



To be submitted to the Council at its meeting on 14th December 2023.

## **AUDIT AND GOVERNANCE COMMITTEE**

**9<sup>th</sup> November 2023 at 10.30am.**

**Present:** Mr. T. Render (in the Chair)  
Councillors Boyd, Cairns, Hasthorpe, Holland, Mickleburgh, Parkinson,  
Patrick, and Reynolds.

### **Officers in attendance:**

- Mark Edwards (Strategic Lead – Fraud, Northern Lincolnshire Business Connect)
- Peter Hanmer (Head of Audit and Assurance)
- Simon Jones (Assistant Director Law and Governance)
- Guy Lonsdale (Assistant Director Finance)
- Michael Norman (External Auditor, Mazars)
- Jo Paterson (Scrutiny and Committee Advisor)
- Victoria Pritchard, (Fraud Investigation Officer)
- Jo Robinson (Assistant Director Policy Strategy and Resources)
- Claire Swainson (Strategic Lead, Accountancy)
- Caroline Wilson (Strategic Lead Risk & Governance)
- Sharon Wroot (Executive Director Place and Resources)

### **Also in attendance:**

Councillor Stephen Harness (Portfolio Holder for Finance, Resources and Assets)

### **AC.21 APOLOGIES FOR ABSENCE**

Apologies for absence were received for this meeting from Councillor Silvester.

### **AC.22 DECLARATIONS OF INTEREST**

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

## **AC.23 MINUTES**

RESOLVED – That the minutes of the Audit and Governance Committee meeting held on 14<sup>th</sup> September 2023 be agreed as an accurate record.

## **AC.24 TRACKING OF RECOMMENDATIONS**

The committee considered a report from the Executive Director Place and Resources on tracking the recommendations of the Audit and Governance Committee.

The Chair took members through the tracking report. At AC.40, Appointment of Second Co-opted Member, Mr Jones confirmed that a date had now been fixed for the Independent Remuneration Panel.

At AC.7, Draft Governance Arrangements around Adult Social Care and the relationship with the Integrated Care Board (ICB), the Chair suggested that the Director for Adult Social Services be invited to the first meeting in the new year to provide the committee with an update.

RESOLVED - That the tracking report be noted.

## **AC.25 ANNUAL GOVERNANCE STATEMENT 2022/23 AND STATEMENT OF ACCOUNTS 2022/23**

The committee considered a report from the Executive Director for Place Resources introducing the Annual Governance Statement for 2022/23 and seeking approval of the Council's statement of accounts for 2022/23.

Mr Lonsdale set out in brief the statement of accounts, and outlined the annual process that was followed, including the external audit report on the statement of accounts. Furthermore, Mr Lonsdale set out the Annual Governance Statement (AGS) highlighting some key areas of focus for the Council including programme management, project management, capacity, children and family services and the health and care system.

A member raised concerns around financial circumstances within other local authorities. Ms Wroot advised that the Autumn Statement was due to be announced around 22<sup>nd</sup> November 2023.

A member referred to the annual review of the constitution and challenged why all groups had not been engaged prior to its submission to Full Council. Mr Jones stated that group leaders were consulted.

Mr Lonsdale set out the Statement of Accounts 2022/23 noting that these had been prepared in accordance with the CIPFA Code of Practice. Mr Lonsdale highlighted some key areas including service grants, reduction in pension liabilities, capital investments and the economic environment the Council were operating in.

A member asked whether there was a policy for contingencies. Mr Lonsdale advised that officers built a contingency figure into the annual budget process and stated that the Council also held some reserves for specific purposes. Ms Wroot advised that the Council did not have contingencies for specific parts of the business, rather a centrally held contingency was agreed each year as part of budget setting, this can be one of the ways in which we could manage in year risk when balancing budgets.

The Chair reiterated the importance of having robust estimates when setting the budget noting that the Council had sufficient resources to manage any risk.

The Chair referred to Note 23, creditors, within the statement of accounts, and sought further clarification on the significant reduction on amounts owed to central government bodies. Ms Swainson advised that the Council had seen a reduction due to repayments of Covid-19 grants in 2021/22.

Members suggested the narrative within the accounts be broken down into more simple highlights around the Council's financial position. Mr Lonsdale advised that a piece of work was taking place around this and encouraged any feedback from members.

In response to further queries regarding the Council's commitment to decarbonisation, Ms Wroot advised that currently the biggest contributor to reducing our carbon footprint was the Property Rationalisation Programme, which looked at reducing the number of operational buildings. She also advised that officers were looking on longer term plans to deliver against this ambition.

#### RESOLVED

1. That the updated Annual Governance Statement for 2022/2023 be approved.
2. That the Statement of Accounts for 2022/2023 be approved.
3. That the Joint Management and Audit Committee response to external audit's (Mazars) request for information be agreed.
4. That the updated Going Concern Assessment be noted.

## **AC.26 EXTERNAL AUDIT COMPLETION REPORT**

The committee considered the Audit Completion Report for the year ending 31 March 2023 by the Council's external auditors. Mr Norman noted that the AGS was published alongside the Statement of Accounts which had been referred to within his report and wished to highlight the value for money (VFM) work that had taken place.

Mr Norman outlined his report in brief, providing an update on progress with the Risk and Audit Strategy. The report also summarised the key outcome work on financial statements including the findings and proposed audit opinion on the accounts. Overall, there were no additional adverse findings or conclusions that needed to be brought to the committee's attention.

Mr Norman further advised there was no additional risk, significant controlled efficiencies or audit adjusted restrains to highlight. Members were referred to Appendix B within the report, which outlined the proposed unqualified opinion on the accounts noting that there were significant weaknesses in the VFM arrangements due to ongoing issues within Children's Services.

A member suggested the Children's Commissioner's report reflects the current scenario in any future reports. Mr Norman advised that this was fed into their VFM work noting that the existing weaknesses were carried forward in terms of the Ofsted inspection. Ms Wroot noted that the most recent Ofsted visit had not been published and assured members this would be shared in due course.

A member commented on the risk evaluation of the Council's assets and wished to share those concerns in terms of the Council using the projected sale of assets to balance its budgets. Mr Norman noted that he had not identified any concerns around this work so far.

A member asked what proportion of capital receipts on assets the Council were selling. Ms Wroot advised that she did not have the information to hand but could provide it at a later date. Further concerns were raised around how the Council valued its assets which contributed to its finances.

Ms Wroot explained that there was a robust disposal process that included evaluations that were appropriate for market disposal. Officers suggested a briefing note be circulated to the committee outlining the process of disposing of Council assets. Mr Lonsdale explained in brief the process for valuing assets noting that a lot of work took place to evaluate different assets.

Members had general concerns and interest around the Council's IT security. The Chair noted that a new ICT system was an area of focus for audit in the future and thanked officers for their work on this.

## RESOLVED

1. That the External Audit Completion Report be noted.
2. That a briefing note be circulated to the committee outlining the process of disposing of Council assets.

## **AC.27 MEDIUM TERM FINANCIAL PLANNING PROCESS**

The committee received a presentation from the Assistant Director of Finance. Mr Lonsdale set out in brief the financial planning process for this year including roles and responsibilities and the formal decision-making process through Scrutiny and Cabinet. He further detailed the timeline for approval of the 2023/24 budget and explained how services were engaged at an early stage around risk and opportunities.

Mr Lonsdale explained how the financial planning process itself linked into the council objectives, and outcomes framework in terms of setting the budget for the coming year. He further highlighted challenges such as the political and social environment in which the council had to operate within.

It was noted that the upcoming Local Government Financial settlement would detail what resource would be available to the Council, some of the key areas of focus being council tax base and housing growth. He further touched on revenue and capital expenditure, including income streams and capital investment plans such as the acquisition of Freshney Place Shopping Centre.

Members were keen to understand more about budget variations within the financial year, in particular the process for sign off. Reference was made to the substantial increase in the children's services budget. Mr Lonsdale referred members to the scheme of delegation within the constitution which outlined which officers had delegated authority to take certain decisions. He advised that a summary of movements within the budget was now included within the quarterly monitoring reports to scrutiny which provided more transparency to members.

A member asked what influence budget holders had with engaging in the process, particularly around resources available and how these were allocated. Mr Lonsdale explained that sometimes the Council had to take difficult decisions to allocate resources appropriately.

RESOLVED – That the verbal update be noted.

## **AC.28 TREASURY Half Yearly OUTTURN 2023-24**

The committee considered a report from the Executive Director Place and Resources that detailed the treasury management arrangements, activity and performance during the 2023-24 financial year.

Mr Lonsdale set out the background to the report which covered compliance with legislative and regulatory requirements. It was noted that the Treasury Management Strategy remained the same. The Council had a significant capital programme, a large amount of which was funded through external grants. As such, members would need to be mindful of this as they went through the financial planning period. On a positive note, it was reported that the Council continued to see strong returns on investments.

A member referred to the capital expenditure at £77.2m and queried the £14.0 figure for H1 which appeared quite low. Mr Lonsdale explained that the delivery of the capital programme had been challenging for the Council due to factors including the economic environment and Covid-19. This was about more internal challenge and engagement with budget holders to ensure capital plans were approved.

A member referred to the borrowing strategy within the report, specifically short-term borrowing from other authorities and interest rates at the time of borrowing, querying how this affected the Council's return on investments. Mr Lonsdale explained that the Council tried to hold cash balances as low as possible which was an efficient way of managing activity and addressing some of the risk.

The Chair noted that interest rates had changed significantly over the last few years and asked whether the Council would be looking at this within its investment strategy in future. Mr Lonsdale advised that officers had been quite conservative when making investments and had also undertaken some benchmarking against other authorities which had shown this authority was performing better on average than others.

RESOLVED – That the treasury H1 Outturn 2023-24 report be noted.

## **AC.29 INTERNAL AUDIT REPORT**

The committee considered a report from the Head of Audit and Assurance that provided an update on the delivery of the Internal Audit Plan.

Mr Hamner set out the background to the report and noted that 287 audit days had been delivered as of 30 September 2023. Although a positive headline figure there were ongoing issues which represented a risk to the delivery of the audit plan. Members were referred to these risks and how these would be mitigated as detailed within the report.

A member commented on staffing issues and suggested secondment opportunities. Mr Hanmer advised that this was something they were looking at.

A member asked how resource was shared between North East Lincolnshire and North Lincolnshire Council. Mr Hanmer assured members that all staff worked together and therefore got a fair share of the resources.

The Chair raised his concerns around resource and asked that any concerns come back to the Audit Committee in future. Mr Hanmer advised that the Annual Interim report would come back to committee in February 2024 which would provide updates on the audit plan and the resourcing of it

RESOLVED – That the Internal Audit report be noted.

## **AC.30 HALF YEARLY FRAUD REPORT**

The committee considered a report from the Executive Director for Place

and Resources that highlighted the work that had been undertaken for the prevention and detection of fraud, corruption and financial misconduct within the Council.

Mr Edwards introduced the report and explained that an independent peer review had provided satisfactory assurance of the effectiveness of the control environment in relation to fraud. He further outlined the recommendations within the peer review report including considering having a member with lead responsibility for fraud and the production of an Annual Fraud Plan which would provide additional assurance on the Council's fraud arrangements.

The Chair suggested that the Portfolio Holder for Finance, Resources and Assets take this forward with his Cabinet members for consideration.

The Chair asked for further assurance around a recent mandate fraud incident that had taken place. Mr Edwards assured members that there were now robust controls in place to deal with this including widening the awareness of fraud through mandatory fraud awareness training.

Members suggested a communication around this matter to staff would be useful.

RESOLVED –That the report be noted.

### **AC.31 FRAUD STRATEGY AND FRAUD RESPONSE PLAN**

The committee considered a report from the Executive Director for Place and Resources that introduced the Council's updated Anti-Fraud and Corruption Strategy.

Ms Pritchard set out the report in brief noting that the Anti-Fraud and Corruption Strategy had now been reviewed to ensure it was up to date and fit for purpose. Ms Pritchard wished to highlight that the plan now included an update on the annual fraud figures and noted that the Fraud Response Plan remained unchanged.

The Chair assured members of the work that had taken place to protect and prevent fraud which was low within this authority.

RESOLVED – That the Anti-Fraud and Corruption Strategy and Fraud Response Plan be approved.

### **AC.32 EXCLUSION OF THE 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.33 STRATEGIC RISK REGISTER**

The committee received a report from the Executive Director for Place and Resources providing the Audit and Governance Committee with the Strategic Risk Register as of 24 October 2023.

Ms Wilson set out the background to the report noting that since the previous report was presented to the committee some additional risks had been added.

Members sought clarification on several issues to which officers provided a response.

RESOLVED – That the report be noted.

### **AC.34 ISSUES FOR DISCUSSION WITH THE INTERNAL AND EXTERNAL AUDITORS**

The committee had the opportunity to discuss any confidential matters of concern with the External Auditor and the Head of Internal Audit. There were none.

There being no further business, the Chair declared the meeting closed at 12.30 p.m.