

Minutes of a meeting of the **GOVERNANCE AND AUDIT COMMITTEE** held in the Meeting Room 1, Council Offices, Priory Road, Spalding, on Thursday, 29 June 2023 at 6.30 pm.

PRESENT

A C Beal (Chairman)  
S-A Slade (Vice-Chairman)

C J T H Brewis  
N Chapman

M Geaney  
M Le Sage

In Attendance: The Internal Audit Team Manager (Assurance Lincolnshire), the Chief Finance Officer (PSPS), the Interim Assistant Director – Governance and the Democratic Services Team Leader.

	<u>Action By</u>
<p><b>1. APOLOGIES FOR ABSENCE.</b></p> <p>No apologies were received.</p>	
<p><b>2. DECLARATION OF INTERESTS</b></p> <p>There were none.</p>	
<p><b>3. MINUTES</b></p> <p><b>AGREED:</b></p> <p>That the minutes of the Governance and Audit Committee held on 16 March 2023 be signed by the Chairman as a correct record.</p>	
<p><b>4. ACTIONS</b></p> <p>Updated responses to actions which arose at the 16 March 2023 Governance and Audit Committee meeting and the tracking of previous outstanding actions were presented to the Committee.</p> <p>Item 41c – The Chief Finance Officer (PSPS) advised that the Authority was in the process of instructing a specialist external provider to undertake a review of payments made by the Council, to identify if any duplicate payments had been made. The external provider's scheme of work was on a commission basis meaning if no duplicate payments were found, they would not receive payment.</p> <p>Item 32 (19 January 2023) - The Assistant Director – Governance acknowledged that a response had been provided to this item,</p>	

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and that this risk had been reviewed within the Strategic Risk Register (being considered later in the agenda). From an officer perspective, this action had been completed.

### **AGREED:**

That the Actions from the Governance and Audit Committee meeting held on 16 March 2023 and the tracking of previous outstanding actions be noted.

## **5. SHDC STRATEGIC RISK REPORT**

Consideration was given to the report of the Assistant Director – Governance which provided an update on the Council's current strategic risks.

In the absence of the Senior Change, Improvement and Performance Business Partner, the Assistant Director – Governance introduced the report and highlighted the following element of change since the previous Risk Report was issued:

- Risk to the Councils' strategic partnership arrangements – the senior leadership team felt it was prudent to increase the likelihood score at this time due to changes to leadership and the Councils' political structure which could naturally bring in changes to strategic priorities. Raising the risk profile ensured mitigations were given full priority and attention with any issues managed through the Leadership Team, close working between Portfolio Holders Partnership-wide, in addition to Partnership Stakeholder Board meetings quarterly to discuss matters of importance.

Members considered the report and made the following comments:

- It was noted that many of the amber risks would be expected as they were out of the Authority's control.
- In response to a question relating to how colleagues at the other Partnership authorities were dealing with the risk around the Council's strategic partnership arrangements, the Assistant Director – Governance commented that a similar training programme had been developed across the Partnership to ensure a consistent approach. The degree of change at each authority had varied. It was felt that the Partnership was currently in a good place and there had been no significant issues from members regarding it to date.

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- The Internal Audit Manager (Assurance Lincolnshire) confirmed that the Risk Management Audit had recently been completed and would be reported to the Committee in the next Risk Management Audit report. There were some findings within the audit to improve best practice but it was generally positive. In addition, later in 23/24 an audit was to be undertaken on the controls relating to higher strategic risks.

### **AGREED:**

That after consideration of the Risk Report 23/24 and Appendix A which detailed the latest assessment of the Council's strategic risks, the report be noted by the Committee.

## **6. INTERNAL AUDIT ANNUAL REPORT AND OPINION 2022/23**

Consideration was given to the report of the Head of Internal Audit which presented the Internal Audit Annual Report 2022/23.

The Purpose of the Annual Internal Audit Report was to meet the Head of Internal Audit annual reporting requirements set out in the Public Sector Internal Audit Standards (PSIAS) and the Accounts and Audit Regulations. In particular:

- To include an opinion on the overall adequacy of and effectiveness of the Council's governance, risk and control framework and therefore the extent to which the Council could rely on it;
- To inform how the plan was discharged and the overall outcomes of the work undertaken that supported the opinion;
- A statement on conformance with the PSIAS and the results on the internal audit quality assurance;
- To draw attention to any issues particularly relevant to the Annual Governance Statement.

The Head of Internal Audit presented the report which highlighted the following areas, along with more detailed commentary:

- Governance – Performing Adequately
- Risk – Performing Well
- Internal Control – Performing Adequately
- Financial Control – Improvement Needed

Within the Governance section, the following recommendations were highlighted in bold within the report:

- That actions to address financial capacity and capability are included in the Annual Governance Statement (AGS) and

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- results reported to the Governance and Audit Committee; and
- That significant governance issues raised in the Annual Governance Statement are monitored and progress is regularly reported in an action plan to the Governance and Audit Committee.

It was noted that the AGS would become a regular item on the Committee's agenda, as frequently as was required.

Also attached to the report were:

- Appendix 1 – Details of Audits
- Appendix 2 – Details of Audit Plan Changes
- Appendix 3 – Benchmarking Data
- Appendix 4 – Assurance Definitions
- Appendix 5 – Glossary of Terms

Members considered the report and made the following comments:

- The Committee wished to thank the auditors and all officers involved in managing to move so far forward with little notice.
- The report commented that recruitment had been an issue – was this being addressed?
  - The Chief Finance Officer (PSPS) confirmed that, over the past month, a number of actions had been undertaken to support the Finance team. Although not a long-term solution, some interim resources had been brought in to support the finance function on a day-to-day basis. Adverts had recently been placed for five vacancies within the team across the Partnership, and two of these vacancies required Local Government experience. The method of advertisements was currently through more traditional routes such as job boards, local press and social media however, officers were also keen to encourage internal talent, for those individuals that may wish to progress to more senior roles. Finally, recruitment consultants had been engaged to allow a wider look across the East Midlands. The current live vacancies were for more senior local government accountancy positions and therefore specific qualifications were required however, should any more junior roles become vacant as a result of internal staff movements, apprenticeships could be considered at this point.

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- The Assistant Director – Governance commented that the Financial Control assessment and the issues raised in the Governance assessment were very much on the Senior Leadership Team’s radar, and were being tracked via the Corporate Governance monthly meetings.

### **AGREED:**

That the Internal Audit Annual Report and Opinion 2022/23 be noted.

## **7. POSITION STATEMENT IN RESPONSE TO DLUHC LETTER**

Consideration was given to the Position Statement in response to DLUHC letter.

The following position statement was provided by the Chief Finance Officer (PSPS):

EY were the Council’s current external auditors and their contract was due to come to an end on 31 March 2024. Following a national procurement exercise, KPMG were appointed as the external auditors from 1 April 2024.

The 2020/21 audit was completed by 22 March 2022 and had been finalised and published.

The 2021/22 accounts were presented to the Governance and Audit Committee on 16 March 2023, and were almost complete. Delegated authority had been given to the S151 Officer and the Chairman of the Committee to approve the accounts if no material changes arose. Since the accounts were presented, there had been two changes that had occurred:

- Alternative presentation of PSPS within the accounts – changed from joint operation to group (it was felt this was a presentational change rather than a material change)
- HRA asset revaluation (this was a material change)

Matters awaiting further clarification:

- Pensions valuation - as a result of the triennial review a revised report had been requested from the actuary. This was received last week and an outcome of the review (if material or not) was awaited. The 2021/22 accounts could not be closed until this issue was resolved.

The 2022/23 accounts were currently being produced and it was

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anticipated that the audit of those statements would commence later in the calendar year. It was EY's intention to complete that audit before 31 March 2024.

It was noted that all external audit firms had experienced a number of challenges regarding staff retention, skills and experience of undertaking Local Authority audits. This, combined with increased regulatory scrutiny has led to delays with the completion of the audit of the statement of accounts.

### **AGREED:**

That the Position statement in response to the DLUHC letter be noted.

## **8. GOVERNANCE AND AUDIT COMMITTEE WORK PROGRAMME**

Consideration was given to the report of the Democratic Services Manager which set out the Work Programme of the Governance and Audit Committee.

The Democratic Services Team Leader introduced the report and stated that:

- Appendix A had now been populated with items for consideration at all meetings of the Committee throughout 2023/24, and that this had also been pre-fixed with the Committee's Terms of Reference.
- Appendix B outlined the Committee's training log.

The Chairman commented that the September meeting had a very full agenda and requested that the Committee be provided with the information at the earliest opportunity.

The Chairman had also requested that, if possible, the two reports from EY be considered at an additional meeting of the Committee, rather than waiting until September to consider. If this could not be accommodated via an evening meeting, the viability of a daytime meeting would be considered however if this was not an option, the items would remain on the September agenda with a training session on these issues being provided prior to the meeting.

The Assistant Director – Governance suggested that the 'Update in respect of RIPA 2000' report be moved to the November meeting and it was agreed that officers, in liaison with the Chairman would consider the items currently for consideration at

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the September meeting and distribute them among other meetings where possible

The Assistant Director – Governance commented that some of the Future Topics for training, listed at Appendix B to the report (Governance, Ethics and Standards) had recently been covered within the Governance induction training for members and could therefore be marked as completed.

**AGREED:**

That the report and content of the Work Programme be noted by the Governance and Audit Committee.

**9. ANY OTHER ITEMS WHICH THE CHAIRMAN DECIDES ARE URGENT.**

There were none.

(The meeting ended at 7.14 pm)

(End of minutes)