

Minutes of a Meeting of the Audit and Governance Committee held in the Hub, Mareham Road, Horncastle, Lincolnshire LN9 6PH on Wednesday, 5th July, 2023 at 1.00 pm.

#### PRESENT

Councillors Stef Bristow, Danny Brookes, Will Grover, Rosalind Jackson, Sam Kemp, Thomas Kemp, Jill Makinson-Sanders, Edward Mossop and Alex Hall.

Councillor Alex Hall attended the Meeting as a Substitute.

Councillor James Knowles attend the Meeting as an Observer.

#### OFFICERS IN ATTENDANCE:

Christine Marshall	- Deputy Chief Executive (Corporate Development) and S151 Officer
John Medler	- Assistant Director Governance & Monitoring Officer
Samantha Knowles	- Chief Finance Officer, PSPS Limited
Matthew Waller	- Internal Audit Manager, Assurance Lincolnshire
David Postle	- Wellbeing Service Manager
Suzanne Rolfe	- Insights & Transformation Manager
Ann Good	- Democratic Services Manager
Lynda Eastwood	- Democratic Services Officer

### **3. APOLOGIES FOR ABSENCE:**

No Apologies for absence were received.

It was noted that in accordance with Regulation 13 of the Local Government (Committees and Political Groups) Regulations 1990, notice had been given that Councillor Alex Hall had been appointed to the Committee in place of Councillor James Knowles for this Meeting only.

### **4. ELECTION OF CHAIRMAN:**

It was proposed and seconded that Councillor Will Grover be elected Chairman.

It was further proposed and seconded that Councillor Ros Jackson be elected Chairman.

Upon being put to the vote, the result was as follows:

In favour of Councillor Will Grover being elected to Chairman – 4 votes.

In favour of Councillor Ros Jackson being elected to Chairman – 5 votes.

#### RESOLVED:

That Councillor Ros Jackson be elected Chairman of the Audit and Governance Committee for the Council year 2023/24.

**5. ELECTION OF VICE-CHAIRMAN:**

It was proposed and seconded that Councillor Will Grover be elected Vice-Chairman.

It was further proposed and seconded that Councillor Jill Makinson-Sanders be elected Vice-Chairman.

Upon being put to the vote, the result was as follows:

In favour of Councillor Will Grover being elected to Vice-Chairman – 4 votes.

In favour of Councillor Jill Makinson-Sanders being elected to Vice-Chairman – 4 votes.

There was 1 abstention.

Chairman's casting vote was in favour of Councillor Jill Makinson-Sanders.

RESOLVED:

That Councillor Jill Makinson-Sanders be elected Vice-Chairman of the Audit and Governance Committee for the Council year 2023/24.

**6. DISCLOSURE OF INTERESTS (IF ANY):**

At this point in the meeting, Members were invited to declare any relevant interests.

There were no disclosures of interest received.

**7. MINUTES:**

The Minutes of the Meeting held on 15 March 2023 and the Minutes of the Special Meeting held on 24 May 2023 at the rising of the AGM were agreed as a correct record.

**8. CHAIRMAN'S UPDATE:**

The Chairman welcomed all Members.

**9. ACTION SHEET**

Members were referred to the Action Sheet, pages 17 to 26 of the Agenda refer.

Members noted that the actions from previous meetings were confirmed as completed or in hand as follows:

A Member commented that there used to be training sessions before Audit and Governance Committee meetings and requested that these be reconvened. The S151 Officer acknowledged Members' comments received and confirmed that a detailed programme of training was currently being put together.

#### **10. INTERNAL AUDIT ANNUAL REPORT 2022/23:**

The Internal Audit Manager, Assurance Lincolnshire presented Members with the Internal Audit Annual Report 2022/23, pages 27 to 50 of the Agenda refer. The purpose of the report was to give the annual opinion and outcome of the internal work undertaken during the year.

The purpose of the report was to meet the Head of Internal Audit annual reporting requirements as set out in the Public Sector Internal Audit Standards (PSIAS) and the Accounts and Audit Regulations 2020.

Further information was contained within the introduction, detailed at page 30 of the Agenda.

It was highlighted to Members that based on the work undertaken and information from other sources of assurance, that the opinion on the adequacy and effectiveness of the Council's arrangements for the following areas were:

Governance – Performing adequately  
Risk – Performing well  
Internal Control – Performing adequately  
Financial Control – Improvement needed

The details relating to these opinions were detailed within the report, pages 32 to 40 of the Agenda refer.

Comments and questions were responded to as follows:

A Member raised a concern regarding delivery of reports by the finance team function and whether there was sufficient resource to deliver this. The S151 Officer responded that reports were late due to the expertise not being in place to turn them around quickly enough and also the implementation of a new finance system. Members were advised that plans were in place to address the problems, however the main issue was recruiting people with local government experience into the finance roles as it could take a long time to train someone from the private sector in local authority accounting. It was confirmed that there was another key person due to start with PPSPL shortly and resources were in place.

A Member queried how the Invest East Lindsey (IEL) issues were going to be addressed, following which the S151 Officer advised that there was an audit report coming to the next Committee meeting with regards to

lessons learnt concerning the creation of and early operation of Invest East Lindsey.

A Member commented that it was agreed by Overview Committee to have Invest East Lindsey (IEL) as part of its scrutiny and considered that it should be brought forward as an early topic.

A Member raised a serious concern with the current situation, in particular to Kingfisher Caravan Park (KCP) and stressed that this should take priority. The S151 Officer explained that it was for scrutiny to look at and come to its own conclusions and recommendations.

With regards to IEL, a Member queried how the Council's audit overall was affected after the external auditors had issued its qualified opinion. The S151 Officer advised that the Council's accounts would be issued with an opinion and then a set of group accounts would be created and it was these which would be affected.

A Member referred to the Limited Assurance that was issued to the Section 106 Audit, page 36 of the Agenda refers. The Internal Audit Manager advised that there would need to be a follow-up review in six months, following which Committee would be given an oversight on which actions had been implemented.

A Member referred to the Performance on Key Indicators, page 45 of the report refers and queried what percentage of recommendations had now been implemented. The Internal Audit Manager agreed to report back to the Committee with the figures.

No further comments or questions were received.

Following which, it was

RESOLVED:

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

#### **11. WRITTEN POSITION STATEMENT RESPONSE TO DLUHC LETTER:**

Sam Knowles, Chief Finance Officer, PSPS Limited provided Members with a verbal update.

A copy of the letter received from the Department for Levelling Up, Housing and Communities (DLUHC) was attached at pages 51 to 53 of the Agenda. The letter referred to the low number (12%) of local government bodies audited accounts for 2020/21 that had been published by the 30 November deadline.

Members were invited to put their comments and questions forward.

A Member queried whether any lessons were to be learned from this for the Council. The Chief Finance Officer, PSPS Limited advised that there were a number of matters that were out of their hands, however there was regular communication and contact in place. It was further highlighted that there were also issues regarding the resources within the Finance team, therefore deadlines had been revised and the team was now working to meet them.

A Member commented that the handover between Mazars and KPMG (the new external auditors) was quite critical as Mazars had a good working relationship with ELDC and queried what steps had been undertaken to ensure ELDC had an experienced auditor assigned to them. The S151 Officer advised that because ELDC was in a Partnership of three councils, it was allocated a more senior partner. Following a further query whether the choice of auditor was made for the Council, it was confirmed that the Public Sector Audit Appointments (PSAA) made that decision.

## **12. RISK MANAGEMENT REPORT:**

Suzanne Rolfe, Group Manager (Insights and Transformation) presented Members with the Risk Management Report, pages 55 to 59 of the Agenda refer. A copy of the Quarter 4 Strategic Risks Register (SRR) was attached at Appendix A, pages 61 to 71 of the Agenda refer.

Members were advised that the SRR had been reviewed by the quarterly risk clinic and by Senior Leadership Team to provide the Q4 position statement. Further details were contained in Paragraphs 2 and 3 of the report, pages 57 to 58 refer.

The Group Manager (Insights and Transformation) reported that positive feedback had been received from the auditors on the risk policy. The feedback was useful with assurance around the items that were already in the policy as well as good practice suggestions for improvement. The draft Policy would be brought to the next meeting in September.

Another element that was brought to Members' attention was the Strategic Risk Register summary of changes, section 2.2 on pages 56 to 57 of the report refer. The Group Manager (Insights and Transformation) pointed out that the Q1 review of risks was underway and any emerging risks in the risk register review would be identified and included in the covering report.

Members were invited for their comments and questions.

A Member referred to CORP001(a), page 61 of the Agenda refers, and suggested that there needed to be more information as it was unclear with regards to what the risk was about.

A Member further queried how the Council would balance the budget if there was a reduction in future funding and whether there was a plan in

place going forward. The Group Manager (Insights and Transformation) advised that the comments would be picked up.

A Member referred to CORP002, page 62 of the Agenda refers and queried the matrix score on page 70 of the Agenda, pointing out that with a score of 10, the scoring should be Amber. The Group Manager (Insights and Transformation) advised that this may be incorrect and would look in to it.

A Member commented that when looking at the risk register they expected to see target risks and future actions, along with risk appetite per category. The Member also suggested that with regards to Risk No. 1 and 2, it would be better to merge these into one.

There were further queries that related to CORP012 'Technology Infrastructure failure', pages 67 of the Agenda refers as follows:

A query was raised with regards to Risk No. 14 'Cyber Incident' and whether penetration testing took place and to Risk No. 15 'Capital Programme' as to whether there was a project management methodology. It was confirmed that penetration testing was in place, however, would need to check when it was last undertaken. It was confirmed that a Council project management methodology was in place.

With regards to Risk No. 17 'General Fund Assets', page 69 of the Agenda refers, a query was raised whether this should be on the register when the risk was low. Members were advised that low risk items were often kept on the register so they could be reviewed, and would subsequently be taken off the register if there were too many.

A Member further queried whether the rating was appropriate on Risk No. 18 'Economic Hardship'. The Group Manager (Insights and Transformation) advised that the target risk score, along with the inherent risk score and current risk score would be included in the new policy, furthermore some risk appetite work would also take place.

The Group Manager (Insights and Transformation) advised that she would review all of the risks and would take into account Members' comments made around Risk Nos. 1, 2, 14, 15, 17 and 18.

A Member referred to CORP003 'Business continuity and recovery in the event of a major incident or event', page 63 of the Agenda refers, and queried whether any testing would be carried out to check that the business continuity plans actually worked.

A Member further referred to CORP012 'Technical Infrastructure Failure', page 67 of the Agenda refers and commented that a score of 2 was too low and having seen the outages that had taken place over recent months, considered that the score should be higher.

With regards to Risk 14 'Cyber Incident', page 67 of the Agenda refers, questions were raised with regards to how many cyber attacks had taken

place over the last two years, the frequency of the attacks and how many were successful. The Group Manager (Insights and Transformation) advised that testing was carried out as part of the business continuity plans but would respond to Members with details of the next testing date, along with details on cyber attacks.

A Member referred to CORP001(b) 'Economic Growth', page 62 of the Agenda refers and queried whether the score should be at a higher level so that it tied in with the matrix score on page 69 of the Agenda.

A Member commented that risks could also present opportunities and the Group Manager (Insights and Transformation) advised that the auditors had picked this up in the policy and were looking into it.

Following which, it was

RESOLVED:

That the Risk Management Report be noted.

### **13. ANNUAL SAFEGUARDING REPORT 2022/23:**

David Postle, Strategic Safeguarding Lead and Wellbeing Service Manager presented Members with the Annual Safeguarding Report 2022-2023, pages 73 to 78 of the Agenda refer. A copy of the Strategic Safeguarding Plan was attached at Appendix A, pages 79 to 82 of the Agenda refer.

Members were advised that the report provided an overview of the Council's safeguarding activity from 1 April 2022 to 31 March 2023. It sought to provide assurance that the Council was vigilant in keeping people safe and to challenge any areas which could further improve the Council's current approach to guard against complacency.

Members were also advised that the Safeguarding Policy was due for renewal and the Strategic Safeguarding Lead and Wellbeing Service Manager was currently undertaking that work and once completed it would be published replacing the existing policy.

With regards to training, the Strategic Safeguarding Lead and Wellbeing Service Manager advised that the training programme was being moved to the electronic HR system and then staff would receive their annual training and would allow generating reports on training to become easier.

The Strategic Safeguarding Lead and Wellbeing Service Manager also highlighted the team's approach to case management and advised Members that they were returning to using a central recording system.

Members were invited to put their comments and questions forward.

A Member raised a concern with regards to resources, training and the monitoring of incidents within the team. The Strategic Safeguarding Lead

and Wellbeing Service Manager detailed the structure of the Safeguarding team and confirmed that it was sufficiently resourced. Members were assured that the team was aware and on top of their responsibilities and that their training needs were being met.

A Member queried how many staff within the team were trained in safeguarding, to which the Strategic Safeguarding Lead and Wellbeing Service Manager responded that all staff were trained and it was a rolling programme over 6 years where staff completed one module per year before it refreshed and started again. Furthermore, extra training may be required which was dependent on what level the member of staff was at.

A query was raised in relation to Hate Crime. The Strategic Safeguarding Lead and Wellbeing Service Manager advised Members that the Community Safety Partnership Officer would be providing a report back to Committee on Hate Crime when a format had been agreed.

A Member queried whether they would have to attend Safeguarding training if this had been undertaken elsewhere. The Strategic Safeguarding Lead and Wellbeing Service Manager advised that as a Councillor they would be required to undertake the relevant training offered by the Council.

A Member queried whether any safeguarding incidents had taken place. The Strategic Safeguarding Lead and Wellbeing Service Manager advised Members that concerns were reported to Lincolnshire County Council very infrequently and as with all areas of safeguarding, the team was always learning from safeguarding practices underway across other parts of the country.

Following which, it was

RESOLVED:

That the Annual Safeguarding Report 2022-2023 be noted.

#### **14. LOCAL CODE OF CORPORATE GOVERNANCE:**

John Medler, Assistant Director, Governance and Monitoring Officer presented Members with a report, together with a copy of the Local Code of Corporate Governance, pages 83 to 100 of the Agenda refer.

Members were advised that the Local Code of Corporate Governance was designed to support the Council in meeting its commitment to achieving good corporate governance. This committee was being asked to consider whether the revised and updated document accurately reflected the Council's governance arrangements and ensured it was meeting the core principles as set out in the CIPFA guidance 'Delivering Good Governance in Local Government'.

Members were invited to put their comments and questions forward.



A Member referred to 'Robust internal control', page 96 of the Agenda refers and queried whether 'Audit Manager role compliant with CIPFA Statement on the Role of the Head of Internal Audit (2010)' should now be amended since the code was updated in 2019. The Assistant Director, Governance and Monitoring Officer advised that it should read 2019 and made a note to update it.

A Member referred to the Core Principle A – Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law 'Member register of interests published, and declaration of interests made at meetings', page 90 of the Agenda refers and suggested that Members were not disclosing their interests in the correct manner. With regards to Member and staff register of gifts and hospitality, a Member further queried where this information was retained and what detail staff had to declare. The Assistant Director, Governance and Monitoring Officer confirmed that the responsibility was with the Members to declare their disclosure(s) of interests and confirmed that the completed DPI forms were checked.

In response to the query regarding gifts and hospitality, the Assistant Director, Governance and Monitoring Officer stated that those items were recorded through the completion of a form and retained in the Democratic Services records. Staff interests and gifts and hospitality were recorded in line with the Code of Conduct for Officers.

A Member queried how accessible the staff declaration of interest forms were, to which the Assistant Director, Governance and Monitoring Officer advised that they were not publicly accessible as they did not have the same requirements as declaring interests for elected Members.

A Member made an observation that the report would improve if more links were included and referred to Core Principle E, page 95 of the Agenda refers as an example. The Assistant Director, Governance and Monitoring Officer highlighted that the Local Code of Corporate Governance was a document that evolved over time. Further to a query with regards to including subsidiary companies and amending the Terms of Reference in the Constitution, Members were advised that this would be undertaken by the Committee's Constitution Working Group who would review and advise accordingly.

Following which, it was proposed and seconded that the report be approved.

RESOLVED:

That the Local Code of Corporate Governance 2023-2026 be approved.

## **15. COMBINED ASSURANCE STATUS REPORT:**

John Medler, Assistant Director, Governance and Monitoring Officer presented Members with the Combined Assurance Status Report, pages 101 to 120 of the Agenda refer.

Members were advised that the Combined Assurance Status Report provided a record of assurance against the Council's critical services, key risks, partnerships and projects and supported the Council's commitment to achieving good corporate governance.

Members were invited to put their comments and questions forward.

A Member queried whether the narrative was as consistent as it could be over the different workstreams and whether there were any synergies between the External Audit Report and the Combined Assurance Status Report.

A Member queried whether there were any comparators with councils of a similar demographic profile. It was highlighted that there used to be a group of councils that were used for comparisons which was a useful benchmark to check against the Council's performance.

A Member further queried on what the emerging risks coming through were on critical activities regarding alignment, page 120 of the Agenda refers and also why it was in the critical red rating.

The Internal Audit Manager responded that not everyone used benchmarking, however Assurance Lincolnshire worked across other districts in Lincolnshire and was happy to pass that comparison information on for Members to look at.

With regards to alignment, the Assistant Director, Governance & Monitoring Officer commented that this was used where services were working together more closely and operating with different processes and procedures, whereby it would be picked up as a risk within the partnership arrangement.

A Member considered that the assurance framework was a good model, however referred to page 114 of the Agenda and questioned the red zero per cent rating for Deputy Chief Executive – Corporate Development. The S151 Officer pointed out that it had been classed as red in the Emerging Risks on page 120 and suggested that the report be amended to show red on page 114. It was agreed that further work would be carried out to improve and develop the report and any feedback from Members was welcome.

A Member referred to the Key Messages 'Strategic Partnership Working' relating to the recruitment and retention of staff, page 117 of the Agenda refers, and suggested that it may need to be looked at as a red risk, not amber. The S151 Officer responded that staffing and recruitment nationally was an issue and certain skill sets were unrecruitable so would be happy for this to move to red.

A Member queried whether there was a document outlining ELDC's approach to recruitment and retention of staff. The S151 Officer responded that there was a Workforce Development Strategy which had been approved through Executive Board.

The Internal Audit Manager further commented that recruitment and retention was included as part of the Audit Plan.

The Assistant Director, Governance & Monitoring Officer clarified that the Combined Assurance Status Report was the view of the Management and the Internal Audit Report was the view of the internal auditors. There were three reports in total, Management, Internal Audit and External Audit, therefore they all looked slightly different.

Following which, it was

RESOLVED:

That the findings illustrated in the assurance framework detailed within the Combined Assurance Status Report 2022/23 (attached at Appendix A) was operating effectively as part of the Council's corporate governance arrangements be noted.

**16. DRAFT AUDIT & GOVERNANCE COMMITTEE WORK PROGRAMME 2023/24:**

Members were presented with the Audit & Governance Committee Work Programme 2023/24, pages 121 to 122 of the Agenda refer.

A Member queried why the Invest East Lindsey audit report had been delayed for so long. The Internal Audit Manager advised Members that it had been due to a lack of staff resource, however assured Members that the report would be presented to Committee in September.

Following a discussion, it was agreed that the Internal Audit Progress Report and the update in respect of RIPA 2000 should be moved from the September meeting to the November meeting.

The Chairman suggested that an informal meeting be set up with Committee Members which could be combined with some training before the next Meeting.

It was further highlighted that there were items on the Work Programme that need to be amended, including the addition of an item for the review of the Constitutional Working Group.

A Member queried whether there was a review of Committee effectiveness on an annual basis for the Audit and Governance Committee and it was confirmed that it should be included on the Work programme.

A Member made reference to the draft copy of the Annual Governance Statement 2022/2023 and queried whether the 2021/2022 outstanding actions would be incorporated in to the new statement. The S151 Officer advised Members that there would be an Action List update produced by the Group Manager (Insights and Transformation) on a regular basis.

A Member pointed out that one of the Independent Members on the Committee had resigned and the term of office for the remaining Independent Member was due to finish in October 2023. The Assistant Director, Governance and Monitoring Officer suggested bringing the Report forward to September's meeting to address the vacancy and the future position of the existing Member whose term was due to expire.

Following which, it was

RESOLVED:

That the Audit and Governance Committee Work Programme 2023/24 be noted.

**17. EXCLUSION OF THE PUBLIC AND PRESS:**

It was proposed and seconded that the public and press be excluded from the meeting.

RESOLVED:

That under Section 100(A) of the Local Government Act 1972, the press and public be excluded from the meeting for the following items on the grounds that, if they were present, there could be disclosed exempt information as defined at paragraph 3 of Part 1 of the Schedule 12A of the Act (as amended).

*N.B. David Postle, Wellbeing Service Manager, Suzanne Rolfe, Group Manager (Insights and Transformation) and Matt Waller, Internal Audit Manager left the Meeting at 3.00pm.*

**18. PROPERTY FUND UPDATE:**

A confidential report was submitted by the Interim Treasury and Investment Manager, PSPS Limited which enabled Members to consider an update on property fund matters, pages 123 to 128 of the Agenda refer.

RESOLVED:

That the information contained within the exempt minute be noted.

**19. DATE OF NEXT MEETING:**

The date of the next Meeting was confirmed as Wednesday 27 September 2023.

The meeting closed at 3.10 pm.