PLAN 2022/23

The committee received a report from the Head of Audit and Assurance presenting the Internal Audit Plan for 2022/23 and highlighting the planned work programme for Internal Audit.

One Member referred to section 2.8 within the Audit Plan. They wondered if the expected increase in internal audit activity were to happen and audit priorities listed needed further development, would the team have enough capacity. Mr Hanmer confirmed that they were not expecting an increase. They would look at how they could best use resources and look at areas of biggest risk. They would focus on financial control but would not go into finer details.

Another Member asked whether the new financial system was now in place and if so whether it had represented a risk. Ms Wroot confirmed that the system was launched on 1st April and there were no issues arising so far. Councillor Shreeve stated that changing a financial system was the most traumatic thing an organisation could do. He had taken comfort from comments already received from Officers, but he added that additional comfort could be given if Officers could point out different landmarks in the introduction of the new system and whether they were achieving them. Mr Lonsdale and Ms Wroot then provided further assurances as to the governance and project management arrangements in place, including keeping the project board and team arrangements in place for a 12-month period post go-live.

The Chair sought assurance that there were sufficient resources in place to deal with the plan and any other issues should they arise. Mr Hanmer provided assurance including contingency planning arrangements. He also noted that Internal Audit were asked to certify an increasing number of grant claims, which were at extraordinary numbers over the past 2 and a half years. However, he did not expect the volume to stay the same, although the process for accessing these grants would stay the same.

RESOLVED –

1. That the Internal Audit Plan for 2022/23 be approved, subject to the finalisation of the section on strategic risk/ operational risk/ governance.
2. That the Internal Audit Charter be approved.

AC.68 VALUE FOR MONEY – ANNUAL REPORT 2021/22

The committee received a report from the Executive Director for Environment, Economy and Resources summarising activity around value for money during 2021/22 and identifying additional actions for 2022/23 and beyond.

One Councillor asked how Officers knew that they were getting the best value for money. Mr Lonsdale stated that the financial planning process had a big part in this. They work with internal audit around the procurement processes. He added that the marketing process was embedded in their whole governance and internal framework. Mr Lonsdale said that control and processes for value for money should in theory prevent issues from happening and allow them to get value for money. They constantly reviewed processes to ensure they were always getting the best value for money. Ms Wroot added that the way that they were structured and governed, the process had been designed to achieve best value and the report provided assurances of that process.

The Chair added that value for money could be interpreted in many ways. One Councillor stated that they wished the community saw value for money correctly, which he stated, did not always happen.

RESOLVED – That the report be noted.

AC.69 LOCAL CODE OF CORPORATE GOVERNANCE AND ANNUAL GOVERNANCE STATEMENT UPDATE

The committee considered a report from the Executive Director of Environment, Economy and Resources updating members on the updated Code of Governance and any issues raised as part of the annual governance statement.

The Chair sought clarity on whether management of the capital programme was reported on a regular basis, and if the reporting

arrangements were sufficiently transparent. Ms Wroot advised that as part of the regular quarterly monitoring arrangements, performance of the capital programme including individual projects and programs were reported on. She also advised that general governance of the capital programme, and project management in general were regularly reviewed and overseen by the Assurance Board.

RESOLVED –

1. That the updated Code of Governance be approved for inclusion in the Council's Constitution.
2. That the action which had been taken to respond to the issues raised in the 2020/21 Annual Governance Statement be noted.

AC.70 REGISTER OF INTERESTS, GIFTS AND HOSPITALITY (OFFICER INTERESTS)

The committee received a report from the Executive Director of Environment, Economy and Resources showing a strong and robust governance around issues such as Officers interests, gifts, and hospitality.

One Councillor asked if they kept a book which noted hospitality Officers had received. Mr Jones confirmed that there was now a spreadsheet registered and published on the website on annual basis which went back to 2015/16 identifying Officers hospitality. The Chair asked how officers working on a project knew that they needed to report a conflict when it presented itself. Mr Jones stated that participants were asked to record any perceived and/or actual conflict of interests they may have.

RESOLVED – That the report be noted.

AC.71 CIPFA FINANCIAL MANAGEMENT CODE OF PRACTICE

The committee received a report from the Executive Director of Environment, Economy and Resources setting out the standards of financial management for local government bodies.

RESOLVED – That the report be noted.

AC.72 CORPORATE GOVERNANCE ARRANGEMENTS FOR DEVELOPING AND DELIVERY OF THE CAPITAL PROGRAMME

The committee received a report from the Executive Director of Environment, Economy and Resources detailing the governance processes in place for the management and oversight of the Capital Programme.

One Councillor asked about how the current financial climate including inflationary pressures and post covid, were impacting on the cost of

delivering the overall capital programme. Ms Wroot acknowledged that current costs of construction, inflation, scarcity and availability of resources were all having an impact on the overall programme. Some projects had a level of contingency built in, however given the size and scale of the project, currently these contingencies may be challenged. She gave assurances to the committee as to the robust review and challenge process in place, which included areas of mitigation.

Following an enquiry from the Chair, Ms Wroot also gave a brief overview of the revised Project Management Office arrangements in place within the Council.

RESOLVED – That the report be noted.

AC.73 PARTNERSHIP PROTOCOL – 2022 REVIEW

The committee considered a report from the Executive Director of Environment, Economy and Resources providing guidance on how the Council's partnership governance arrangements should be designed in order to support the achievement of those outcomes.

RESOLVED – That the updated Partnership Protocol be approved.

AC.74 EXTERNAL AUDIT PROGRESS REPORT

The committee received a report from the Council's External Auditor updating on the progress in delivering their responsibilities as the Council's external auditor.

RESOLVED – That the report be noted.

AC.75 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.76 STRATEGIC RISK REGISTER UPDATE

The committee received a report from the Executive Director for Environment, Economy and Resources providing a summary of the developments relating to risk management and the strategic risk register.

The Committee discussed the report from Zurich Municipal that assessed the Council's arrangements for risk management. The work was commissioned to provide a "health check" on how the Council undertook risk management and covered the components of risk culture and leadership; risk appetite and strategy; governance arrangements; methodology; people and training; and risk management in projects, partnerships and supply chain. The report concluded that the council took risk management seriously but made some recommendations to improve

the maturity of how risk was managed. This included ensuring that risk management processes were fully embedded throughout the Council.

Members were pleased to see that the assessment was positive about the role of the Committee and noted the conclusion that *“It was refreshing to hear of the engagement from audit committee, with mitigating actions challenged for suitability, and subsequent actions required by the risk owner agreed and recorded. The Committee has a strong chair and vice-chair with some further vocal members who aid the process. It was commented that the risk register was considered in the closed agenda, something which we strongly agree with.”*

One further recommendation was that, to support the embedding of the process, *“connections between the operational and strategic risk registers should be formalised to create greater transparency throughout the organisation”*. Members considered that this development would deal appropriately with the linkages between operational and strategic risks that had previously been considered by the Committee and supported the continued focus of the Committee on strategic (rather than operational) risks.

RESOLVED –

1. That the Strategic Risk Register be noted.
2. That the Head of Internal Audit be asked to report back to this committee in the autumn on progress with implementing the recommendations of the Zurich review.

AC.77 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 11.15 a.m.