



To be submitted to the Council at its meeting on 18th July 2024

## **AUDIT AND GOVERNANCE COMMITTEE**

**18th April 2024 at 9.30am.**

**Present:** Mr. T. Render (in the Chair)  
Councillors Boyd, Cairns, Hasthorpe, Holland, Mickleburgh, Parkinson,  
Patrick, Silvester and K. Swinburn (substitute for Reynolds).

### **Officers in attendance:**

- Debbie Baker (Strategic Lead Audit)
- Carolina Borgstrom (Director of Economy, Environment & Infrastructure)
- Paul Ellis (Strategic Lead Business Practice and Performance)
- Peter Hanmer (Head of Audit and Assurance)
- Simon Jones (Assistant Director Law and Governance)
- Guy Lonsdale (Assistant Director Finance)
- Stephen McGrath (Strategic Special Projects Lead)
- Jo Paterson (Scrutiny and Committee Advisor)
- Jo Robinson (Assistant Director Policy, Strategy & Resources)
- Mark Surridge (External Auditor)

### **Also in attendance:**

Councillor Stephen Harness (Portfolio Holder for Finance, Resources and Assets)

### **AC.46 APOLOGIES FOR ABSENCE**

Apologies for absence were received for this meeting from Councillor Reynolds.

### **AC.47 DECLARATIONS OF INTEREST**

There were no declarations of interest.

## **AC.48 MINUTES**

RESOLVED – That the minutes of the Audit and Governance Committee meeting held on 1<sup>st</sup> February 2024 be agreed as an accurate record.

## **AC.49 TRACKING OF RECOMMENDATIONS**

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

Under AC.40, Appointment of Second Independent Member, Ms Paterson advised that the position had now been advertised and that a selection panel to interview candidates would be convened shortly. Democratic Services had contacted members of the Audit Committee to seek interest in sitting on the panel.

RESOLVED - That the tracking report be noted.

## **AC.50 INTERNAL AUDIT UPDATE (INCORPORATING 2024/24 AUDIT PLAN)**

The committee considered a report from the Head of Internal Audit that provided Audit and Governance Committee members with an update in relation to the Internal Audit and Audit Plan.

This report provided Audit and Governance Committee Members with an update in relation to the following:

- progress on the delivery of the 2023/24 audit plan;
- the outcome of audits completed since 1 January 2024;
- the 2024/25 Internal Audit Plan;
- the updated Internal Audit Charter;
- the outcome of the External Audit Assessment (EQA) carried out in November 2023 and reported in February 2024;
- the Internal Audit Strategy; and
- the Quality Assurance and Improvement Programme (QAIP).

Under management actions contained in the External Quality Assessment, a member referred to an issue with the North East Lincolnshire and North Lincolnshire Shared Internal Audit Service. Specifically, regarding key stakeholders from both council's feeling it was time to reconsider the formation of the shared service to understand if the current model was still fit for purpose. The member asked for officer's views and whether they shared this concern.

Mr. Hanmer advised that this had been explored with senior management in 2023 at both councils and that the current arrangements should continue. He advised that he had undertaken a review of his team and as a result there would be some changes to the structure. He also reported that the nature of the shared service would be periodically reviewed by senior management at both councils on a periodic basis.

The Chair requested that a further report be brought to the next committee that responded to the various recommendations contained in the External Quality Assessment.

The Chair also asked what resources were available to deliver the audit plan, and asked Mr Hanmer to expand on the changes in relation to the audit programme. Mr Hanmer stated that resourcing was a challenge, and a couple of the experienced auditors had left or retired in the last year. However, some external support had been agreed for both councils. Furthermore, he advised that more contingency had been built into the 2024/25 plan than previous years to allow for emerging risks and budgets. He assured members that budgets were kept under review and monitored. He stressed that prioritising their work was key and his team were always looking to make things more efficient and effective.

A member asked if audit staff could be recruited through the Council's apprenticeship scheme. Mr Hanmer advised that an advert was currently out as part of the graduate scheme which was due to close in April. In addition, North Lincolnshire were looking to employ a trainee and apprentice.

The Chair noted that the 2024/25 audit plan identified a large number of planned days for strategic risks and asked for further information to be reported back to a future meeting.

Mr Hanmer would bring a further report back on details of audits within the total for strategic audits.

#### RESOLVED

1. That the report be noted.
2. That a further report be brought back to a future meeting detailing audits of strategic risks contained in the 2024/25 audit plan.

### **AC.51 ANNUAL FRAUD REPORT 2023/24**

The committee received a report from the Executive Director for Place and Resources that highlighted the work that had been undertaken for the prevention and detection of fraud, corruption, and financial misconduct within North East Lincolnshire Council.

Under fraud referrals, a member asked for further information on two internal investigations including a potential electorate fraud, and what action had been taken regarding the misuse of blue badges. Mr Hanmer advised that electorate fraud was a police matter. In terms of the misuse of the disabled persons blue badge scheme, one of the issues was ongoing, and the outcome was likely to be reported shortly, whilst for the others he would provide a breakdown of the outcome and sanctions.

The Chair highlighted that the report stated that council tax investigations had reduced, and enquired whether this was lower due to staffing. Mr Hanmer advised that this was due to a vacancy within the counter fraud team.

The Chair asked Mr Hanmer to report back on this in his next report.

A member referred to the latest estimates of fraud losses within local government noting that this had increased from £7.8bn in 2017 to £8.8bn in 2023. Mr Hanmer responded that this related to the level of fraud across the country.

A Member also asked how this figure had been arrived at. Ms. Baker noted that there was an annual fraud indicator data set that could be brought back to committee to provide more detail.

The Chair felt an element of promotion around this report would be helpful in communicating the issues.

#### RESOLVED

1. That the report be noted.
2. That further information be provided to the committee on the annual fraud indicator data set.

## **AC.52 ANNUAL INFORMATION GOVERNANCE AND SECURITY REPORT**

The committee received a report from the Executive Director for Place and Resources that outlined the key information on governance and security activities undertaken by the Council in 2023.

A member asked about cyber security and the potential loss of all our computer systems, enquiring whether there were any checks on mandatory cyber training for staff. Mr. Ellis assured members that he had undertaken checks on both data protection and cyber security. However, a number of staff did not have access to the network due to their roles and instead were provided with training via other means.

A member asked that in view of the increase in cyber-attacks whether there were any contingency plans in place. Mr Ellis confirmed that contingency plans were in place for both cyber awareness and business continuity. In addition, he noted that there was further work underway to move information over to SharePoint to allow for a new location for data applications to be accessed.

In terms of the risk of a cyber-attack, Ms Robinson noted that the biggest risk was where the Council was hosting data on the servers it maintained, and the move to a cloud hosted system was far more secure. A project to look at this in more detail was underway.

A member queried the consistency of the Freedom of Information (FOI) requests and associated cost to the council of such requests. Mr Ellis advised that he had not undertaken any activity around costing individual requests and stated that this was administered from a central information governance team which was then passed to the individual service area.

Mr Ellis advised that the council had identified trends such as increases in electoral related requests around the election time. Officers had looked to minimise the increase in FOI requests by supporting the publishing of more data through the council's website and the data observatory.

RESOLVED- That the report be noted.

## **AC.53      ANNUAL VALUE FOR MONEY REPORT**

The committee considered a report from the Executive Director for Place and Resources which summarised activity during 2023/24 and identified additional actions for 2024/25 and beyond.

In addition, Mr Lonsdale noted that there would be an increased focus on changes in the sector with the introduction of Oflog, which would focus on driving improved performance and value for money (VFM) through benchmarking and a revised code of practice.

With regards to children's services, a member referred to a comment within the report regarding the council recognising that there had been significant weaknesses in the design and operation of internal controls in a number of areas within the service, and asked whether a progress report could be brought back to the committee outlining how this was going to be addressed in terms of controls in place.

The Chair understood that this was being discussed at Senior Management Team (SMT) in terms of assurances. With regards to children's services, Ms Baker noted that an early meeting on how the council was tackling the 2024-25 year in terms of risk profile was taking place on Monday.

The Chair requested that Mr Hanmer provide a list of audits he was undertaking within children's services as part of his future audit plan.

Mr Hanmer noted that the emerging risks within children's services were primarily the cost of Special Educational Needs and Disabilities (SEND) and also the cost of home to school transport.

Under the range of activities to support improved VFM, a member referred to the Bus Service Improvement Plan (BSIP) stressing that it was important to understand that VFM was not about the cheapest option but providing a better service that provided better VFM overall.

A member referred to the fees and charges activity within the environment area, which was regularly reviewed to ensure the council operated on a full

cost recovery basis. The member was concerned that residents were paying twice for council services, and wished to understand how this activity was dealt with by officers.

Ms Borgstrom noted that the council were encouraged to use all funding that was received from government on all alternative measures to raise revenue. Also, the council were required to follow guidance set through local government and were required to evidence this appropriately.

Members considered VFM was quite a subjective area, and felt the council needed to obtain more input from residents around VFM. Ms Robinson noted that our 'future survey' focused on a number of different service areas and officers were currently collating the results. The results of which would be fed back into Cabinet and scrutiny in due course.

Another member considered the public received good VFM from the council, for example, in terms of the cost of its brown waste bins.

#### RESOLVED

1. That the report be noted.
2. That a list of audits undertaken within children's services be provided to the committee as part of the next audit plan.

### **AC.54 URGENT BUSINESS - EXTERNAL AUDIT COMPLETION REPORT FOR 2021/22 and 2022/23.**

The committee considered an item of urgent business in relation to the Annual Financial Statement from the external auditors. The reason for urgency being that this was an important statutory document produced and published by the Council every year. As such the preparation, and the subsequent external audit, of the document was a significant undertaking for the finance function and the oversight of these tasks was one of the key undertakings for the Council's Section 151 officer. Furthermore, the Accounts and Audit Regulations specified that audited Statement of Accounts should be published by the 30th September. However, over recent years, a significant number of audits had been delayed due to ongoing issues in the way that the external audit was conducted for local authorities (including NELC).

As it has not been possible to publish the audited statements by the deadline of 30<sup>th</sup> September, the Council has been required to publish a statement giving reasons why this date had not been met. Once the audited statements were signed off, they would need to be published on the Council's website as soon as possible together with the external auditor's report and opinion.

A member asked whether the external auditors liaised with Ofsted. Mr Surridge advised that in terms of the Ofsted report this was their responsibility and report, however if there was a need to liaise directly with Ofsted he would do so.

Members noted that the external auditor's fees had increased and asked for further information regarding the increase. Mr Surridge noted that the fees were set by the Public Sector Audit Appointments (PSAA). The member also asked about the bidding process, in response it was confirmed that there would be some financial support from government towards this.

A member asked about the performance and completion of audits given the recent delays. Mr Surridge stated there had been issues with resourcing noting that since Covid-19 there had been a continual pressure and build up of the preparation of audits of financial statements and this was a national issue. It was hoped that councils could get back on track via a new portal called 'Backstop'.

Under Appendix A, main financial statement audit risks and findings, a member referred to the valuation of the net pension liability which was identified as a 'significant' risk. The member asked whether this was the residual risk after considering various factors or was it how the risk was managed.

Mr Surridge confirmed this related to the financial reporting risk and this was classed as a significant accounting risk due to the complexities with calculating pension liabilities.

The Chair asked whether there was a separate external audit of the pension fund that could be provided. Mr Surridge advised that this information was reported to East Riding, and he would try to find some information for the committee.

A member referred to the audit fees for 2022/23 asking for the reasoning for such a significant increase. Mr Surridge explained how the scale fee was set and was determined by a number of factors including new audit standards and new work to be completed.

RESOLVED- That the report be noted.

## **AC.55      ANNUAL REPORT OF AUDIT AND GOVERNANCE COMMITTEE 2023/24**

The committee considered a report from the Chair of the Audit and Governance Committee that informed full Council of the committee's activities during the Council Year May 2023 to May 2024.

The Chair welcomed comments from members noting that he would make any necessary amendments to the report before it went to Council.

RESOLVED – That the report be noted.

## **AC.56      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.57 EQUANS REVIEW – REVIEW OF PARTNERSHIP GOVERNANCE**

The committee considered a report from the Director for Economy, Environment and Infrastructure which set out the current partnership governance arrangements in place until 30 June 2025, and the proposed project delivery and governance arrangements which were required during the transition phase.

A presentation was provided by officers. The Chair thanked officers for a great presentation and opened it up to questions.

Members were given the opportunity to ask questions to which responses were provided by officers.

RESOLVED – That the report be noted.

#### **AC.58 STRATEGIC RISK UPDATE**

The committee received a report from the Executive Director for Place and Resources providing a summary of the developments relating to risk management and the strategic risk register.

Members sought clarification on number of matters on the strategic risk register to which officers provided responses.

The Chair felt it would be useful if a working group on children's services governance and risk management be organised in the new municipal year.

RESOLVED

1. That the report be noted.
2. That a working group on children's services governance and risk management be organised in the new municipal year.

#### **AC.59 ISSUES FOR DISCUSSION WITH THE INTERNAL AND EXTERNAL AUDITORS**

The committee had the opportunity to discuss any confidential matters of concern with the External Auditor and the Head of Internal Audit.

No such issues were raised.

#### **AC.60 URGENT BUSINESS – SCHOOL NURSERIES**

A member proposed that the Nurseries Independent Report come back to a future Audit Committee meeting for consideration.



It was confirmed that the nurseries report would be shared with the Chair of Audit Committee in the first instance, further to which the report could be shared with the Audit Committee.

RESOLVED- That the Nurseries Independent Report be brought back to a future meeting of this committee with a focus on governance issues.

There being no further business, the Chair declared the meeting closed at 11.41 p.m.