



To be submitted to the Council at its meeting on 12<sup>th</sup> December 2024.

## **AUDIT AND GOVERNANCE COMMITTEE**

**7th November 2024 at 10.30am.**

**Present:** Mr. T. Render (in the Chair)  
Councillors Beasant (sub for Aisthorpe), Boyd, Hasthorpe, Holland,  
Mickleburgh, Patrick, Parkinson, Shutt and Silvester.  
Mr W. Leschenko (Second Independent Member)

### **Officers in attendance:**

- Debbie Baker (Strategic Lead, Audit)
- Nick Browning (Head of Culture, Heritage, Leisure & Tourism)
- Peter Hanmer (Head of Audit and Assurance)
- Simon Jones (Assistant Director, Law and Governance)
- Guy Lonsdale (Assistant Director, Finance and Deputy Section 151 Officer)
- Stephen McGrath (Strategic Special Projects Lead, Leadership Team)
- Jo Paterson (Scrutiny and Committee Advisor)
- Jo Robinson (Assistant Director, Policy Strategy and Resources)
- John Shepherd (Lead Officer, Fraud)
- Caroline Wilson (Strategic Lead, Risk and Assurance)

### **Also in attendance:**

- Councillor Harness (Portfolio Holder for Finance, Assets and Resources)
- Leah Parsons (External Auditor, Mazars)

## **AC.17 APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillor Aisthorpe.

## **AC.18 DECLARATIONS OF INTEREST**

There were no declarations of interest made with regard to any items on the agenda for this meeting.

## **AC.19 MINUTES**

The committee considered the minutes of the Audit and Governance Committee meeting held on 25<sup>th</sup> July 2024.

Under AC.8, Head of Internal Audit Report and Opinion, a member asked for an update on the audit of the Depot Rationalisation Project noting that there was due to be a meeting in August. Mr Hanmer updated that the draft was currently with officers.

RESOLVED –

1. That the minutes of the Audit and Governance Committee meeting held on 25<sup>th</sup> July 2024 be agreed as an accurate record.
2. That a further update on the audit of the Depot Rationalisation Project come back to this committee.

## **AC.20 TRACKING OF RECOMMENDATIONS**

The committee considered a report from the Executive Director Place and Resources on tracking of recommendations of the Audit and Governance Committee.

The Chair took members through the Tracking Report noting that a further update on Children's Services governance would be due in the new year.

It was noted that under AWG.7 Audit Working Group (Nurseries), the recommendations would be taken forward through the Constitution Working Group which was due to be held by the end of this year.

RESOLVED – That the Tracking Report be noted.

## **AC.21 TREASURY OUTTURN REPORT 2024-25**

The committee received a report from the Executive Director, Place and Resources that contained details of treasury management arrangements and activity and performance during the 2024/25 financial year. Mr Lonsdale introduced the report and highlighted some key areas for consideration.

A member asked how the operational boundary was arrived at. Mr Lonsdale advised that the boundary was set within context of the Prudential Code. There were many factors that fed into the operational boundary including sustainability, affordability of borrowing and self-regulation.

A member was unaware that the Council appointed Treasury Management Advisors with Link Asset Services Ltd. Mr. Lonsdale explained that the advisors acted as a check and balance to support treasury management arrangements. The Chair noted that appointing treasury advisors was always good practice.

A member referred to the capital expenditure at the end Quarter 2 being £19m compared with an approved budget of £128.8m, and considered this extremely low. The member wished to clarify whether this was the actual spend or committed spend.

Mr Lonsdale confirmed this was the actual spend noting that there was quite an extensive Capital Programme this year. Mr Lonsdale noted that the oversight of the Capital Programme delivery was a priority, and he was fully aware of concerns around delivering programmes and savings. He further noted that officers were constantly reviewing cash flow projections to deliver plans.

A member asked for the committed spend figure at the end of Quarter 2. Mr Lonsdale did not have the exact figure to hand but agreed to provide the exact figure to members separately.

A member referred to the draft outturn for capital expenditure and financing for 2024-25, this being £98.1m, and noted a variance between figures. Mr Lonsdale could not confirm why there was an inconsistency. Mr Lonsdale would but he agreed to take this away and report back to the committee.

The Chair commented that historically there had been problems with delivering in year in terms of expected spend, and queried what was contributing to this. Mr Lonsdale advised that there were multiple factors that impacted on the position. This included things such as reviewing business cases with our major projects group and monthly capital challenges with managers across the Council.

Members also commented on the challenging financial environment in which the Council were operating in, noting the different government spending priorities, and asked that this be looked at with some urgency in terms of the effect on investment markets.

In response, Mr Lonsdale noted that the challenges were around inflation and interest rates although he added that inflation rates were now stabilising. Interest rates were also closely monitored, and it was expected that these would also stabilise. Mr Lonsdale assured members that the Council did not operate treasury management arrangements in isolation, and officers took into consideration what was happening internationally.

Mr Leschenko asked about slippage and sought assurance around the controls in place to prevent this in future. Mr Lonsdale explained that there was a lot of scrutiny of budget managers and with the expiry of the Equans contract, this had now given the Council an opportunity to look at its project management tools.

Mr Leschenko asked about liquidity matters. Mr Lonsdale explained how the Council tried to keep cash balances as low as possible noting that cash balances had been higher since Covid. Also, the Council had received a lot of grant funding which had changed the profile of the Council's income and expenditure.

Mr Leschenko asked about the Council's commercial investment, seeking assurance those investments were safe and secure. Mr Lonsdale advised that the Council's approach to investment was risk averse. This authority did not invest out of area and instead invested within the borough.

Another member commented on lower interest rates going into 2026-27. Mr Lonsdale explained how the Council considered things such as financing existing borrowing and managing the risk of interest rates.

A member was concerned with the debt cost being 10% going forward. Mr. Lonsdale assured the committee that they constantly reviewed this internal measure ensuring they did not overstretch themselves.

The Chair referred to the indicator which represented the estimate of the ratio of interest income to the net revenue stream. The Chair was concerned that every year we came close to the 10% limit partly due to lower interest rates and slippage in the Capital Programme and asked for some assurance around this. Mr Lonsdale explained that council funding had increased and that this had impacted this indicator.

## RESOLVED

1. That the report be noted.
2. That the committed spend figure at the end of Quarter 2 be provided to members of this committee.
3. That the variance between figures under the draft outturn for capital expenditure and financing for 2024-25 be clarified for the committee.

## **AC.22 INTERNAL AUDIT UPDATE**

The committee received a report from the Head of Audit and Assurance which provided an update on the work of internal audit up to 30 September 2024. Mr Hanmer introduced the report and highlighted some key areas for consideration.

A member asked for further details around the system and processes used for implementation of audit actions. Ms Baker explained how their clients delivered actions and how the relevant timescales were met. Ms Baker further explained the various definitions within the reporting system.

The Chair suggested if members required a more detailed understanding of this that this be looked at in more detail via an Audit Working Group.

A member considered the introduction of the tracking system a positive move in terms of ensuring managers became accountable for their actions.

Mr Leschenko asked what the current position was for those audits planned and what progress had been made. Mr Hanmer advised that they were

slightly behind in terms of audit days, due to resourcing issues in 2023-24. However, the report that would be produced in January would give members a better indication where the Council was against the Audit Plan.

Mr Leschenko asked for some assurance around resourcing issues and asked what support was available. Mr Hanmer explained that once he knew what resource gap there was, he could look for some more resource.

The Chair wished to clarify with Mr Hanmer whether there was enough resource to deliver the plan that fed into the annual accounts. Mr Hanmer assured members that he was closely monitoring his resource.

#### **RESOLVED**

1. That the Internal Audit Update be noted.
2. That the system and processes used for the implementation of audit actions be looked at in more detail via an Audit Working Group.

### **AC.23      EXTERNAL AUDIT STRATEGY MEMORANDUM**

The committee received the Audit Strategy Memorandum for North East Lincolnshire Council for the year ending 31 March 2024. Ms Parsons introduced the report and highlighted some key areas for consideration.

The Chair queried the audit timeline noting that the cut off was the end of February next year. Mr Lonsdale would look at scheduling in the committee meeting accordingly. It was hoped that the completion report could be completed in time for the January committee meeting.

Under the significant risk and other judgement areas, members queried the audit process, in particular relating to spending. Members also asked what evidence was required for this. Ms Parsons explained which categories they were allowed to spend within, noting that they were unable to utilise capital receipts. In terms of evidence this was in line with what was allowable in delivery of savings.

Mr Leschenko queried pension valuations and whether this had caused any issues. Ms Parsons did not foresee any issues with this. Mr Lonsdale assured members that the Council did document the assumptions that they used.

In terms of significant risks, Ms Parsons explained that they undertook a number of tests around both assets and ICT which included who had access to which systems.

A member asked how this would be managed with internal audit. Mr Hamner explained that external audit worked with his team to look at any weaknesses found.

The Chair wished to note that the external audit fees had increased from last year.

**RESOLVED – That the external audit update be noted.**

## **AC.24 MEDIUM TERM FINANCIAL PLANNING PROCESS**

The committee received a presentation from the Assistant Director Finance on the Medium-Term Financial Planning Process.

Members had the opportunity to ask questions, further to which responses were provided by officers.

RESOLVED -That the presentation be noted.

## **AC.25 FRAUD HALF YEARLY REPORT**

The committee received a report from the Lead Officer, Fraud which provided the Audit and Governance Committee with an update on the work undertaken for the period April to September 2024 for the prevention and detection of fraud. Mr Shepherd introduced the report and highlighted some key areas for consideration.

Mr Leschenko noted that a lot of good work was happening under the audit and corruption structure, and asked whether there was a plan underneath that which could measure progress against various outcomes and initiatives and suggested an action plan might be a good starting point.

Mr Shepherd considered this was about putting resources into areas where a difference could be made and incorporating joint working to make improvements and identify common themes.

A member commented on the UK Shared Prosperity Fund highlighting that local spending data figures were extremely high and asked whether these were audited. Mr Hanmer responded to say that due to the level of regeneration funding, including the shared prosperity fund, regeneration currently featured in the audit plan on an annual basis, and an audit of regeneration funding would be carried out in quarter four of 2024/25, with the outcome being reported to this committee .

Members asked if there were any major concerns to be aware of in the fraud area. Mr Shepherd noted that the new National Fraud Initiative would be key in preventing and identifying fraud. In particular, the single person council tax discount was a good example of how this type of fraud could be addressed. He added that there was an enormous amount of data out there and explained how his team used analytical tools and science to deal with fraud referrals.

A member suggested that the Electoral Register was a good tool to use for undertaking accuracy checks. Ms Baker assured the committee that officers did use the Electoral Register to filter out anomalies and herself and Mr Shepherd would be picking up this work next year.

RESOLVED- That the update be noted.

## **AC.26 GREATER LINCOLNSHIRE COMBINED AUTHORITY GOVERNANCE ARRANGEMENTS**

The committee received a presentation from the Council's Monitoring Officer on the above.

The presentation covered the following: -

- Statutory Instrument (Under embargo from Parliamentary Lawyers).
- Greater Lincolnshire Combined County Authority (CCA)
- Confer of powers
- Distinction between Mayoral and CCA
- Constitution
- Overall governance arrangements
- The Greater Lincolnshire Combined County Authority Regulations 2024
- Responsibilities of the Combined County Authority.
- The Board of the Greater Lincolnshire Combined County Authority

Members had a number of questions: -

- More information around public transport across Lincolnshire and representation on various bodies.
- Timeframe for the CCA and the transition between inception of CCA and election of mayor.
- Voting thresholds, meeting quorum, Mayor keeping power of veto, PCC rotation and potential conflict of interest, appointment of business representative.

In response to queries raised, Mr Jones noted the issue around representation, and confirmed he would take this forward in the new year and report back. In terms of constitutional matters, he confirmed that voting arrangements and quorum would be confirmed within the new constitution. Also, the Police Crime Commissioner (PCC) conflict would be appropriately managed. In terms of the appointed businessperson, he would need to confirm how this person would be nominated.

It was highly unlikely that the new constitution for the Combined County Authority (CCA) would come back to this committee for comment as it related purely to the CCA. Mr Jones however confirmed that he would provide a further update in the new year around governance arrangements.

### **RESOLVED**

1. That the presentation be noted.
2. That the issue around representation be taken forward in the new year and reported back to this committee.
3. That a further update around the Greater Lincolnshire Combined Authority governance arrangements be provided to this committee in the new year.

## **AC.27      REGENERATION GOVERNANCE UPDATE – EQUANS REVIEW**

The committee received a report from the Director for Economy, Environment and Infrastructure that provided an update on how the project delivery and governance arrangements had been set up and were being delivered. Mr McGrath introduced the report and highlighted some key areas for consideration noting that an update report on delivery of the new delivery model would be taken to Cabinet in January next year.

Overall, all of the governance arrangements highlighted to the committee in April were in place and the Equans contract transition also featured within the Audit Plan. Also, an Internal Audit would take place during January to March next year.

A member commented that there had been a delay in payments for fly tipping. Mr McGrath agreed to investigate and respond to the member concerned.

Mr Leschenko asked for further detail around the exit plan. Mr McGrath agreed to send over the presentation previously circulated to committee to Mr Leschenko and discuss this with him.

RESOLVED - That the report be noted.

## **AC.28      EXCLUSION OF THE PRESS AND PUBLIC**

RESOLVED – That the press and public be requested to leave on the grounds that discussion of the following business was likely to disclose exempt information within paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended).

## **AC.29      LEISURE PARTNERSHIP GOVERNANCE UPDATE – LINCS INSPIRE**

The committee received a report from the Director for Economy, Environment and Infrastructure that provided an update on the Leisure Partnership with Lincs Inspire Limited. Mr Browning introduced the report and noted some changes relating to the quarterly reporting arrangements.

Members raised a number of queries around arrangements in place to manage partnerships, internal audits, and also where different responsibilities lie within the contracts.

Overall, members felt it would be beneficial to invite a representative from Lincs Inspire to a future Audit and Governance Committee meeting to talk about the governance issues.



RESOLVED

1. That the report and exempt Appendix be noted.
2. That a representative from Lincs Inspire be invited to a future meeting of this committee.

**AC.30      STRATEGIC RISK REGISTER**

RESOLVED – That the Strategic Risk Register be deferred to the next scheduled meeting of the Audit and Governance Committee.

**AC.31      ISSUES FOR DISCUSSION WITH THE INTERNAL AND EXTERNAL AUDITORS**

There were no issues for discussion with the external auditors.

There being no further business, the Chair declared the meeting closed at 12.45p.m.