

# Audit and Governance Annual Report 2023/2024



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

The purpose of the Audit and Governance Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the Authority's financial and non-financial performance to the extent that it affects the Council's exposure to risk and the control environment and to oversee the financial reporting process. 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 Audit and Governance Committee

The Audit and Governance Committee exists to ensure the Council is well governed, with functions that include risk management, treasury management, accounts, financial statements, audit, the promotion of high standards in public life, and monitoring the Constitution. Its work is a key part of assuring the council that its business is being carried out correctly, and of catching problems early so that they can be rectified.

The committee carried out a programme of training during the year, in addition to its annual training requirement. This ensured that members were up to speed on the technical aspects covered in reports. The committee received and commented on 36 reports during the year, holding five public meetings. Behind the scenes, the committee has also met with internal and external auditors in order to raise any questions or queries that have arisen throughout the year. Following a meeting in February the committee reviewed its ways of working and compared that with best practice. As a result of that it came up with a six point improvement plan of ongoing actions.

This year has not been without challenges, as a backlog in accounts work dating from 2021/22 has delayed the closure of later accounts, as well as delaying audit work relating to those accounts. This is a national issue, and I would like to thank staff in the finance team for working to bring us up to date, under difficult circumstances outside of their control.

I would like to thank committee members for the detail and thoroughness of the contributions that they have made over the year. Special thanks to our independent member Walter Leschenko, whose expertise and apolitical approach have been invaluable. Many thanks also to the staff members who have ensured the smooth running of the committee, to staff who have attended to answer questions and who have written detailed reports. Thanks also to our internal and external auditors, whose diligence has meant that we have picked up on vital issues that East Lindsey District Council has then been able to make improvements on, notably on Procurement cards and on the governance of Invest East Lindsey.

Looking forward, the coming year is likely to be busy as we meet the challenges of catching up on delayed accounts and audits, and of examining new issues that arise. We also look forward to recruiting new independent members to replace the valued members who have retired from the role. I am confident that the committee is well placed to carry out the scrutiny that is required to hold the authority to account on its remit, and to ensure its governance meets the high standards expected of us.

**Councillor Ros Jackson**  
**Chairman of the Audit and Governance Committee 2023/2024**



## Audit and Governance Committee Membership 2023/2024

Membership of the Audit and Governance Committee must be politically balanced and comprises of 9 non-Executive members and 2 Independent Co-Opted members.

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

- ▶ Cllr Rosalind Jackson (Chairman)
- ▶ Cllr Jill Makinson-Sanders (Vice Chairman)
- ▶ Cllr Will Grover
- ▶ Cllr Sam Kemp
- ▶ Cllr Thomas Kemp
- ▶ Cllr James Knowles
- ▶ Cllr Stef Bristow
- ▶ Cllr Edward Mossop
- ▶ Cllr Danny Brookes
- ▶ Mr Walter Leschenko *Independent Co-Opted Member*
- ▶ Mr George Krawiec *Independent Co-Opted Member (Resigned 2nd July 2023)*



## Audit and Governance Committee Meetings and Summary of Work

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

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

Date	Items and Reports Considered
<a href="#">05 July 2023</a>	<ul style="list-style-type: none"> <li>• Internal Audit Annual Report 2022/23</li> <li>• Written position statement response to DLUHC letter</li> <li>• Risk Management Position Q4 2022/23</li> <li>• Annual Safeguarding Report 2022/23</li> <li>• Local Code of Corporate Governance</li> <li>• Combined Assurance Status Report</li> <li>• Draft Audit &amp; Governance Committee Work Programme 2023/24</li> <li>• Property Fund Update (Exempt Report)</li> </ul>
<a href="#">27 September 2023</a>	<ul style="list-style-type: none"> <li>• Q1 Treasury Management Update 2023/24</li> <li>• Q1 Risk Management Position</li> <li>• Draft Procurement Strategy</li> <li>• Procurement Exemptions Register</li> <li>• Internal Audit Report- Lessons learnt concerning the creation of and early operation of Invest East Lindsey</li> <li>• Constitution Working Party</li> <li>• Audit &amp; Governance Committee Work Programme 2023/24</li> <li>• Co-opted Independent Members (Exempt Report)</li> </ul>
<a href="#">22 November 2023</a>	<ul style="list-style-type: none"> <li>• Internal Audit Progress Report</li> <li>• External Audit Progress Report</li> <li>• Premature Repayment of PWLB Borrowing</li> <li>• Mid Term Treasury Management Update 2023/24</li> <li>• Risk Management Report Q2- 2023/24</li> <li>• Information Governance Annual Update</li> <li>• Regulation of Investigatory Powers Act (RIPA) 2000- Update</li> <li>• Audit and Governance Annual Report 2022/23</li> <li>• Constitution Working Party Report</li> <li>• Audit &amp; Governance Committee Work Programme 2023/24</li> </ul>
<a href="#">24 January 2024</a>	<ul style="list-style-type: none"> <li>• Draft Budget Report 2024/25- 2028/29</li> <li>• Draft Treasury Management Policy and Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2024/25</li> <li>• External Auditors Progress Report 2023/24</li> <li>• Appointment of Independent Co-opted Member</li> <li>• Committee Work Programme 2023/24</li> </ul>
<a href="#">27 March 2024</a>	<ul style="list-style-type: none"> <li>• External Auditors Progress Report</li> <li>• External Auditors Progress Update</li> <li>• Q3 Treasury Management Update 2023/24</li> <li>• Q3 Risk Management Report</li> <li>• Internal Audit Progress Report</li> <li>• Internal Audit Report Section 106 Agreements Follow Up Audit</li> <li>• Internal Audit Plan 2024/26</li> <li>• Financial Statements- Accounting Policies 2023/24</li> <li>• Procurement Exemptions Register</li> <li>• Committee Work Programme 2023/24</li> </ul>

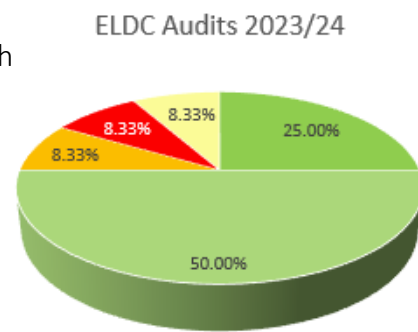
## Internal Audit

The internal audit function was provided by Assurance Lincolnshire through Lincolnshire County Council.

A function of the internal auditors is to provide the Audit and Governance Committee with an Annual Internal Audit Report which aims to present a summary of the audit work undertaken over the past year. The following activity occurred during 2023/2024:

- 14 internal audit reviews were completed
- 58 recommendations were made

The committee has been proactive in ensuring that management has taken corrective action as required where issues were raised.



■ Substantial ■ Adequate ■ Limited ■ No Assurance ■ n/a

N/A relates to consultancy work, resulting in a written report but no applicable assurance rating.

## Head of Internal Audit Opinion

For the year ended 31 March 2024, the Head of Internal Audit Opinion for the Council was as follows:

### ***Governance, Risk Management and Management Controls - Performing Adequately:***

'I am satisfied that sufficient assurance work has been carried out to allow me to form a conclusion on the adequacy and effectiveness of the internal control environment. In my opinion the frameworks of governance, risk management and management controls are adequate and audit testing has demonstrated controls to be working in practice. Where weaknesses have been identified through internal audit review, we have worked with management to agree appropriate corrective actions within an appropriate timescale for improvement'

The key areas of challenge identified or confirmed through audit work are outlined below:

### ***Payroll Reconciliation Follow Up Review (Limited Assurance) - Improvement Needed:***

The review found that several key management actions, arising from the previous audit review had not been implemented. Actions were agreed to address the findings from the review. The revised actions will be revisited during 2024/25 to review implementation progress.

### ***Procurement Cards (No Assurance) - Improvement Needed:***

The review found that whilst there were sufficient processes in place for the use of Procurement Cards, they were not followed by all card holders and their managers. The root cause to non compliance was a lack of robust monitoring of expenditure. Actions have been implemented jointly across PSPS and the Council to address control gaps and associated risks, including a new system and training for card holders and managers.

## External Audit

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

### **2021/2022**

Following the external audit progress report presented at the 22 November 2023 Audit and Governance Committee meeting, work has continued to conclude the final set of group accounts, which is almost complete. The Audit Results Report 2021/22 will be presented to the Committee once this work is complete.

## 2022/2023

The Unaudited Financial Statements 2022/2023 are in progress, pending the completion of the Financial Statements 2021/2022. 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 ELDC'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.

## 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 with a progress report expected in 12 months' time.

**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.

**Co-opted Independent Member representation on the Audit and Governance Committee** - In accordance with CIPFA best practice the committee include up to two non-voting co-opted independent members. The Independent Members bring a balanced, objective, independent and open-minded approach to the role and through their knowledge, experience and skills they further support the Committee undertake its functions.

**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.

## 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:

- Q1 Treasury Management Update 2023/24
- Draft Treasury Management Policy and Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2024/25
- Premature Repayment of PWLB Borrowing
- Q3 Treasury Management Update 2023/24
- Mid Term Treasury Management Update 2023/24
- Financial Statements- Accounting Policies 2023/24
- Draft Budget Report 2024/25- 2028/29

## Risk Management

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

During 2023/2024, the Audit and Governance 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.

The Annual Internal Audit Report highlighted a substantial assurance opinion following an assessment of high ICT risks, strategic risks and fraud risks.



## Training and Development

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

- Training was undertaken by Members on 6th September 2023 on Finance and Invest East Lindsey and an update was received on Schroeders.
- Induction training on Governance, Internal Audit, Treasury and Financial Statements was undertaken in June 2024 and Treasury Management Training in March 2024.
- A CIPFA audit training session was attended by the Chairman in January 2024.
- The Self-Assessment Exercise in January 2024 highlighted training and development needs to be included in an action plan which would be followed in 2024/25.


## Further Information


Details of meetings can be found on the ELDC website: [www.e-lindsey.gov.uk/YourCouncil/Committees](http://www.e-lindsey.gov.uk/YourCouncil/Committees)  
Alternatively, please email [committeeadmin@e-lindsey.gov.uk](mailto:committeeadmin@e-lindsey.gov.uk) for further information.

## Contact



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