



To be submitted to the Council at its meeting on 26th September 2024.

AUDIT AND GOVERNANCE COMMITTEE

25th July 2024 at 10.30am.

Present: Mr. T. Render (in the Chair)
Councillor's Aisthorpe, Boyd, Hasthorpe, Holland, Mickleburgh, Patrick, Shutt and Silvester.

Officers in attendance:

- Debbie Baker (Strategic Lead, Audit)
- Katie Brown (Director Adult Social Care)
- Peter Hanmer (Head of Audit and Assurance)
- Simon Jones (Assistant Director Law and Governance)
- Guy Lonsdale (Deputy Section 151 Officer)
- Jo Paterson (Scrutiny and Committee Advisor)
- Caroline Wilson (Strategic Lead – Risk and Assurance)
- Sharon Wroot (Executive Director, Place and Resources)

Also in attendance:

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

AC.1 APPOINTMENT OF CHAIRMAN AND DEPUTY CHAIRMAN

It was noted that at the Annual General Meeting of the Council held on 23rd May 2024, Mr. Tim Render had been appointed Chairman and Councillor Holland had been appointed Deputy Chairman of this Committee for the Municipal Year 2024/2025.

AC.2 APOLOGIES FOR ABSENCE

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

AC.3 DECLARATIONS OF INTEREST

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

AC.4 MINUTES

RESOLVED – That the minutes of the Audit and Governance Committee meeting held on 18th April 2024 be agreed as an accurate record.

AC.5 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.

Under SPC.40, the Chair noted that the Council had now appointed Mr Leschenko as the Second Independent Member to sit on the Audit Committee and it was hoped that Mr Leschenko could attend a future meeting.

At SPC.60, Nurseries Independent Report, the Chair suggested an Audit Working Group be held in September to look at governance aspects.

Ms Paterson confirmed that all other actions were complete.

RESOLVED

1. That the report be noted.
2. That a Working Group be held in September 2024 to look at the Nurseries Independent Report.

AC.6 AUDIT COMMITTEE WORK PROGRAMME 2024-25

The committee considered the work plan for the forthcoming year.

The Chair set out the requirements for an Audit Work Programme which set out the items for consideration over the coming year.

A member suggested that a further update in six months' time on children's services governance be factored into the programme to look at what progress had been made in terms of overspends in children's services and what controls were in place.

All panel members were in agreement with this proposal and Ms Paterson agreed to add this to the Work Programme.

RESOLVED

1. That the report be noted.

2. That an update on children's services governance be submitted to this committee in six months' time.

AC.7 HEALTH AND CARE PARTNERSHIP

Ms Brown gave a brief update on the Health and Care Partnership outlining progress with the Joint Committee under the new Section 75 Agreement and detailing the structure and governance arrangements as detailed within her presentation to the committee.

Ms Brown referred to the commissioning plan which included services the Council commissioned, challenges including Integrated Care Board (ICB) operating model and blueprint and re-establishing the formal arrangements.

A member asked for more information regarding how ICB's were created in terms of commissioning things and funding aspects. Ms Brown responded that there was a delegated budget allocated to the Joint Committee for decision making and provided assurance around levels of protection through leverage and legal agreements. There would also be some national policy changes and a revised operating model through the ICB.

Members asked about the new governance structures and when this would be embedded. Ms Brown agreed to provide the committee with some further information regarding this in due course.

Members further queried which functions were coming back into the Council, in particular, back-office support services within the ICB such as communications, complaints and Human Resources.

RESOLVED – That the progress update be noted.

AC.8 HEAD OF INTERNAL AUDIT REPORT AND OPINION

The committee considered a report from Head of Audit and Assurance which provided an annual report and opinion timed to support the Annual Governance Statement. Mr Hanmer introduced the report and highlighted some key areas for consideration.

A member queried the advisories in training and whether there was a timeline for the depot rationalisation project. Mr Hanmer advised that terms of reference for the audit of the project had been compiled and they were looking to set up a meeting in August to progress this.

Another member was concerned with the Operational Risk Register noting that half of the operational risks were not updated which might suggest that the first and second line of assurance was not working as it should be. Mr Hanmer advised that risks should be reviewed at least every six months as a minimum, although some of the issues identified may have been around timing as some of the dates due were close to when the review was carried out. Mr Hanmer would keep the committee updated and provide a report back in November.

Mr Hanmer noted that, in carrying out their audits, auditors looked at the operational risk register and would report back any issues about timeliness or content. It was also noted that the Risk Strategy was due to be updated in the early autumn which would provide another opportunity to reinforce risk.

A member asked about Community Asset Transfers, and once the deal was done whether there was a reputational risk. Mr Hanmer confirmed that an audit had been completed some time ago that considered future planning.

The Chair asked about the level of assurance that had been given and why officers were not able to carry out as many planned days and the reasoning for this. Mr Hanmer advised that they were moving less towards days reporting and more on outputs, and that all the days were required due to having a more targeted risk-based approach to financial systems and the difficulties in carrying out audits in children's services as referred to in the report. Mr Hanmer noted that work was progressing in the ten audits which had not been completed and would report the outcome to the next audit committee.

Ms Wroot explained how the internal officer groups fed into the Corporate Governance Group and then into the Assurance Board as part of the Council's leadership arrangements and how other things were taken into consideration when delivering the audit plan, such as external reviews and peer challenges. Ms Wroot assured members that progress was being made in those areas alongside what was within the audit plan.

The Chair remained concerned about the potential resources issue and felt this needed to be looked at later in the year. Mr Hanmer emphasised that due to staffing and resourcing issues, the delivery of the plan would be a significant risk for 2024/25 and agreed that this would need to be closely monitored.

A member referred to the new automated tracking system mentioned within the officer's report and asked if the new system was being trialed and how its effectiveness was evaluated.

Ms Baker explained in detail how the automated approach was used to follow up actions and how reminders were set in the system, which prompted escalation to Assistant Director level. Ms Baker noted the importance of this system being publicised well and although there was still work to be done it was hoped that they could extend this out by the end of the summer.

RESOLVED – That the report be noted.

AC.9 RISK MANAGEMENT ANNUAL REPORT

The committee received a report from the Executive Director for Place and Resources that provided the Audit and Governance Committee with an overview of the Council's risk management activities during 2023/24.

A member referred to the development of the Risk and Opportunities Policy

within the report asking whether it was the intention for each strategic risk for each department to have their own risk appetite. Mr Hanmer confirmed that within the Strategic Risk Register each strategic risk would have its own risk appetite and there would be a difference between each service as to what their risk appetite should be.

The Chair asked whether there was any member engagement with this process and what the intention was once the policy had been drafted. Mr Hanmer noted that scrutiny could be involved in some of the analysis, and he would pick this up with Democratic Services.

A member was concerned with how strategic risks were managed in terms of legal services involvement. Mr Jones assured members that he was involved in risk management, and that he reminded Assistant Directors of their obligations regularly.

RESOLVED – That the Council’s progress in managing risk during 2023/24 be noted.

AC.10 CIPFA FINANCIAL MANAGEMENT CODE OF PRACTICE

The committee received a report from the Executive Director, Place and Resources that set out the standards of financial management for local government bodies.

A member referred to the Standard A in Appendix 1, specifically the Major Projects Board, querying who sat within the wider project group.

Ms Wroot noted that she currently chaired the group which consisted of the Head of Project Management and the three Assistant Directors that sat within the Environment area together with the Assistant Directors for Finance and Law and Governance, as and when required.

RESOLVED

1. That the requirements to adhere to the CIPFA Financial Management Code be noted.
2. That consideration of the findings within the updated self-assessment be noted.

AC.11 TREASURY MANAGEMENT OUTTURN REPORT

The committee received a report from the Executive Director, Place and Resources that contained details of treasury management arrangements, activity and performance during the 2023/24 financial year.

Under estimates of capital expenditure, a member referred to the government grants noting that the Council were originally expecting £41.4m in 2023/24 but noting there was a reduction to £14.1m (in year changes) and asked for the reasoning for this. Mr Lonsdale noted that this was due to slippage into

the next year.

A member asked about the recent spike in interest rates and how this affected borrowing and investment strategies. Mr Lonsdale hoped interest rates would fall which in turn would make borrowing cheaper and investment terms lower. In the longer term it was looking like interest rates would reach a more normalised level.

Ms Wroot added that the Treasury Management Strategy was what the Council based its investments on, and the most important aspect was to keep our cost of borrowing as low as possible.

Members raised further queries around the financial prudential indicators percentage figure. Members were advised that this was being kept under review and officers were not expecting this to rise above 10%.

In response to concerns around borrowing, Mr Lonsdale advised that there was a whole range of factors that they took into consideration including slippage within the Capital Programme and external government grants.

The Chair noted that there had been a substantial underspend within the Capital Programme last year and asked for further information regarding this. Mr Lonsdale noted that there were regular capital challenge meetings held with budget holders to discuss profile of spend, however, they would always carry an interest rate risk.

Another member remained concerned that inflation was still high (above 5% next year) and how likely this was to impact on borrowing costs. Ms Wroot noted that although some of this was out of the Council's control, there were things that would impact including the cost of project delivery and materials. In particular, the regeneration projects took considerable time from project concept through to project delivery.

RESOLVED -That the report be noted.

AC.12 DRAFT ANNUAL GOVERNANCE STATEMENT

Mr Hanmer introduced the report noting that the final version would be presented to committee after the outcome of the external audit in November. He further added that due to these timescales there could be additions to the statement including a potential Ofsted report or Local Government Ombudsman letter.

RESOLVED- That the report be noted.

AC.13 INTERNAL AUDIT PLAN 2024-25

The committee received a report from the Head of Audit and Assurance which provided the Audit and Governance Committee with an update on the audits expected to be carried out.

The Chair asked about the series of audits that were planned around adult

social care and how this would work. Mr Hanmer confirmed that there would be one joint audit around the new partnership arrangements. He further explained the reporting arrangements through this committee and the ICB.

A member noted that this was a full audit programme that included some big issues and was concerned with the lack of resources available and asked whether this resource could be outsourced. Ms Wroot acknowledged the national challenge with resource.

Mr Hammer responded that the resourcing of the audit plan had been highlighted in the report as a significant risk, although he had flexibility in terms of third-party support if that was required. A recruitment process was due to begin shortly and depending how successful this would be it was hoped his team would be in a position in early autumn to determine exactly what resources were needed to deliver the plan.

Mr Hanmer would provide an update at the next meeting on the current position with the audit plan.

RESOLVED – That the Internal Audit Plan be noted.

AC.14 EXTERNAL AUDIT UPDATE

It was noted that there was no external audit update to receive.

AC.15 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.16 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 12.02p.m.