Minutes of a meeting of the **GOVERNANCE AND AUDIT COMMITTEE** held in the Meeting Room 1, Council Offices, Priory Road, Spalding, on Thursday, 11 September 2025 at 6.30 pm.

PRESENT

A C Beal (Chairman)
M Geaney (Vice-Chairman)

C J T H Brewis	A Harrison	A Cartwright
		G Hall

Apologies for absence were received from or on behalf of Councillors S Hutchinson, S-A Slade and T Sneath, the Assistant Director – Governance, the External Audit Director (KPMG) and the External Audit Manager (KPMG).

In Attendance: The Interim Director of Finance (Section 151 Officer), the Internal Audit Manager (Lincolnshire County Council), the Business Intelligence and Change Manager, the Interim Treasury Manager (PSPS), the Assistant Manager (KPMG) *virtual* and the Democratic Services Officer.

Action By

14. DECLARATION OF INTERESTS

There were none.

15. MINUTES

Consideration was given to the minutes of the 10 July 2025 Governance and Audit Committee meeting.

AGREED:

That the minutes be signed by the Chairman as a correct record.

16. ACTIONS

Consideration was given to the actions that arose at the 10 July 2025 Governance and Audit Committee meeting and the tracking of outstanding actions.

The Democratic Services Officer updated the panel in respect of Action 5 25/26

- The content of the informal Risk Report session had been prepared and arrangements with members would be made shortly.

Members considered the update and queried the response to Action 7 25/26

- The Interim Director of Finance (Section 151 Officer) explained that the management response to the audit recommendation related to a previous postholder who had since left the Council. Assurance was given that the matter would be addressed as part of the 2026/27 budget process.

AGREED:

That the update on actions be noted.

17. QUARTER 1 RISK REPORT 2025/26

Consideration was given to the report of the Assistant Director – Governance which provided an update on risk management as at the end of June 2025. The report covered strategic risk information relating to SHDC, Partnership, Fraud, and SHDC's Housing Revenue Account (HRA).

The Business Intelligence and Change Manager summarised the report and stated that:

- Following an internal audit review, key enhancements to the report included:
    - a clear indication of whether risks were at their target level; and
    - the tracking of mitigation actions using a RAG (Red-Amber-Green) status;
- Most strategic risks had remained stable, with several at target level;
- The Net Zero risk had reduced in likelihood due to the agreement of a target, completion of carbon foot printing exercises, and readiness of the carbon reduction action plan for consideration by the Policy Development Panel and Cabinet approval in Q3;
- The Health and Safety risk had increased in likelihood due to overdue audit actions. Clinics chaired by the Director of Communities were now in place to mitigate this, with a target resolution date of December 2025;
- Fraud risks were largely minimal or low, with a few medium risks (procurement and NNDR fraud), but no changes were noted; and
- Within the HRA risks, the failure to self-refer to the regulator had reduced from medium to low following the implementation of a new procedure.

Members considered the report and made the following

comments:

- Members queried whether staff retention had worsened due to Local Government Reorganisation (LGR).
    - The Business Intelligence and Change Manager confirmed that exit interview data showed no indication of LGR-related departures. A refreshed Workforce Development Strategy was underway, with a target completion date of March 2026. The aim was to reduce the risk level through tailored mitigations.

- Members noted that the commentary on LGR and the relationship with PSPS (Risk 9, page 39) required revision.
    - The Business Intelligence and Change Manager acknowledged that some text had been misplaced and confirmed that the rating would be amended to reflect the owner's view that the risk should be reduced to low.

- Members asked whether financial penalties could arise from missed waste collections under the Environment Act.
    - The Business Intelligence and Change Manager stated that this point would be investigated and reported back to the panel.

- Members requested a breakdown of the £1.1 million allocated to support extra costs.
    - The Business Intelligence and Change Manager confirmed the risk had reached its target score and would provide figures to clarify the distribution across the partnership.

- Members asked when the Health and Safety risk would be on track.
    - The Business Intelligence and Change Manager responded that clinics were in place to address outstanding audit actions, with a target date of December 2025. If actions were not completed by then, the risk score would increase. An update would be provided at the November meeting.

- A correction was noted on page 39 for Risk 08 where the year-end should read 2026.

AGREED

That the Quarter 1 Risk Report 2025/26 be noted.

18. QUARTER 1 TREASURY REPORT 2025/26

The Interim Treasury Manager (PSPS) introduced the report which included the 'Treasury Management Update' at Appendix 1 and detailed the following areas of information:

- Treasury Management Update;
- Economic Update;
- Interest Rate Forecast;
- Annual Investment Strategy;
- Borrowing;
- Debt Rescheduling; and
- Net Treasury Position

Compliance with Treasury and Prudential Indicators for 2025/26 as of June 2025 at Appendix 1A.

Members considered the report and made the following comments:

- Members queried whether the forecasted base rate of 3.5% was realistic given recent economic volatility.
    - The Interim Treasury Manager (PSPS) explained that while economists expected rates to stabilise, global events and persistent inflation made predictions uncertain. A rate of 3% was considered possible but not guaranteed.

- Members asked how often forecasts were updated.
    - The Interim Treasury Manager (PSPS) confirmed that forecasts were reviewed after each Monetary Policy Committee meeting once the minutes were released. Any changes to forecasts would be reflected in the relevant future reports.

- Members queried potential conflicts of interest when lending to East Lindsey District Council, given the partnership arrangement.
    - The Interim Treasury Manager (PSPS) assured members that all lending decisions were made independently, with appropriate professional distance to ensure impartiality and neutrality and were based on market rates without the involvement of broker commissions.

- Members referenced past issues involving Link.
    - The Interim Treasury Manager (PSPS) clarified that the Council's advisors were Link Asset Services

(now known as MUFG) which was a separate entity to Link Fund Solutions which had encountered issues.

- Members noted the high yield (5.8%) from Monmouthshire County Council and queried the reason for this compared to the lower rates secured.
    - The Interim Treasury Manager (PSPS) responded that the variance was due to supply and demand dynamics, with some authorities offering higher rates toward year-end to secure funding

- Members welcomed the spread of investments across multiple institutions, noting the importance of avoiding concentration risk.

AGREED:

That the Quarter 1 Treasury Report 2025/26 at Appendix 1 be noted.

19. INTERNAL AUDIT PROGRESS REPORT - AUGUST 2025

Consideration was given to the report of the Head of Internal Audit (Lincolnshire County Council) which provided a summary of internal audit activity to August 2025.

The Internal Audit Manager introduced the report and highlighted the following points:

- The dashboard indicated that 65% of the audit plan had been delivered by mid-Q2. It was noted that the colour coding in the dashboard was unclear in print and would be revised in future reports;
- One ‘poor’ feedback rating regarding the timeliness of a final report related to the ICT Cyber Security Review. The delay was attributed to a third-party auditor unfamiliar with internal procedures which had since been resolved;
- The Identification and Monitoring of Savings audit was rated “Insufficient Controls” due to a lack of governance safeguards. Internal Audit acknowledged that the Interim Director of Finance (Section 151 Officer) had instigated a new process to address the matter, and a follow-up audit was scheduled for Q4;
- All recommendations from completed audits had been accepted by management. A new process was now in place for tracking outstanding actions, including mini follow-up audits; and

- A finance-related action from 2020/21 had been extended to March 2026 due to system upgrades. A PCI DSS-compliant solution was being implemented.
    - In relation to the 'Identification and monitoring of savings' review, the Interim Director of Finance (Section 151 Officer) provided assurance to the committee that a Transformation Board had been established to oversee savings programmes. Directorates had been invited to submit efficiency targets, with clear accountability for delivery. This replaced the previous informal approach and was expected to enhance both transparency and governance.

Members considered the report and made the following comments:

- Members queried progress on reducing the risk rating in respect of Bank Reconciliations.
    - The Interim Director of Finance (Section 151 Officer) responded that reconciliations were now completed monthly and outstanding actions had been addressed. The Section 151 Officer was satisfied with progress.

- Members queried the high-risk rating for insurance.
    - The Internal Audit Manager responded that the "high" rating referred to the timeframe for completing the management action, not the overall risk level.

- Members raised concerns about 'auto-replies' and 'reply all' behaviours following a recent incident.
    - The Interim Director of Finance (Section 151 Officer) agreed to raise the issue with PSPS.

- Members queried whether the Capital Budget Monitoring review had been completed.
    - The Interim Director of Finance (Section 151 Officer) confirmed that a closure meeting was pending.

- Members noted that the feedback graph and commentary in respect of the ICT Review Commentary was difficult to interpret and noted typographical errors.
    - The Internal Audit Manager acknowledged the issue and committed to improved clarity in future reports.

AGREED:

That the Internal Audit Progress Report be noted.

20. INTERNAL AUDIT CHARTER

The Internal Audit Manager introduced the draft Internal Audit Charter and highlighted that:

- The Internal Audit Charter was a formal document that defined the purpose, authority, and responsibility of the internal audit function within the organisation;
- The document served as a foundational agreement between the audit team, senior management, and the Governance and Audit Committee;
- The Charter outlined the scope of audit activities, established the independence of the auditors, and provided the framework for delivering objective assurance and consulting services;
- It ensured alignment with organisational goals and compliance with professional standards;
- The Charter had been updated to reflect changes in the Global Internal Audit Standards and remained in draft form until formally approved by the Committee; and
- Once approved, it would become the Council's formal Internal Audit Charter and would be shared both internally and externally.

Members did not raise any concerns or questions.

AGREED

That the Internal Audit Charter be approved.

21. EXTERNAL AUDIT PROGRESS REPORT

The Assistant Manager KPMG provided the following verbal update on the progress of the external audit.

- The audit was approximately 80% complete which represented significant progress compared to the same time last year;
- The key risk to timely completion related to the valuation of land and buildings, specifically the availability of floor plans. The audit team had extended the sample size to assess the scale of the issue; and
- KPMG were working closely with the Head of Finance Delivery – Technical and Corporate (PSPS) in the development of a plan to ensure all necessary documentation was provided in a timely manner.

Members considered the update and made the following

comments:

- Members welcomed the progress and acknowledged the improvement compared to the previous year.

- One member commented on the complexity of monitoring parcels of land and property assets, noting the importance of accurate records.

AGREED:

That the External Audit Progress Report verbal update be noted.

22. GOVERNANCE AND AUDIT ANNUAL REPORT 2024/25

Consideration was given to the report of the Assistant Director – Governance (Monitoring Officer) which asked the Governance and Audit Committee to note the Governance and Audit Annual Report 2024/25 prior to its presentation at Council.

The Democratic Services Officer introduced the annual report and highlighted the following:

- The report (at Appendix 1) summarised the work undertaken by the Governance and Audit Committee during the 2024/25 municipal year;
- It served as a mechanism to highlight the achievements and activities of the committee in a clear and accessible format;
- The document included live links to relevant papers, allowing readers to explore topics in more detail if desired; and
- The recommendation was for members to note the report and recommend it to Council.

Members considered the report and made the following comments:

- Members expressed general support for the report and its purpose;
- The Chairman noted a couple of amends that would be made to his introduction; and
- The Committee agreed that the report was a good reflection of the Committee's work and should proceed to Council.

AGREED:

That the Governance and Audit Annual Report 2024/25 be noted and recommended to Council.

23. 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 stated that:

- Items scheduled for future meetings were outlined at Appendix 1; and
- A record of completed and planned member training was listed at Appendix 2.
    - The Risk Report training was ready to be rolled out to members and arrangements would be made after the meeting.

AGREED:

That the Work Programme be noted.

24. ANY OTHER ITEMS WHICH THE CHAIRMAN DECIDES ARE URGENT.

There were none.

(The meeting ended at 7.23 pm)

(End of minutes)