



To be submitted to the Council at its meeting on 29th September 2022.

AUDIT AND GOVERNANCE COMMITTEE

21st July 2022 at 9.30 a.m.

Present: Mr. T. Render (in the Chair)
Councillors Astbury, Boyd, Cairns, Green, Hasthorpe (substitute for Parkinson), Holland, Patrick and Reynolds

Officers in attendance:

- Helen Isaacs (Assistant Chief Executive)
- Simon Jones (Assistant Director Law, Governance and Assets)
- Helen Kenyon (North East Lincolnshire Place Director)
- Jo Robinson (Assistant Director Policy Strategy and Resources)
- Peter Hanmer (Head of Audit and Assurance)
- Guy Lonsdale (Deputy Section 151 Officer)
- Beverly O'Brien (Scrutiny and Committee Advisor)

Also in attendance:

- Councillor Harness (Portfolio Holder for Finance, Resources and Assets)
- Mark Surridge (Mazars – Midlands Lead for NHS Audit and UK Sector Lead for Local Government)

AC.1 APPOINTMENT OF CHAIRMAN AND DEPUTY CHAIRMAN

It was noted that at the Annual General Meeting of the Council held on 26th May, 2022, Mr. Tim Render had been appointed Chairman and Councillor Boyd had been appointed Deputy Chairman of this Committee for the Municipal Year 2022/2023.

AC.2 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Parkinson and Freeston for this meeting.

AC.3 DECLARATIONS OF INTEREST

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

AC.4 MINUTES

RESOLVED –That the minutes of the Audit and Governance Committee meeting held on 21st April 2022 be agreed as an accurate record.

AC.5 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.

As part of the tracking report the Internal Plan with the finalised section on strategic risk/operational risk and governance was attached. One Member queried whether anything could have been done with regard to the audit processes undertaken within Children's Services to avoid the negative outcome of the Ofsted inspection of children's social care.. Mr. Hanmer stated that both the Ofsted report and audit work carried out by internal audit had identified issues in relation to the operation of the control environment within Children's Services, but he recognised the service was on a journey of change.

A member asked whether the purchase of Freshney Place had been added to the plan. Mr Hanmer explained that when this report was put together the purchase of Freshney Place had not yet been approved. He explained that a lot of time in the plan had been dedicated to economic grants and development so he envisaged that some of that time would be used on Freshney Place. He stated that it would be an ongoing audit. Members welcomed looking at it in the future.

RESOLVED – That AC.67 be removed from the tracking report and the remaining items be noted.

AC.6 HEAD OF INTERNAL AUDIT ANNUAL REPORT AND OPINION 2021/22

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.

The Chair stated that the performance indicators record how many agreed actions were implemented. He wondered whether it would be helpful to introduce measures of how long it took to get officers to agree. Mr Hanmer said he would look into this. The Chair observed that the Leisure Services still had limited assurance, but that a full follow up audit had not been carried out in 2021/22. Mr Hanmer explained that it had been recognized by the service that recommendations were still outstanding and, therefore, there would be limited added value in carrying out a full follow up. Instead, audit had met with the new head of leisure and discussed the actions with him as he introduced plans to develop relationships with the Council and

Lincs Inspire Limited. He stated the timescales for most of the actions to be completed were 6-9 months, and an audit had been included in the 2022/23 plan to review progress. Members stated that this would be something they would welcome back to Committee.

One member queried the cost of children going out of area due to there being not just a lifetime cost to the child, but a financial cost to the service. The Elected Member asked whether there had been any examples of audit processes that had gone wrong where they shouldn't have gone out of area. Mr Hanmer stated that the audit focused on the design and operation of the processes operating at the time rather than necessarily testing individual cases, though it was recognised that new arrangements were being developed. Mr Lonsdale added that in terms of whether this contributed to value for money (VFM), they go through the process of VFM at the heart of every service. The financial and commissioning plan made reference to a range of projects and processes where they try and address issues like this one. The Chair asked Mr Hanmer to provide Members with the Terms of Reference for the audit so they could see what the audit covered.

Another Member asked about formalisation for the role of audit in relation to project management. Mr Hanmer explained that the aim for audit in relation to individual major projects, if requested, was to provide help, support and assurance as the project progressed. There was scope to have more clarity on the role of audit in projects by making sure at the outset of such assignments as to what the role of audit within the project would be, and what they would be reporting back on.

A question was raised about the report's comments on procurement arrangements. Mr Hanmer responded that the Council recognised that there needed to be greater capacity in relation to the procurement function, which was being addressed through the implementation of the new operating model. Ms Robinson stated that the new arrangements included a specific role focused on strategic procurement matters, with operational procurement activity being separated. Once all posts were filled this would increase capacity to support services, following a period of training and development of staff.

RESOLVED –

1. That the Head of Internal Audit and Assurance send out the terms of reference for the 'out of area' audit.
2. That the Head of Internal Audit's annual report and control issues be noted.

AC.7 GOVERNANCE OF ADULT SOCIAL CARE AND THE WORK OF THE UNION

The committee received a verbal update from the North East Lincolnshire Place Director on the governance of Adult Social Care and the work of the union in light of the changes in the NHS Act 2022.

One Councillor asked whether the new way of working would be cheaper to run than the previous Clinical Commissioning Group. Ms Kenyon stated that the Clinical Commissioning Group had a running cost and the Integrated Care Board (ICB) would cost the same, therefore she stated that there would be no increase in the costs. The Chair added that the £40million spent on Adult Social Care still remained the responsibility of Council. He wondered whether they had made sure assurance was in place to make sure the money was still being used wisely. Ms Kenyon assured the Committee that it was.

One member asked about the section 75 and whether it would be carried to this new service. They wondered whether the relationship between Northern Lincolnshire and Goole NHS Foundation Trust (NLAG) and ICB would be part of it. Ms Kenyon confirmed that an amended Section 75 would be carried forward into the new arrangements, and that as part of the work taking place locally around the development of the Health and Care Partnership, the providers locally would be working more closely together to join up pathways to make them as efficient and effective as possible.

Ms Kenyon stated that ICB leaders cannot make decisions affecting the use of funds within the Section 75 without having conversations with North East Lincolnshire Council.

Another Elected Member asked whether budget controls were in place. He wondered whether they were centralised or allocated out. Ms Kenyon stated that budget controls were in place.

RESOLVED – That the governance of Adult Social Care and the work of the Union be noted.

AC.8 ANNUAL GOVERNANCE STATEMENT 2021/22

The committee received a report from the Executive Director for Environment, Economy and Resources, in relation to the draft Annual Governance Statement which laid out the Council's governance framework, how it obtained assurance that the governance framework was operating as intended, and those areas identified for focus in 2021/23.

Members stated that the section on programme management could include more narrative on what major projects needed to look at and in terms of Adult Social Care, a little more could be added on the joint arrangements in place.

The final version of the Annual Governance Statement would accompany the audited financial statements. It would take account of any issues

arising from the external audit, or any material governance issues relating to 2021/22 which arise prior to the issue of the audited accounts.

RESOLVED – That it be agreed that the draft Annual Governance Statement 2021/22 provided a sufficient level of assurance on the adequacy of the Council's governance arrangements to allow this committee to fulfil its role and that it be recommended for adoption by the council subject to any changes that may be required up to the approval of the statement of the accounts.

AC.9 RISK MANAGEMENT ANNUAL REPORT 2021/22

The committee received a report from the Executive Director for Environment, Economy and Resources providing a summary of the developments relating to risk management during 2021/22.

RESOLVED – That the annual summary of risk management activity be noted.

AC.10 TREASURY MANAGEMENT OUTTURN REPORT 2021/22

The committee received a report from the Executive Director, Environment, Economy and Resources containing details of treasury management arrangements, activity and performance during 2021-22.

A Member showed concern around the amount of current borrowing. They believed it was happening too frequently and wondered what contingency plans had been built in to forecast cost estimates. Mr Lonsdale stated that we were currently in a high inflation environment and delays were having a significant effect. They were challenging and questioning cost estimates at the back of economic instability. Capital slippage had also been an issue over the past couple of years, but he assured members that they didn't want to borrow unnecessarily. The Elected Member asked whether similar investments had been made by neighbouring authorities and whether they had received a better rate of return. Mr Lonsdale confirmed that they had done a lot of benchmarking and regularly used the Government Debt Management Office to manage the local authorities cash position.

Another Councillor stated that inflation can multiply very quickly. Mr Lonsdale explained that they were constantly monitoring the rise of inflation. They continuously use external advice and acknowledge risk were appropriate.

Members wondered whether grants that had been received could stay in the bank or whether they had to be used so that the local authority didn't lose it. Mr Lonsdale stated that all grants received from the central government came with conditions. These could either be time limited or need to be paid back, but they did everything to manage grants received.

RECOMMENDED TO CABINET – That the content of the Treasury Management Outturn Report 2021/22 be noted.

AC.11 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 2022.

One Councillor asked whether there was anything at this stage of monitoring that the committee needed to be aware of. Mr Surridge confirmed that there was nothing that would create any concerns that needed to be acted upon immediately.

RESOLVED – That the External Audit Memorandum be noted.

AC.12 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.13 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 11.50 a.m.