

# Governance and Audit Annual Report 2023/2024



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## The Role and Function of the Governance and Audit Committee

The function of the Governance and Audit Committee is to monitor governance, risk management and internal control arrangements at the Council, and to provide independent assurance that these are effective and efficient.

This is achieved through key regular items received by the committee in relation (but not limited) to:

- Internal and external audit
- Key finance items
- Governance reviews
- Strategic risk management reporting



# Introduction from the Chairman of the Governance and Audit Committee

It is important to remember that the Governance and Audit Committee is apolitical with its role being to monitor and, where necessary, make appropriate recommendations to review the corporate governance and audit arrangements for the Council. Part of this is to also align our procedures with those of our partners at Boston Borough Council and East Lindsey District Council.

New external auditors have been appointed, KPMG, and we look forward to working with them together with PSPS Ltd.

With the new council being elected in May 2023, this meant a change in the members serving on the committee with the necessary training. For some this opened up opportunities and the ability to undertake detailed analysis of the Councils finances!

The four main areas that the committee looks at are:

- Review of financial statements
- Review internal controls
- Review internal audit programmes and
- To receive the reports from external auditors and approve its audit plan(s).

In addition to these, the committee has also reviewed:

- Local Code of Corporate Governance
- The Procurement Strategy – to fall in line with the Partnership
- Regulations of Investigatory Powers Act
- The Council's Procurement Card Audit Report
- The co-option of independent lay member(s) to the Committee

Whilst the financial/management reviews are ongoing, as is the recruitment of the independent lay member(s), it is a priority to reaffirm the apolitical nature of the committee - as highlighted in the recent LGA Peer Review.

Full details of the committee's work are contained with the published minutes available to everyone.

**Councillor Allan Beal**

**Chairman of the Governance and Audit Committee 2023/2024**



## Governance and Audit Committee Membership 2023/2024

Membership of the Governance and Audit Committee comprises 7 non-Cabinet members which cannot include the Chairman of the Council or the Chairman of the Policy Development Panel and Performance Monitoring Panel.

During the 2023/2024 municipal year, the committee was made up of the following elected members:

- ▶ Cllr Allan Beal (Chairman)
- ▶ Cllr Sally-Ann Slade (Vice Chairman)
- ▶ Cllr Margaret Geaney
- ▶ Cllr Nanette Chapman
- ▶ Cllr Chris Brewis
- ▶ Cllr Mark Le Sage
- ▶ Cllr Bailey Boulding - *until 22 September 2023*
- ▶ Cllr Ingrid Sheard - *from 22 November 2023*



## Governance and Audit Committee Meetings and Summary of Work

During 2023/2024, the Governance and Audit Committee met 5 times.

The table below shows the meeting dates and gives a brief summary of work activities.

Full agendas and minutes for each meeting can be accessed by clicking on the dates.

Date	Items and Reports Considered
<a href="#">29 June 2023</a>	<ul style="list-style-type: none"> <li>• SHDC Strategic Risk Report 2022/2023</li> <li>• Internal Audit Annual Report and Opinion 2022/23</li> <li>• Position Statement in response to DLUHC letter</li> <li>• Governance and Audit Committee Work Programme</li> </ul>
<a href="#">19 September 2023</a>	<ul style="list-style-type: none"> <li>• Audited Financial Statements 2021/22</li> <li>• External Audit Results Report 2021/22 – Updated</li> <li>• Q1 Risk Report 2023/24</li> <li>• Annual Treasury Management Review 2022/23</li> <li>• Q1 Treasury Management Report 2023/24</li> <li>• Local Code of Corporate Governance</li> <li>• Procurement Strategy 2023-2026</li> <li>• Governance and Audit Committee Work Programme</li> </ul>
<a href="#">9 November 2023</a>	<ul style="list-style-type: none"> <li>• Q2 Risk Report 2023/24</li> <li>• Progress Report on Internal Audit Activity</li> <li>• Mid Term Treasury Report 2023/24</li> <li>• Regulation of Investigatory Powers Act (RIPA) 2000 Update</li> <li>• Governance and Audit Annual Report 2022/23</li> <li>• Governance and Audit Committee Work Programme</li> </ul>
<a href="#">18 January 2024</a>	<ul style="list-style-type: none"> <li>• Information Governance Annual Update</li> <li>• Treasury Management Policy and Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2024/25</li> <li>• Risk Management Framework</li> <li>• Co-opted Independent Member representation on the Governance and Audit Committee</li> <li>• Governance and Audit Work Programme</li> </ul>
<a href="#">14 March 2024</a>	<ul style="list-style-type: none"> <li>• Procurement Card Audit Management Response</li> <li>• Internal Audit Progress Report – March 2024</li> <li>• Internal Audit Plan 2024/25</li> <li>• Treasury Management Update Q3 2023/24</li> <li>• Financial Statements 2023/24 – Accounting Policies</li> <li>• Recruitment of Co-opted Independent Members to the Governance and Audit Committee</li> <li>• Q3 Risk Report 2023/24</li> <li>• Governance and Audit Committee Work Programme</li> <li>• Report on a Fraud Case</li> </ul>

[Click on dates to view details](#)

## Internal Audit

The Council is required by the Accounts and Audit (England) Regulations 2015 to *'undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards and guidance'*.

For 2023/2024, the Internal Audit function continued to be provided by Internal Audit, Lincolnshire County Council (previously known as Assurance Lincolnshire).



## Head of Internal Audit Opinion

The Head of Internal Audit is responsible for the delivery of an annual audit opinion which is based on the internal audit work undertaken during the year and is used by the council to inform its Annual Governance Statement.

The 'SHDC Internal Audit Annual Report and Opinion 2023/2024', presented to the committee at its [13 June 2024](#) meeting, provided a summary of the 11 assurance reviews undertaken during 2023/2024 as well as the overall audit opinion the period.



In forming the opinion, the Head of Internal Audit considered the frameworks of governance, risk management and management controls to be adequate and that audit testing had demonstrated controls to be working in practice.

Where weaknesses had been identified through internal audit review, the audit team had worked with management to agree appropriate corrective actions within an appropriate timescale for improvement.

## External Audit

From April 2023, the External Audit function was provided by KPMG. The outgoing external auditors, Ernst Young (EY), would continue to provide reports based on the audits of previous municipal years as appropriate. The activity status of the external audit of SHDC's financial statements is as follows:

### 2021/2022

Following the initial presentation of the Audit Results Report 2021/22 at the [16 March 2023](#) Governance and Audit Committee meeting, a final version of the report was received by the committee at its [19 September 2023](#) meeting which included adjustments to pension liabilities following the triennial valuation and council dwelling valuations.

### 2022/2023

A national backlog of local authority external audits had prompted the Government to propose a potential 'backstop' arrangement for outstanding external audits of financial statements. Any such arrangements (which would apply to SHDC's 2022/2023 accounts) are yet to be ratified, with both external auditors and local authorities across the country awaiting further guidance on the matter.

### 2023/2024

Representatives from KPMG have attended committee meetings during the year and an indicative 2023/2024 external audit plan would be presented to the committee early in the 2024/2025 municipal year.

[Click on dates to view details](#)

## Governance

The following items were considered by the committee in relation to its governance function:

▶ **Local Code of Corporate Governance**

The updated code was reviewed and approved to ensure that it accurately reflected the Council's governance arrangements, and that best practice was being met.

▶ **Procurement Strategy 2023-2026**

Scrutiny of a new strategy was provided by the committee prior to its approval at Cabinet.

▶ **Regulation of Investigatory Powers Act (RIPA) 2000 Update**

Members were presented with an update and provided feedback relating to RIPA regulatory activity within the last 12 months.

▶ **Information Governance Annual Update**

Members were informed about the council's activities and compliance with Data Protection, Environmental Information Regulation and Freedom of Information requirements.

▶ **Risk Management Framework**

The review of a revised framework was undertaken which ensured a consistent approach across the partnership.

▶ **Co-opted Independent Member representation on the Governance and Audit Committee**

Following the Council's 2023 LGA Peer Review and in accordance with CIPFA best practice, members recommended to Full Council that the committee include up to two non-voting co-opted independent members. This was approved and was to be followed by a recruitment campaign.

▶ **Self-Assessment Exercise**

In addition, members evaluated the impact and effectiveness of the committee to support effective audit and governance arrangements. A resulting action plan would be followed in 2024/2025.

## Risk Management

The Governance and Audit Committee monitors and approves policies for the effective development and operation of risk management and corporate governance in the council.

During 2023/2024, the Governance and Audit Committee received 4 reports from the Assistant Director – Governance which provided an overview of the key risks that the council was exposed to, the action taking place to mitigate those risks, and an up-to-date assessment of their likelihood and impact.

In [January 2024](#), a new draft Risk Management Framework was scrutinised by the committee, and feedback noted prior to its adoption by Cabinet in February 2024.

The Annual Internal Audit Report highlighted a 'substantial' assurance opinion for risk management arrangements within the council.



[Click on dates to view details](#)

## Treasury and Accounts

The Council is required to produce an Annual Treasury Management Review after the end of each financial year in accordance with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management. The code suggests that members be informed of Treasury Management activities at least twice per year.

The following reports relating to finance and treasury management were considered by the committee:

- Annual Treasury Management Review 2022/23
- Q1 Treasury Management Report 2023/24
- Mid Term Treasury Report 2023/24
- Treasury Management Policy and Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2024/25
- Q3 Treasury Management Update 2023/24
- Financial Statements 2023/24 - Accounting Policies



Following training from Finance Officers (PSPS), the Governance and Audit Committee scrutinised and approved the Audited Financial Statements 2021/22.

## Training and Development

The following training and development activities were undertaken by committee members during 2023/2024.

- Governance, Internal Audit, Financial Statements and Treasury Management - Induction Training.
- Overview training on the Financial Statements of Accounts.
- A CIPFA session which shared learning points from reviews of 'the effectiveness of audit committees' was attended by the Chairman.
- The Self-Assessment Exercise highlighted training and development needs to be included in an action plan.

## Further Information

For detailed information of work covered by the Governance and Audit Committee, please visit the Committees and Democracy page of the SHDC website: [www.sholland.gov.uk/councilelections](http://www.sholland.gov.uk/councilelections)

## Contacting Us



South Holland District Council, Council Offices,  
Priory Road, Spalding, Lincolnshire PE11 2XE



01775 761161



info@sholland.gov.uk



@SHollandDC



SouthHollandDCofficial



www.sholland.gov.uk