

Minutes of a Meeting of the Audit and Governance Committee held in the Hub, Mareham Road, Horncastle, Lincolnshire LN9 6PH on Wednesday, 19th June, 2024 at 10.15 am.

PRESENT

Councillor Rosalind Jackson (Chairman)  
Councillor Jill Makinson-Sanders (Vice-Chairman)

Councillors Stef Bristow, Danny Brookes, Richard Fry, Sam Kemp and Edward Mossop.

Mr Walter Leschenko attended the Meeting as an Independent Co-Optee.

GUESTS IN ATTENDANCE:

James Boyle - External Audit Manager, KPMG  
Jonathan Pocock - Senior Auditor, LCC (Virtual)

OFFICERS IN ATTENDANCE:

Nicole Hayes - Senior Finance Business Partner PSPS  
Christine Marshall - Deputy Chief Executive (Corporate Development) and S151 Officer  
John Medler - Assistant Director Governance & Monitoring Officer  
Matthew Waller - Internal Audit Manager, Assurance Lincolnshire  
Laura Allen - Democratic Services Officer

**3. APOLOGIES FOR ABSENCE:**

Apologies for absence were received from Councillor James Knowles.

*N.B. Councillor Sam Kemp joined the Meeting at 10.16am.*

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

At this point in the meeting, Members were invited to declare any relevant interests. None were received.

**5. MINUTES:**

The Minutes of the Meeting held on 27 March 2024 and the Special Meeting held at the rising of the Annual General Council Meeting on 22 May 2024 were agreed as a correct record.

**6. CHAIRMAN'S UPDATE:**

The Chairman reminded Members that notes from the liaison meeting with the Leader of the Council had been circulated to Members by email and that the next liaison meeting was scheduled to take place with Committee Chairs and Executive Board Members in November 2024. The Chairman further advised Members that a briefing for Committee Members was taking place after today's Meeting on Towns Fund Projects followed by a session with the External Auditors KPMG in line with best practice.

In reference to the meeting with the Leader of the Council, a Member requested clarification on the risk implication in relation to the ongoing staffing issues with PSPS. In response, the Deputy Chief Executive (Corporate Development) and Section 151 Officer advised Members that PSPS met with the Chief Finance Officer on a monthly basis to review resourcing. The Section 151 Officer acknowledged there was a national shortage for the recruitment of finance and audit staff and that increased staff training requirements for ELDC would require continued investment over time.

**7. ACTION SHEET:**

Members were referred to the Action Sheet, pages 21 to 22 of the Agenda refer.

Members noted that the actions from the Meeting held on 27 March 2024 and 22 November 2023 were confirmed as completed or in hand as follows:

*Action No. 72 from the meeting held on 27th March 2024, page 21 of the Agenda refers.*

A Member queried information provided to Members during planning training that the Section 106 Officer had recently left their role and a new officer had been appointed that was based at South Holland. In response, the Section 151 Officer advised Members than a further update would be provided to the Committee as a future Action.

**8. Q4 RISK REPORT 2023/24:**

Suzanne Rolfe, Group Manager - Insights and Transformation presented Members with the Q4 Risk Report 2023/24, pages 23 to 36 of the Agenda refer. A copy of the Quarter 4 Strategic Risks Register (SRR) was attached at Appendix A, pages 29 to 36 of the Agenda refer.

Members were invited to put their comments and questions forward.

- A Member commented on risks that required more visibility which included business rate rebate uncertainty and divesting of property bonds due to impending MRP changes and supported that these potential risks needed to be clearly identified.

- In reference to Paragraph 2.4, where Ash tree dieback was classified as a high operational risk, a Member queried the extent of the risk and whether financial and environmental impact considerations were included, page 26 of the Agenda refers. In response, the Group Manager – Insights and Transformation advised Members that further clarification on the risk would be obtained from the lead officer.
- In further reference to Paragraph 2.4, Members queried the reasons that ‘Skegness Waterway’ and ‘sand’ was classified as a high operational risk and made comment on the risks that had not been included.

The Group Manager - Insights and Transformation advised Members that the headlines of risks had been simplified to balance the level of detail against the Committee’s responsibility to have assurance. The Group Manager - Insights and Transformation confirmed that additional detail would be included in the Risk Register and further details would be shared.

- A Member commented on the hard copy format of the Q4 Strategic Risks included at Appendix A, pages 29 to 36 of the Agenda refer. In response, the Group Manager - Insights and Transformation advised Members that future papers would be circulated to Members on A3 paper to ensure good readability.
- A Member further spoke in support of increasing the level of detail under risk headlines and agreed that a sub section should be created for business rate rebate risks and for risks to include elements of the budget. In response, the Group Manager - Insights and Transformation advised Members that a review of the wording would be undertaken with the Section 151 Officer.
- In reference to ELDC19 - Identification and Suitability of future Depot Accommodation, a Member queried the details behind the risk score that was allocated and whether internal communications were improving, page 31 of the Agenda refers. In response, the Group Manager - Insights and Transformation confirmed to Members that the risk scores included current and target risks and that the depot accommodation was currently a high risk with mitigating actions aimed to reduce the risk to medium. Members were advised that directions of travel and whether target risks were being met would be observed across the next few financial quarters.
- In reference to ELDC12 & ELDC13 – Technology Infrastructure failure and Cyber Incident, a Member commented on the high-risk score following mitigation measures and queried whether it was ELDC or PSPS who wished to tolerate the high-risk situation, page 30 of the Agenda refers. In response, the Group Manager - Insights and Transformation explained to Members that challenges

existed for reducing IT risk from high and that while mitigation action would continue, the risk from the impact of an incident would always remain high.

The Group Manager - Insights and Transformation further advised Members that the IT Manager and the Client Lead had worked together to make the decision on classifying the risk and that further information would be provided to the Committee following subsequent risk reviews.

- In reference to Paragraph 2.3 and the supporting table, a Member commented that four out of the eight risks did not have any mitigations and queried whether risks to the benefits to the Partnership had been identified and included in the risk register, page 25 of the Agenda refers. In response, the Group Manager - Insights and Transformation informed Members that the risks originated from the Memorandum of Agreement (MOA) and that there were opportunities for scrutiny of the risk register annually which would incorporate risks in relation to benefits to the partnership.
- A Member queried whether the Council's risks were affected by relationships with Local Authority Company's (LACo) and commented on Triton Knoll and the windfall investment of £9m for market towns and villages. In response, a Member commented that communications across the Partnership and between Members were a risk where information was not disseminated.
- In relation to fraud risk, a Member requested assurance that the fraud risk register was reviewed and all aspects were assessed. In response, the Group Manager - Insights and Transformation confirmed that fraud risk headlines had been included in the current report and that the risk register would be updated as part of ongoing reporting.

The Section 151 Officer informed Members that a full review was undertaken in 2023 with the assistance of the internal auditor to mainstream the fraud risk assessment and management process. The Council did not hold a separate risk register as the risks were consolidated into one register. Further assurance was provided that other arrangements were in place to minimise and mitigate against fraud including a control framework which had recently been enhanced across the Partnership to include counter fraud arrangements.

No further comments or questions were received.

Following which, it was

RESOLVED:

That the Q4 Risk Report 2023/24 be noted.

## **9. INTERNAL AUDIT ANNUAL REPORT & OPINION 2023/24:**

Matthew Waller, Internal Audit Manager presented Members with the Internal Audit Annual Report & Opinion 2023/24, pages 37 to 50 of the Agenda refer. The purpose of the report was to give the annual opinion and outcome of the internal audit work undertaken during the year to inform the Annual Governance Statement, concluding on the adequacy and effectiveness of the Council's governance, risk and control framework.

A summary of the findings of the assurance reviews throughout 2023/24 was included at Appendix A and were categorised under the headings of substantial, adequate, limited and no assurance, page 50 of the Agenda refers.

The Internal Audit Manager assured Members that the Council was in a good position to carry out internal audit work for 2024/2025 as last year's performance statistics were positive and that the achievement of targets and KPI's (Key Performance Indicators) had resulted in almost the entire audit plan being delivered by the end of March 2024.

Members were invited to put their comments and questions forward.

- Members spoke in support of the report and praised the Audit and Governance Committee for their contribution to promoting good governance and their commitment to undertake training to further understanding.
- A Member queried the aspirations of the Senior Leadership Team (SLT) and Executive Board to obtain a level of substantial assurance of more than 50% across all areas that were reviewed and further queried whether a KPI had been assigned to achieve better. In response, the Section 151 Officer assured Members that aspirations were held to level up auditing across the board and that the finance team aspired to balance effort with reward to ensure a very good to excellent level of control. The Section 151 Officer spoke in support of the work undertaken by the finance team and confirmed that time and effort was being taken to improve all areas and stressed that it was sometimes necessary to look beyond the figures at what added value.
- A Member queried the process for determining the client feedback rating and the presence of creative challenges which may exist between the Council and the Internal Auditor. In response, the Internal Audit Manager explained to Members that at the end of every assignment a feedback form was provided with ratings from poor to excellent and that comments from managers were fed into post audit internal reviews for the benefit of training and continuous

improvement. The Internal Audit Manager further advised Members that a new questionnaire was being introduced in 2025 and that different feedback may be observed in future.

The Section 151 Officer assured Members that creative challenges particularly over the past 18 months had been proactively managed and that relationships of respect for professional positions were always maintained.

The Internal Audit Manager supported that tension in the relationship between the Council and Auditors was seen as a positive, and further assured Members that no complacency existed in how audits were carried out or received.

The Chairman thanked the Internal Audit Manager for his informative report.

No further comments or questions were received.

Following which, it was

RESOLVED:

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

#### **10. COMBINED ASSURANCE STATUS REPORT 2023/24:**

John Medler, Assistant Director, Governance and Monitoring Officer presented Members with the Combined Assurance Status Report 2023/24, pages 51 to 72 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 commented in favour of the combined assurance approach and queried the identification of overarching themes for internal audit. In response, the Section 151 Officer advised Members that the report identified specific emerging risks and that audit was examining strategic oversight which provided a more generic overview instead of focusing on specific elements.

The Internal Audit Manager advised Members that combined assurance reports formed part of annual planning for audits and was beneficial when presented to the Committee alongside the annual audit plan for observing the relationship between the two processes.

The Internal Audit Manager further commented on the benefits of combined assurance which enabled internal audit to communicate with all Managers and Assistant Directors across the Council to gain greater intelligence and understanding for providing independent insight and assurance opinions.

- In reference to the overall assurance rating, a Member commented on the benefit of information being included to observe trends and to see where scores had increased and decreased, page 57 of the Agenda refers.
- Referring to the cover of the Combined Assurance Status Report 2023/24, a Member queried the ability for anyone reading the report to understand where the report was relevant to East Lindsey instead of the Partnership, page 55 of the Agenda refers.
- In relation to the business continuity and economic hardship risk, a Member queried where this occurred in East Lindsey, pages 59 and 60 of the Agenda refer.
- A Member further queried who was responsible for General Fund Assets and commented on the benefit of identifying the names of Officers in the reports, page 60 of the Agenda refers.

In response, the Internal Audit Manager confirmed to Members that the report was solely focused on East Lindsey District Council and that the strategic risks had been provided from the Council's strategic risk register to highlight the risks and mitigation measures in place.

The Assistant Director – Governance and Monitoring Officer explained to Members that a variety of delivery mechanisms existed within the Council, including internal, external and those delivered through the Partnership. The Assistant Director – Governance and Monitoring Officer advised Members that the key element was whether assurance was provided with how the Council's arrangements were delivered and not who was providing them.

- In reference to Emerging Risks, a Member commented that it was difficult to observe the overall theme and queried whether a PESTLE analysis could be utilised to identify where there were gaps in specific themes, page 70 of the Agenda refers. In response, the Internal Audit Manager acknowledged the value of feedback on the way in which information was presented.
- The Chairman commented on the issues around the Growth Directorate and queried whether the findings indicated an issue with the way large projects were delivered, page 70 of the Agenda refers. In response, the Internal Audit Manager assured Members that the issues highlighted were being examined to ensure that the correct information was provided to the Committee.

The Chairman thanked the Assistant Director, Governance and Monitoring Officer and the Internal Audit Manager for his report.

Following which, it was

RESOLVED:

That the findings illustrated in the assurance framework detailed within the Combined Assurance Status Report 2023/24 (attached at Appendix A) was operating effectively as part of the Council's corporate governance arrangements be noted.

**11. ANNUAL GOVERNANCE STATEMENT - ACTION PLAN UPDATE:**

Christine Marshall, Deputy Chief Executive (Corporate Development) and S151 Officer presented Members with the Annual Governance Statement – Action Plan Update, pages 73 to 74 of the Agenda refer.

Members were advised that the latest action plan was identified from the internal audit Annual Opinion in 2022/23 for inclusion in the Annual Governance Statement (AGS) 2023/24 and for regular reporting to Audit and Governance Committee.

The Section 151 Officer informed Members that areas of focus for this year's AGS were to consider how to enhance reporting to the Audit and Governance Committee and that issues continued to be addressed following last year's CIPFA review of PSPS. The Section 151 Officer assured Members that the Q4 Finance reports were on schedule, the financial statements were close to finalisation and that good progress was being made.

No further questions or comments were received.

Following which, it was

RESOLVED:

That the progress of the actions illustrated in the Annual Governance Statement – Action Plan Update be noted.

**12. APPOINTMENT OF MEMBERS TO THE CONSTITUTIONAL WORKING GROUP:**

John Medler, Assistant Director, Governance and Monitoring Officer advised Members that the working group supported the Audit and Governance Committee to undertake its Terms of Reference (ToRs) with regards to monitoring and reviewing the operation of the Council's Constitution to ensure that the aims and principles were given full effect, taking in account advice from the Monitoring Officer.

The Monitoring Officer further advised that the ToRs of the working group allowed three members and that the membership had to be from the three main political groups. Although there was no specific requirement for this, it had been previous practice for the Chairman and Vice-Chairman to be appointed to the working group.

Members noted that the three Members previously appointed to the working group following the district elections in May 2023 were Councillors Ros Jackson, Jill Makinson-Sanders and Will Grover.

A Member made a request that the political representation of Members on the Constitutional Working Group in line with the Council's current Constitution be considered as a first order of business following the Working Group's formation. In response, the Monitoring Officer advised Members that the seats within groups were ordinarily allocated on a political proportionality basis in a Council where there were multiple political groups and that the Council had agreed that representation was to be cross party.

Further to a discussion and upon being put to the vote, it was

RESOLVED:

That Councillors Ros Jackson, Jill Makinson-Sanders and Will Grover be appointed to the Constitution Working Group.

### **13. DRAFT COMMITTEE WORK PROGRAMME 2023/24:**

Members were presented with the Audit & Governance Committee Work Programme 2024/25, pages 75 to 78 of the Agenda refer.

Members were invited to put their comments and questions forward.

- A Member queried whether five meeting per year was a suitable number of meetings for the Committee. In response, the Section 151 Officer informed Members that this year had been exceptional due to the backlog with signing off the accounts and that five meetings a year was normally sufficient.
- A Member queried whether the Committee needed to look at the Procurement Exemptions Register in March 2025. In response the Section 151 Officer informed Members that it was a matter for the Committee to decide whether they wished to examine the Procurement Exemptions register again in 2025.
- A Member queried whether a date for the Special Meeting had been agreed. In response, the Section 151 Officer informed Members that potential Meeting dates in July and September were being considered.

Further to a discussion, Members expressed an interest for a Special Meeting to be scheduled for 31st July 2024.

Following which it was,

RESOLVED:

That the Committee Work Programme 2024/25 be noted.

**14. DATE OF NEXT MEETING:**

The programmed date for the next Meeting of this Committee was noted as Wednesday 11 September 2024.

The meeting closed at 11.33 am.