

Minutes of a meeting of the **GOVERNANCE AND AUDIT COMMITTEE** held in the Meeting Room 1, Council Offices, Priory Road, Spalding, on Thursday, 29 January 2026 at 6.30 pm.

PRESENT

M Geaney (Vice-Chairman, in the Chair)

C J T H Brewis

A Harrison
T Sneath

A Cartwright
G Hall

Apologies for absence were received from or on behalf of Councillors A C Beal, S Hutchinson and S-A Slade, and the Assistant Director – Governance (Monitoring Officer).

In Attendance: The Director of Finance (Section 151 Officer), Head of Finance Delivery - Technical and Corporate, the Business Intelligence and Change Manager, the Scrutiny and Policy Officer *virtual*, , the External Audit Manager (KPMG) *virtual*, the Internal Audit Manager (Lincolnshire County Council) and the Democratic Services Team Leader.

	<u>Action By</u>
<p>38. DECLARATION OF INTERESTS</p> <p>Councillor Brewis declared that he was a Director of PSPS.</p>	
<p>39. MINUTES</p> <p>Consideration was given to the minutes of the Governance and Audit meeting held on 13 November 2025.</p> <p>AGREED:</p> <p>That the minutes be signed by the Chairman as a correct record.</p>	
<p>40. ACTIONS</p> <p>Consideration was given to the responses to actions that arose from the 13 November 2025 Governance and Audit Committee meeting.</p> <p>AGREED:</p> <p>That the responses to actions be noted.</p>	
<p>41. EXTERNAL AUDIT YEAR END REPORT 2024/2025</p> <p>The external auditor introduced the External Audit Year End</p>	

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Report 2024/25, noting that the report had previously been considered by the Committee in November and that most content was unchanged. Members were advised that new material was highlighted in green, particularly pages 30 to 32 of the report, which explained the statutory backstop and the process for rebuilding assurance. The auditor confirmed that a full audit had been completed for 2024/25; however, assurance could not yet be rebuilt on certain comparative figures affected by previous disclaimers. As a result, a disclaimed audit opinion would be issued, although the auditor emphasised the substantially improved position compared to the prior year and expressed confidence that assurance should be capable of being rebuilt in the 2025/26 audit cycle. Page 40 of the report confirmed that related party testing had now been concluded however a declaration form had not been received from one councillor and from one member of the senior management team who had subsequently left the Council (although alternative procedures had been performed and the results of these were satisfactory).

The report was considered and the following issues raised:

- Members queried whether agreed lines of response were in place to respond to any external questions regarding the 2024/25 disclaimed audit opinion.
 - The Director of Finance (S151) advised that no draft statements had yet been prepared; however, any response would focus on national audit issues, the historic context, and the significant progress made in strengthening the 2024/25 accounts, with work continuing to ensure improvements were maintained into future years.
- Members raised concerns regarding the non-return of Related Party Transactions forms.
 - The Head of Finance Delivery explained that all councillors were contacted at year-end with a March issue date and an April deadline, supported by follow-ups as required. As a result of this finding, guidance would be expanded for 2025/26, and escalation processes strengthened to ensure completion of outstanding forms. In addition to a question from the Independent Co-opted Persons,

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officers advised that any requirement on them to complete a form annually would be clarified.

- Members asked what penalties might apply where an individual refused to complete a Declaration of Interest/Related Party Transaction form.
 - The Director of Finance (S151) noted that options were limited; however, a failure to declare an interest that later resulted in financial gain could constitute a serious matter, and non-completion placed the individual at personal risk.
- Members sought assurance regarding progress on the £32,000 rebuilding-assurance work (detailed within the Fees section) and whether associated fees represented value for money.
 - The external auditor confirmed that a full rebuilding-assurance risk assessment had been undertaken during 2024/25, that worked to rebuild assurance and would feed into 2025/26, resulting in an unmodified audit opinion going forward. With regard to Value for Money and who paid this fee, it was paid by the Council who had received a government grant which contributed to the associated costs. A separate report would be presented in the 2025/26 cycle in terms of the rebuilding assurance work.
- Members asked whether, with regard to the risk around Valuation of Land and Buildings, the absence of floor plans was the main factor affecting valuation accuracy.
 - The Head of Finance Delivery clarified that not all valuations required floor-area measurements; however, discrepancies in the 2024/25 valuation had arisen and were being prioritised. Work with the internal valuer had already corrected identified issues, and further improvements were planned for 2025/26.
- Members raised concerns that delays between officers, valuers and councillors may have contributed to additional audit costs.
 - The Head of Finance Delivery advised that

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management actions were being monitored closely, with significant improvement already achieved compared to previous years. Earlier audit completion for 2024/25 had also created additional capacity to prepare effectively for 2025/26.

- Members queried discrepancies in the number of properties recorded between the valuer and the Council.
 - The Head of Finance Delivery confirmed that the difference resulted from an error in preparing the draft accounts, which had since been corrected.
- Members asked whether a specific list of issues to be resolved ahead of the 2025/26 audit had been established, in order to avoid a disclaimed audit.
 - The Head of Finance Delivery confirmed that this work would be driven by KPMG's information requests and would form a two-way process over the coming months.
- Members requested clarification on whether any known or suspected material misstatements had been identified in the accounts.
 - The external auditor confirmed that the disclaimer stemmed solely from a lack of prior-year audit evidence and that no issues found in 2024/25 would have resulted in a modified opinion.
- Members sought information on what assurance still needed to be rebuilt and why this had not been completed earlier.
 - The external auditor explained that the main outstanding matter related to the split between usable and unusable reserves, with further work required on certain prior-year PPE additions.
- Members queried potential consequences if further disclaimers were issued beyond 2025/26.
 - The external auditor advised that sector-wide discussions were ongoing but emphasised the Council's strong position and proximity to rebuilding assurance.

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- Members asked what changes in systems, controls or data quality had strengthened the assurance position.
 - The external auditor reported significant improvements in financial-statement preparation, audit-evidence quality and valuation processes, with the 2024/25 closing valuation of land and buildings found to be materially correct.

- Members asked how the Council's position compared to the wider sector.
 - The external auditor advised that the Council was in line with sector norms and in a comparatively strong position, having completed the majority of required procedures and faced fewer years of disclaimer than some authorities.

- Members requested an update on the Risk 'Efficiency Programme 2023-24' with an October 2025 status of 'Not Implemented'.
 - The external auditor advised that the most recent update had been obtained shortly before the November committee meeting and that the matter would be followed up as part of the 2025/26 audit.

- Members asked what procedures were viable to mitigate the risk of management override of controls.
 - The external auditor confirmed that this was a presumed risk within all audits and that no additional specific risks had been identified. Standard procedures had been applied.

- Members queried the progress of related-party declarations.
 - The Head of Finance Delivery that a deadline was set, and confirmed that work was underway and that they were confident the process remained on track, with deadlines to be clearly emphasised for 2025/26.

- Members requested an update on the Section 113 management-recharge control process.
 - The Head of Finance Delivery advised that work was ongoing for both the 2025/26 year end and 2026/27

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budget cycles and expected to be completed for year-end.

AGREED:

That the External Audit Year End Report 2024/2025 be noted.

42. DRAFT TREASURY MANAGEMENT POLICY STATEMENT, DRAFT TREASURY MANAGEMENT STRATEGY STATEMENT, MINIMUM REVENUE PROVISION POLICY STATEMENT AND ANNUAL INVESTMENT STRATEGY 2026/27; AND TREASURY MANAGEMENT & INVESTMENT MANAGEMENT (NON-TREASURY) PRINCIPLES AND PRACTICES

The Head of Finance Delivery introduced the Draft Treasury Management Policy Statement, the Draft Treasury Management Strategy Statement, the Minimum Revenue Provision Policy Statement and the Annual Investment Strategy 2026/27, together with the Treasury Management and Investment Management (Non-Treasury) Principles and Practices.

Members were advised that the items represented core elements of the Council's governance framework and formed part of the wider budget setting process.

The Committee was informed that the Treasury Management Policy Statement remained unchanged, while the supporting strategies set out proposed prudential indicators, borrowing requirements, investment priorities and capital financing expectations for the next five years.

The officer summarised key sections of the appendices, including capital expenditure forecasts, the capital financing requirement, borrowing limits, interest rate forecasts, minimum revenue provision methodology and the annual investment strategy. The Committee was invited to comment prior to referral of the documents to Cabinet and Council.

The report was considered and the following issues raised:

- Members asked whether the Council was fully compliant with the Prudential Code, the CIPFA Treasury Management Code and statutory borrowing and investment limits.

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- Officers confirmed that the Council was compliant in all respects.
- Members queried how treasury and non-treasury risks were identified and monitored.
 - The Director of Finance (S151) advised that risk management was fluid, regularly reviewed and supported by layered controls that ensured a robust oversight framework.
- Members sought clarification on counterparty and credit-rating controls, asking how downgrades were managed in practice.
 - The Director of Finance (S151) explained that investments were only placed with approved counterparties; however, if a counterparty was downgraded after an investment had been placed, the Council would manage the position to maturity or withdraw funds promptly where possible, depending on the investment type.
- Members asked whether cashflow forecasts demonstrated sufficient liquidity under both normal and stressed conditions.
 - The Director of Finance (S151) confirmed that cashflow was monitored continuously, with modelling undertaken for stressed scenarios and with borrowing assumptions adjusted according to capital-spending profiles.
- Members sought assurance that all borrowing was supported by business cases, capital-programme requirements and affordability assessments.
 - The Director of Finance (S151) confirmed that all borrowing followed the approved governance framework and affordability tests.
- Members asked about the Council's non-treasury loan exposure, including loans to Welland Homes and South Holland Local Housing Company.
 - The Director of Finance (S151) confirmed that the exposure remained within approved limits and proportionate to resources, with further investment

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to be monitored to avoid over-exposure.

- Members asked whether any breaches of limits or Treasury Management Practices had occurred.
 - The Head of Finance Delivery advised that no breaches had occurred in 2024/25 and that any previous breaches had been reported to Members at the time.

- Members queried whether more than one PSPS officer received credit-rating alerts to avoid reliance on a single individual.
 - The Head of Finance Delivery confirmed that alerts were received by multiple team members.

- Members asked whether iTraxx crossover index rules affected treasury processes.
 - The Head of Finance Delivery confirmed, following advice from MUFG, that the crossover index was not relevant for the Council's treasury operations.

- With regard to the table at 2.4 of Appendix 2, Members sought clarification regarding fluctuations in expected investment balances, particularly reductions in capital-grant reserves.
 - The Head of Finance Delivery explained that these movements reflected the profiling of capital-financing requirements and the planned application of capital grants. The investments did fluctuate.

- With regard to the table at 3.3 of Appendix 2, Members queried whether interest rates were genuinely expected to remain static from December 2026 to March 2029.
 - The Head of Finance Delivery advised that this reflected MUFG's forecast as at 22 December 2025, with updates incorporated as new forecasts were issued.

- With regard to the table at 4.4 of Appendix 2, Members noted discrepancies between 'previously' and 'now' forecast tables and asked for confirmation.
 - The Head of Finance Delivery stated that the

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previously column reflected MUFG data from 11 August 2025, whereas the 'now' column reflected updated forecasts as at 22 December 2025.

- With regard to the table at 5.1.1 of Appendix 2, Members queried significant movements, including large fluctuations in planned expenditure in 2026/27.
 - The Head of Finance Delivery explained that these reflected profiling of specific capital projects, including Levelling Up Fund schemes, HRA investment and general-fund schemes such as the food-waste project.

AGREED:

That the comments of the Governance and Audit Committee in respect of the Treasury Management Policy (Appendix 1), the Treasury Management Strategy Statement, Minimum Revenue Provision Policy and Annual Investment Strategy 2026/27 (Appendix 2), and the Treasury Management & Investment (Non-Treasury) Principles and Practices (Appendix 3) be considered by Cabinet on 17 February 2026, and by Council on 26 February 2026, when the documents are to be considered as part of the budget report.

43. INTERNAL AUDIT PROGRESS REPORT - JANUARY 2026

The Audit Manager introduced the Internal Audit Progress Report for January 2026. Members were informed that since the previous update, several reviews had been completed, including the Capital Budget Monitoring review, the PSPS Contract review, the Leisure Services Procurement review, the Section 106 review and the Health and Safety Actions Implementation Review. Feedback questionnaire completion had now reached 100% following intervention by the Section 151 Officer. Progress against the 2025/26 Audit Plan was reported as 62.5% complete, with several reports finalised and others progressing through fieldwork. The Committee's attention was drawn to minor drafting amendments required within the report, and Members were invited to ask questions.

The report was considered and the following issues raised:

- Members queried whether sufficient resources were in place

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to complete the remaining 37.5% of the Audit Plan by year-end.

- The Audit Manager confirmed that adequate resources were available to deliver the outstanding work.
- Members raised concerns regarding the disappointing lack of feedback responses from Cabinet and portfolio holders referenced within the report.
 - The Audit Manager explained that three questionnaires had been outstanding because the original officer responsible had left the organisation; however, the new Section 151 Officer had since completed these, resulting in a 100% return rate.
- Members asked about the issue of some councillor and board member declarations of interest not having been submitted.
 - The Audit Manager advised that all areas subject to audit provide management actions where required, and that current monitoring showed no outstanding management actions, with all responses received or appropriately progressed.
- Members sought clarification on progress in strengthening internal controls across the partnership, particularly in relation to consistency and accountability.
 - The Audit Manager confirmed that all management actions identified through internal audit had either been completed or were within their expected completion timeframes, with none overdue at the time of reporting.

AGREED:

That the Internal Audit Progress Report be noted.

44. Q2 RISK REPORT 25/26

The Assistant Director – Governance introduced the Quarter 2 Risk Report for 2025/26. Members were advised that overall risk trends were positive, with several risks reducing and none increasing. Updates included proposals to move the external

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communications risk to the operational register, reductions in the capacity and net-zero target risks following recent assurance work, progress on key Housing Revenue Account (HRA) risks, and the addition of new risks relating to the HRA Business Plan and emergency repairs service staffing. Members were invited to raise questions on the report.

The report was considered and the following issues were raised:

- Members queried the rationale for removing the external communications risk from the strategic register.
 - The Business Intelligence and Change Manager explained that this was not a strategic risk unique to the Council but a service delivery matter better managed at an operational level. The risk would therefore be monitored within the operational risk register rather than being removed entirely.
- Members sought clarification on whether updates had been made to the SHDC23 Health and Safety risk since the Quarter 2 extraction date.
 - The Business Intelligence and Change Manager confirmed that the register was a live document and that if audit actions due by the end of Q2 had not been completed, the risk score would change accordingly. The officer undertook to provide the Committee with the updated Quarter 3 position once reviewed.
- Members raised concerns regarding the narrative for the Local Government Reform risk, suggesting it may now be outdated.
 - The Business Intelligence and Change Manager stated that while wording may be refreshed, the risk remained relevant as future requirements were still unclear. It was expected that a standalone Local Government Reform risk register may be required in future.
- Members asked for an update on the new SHDC RA16 Repairs Service Staffing risk, particularly regarding recruitment progress.
 - The Business Intelligence and Change Manager

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noted that the Quarter 2 report pre-dated key recruitment milestones and confirmed that an updated position would be obtained and shared. The high rating reflected the significant health, safety and reputational implications of the service.

- Members sought clarification on whether the Environment Act 2021 risk related specifically to food waste collection and whether delays in vehicle procurement had contributed to the high risk score.
 - The Business Intelligence and Change Manager confirmed that the risk covered the Council's overall readiness to implement the Act, including food waste services, and acknowledged that procurement-related delays were a contributing factor.

- Members requested an explanation of the 'civil contingencies' risk.
 - The Business Intelligence and Change Manager advised that this related to emergencies requiring a coordinated multi-agency response under the Civil Contingencies Act, such as major flooding or significant incidents.

- Members asked whether contingency plans were in place if anticipated government funding relating to SHDC RA14 did not materialise.
 - The Business Intelligence and Change Manager undertook to seek clarification from the service area and provide an update once available.

- Members queried updates to the TRN16 emergency repairs service staffing risk, noting several milestone dates had passed.
 - The Business Intelligence and Change Manager advised that a wider update would be sought and shared with the Committee.

- Members queried whether projected housing growth was being factored into forward planning for future waste collection

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rounds.

- The Business Intelligence and Change Manager confirmed that growth estimates formed part of service planning and around review activity and undertook to provide further detail on the modelling assumptions.
- Members asked whether the financial reporting training for staff, referenced in mitigation FO4 and scheduled for rollout in 2024, had taken place.
 - The Business Intelligence and Change Manager agreed to confirm whether the training had been delivered and to update the risk narrative to reflect either completion or future training plans.

AGREED:

That the quarterly risk monitoring information for Q2 of 2025/26 be noted.

45. WHISTLEBLOWING POLICY

The Scrutiny and Policy Officer introduced the updated Whistleblowing Policy. Members were informed that the policy had been reviewed as part of the partnership-wide alignment of governance documents, with the intention of ensuring consistent procedures for reporting concerns across all partner councils.

The Scrutiny and Policy Officer explained that the policy reflected statutory obligations under the Employment Rights Act 1996 and set out clear protections for workers making protected disclosures. Consultation had taken place with Internal Audit, the Monitoring Officer, Human Resources, the Senior Leadership Team, the Joint Consultative Committee and the Portfolio Holder. Members were advised that approval was sought for the revised policy, with delegated authority to the Monitoring Officer to make minor updates in future.

The report was considered and the following issues were raised:

- Members queried why councillors were not listed within the scope of the Whistleblowing Policy.
 - The Scrutiny and Policy Officer explained that

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councillors were not classed as workers for the purposes of whistleblowing legislation and therefore had alternative avenues for raising concerns. The policy applied specifically to workers, including employees, contractors, consultants and agency staff, whereas complaints about or by councillors would be addressed under separate governance processes and the councillor complaints policy.

- Members asked whether the policy would be formally rolled out to officers and staff or whether it would simply replace the existing policy.
 - The Scrutiny and Policy Officer confirmed that, although the updated policy was similar to the previous version, there would be a coordinated internal communication exercise. This would include working with the Section 151 Officer and Monitoring Officer to refresh staff awareness, highlight where policies could be accessed on the intranet, and ensure all officers were familiar with reporting routes and responsibilities.

AGREED:

- 1) That the Whistleblowing Policy be approved; and
- 2) That the Monitoring Officer be delegated to review and make minor amendments to the Whistleblowing Policy to reflect changes in legislation, statutory guidance or contact details.

46. GOVERNANCE & AUDIT PERSONAL SKILLS AUDIT

The Scrutiny and Policy Officer introduced the report on evaluating the knowledge and skills of Governance and Audit Committee members. It was explained that the skills audit had been agreed as part of the previous year's self-assessment process and aimed to support members in identifying areas for development. Members were advised that the audit would be issued both electronically and in hard copy and that the results would feed into the next self-assessment later in the year. The questions were based on the CIPFA knowledge and skills framework, and the audit was intended to help ensure the Committee collectively possessed the appropriate skills and

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knowledge to discharge its responsibilities.

The report was considered and the following issues were raised:

- Members asked whether the skills audit could be completed in hard copy rather than online.
 - The Scrutiny and Policy Officer confirmed that hard copies would be made available on request and arrangements would be made for completed forms to be scanned and returned for inclusion in the results.
- Members queried whether a similar skills audit could be rolled out more widely to all councillors.
 - The Scrutiny and Policy Officer responded that while this had not originally been considered, the idea had also arisen during a recent skills audit undertaken elsewhere in the partnership. The officer confirmed it was something that could be explored further if members felt it would be beneficial.
- Members sought reassurance about the purpose of the audit, noting that it should be for members' own benefit rather than an assessment of competence.
 - The Scrutiny and Policy Officer confirmed that the audit was intended to support members in identifying areas for further development and training. Members were advised that the audit was not a test, nor would responses be shared widely; names would only be used where necessary to support individual development conversations and would not appear in reported results.

AGREED:

That Committee members complete the Personal Skills Audit.

47. 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.

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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.

AGREED:

That the Work Programme be noted.

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

There were none.

(The meeting ended at 8.15 pm)

(End of minutes).