

Minutes of a meeting of the **GOVERNANCE AND AUDIT COMMITTEE** held in the Meeting Room 1, Council Offices, Priory Road, Spalding, on Thursday, 13 June 2024 at 6.30 pm.

PRESENT

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

C J T H Brewis

M Geaney

I Sheard

Apologies for absence were received from or on behalf of Councillors M Le Sage James Boyle (KPMG)

In Attendance: The Deputy Chief Executive - Corporate Development (S151), the Assistant Director - Governance (Monitoring Officer), the Assistant Director - Housing, the Business Intelligence and Change Manager, the Head of Internal Audit – Assurance Lincolnshire, the Deputy Chief Finance Officer (Corporate), the External Audit Engagement Manager – KPMG *virtual*, the Scrutiny and Policy Officer *virtual* and the Democratic Services Officer.

**1. CHAIRMAN'S ANNOUNCEMENT**

The Chairman opened the meeting with the following announcement regarding the purpose of the Committee:

*'The purpose of the Governance and Audit Committee is to monitor and if necessary make recommendations to review the Corporate Governance and Audit arrangements for the Council. The Committee's role is not to pass judgement on the decisions made by other people, and also according to the Local Government Association and other authoritative bodies, members should not make any political comment, either by this Council or any Government past or present. We are apolitical whilst we are here'.*

The Chairman also asked that guidance be circulated to members that an apology for absence at a meeting needed to be formally submitted to Democratic Services and that a meeting decline did not constitute an apology.

**2. DECLARATION OF INTERESTS**

There were none

**3. MINUTES**

**Action By**

## GOVERNANCE AND AUDIT COMMITTEE -

13 June 2024

### AGREED:

That the minutes of the Governance and Audit Committee meeting held on 14 March 2024 (at agenda item 3) and the restricted minute of the same meeting (at agenda item 14) be signed by the Chairman as a correct record.

### 4. ACTIONS

Updated responses to actions which arose at the 14 March 2024 Governance and Audit Committee meeting and the tracking of outstanding actions were presented to the Committee.

Members considered the update and made the following comments:

- Members referred to action 43. 23/24, and queried whether members of the Governance and Audit Committee were permitted to view the information which was available to budget managers.
  - The Deputy Chief Executive – Corporate Development (S151) responded that:
    - The Finance Portfolio Holder engaged with the budgets to a degree of detail;
    - It was expected that developments to the Unit 4 system in 2024/2025 would enable budget reports to be produced for Portfolio Holders;
    - Finance updates were made available to members through the regular quarterly reports;
    - Informal Cabinet received a progress update at each meeting in respect of the savings embedded within the budget; and
    - It was expected that when produced, the Budget Book would be available for members to review.
  
- Members referred to action 51b. 23/24 regarding Pensions training and suggested that the depth of the subject necessitated more than one training session. Members agreed that the Pensions training awaited the recruitment of the Co-opted Independent Member(s).
  - The Assistant Director – Governance (Monitoring Officer) updated the Committee on the recruitment process for the Co-opted Independent Member. A draft joint recruitment pack for vacancies across the three authorities of the partnership had been produced and would shortly be circulated to the

## **GOVERNANCE AND AUDIT COMMITTEE -**

13 June 2024

Chairman of each respective committee for comment. There were multiple opportunities for an individual(s) to support either one, two or three sovereign council(s) in the role.

### **AGREED:**

That the actions from the 14 March 2024 Governance and Audit Committee meeting and the tracking of previous outstanding actions be noted.

## **5. EXTERNAL AUDIT PROGRESS REPORT**

The External Audit Engagement Manager – KPMG attended virtually to give a verbal update in respect of the External Audit Progress Report.

The following points were raised:

- The External Audit Plan had been drafted alongside the Value For Money commentary and sent to SHDC management in May 2024;
- Whilst the upcoming election had affected the approval of relevant legislation regarding the Local Government Audit process, KPMG planned to proceed as communicated; and
- The 2023/2024 Financial Statements had not yet been published and KPMG awaited confirmation that the 2022/2023 audit would be disclaimed.
  - The Deputy Chief Executive – Corporate Development (S151) responded that it was the intention for the outstanding Unaudited Financial Statements to come forward to the Special Governance and Audit Meeting scheduled for 18 July 2024.

### **AGREED:**

That the External Audit Progress Report update be noted.

## **6. Q4 RISK REPORT 2023/2024**

Consideration was given to the report of the Assistant Director - Governance which provided an update on the Council's current strategic risks across three registers for the Q4 period.

The Business Intelligence and Change Manager introduced the report and highlighted the following points:

## GOVERNANCE AND AUDIT COMMITTEE -

13 June 2024

- The report did not show any changes to the risk scoring from Q2 to Q4;
- A breakdown of the following risks was relayed:
  - For the Council's Strategic Risks: 1 was in the Low category, 12 in the Medium and 9 in the High;
  - For the Partnership Risk Register: 5 were Medium and 3 High; and
  - For the Housing Revenue Account (HRA) Register: 3 were Medium and 10 High.
- There were no Critical Risk Levels reported for the period;
- The following context for the introduction of the HRA Risk Register was relayed to the Committee:
  - Since the introduction of legislation in 2024, the council's Housing Landlord Service was required to meet the Regulator of Social Housing Consumer Standards;
  - To achieve this, a Housing Landlord Strategy and service improvement programme had been introduced;
  - As part of the governance review of this area, a new HRA Risk Register had been integrated into the Risk Reporting Framework; and
  - When inspected by the Regulator, the Council would need to demonstrate that the risks were being managed pro-actively and that Councillors had been made aware of the requirements.

Members considered the update and made the following comments:

- Members asked how quickly it was anticipated that high risk areas would achieve lower risk scores.
  - The Business Intelligence and Change Manager responded that each risk had been assessed against principal options and stated that:
    - Some risks, such as an IT risk, were deemed to be in the 'Tolerate' category as despite adequate mitigations being in place, any impact would usually be great; most high risk areas were graded within this category; and
    - A number of risks were in the 'Treat' category which indicated that risk mitigation work was in progress; although 'Treat' risks were not shown in the report, a breakdown would be provided to the Committee.

**AGREED:**

## **GOVERNANCE AND AUDIT COMMITTEE -**

13 June 2024

That the report and appendices be noted by the Governance and Audit Committee.

### **7. INTERNAL AUDIT ANNUAL REPORT AND OPINION 2023/24**

Consideration was given to the report of the Head of Internal Audit which provided the Council with an Annual Report and Opinion for 2023/2024.

The Head of Internal Audit introduced the item by stating that the professional opinion given by the Head of Internal Audit was based on the internal audit work that had taken place during 2023/2024. A summary of the work undertaken was summarised within the report.

The report included the following areas:

- Role of Internal Audit;
- Internal Audit approach;
- Internal Audit coverage;
- The Internal Audit Opinion;
  - The report outlined the following four opinion options that could be given: 'Substantial', 'Adequate', 'Limited' or 'No Assurance';
  - The Head of Internal Audit confirmed the opinion of South Holland District Council for 2023/2024 was 'Adequate', which was deemed a positive opinion;
- Key observations on Governance, Risk and Control;
  - 83 per cent of areas were 'Substantial' or 'Adequate';
  - The Annual Governance Statement (AGS) was a key document for the Governance and Audit Committee to use when assessing how well the Council adhered to its governance criteria. Where actions regarding the AGS were raised, it was recommended updates to these come forward to the Committee on a regular basis;
  - Assessment of Risk Management and Control were largely 'Adequate';
  - Although the Procurement Cards (P-cards) audit was given a 'No Assurance' opinion, it was stated that the Council had reacted swiftly and positively to make improvements to systems. Actions had been implemented jointly across PSPS and the Council to address control gaps and associated risks. A follow-up report in Quarter 2 would identify progress made in this area; and

## GOVERNANCE AND AUDIT COMMITTEE -

13 June 2024

- Additional observations included the development of a Counter Fraud Risk Register and the review of Counter Fraud policies.

Members considered the report and made the following comments:

- Members asked how the outcome of the Internal Audit Annual Report and Opinion 2023/2024 for South Holland District Council compared to other councils.
  - The Internal Audit Manager stated that Internal Audit Annual Report and Opinion reports could be viewed on respective council websites however the results of SHDC were similar to that of other councils audited by Assurance Lincolnshire.
- Members referred to the P-card audit and queried whether the suspense accounts were now closely monitored.
  - The Deputy Chief Executive – Corporate Development (S151) responded that:
    - A robust system had been implemented;
    - Suspense accounts were no longer used as all spend was required to be fully reconciled and coded in order to be processed;
    - Any issues encountered at the ‘coding’ stage were escalated within two weeks; and
    - The Deputy Chief Executive – Corporate Development (S151) was made aware of any outstanding items/issues at month-end.
- Members noted that the Payroll audit remained at ‘limited assurance’ for payroll reconciliations.
  - The Head of Internal Audit stated that the report summarised the findings of audits undertaken throughout the year and therefore the outcome of the Payroll audit had not changed from the previous report to the Committee. A follow-up audit would take place to enable the Committee to track progress; and
  - The Deputy Chief Finance Officer (Corporate) (PSPS) added that:
    - April and May payroll reconciliations had been completed and reviewed by the Deputy Chief Finance Officer (Corporate) (PSPS);
    - Actions had been distributed to the relevant owners and a meeting had been scheduled to take place prior to the end of June reconciliations being produced, in order to

## GOVERNANCE AND AUDIT COMMITTEE -

13 June 2024

- review progress or to close items where possible; and
  - Historic coding issues had been corrected by payroll in all relevant configuration screens of the payroll system.
- The Deputy Chief Executive – Corporate Development (S151) stated that good progress had been made from Internal Audit activity during 2023/2024 and all of the basic processes were now in place. 2024/2025 would therefore be seen as an ‘improvement year’ where value could be added, this included:
  - The planned production of the Budget Book;
  - The regular review of the AGS; and
  - Enhancement of the Section 25 Statement within the Budget.
- Members queried the Whistleblowing and Designated Member Ward Budget procedures and when these were last reviewed.
  - Regarding the Whistleblowing Policy:
    - The Deputy Chief Executive – Corporate Development (S151) responded that the Whistleblowing Policy was currently under review however robust processes were already in place; any whistleblowing report was subject to internal audit processes and could be anonymised depending on the circumstances; the process was actively used and worked well; and
    - The Head of Internal Audit added that a dedicated Counter Fraud team was in place within the Internal Audit team, and that reports were initially dealt with by independent objective counter fraud experts.
  - Regarding the Designated Member Ward Budgets:
    - The Assistant Director – Governance (Monitoring Officer) responded that:
      - The Designated Member Ward Budgets was re-introduced for a four-year period at the start of the current administration in May 2023;
      - Member training, in respect of the correct use of budgets and the application process, was provided as part of the member induction process and refresher sessions had recently taken place;

**GOVERNANCE AND AUDIT COMMITTEE -**

13 June 2024

- Applications were processed by the Democratic Services team and checked against the guidance;
- Guidance had been issued regarding the use of member budgets during the pre-election period; and
- Guidance could be re-circulated upon request.

**AGREED:**

That the Internal Audit Annual Report and Opinion 2023/24 be noted.

**8. COMBINED ASSURANCE STATUS REPORT 2023/2024**

Consideration was given to the report of the Assistant Director – Governance (Monitoring Officer) which presented the Council’s Combined Assurance Status Report 2023/24 to the Committee.

The Assistant Director – Governance (Monitoring Officer) introduced the report and stated that:

- The report was produced with the support of Internal Audit in conjunction with managers across the organisation to detail assurance levels provided by the Council;
- The Combined Assurance Status Report 2023/24 at Appendix A included the following information:
  - Overview of Assurance;
  - Chief Executive’s Summary;
  - Deputy Chief Executives’ Key Messages;
  - Strategic Partnership Working (PSPS delivered services);
  - Key projects;
  - Key partnerships; and
  - Emerging Risks.

Members considered the report and made the following comments:

- Members welcomed the level of detail contained within the report.
- Members acknowledged the importance of the awareness of emerging risks.
  - The Assistant Director – Governance (Monitoring Officer) responded that risks identified through the Risk Management Framework were relayed to the



**GOVERNANCE AND AUDIT COMMITTEE -**  
13 June 2024

Internal Audit team who supported the Council in this area.

**AGREED:**

That after review of the Combined Assurance Status Report 2023/24, the Committee were assured that the findings illustrated that the assurance framework operated effectively as part of the Council's corporate governance arrangements.

**9. GOVERNANCE AND AUDIT COMMITTEE SELF-ASSESSMENT ACTION PLAN**

Consideration was given to the report of the Governance and Audit Committee members which asked members to evaluate the impact and effectiveness of the Committee.

- The Scrutiny and Policy Officer introduced the report with the following points:
  - The purpose of the Action Plan was to support the Committee in ensuring continuous audited governance practice from the Committee and across the Council;
  - The self-assessment exercise was reintroduced to the Committee in 2024 and followed CIPFA best practice that the Committee should evaluate its impact and identify areas for improvement;
  - During the exercise, members had completed an anonymous questionnaire which had been designed to encourage reflection on the operation of the Committee and draw conclusions on its effectiveness. The conclusions had informed the Action Plan;
  - Four actions had been included in the Action Plan, detailed at Appendix A;
  - The self-assessment questionnaire results were at Appendix B; and
  - The CIPFA audit committee position statement was at Appendix C.

Members reflected on the exercise and the Action Plan and made the following comments:

- Members valued the self-assessment exercise and stressed the importance of regular training to further develop scrutiny skills; and
- Members noted the results on page 83 of the agenda which stated that 5 (out of 7) members had completed the questionnaire. Now that the current Committee was more

## **GOVERNANCE AND AUDIT COMMITTEE -**

13 June 2024

established, it was suggested that the survey be repeated in order to capture the greater experience of the Committee and to receive responses from all members.

- The Scrutiny and Policy Officer would arrange for the survey to be re-circulated to members of the Committee.

### **AGREED:**

After consideration of the Governance and Audit Committee Self-Assessment Action Plan, that members work towards the actions during 2024/25.

## **10. ANNUAL GOVERNANCE STATEMENT ACTION PLAN UPDATE**

Members considered the Annual Governance Statement (AGS) Action Plan.

The Deputy Chief Executive – Corporate Development (S151) presented the update and outlined the following progress achieved in respect of the two stated actions:

- Regarding the action ‘to address financial capacity and capability’, a CIPFA supported review of PSPS had taken place which had resulted in the production of a detailed action plan. Steady improvements had been made over the previous 6 months, which included:
  - The successful recruitment of the Senior Finance Manager for South Holland;
  - The recommencement of the production of good quality quarterly finance reports;
  - That the AGS and year-end report had been prepared and completed and the team had successfully pulled forward the accounts closure programme to the end of June 2024;
  - Positive progress had been seen in Capital accounting, Revenue Accounting, Reserve and Reconciliations;
  - As a result, the focus was now able to be placed on challenging budget management areas rather than a variety of issues; and 2024/2025 would be seen as a year for further improvements with added value, increased transparency and accountability;.
- Regarding the action ‘significant governance issues monitored and progress regularly reported’:
  - Fulsome agendas on a range of topics were discussed at monthly Senior Leadership Team meetings which were also attended by the Head of

## **GOVERNANCE AND AUDIT COMMITTEE -**

13 June 2024

- Internal Audit; and
- Agenda items were regularly reviewed to ensure relevance.

Members considered the update and made the following comments:

- Members welcomed the update, in particular the recruitment and retention of finance personnel.
- Members requested details of any challenging budget management areas.
  - The Deputy Chief Executive – Corporate Development (S151) responded that themes could be drawn from the financial outturn, stating that:
    - Challenging areas included Planning Income and Car Parking income; and
    - Positive areas included ‘Homelessness’ where previous challenges had been addressed as a result of good financial management.

### **AGREED:**

That the Annual Governance Statement – Action Plan Update be noted.

## **11. 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 Officer introduced the report and updated the Committee on the following points:

- Appendix A had been updated with 2024/2025 meeting dates and scheduled items;
- Members had been advised that a Special meeting of the Governance and Audit Committee had been called for 18 July 2024;
- The training record at Appendix B would be updated when further training had been identified and arranged/completed.
  - The Deputy Chief Executive – Corporate Development (S151) outlined the purpose and importance of the Special meeting arranged for 18

**GOVERNANCE AND AUDIT COMMITTEE -**

13 June 2024

July 2024, to approve the 2023/2024 unaudited financial statements and to close down the 2022/2023 statements, subject to a backstop. Members were to be mindful that any changes to the backstop guidance as a result of the election, may impact the backstop process.

**AGREED:**

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

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

There were none.

(The meeting ended at 7.12 pm)

(End of minutes)