

AUDIT AND GOVERNANCE COMMITTEE

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| DATE | 3 April 2025 |
| REPORT OF | Independent Chair of the Audit Committee |
| SUBJECT | Annual Report of the Audit and Governance Committee 2024/25 |
| STATUS | Open |

CONTRIBUTION TO OUR AIMS

An effective audit committee contributes to the achievement of strategic objectives by seeking and receiving assurance on the systems of risk management, governance and internal control which underpin the delivery of these objectives.

EXECUTIVE SUMMARY

The Annual Report of the Audit and Governance Committee is designed to inform the full Council of the Committee's activities during the Council year (May 2024 to April 2025), and how it has discharged its responsibilities. The Audit and Governance Committee is now asked to formally approve this report prior to it being reported to Full Council.

RECOMMENDATIONS

1. That the Audit and Governance Committee reviews the self-assessment shown on Appendix 2
2. That the Audit and Governance Committee approves the annual report and requests that is presented to the Full Council
3. That the Audit and Governance Committee resolves to give delegated authority to the Chair and the Deputy Chair to make any additions or amendments to the report resulting from the outcome of the Committee held on 3 April 2024

REASONS FOR DECISION

The production of an annual report by the audit committee is considered to be good practice by the Chartered Institute of Public Finance and Accountancy (CIPFA) , and has been the Council's practice for some years. It is important that the wider membership of the Council is kept informed of the work to ensure sound control and governance. The report to Council is an essential part of this process.

1. BACKGROUND AND ISSUES

The annual report of the Audit and Governance Committee is attached. It summarises the activities of the Committee, and demonstrates how it has discharged its duties. It also reports on the outcome of the Audit and Governance Committee's self- assessment against the latest good practice provided by CIPFA.

The main conclusions of the report are:

- the Audit and Governance Committee has effectively discharged its duties as an Audit Committee, and has played an important role in promoting good governance across the council and monitoring the effectiveness of its governance arrangements; and
- the work of the Audit and Governance Committee complies with good practice, although some areas for further development around enhancing the knowledge of Members and substitutes have been identified

2. RISKS AND OPPORTUNITIES

Strong and effective control environment arrangements are an essential element of a robust corporate governance framework. The Audit and Governance Committee has a leading role to play in ensuring that the Council's governance arrangements are effective and contribute to the mitigation of risks. As the Council's operating model continues to evolve, the Committee needs to ensure that its work and the control systems it oversees, remain effective. The annual Committee Work Programme explicitly recognises this development need.

3. OTHER OPTIONS CONSIDERED

No other options are applicable as the production of an annual report is considered to be good practice.

4. REPUTATION AND COMMUNICATIONS CONSIDERATIONS

There are no specific reputational issues related to this report. The production of an annual report for consideration by Full Council is a means by which the work of the Audit and Governance Committee can be widely communicated.

5. FINANCIAL CONSIDERATIONS

There are no specific financial considerations related to this report.

6. CLIMATE CHANGE AND ENVIRONMENTAL IMPLICATIONS

There are no climate change or environmental implications arising from this report.

7. FINANCIAL IMPLICATIONS

There are no financial implications arising as a direct result of this report.

8. LEGAL IMPLICATIONS

There are no direct legal implications arising from the report.

9. HUMAN RESOURCES IMPLICATIONS

There are no direct human resources implications arising from this report.

10. WARD IMPLICATIONS

This report is applicable to all wards.

11. BACKGROUND PAPERS

Audit Committees: Practical Guidance for Local Authorities and Police (2022)
(*Chartered Institute of Public Finance and Accountancy*)

12. CONTACT OFFICER(S)

Peter Hanmer (Head of Audit and Assurance)
Telephone: 01472 323799

Tim Render
Chair of the Audit and Governance Committee



Audit and Governance Committee

Annual Report 2024/25

Foreword by Tim Render, Chairman of the Committee

I am pleased once again to introduce the annual report of the Council's Audit and Governance Committee. The key "conventional" activities of the Committee during the year remained:

- a. Assessing whether the council has an adequate system of internal control to make sure it can meet its various financial and governance responsibilities, as well as deliver on its priorities.
- b. Assessing whether those systems of control are working effectively.

As a result of this work, ***we can provide the Council, with assurance around the effectiveness of internal control, risk management and governance arrangements.***

We have again undertaken specific monitoring of the Council's arrangements for managing risk. We reviewed arrangements for a range of partnerships in our "governance" role. The Council has significant partnerships which are responsible for delivery of a wide range of services. We focussed particularly on adult social care – where the structure of the partnership [p has changed in line with changes in the structure of the NHS locally; and on the governance of changes to the Equans arrangements where services will be brought back in-house during 2025.

We again followed a work programme agreed by the Committee in advance of the municipal year and shared widely within the Council to ensure maximum impact and minimal overlap with other work. The programme is described in Section 3 of the report. We continued to separate the scheduling of committee and working group meetings. This allows us to review in detail key issues at an earlier stage (without having to wait for the next programmed meeting date) and given us time to carry out in-depth consideration of key and emerging issues.

This is the final report of the Committee under my chairmanship, as I am standing down from the role after the Annual Meeting. It has been a privilege to chair the committee over a long period, and I hope that the developments we have made, as the Council's environment and ways of working have inevitably changed, have continued give us the basis for the "assurance" to you that is our principal purpose.

It would not have been possible for the Committee to work and develop in this way without the work of Members of the Committee and their interest in and commitment to the Committee's work. We are always dependant on the work of others in the officer structure of the Council. I would like to thank in particular the Director of Resources and Governance, the Assistant Director Finance, the Chief Legal and Monitoring Officer, the Head of Audit and Assurance, the Democratic Services staff who support us so efficiently, and the representatives from our external auditors. Their continuing support and contribution to sound and constructive working relationships is key to the effective working of the Committee.

Tim Render

Independent Chairman of the Audit Committee

1. Introduction

In May 2022 the Chartered Institute of Public Finance and Accountancy (CIPFA) issued its updated “Audit Committee Position Statement”, which sets out the purpose, model, core functions and membership of audit committees. Endorsed by Central Government the statement defines the role of an Audit Committee to:

“provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. The committee’s role in ensuring that there is sufficient assurance over governance risk and control gives greater confidence to all those charged with governance that those arrangements are effective” and.

“have oversight of both internal and external audit together with the financial and governance reports, helping to ensure that there are adequate arrangements in place for both internal challenge and public accountability. In a local authority the full council is the body charged with governance. The audit committee may be delegated some governance responsibilities but will be accountable to full council”

The Audit Committee was set up in 2005. Its role is defined in its terms of reference, as laid out in the Council’s constitution, as shown on Appendix 1. The areas covered within them are consistent with those identified as good practice by the Charter Institute of Public Finance and Accountancy and Finance (CIPFA) in its document “*Audit Committees: Practical Guidance for Local Authorities and Police*” (2018- updated in 2022). In May 2013, its role was expanded to include partnership governance .

This report informs the full Council of the Committee’s activities during the Council year (May 2024 to April 2025), and how it has discharged its responsibilities.

2. Committee Information

Audit and Governance Committee Membership

During the year, the Committee had nine members, plus Tim Render (the independent chair). The membership was as follows:

Mr. Tim Render (Chair)

Councillor S Holland (Independent) (Deputy Chairman)

Councillor M Boyd (Conservative)

Councillor B Parkinson (Conservative)

Councillor D Hasthorpe (Conservative)

Councillor P Silvester (Conservative)

Councillor M Patrick (Labour)

Councillor K Shutt (Labour)

Councillor T Mickleburgh (Labour)

Councillor N Aisthorpe (Lib Dem)

In line with national guidance in November 2024 Mr Walter Leschenko was appointed as second co-opted independent member.

Audit Committee Meetings and Attendance

During 2024/25 the Committee held five meetings. The schedule of Members attendances, excluding the co-opted Members is shown below. Including two instances where substitutes attended, Members achieved an attendance rate of 98% (44 out of a possible 45).

Table 1: Attendance at Audit Committee Meetings

| | 25 Jul 2024 | 7 Nov 2024 | 30 Jan 2025 | 13 Feb 2025 | 3 April 2025 |
|---|----------------|---------------|----------------|----------------|-----------------|
| Number attended including subs | 8 | 9 | 9 | 9 | 9 |

In line with good practice the Section 151 Officer (or her Deputy), the Monitoring Officer, the Head of Audit and Assurance, and a senior representative from external audit has been in attendance. In addition, other senior officers have attended where appropriate, or where they have been invited by the Committee.

There is an opportunity at the end of each meeting for the Committee to have a private discussion (i.e., in the absence of the Executive) with External and Internal Audit at the request of the respective audit managers. No such request was made during the year

In addition, two audit working group were to consider issues in greater detail:

- 13 June 2024: Children's Services Governance: the Committee received a presentation from the Director of Children Services and members of her leadership team about the Children's Services improvement journey and supporting governance arrangements.
- 25 September 2024: the meeting focused on:
 - "Lessons learnt" from the independent report which went to Council regarding concerns around the consultation process for the Nursery Schools Review; and

- a presentation from the Assistant Director Policy, Strategy and Resources on the Council's Business Development Framework.

Training

The Council recognises the importance of providing Committee Members with the training to allow them to effectively carry out what can be a demanding and technical role. This is reflected that all Members and nominated substitutes are required to attend induction training for a minimum of every two years. In 2024/25 training included:

- Induction training (including the Role of the Audit Committee and an Introduction to Governance, Internal Control and Assurance (June 2024)
- internal Audit and the Annual Governance Statement (July 2024)
- Risk Management and Counter Fraud (November 2024)
- Treasury Management (January 2024)
- The Statement of Accounts (February 2024)
- The Global Internal Audit Standards (February 2024)

3. How the Audit and Governance Committee has discharged its responsibilities

The Committee has discharged its responsibilities in 2022/23 is described below including its achievements in specific key areas:

Approve the Statement of accounts

Reviewed the proposed accounting policies for the statements of accounts 2024/25 (January 2025)

Approved the audited Annual Statement of Accounts and received supporting reports provided by the Director of Place and Resources (February 2025)

Annual Governance Statement/ Code of Governance

Approved the draft Annual Governance Statement 2023/24. (July 2024)

Approved revisions the Council's updated Code of Governance, and received an update on progress issues identified for further focus identified in the Annual Governance Statement (January 2025)

Following the completion of the external audit on the Annual statement of Accounts the final Annual Governance Statement and recommended it be signed on the Council's behalf by the Leader and the Chief Executive (February 2025)

Approve the Internal Audit Plan / Head of Internal Audit Annual Report and Opinion

Considered the Head of Internal Audit Report and Opinion for 2023/24 (July 2024)

Considered the proposed audit plan for 2024/25 and sought assurance on its compilation and its resourcing (July 2024)

Considered a report from the Head of Audit and Assurance that provided an update on the delivery of the Internal Audit Plan 2024/25, and the outcome of audit work completed, it also provided an update on the implementation of the new action tracking system (November 2024)

Received an interim report from the Head of Audit and Assurance on the delivery of the annual audit plan 2024/25 including a summary of findings from audit reports and an update on the implementation of its Quality and Assurance Improvement Plan (January 2025)

Considered a report from the Head of Audit and Assurance that provided an update on the delivery of the Internal Audit Plan 2024/25 (April 2025)

In between formal meetings the Head of Internal Audit has periodic informal meetings were appropriate with both the Chair and Deputy Chair of the Committee to allow them to discuss emerging issues.

Promoting an anti-fraud culture

Received an interim report on anti-fraud activities taking place within the Council (November 2024)

Received the Annual Fraud Report 2023/23 (April 2025))

External Audit

Received the External Audit Strategy Memorandum which laid out the plans for carrying out the external audit of the Statement of Accounts 2023/24 and Value for Money arrangements (November 2024)

Received the external audit completion report, setting out the conclusions and significant findings from the audit of the council's financial statements for the year ended 31 March 2024 (February 2025)

Risk Management

Received the annual risk management report 2023/24 providing a summary of the developments relating to risk management (June 2024)

Reviewed the Strategic Risk Register (February 2025. April 2025)

Treasury Management

Reviewed the Treasury Management Annual Report 2023/24 containing details of treasury management arrangements, activity, and performance. (July 2024)

Reviewed the Treasury Mid-Year Review 2024/25, detailing the treasury management arrangements, activity, and performance during the first six months of 2024/25. (November 2024)

Considered the Treasury Management Policy and Strategy Statement 2024/25 -. recommending their approval by Full Council (January 2025).

Partnership Governance

Received an update form the Director of Adults on the partnership between the Council and the Humber and North Yorkshire Integrated Care Board (ICB), including the progress in updating the Section 75 Agreement. (July 2024)

Received a report from the Director of Economy, Environment and Infrastructure updating the Committee on the governance arrangements to the manage the transfer of the services provided by the regeneration partner (EQUANS) back to the Council on 1 July 2025 (November 20024)

Received a report from the Director of Economy, Environment and Infrastructure which provided an update on the partnership arrangements with Lincs inspire Ltd (November 2024)

Received a further update form the Director of Adults on the partnership between the Council and the Humber and North Yorkshire Integrated Care Board (ICB), including the operation of the updated Section 75 Agreement. (April 2025)

Annual work programme

As well as discharging its key formal responsibilities the Committee has developed an annual work programme to allow it to obtain a greater understanding of strategic interest. During 2024/25 it received reports and sought assurance in the following areas:

- Received a report from the Executive Director for Place and Resources assessing the Council's financial management processes against CIPFA's code of financial management (July 2024)
- Provided with a presentation from the Assistant Director from Finance on the processes for producing and monitoring the delivery of the Medium-Term Financial Plan (November 2024)
- The Committee received a report from the Assistant Director of Law and Governance on the proposed governance arrangements for the Greater Lincolnshire County Combined Authority to come into being in March 2025 (November 2024)
- Provided with a presentation from members of the Children's Services Leadership Team on the improvements to governance, internal control and assurance mechanism with Children's Services (January 2025)
- Provided with a presentation from the Head of Project Management in relation to the governance arrangements for major projects (February 2025)

- Considered the Annual Information Governance and Security report (2024/25) outlining key information governance activities undertaken and providing assurance on the Council's arrangements (April 2025)
- Considered the Annual Value for Money report (2024/25) summarising value for money activity during 2023/24 (April 2025)
- Considered the Annual Procurement Report, which laid out the process for ensuring compliance with the Council's contract procedure rules, and provided an update on implementing the requirement of the Procurement Act 2023 (April 2025)

4. Audit and Governance Committee Self-Assessment

The Audit and Committee annually carries out a self-assessment of its performance against a good practice checklist contained in CIPFA's "Audit Committees: Practical Guidance for Local Authorities and Police (2022)

In March 2024 the Chair and Deputy Chair reviewed the self- assessment as shown on Appendix 2, and this was then consider by the Committee on 3 April 2024. The updated self-assessment shows that the Committee largely complies with expected practice, but there remain potential areas for further development e.g.

- The need to carry out an evaluation of knowledge, skills and the training needs of committee members.
- Ensuing all committee members been appointed or selected to ensure a committee membership that is knowledgeable and skilled.
- More opportunities for the committee to have discussion of audit findings, risks and action plans with the responsible officer
- For audit committee recommendations have greater traction with those in leadership roles

Appendix 1

Audit and Governance Committee Terms of Reference and Powers

The purpose of the Audit and Governance Committee is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. The committee's role in ensuring that there is sufficient assurance over governance risk and control gives greater confidence to all those charged with governance that those arrangements are effective and have oversight of both internal and external audit together with the financial and governance reports, helping to ensure that there are adequate arrangements in place for both internal challenge and public accountability. In a local authority the full council is the body charged with governance. The audit committee may be delegated some governance responsibilities but will be accountable to full council.

1. To approve the Council's Annual Statement of Accounts, including the income and expenditure account, balance sheet and cash flow statement.
2. To consider and approve, on behalf of the council the external auditor's Annual Governance Report.
3. To approve the Internal Audit Charter, Internal Audit Plan and Performance Indicators
4. To review summary internal audit reports and any significant issues arising and recommend appropriate actions in response.
5. To consider the Head of Internal Audit's annual report and opinion and the level of assurance it can give over the Council's Corporate Governance Arrangements.
6. To consider reports dealing with the management and performance of internal audit.
7. To monitor and keep under review the Council's arrangements to secure value for money.
8. To monitor and keep under review the Council's Risk Management arrangements.
9. To monitor and keep under review the effectiveness of the Council's anti-fraud and corruption arrangements (including the consideration of an annual report summarising the Council's actions in relation to good conduct and anti-fraud and corruption).
10. To monitor and keep under review treasury management arrangements to ensure that the treasury management strategy and policies follow the CIPFA code of practice and are scrutinised in detail before being accepted by the Council.

11. To receive and approve treasury management practices and schedules.
12. To monitor and review the Council's assurance statements, including the Council's Code of Governance and the Annual Governance Statement, to ensure that they properly reflect the risk environment, and any actions required to improve it, and to monitor management action in response to the action plan arising from it
13. To consider the reports of external audit and inspection agencies insofar as they affect the Council's Corporate Governance Arrangements.
14. To monitor management action in response to issues raised by external audit.
15. To comment on the scope and depth of external audit work and to ensure it gives value for money.
16. To commission work from internal and external audit.
17. To review any issue referred to it by the Chief Executive or a Director and any Council body.
18. To consider the Council's compliance with its own and other published standards and controls.
19. To refer items to the Audit Working Group for detailed consideration.
20. To produce an annual report for full council summarising its work during the year.
21. To provide at each meeting the opportunity to have a private meeting with only the external and internal auditors present.
22. To monitor and keep under review the Council's arrangements for partnership governance

Self-assessment of good practice

This appendix provides a high-level review that incorporates the key principles set out in CIPFA's Position Statement and this publication. Where an audit committee has a high degree of performance against the good practice principles, it is an indicator that the committee is soundly based and has in place a knowledgeable membership. These are the essential factors in developing an effective audit committee.

A regular self-assessment should be used to support the planning of the audit committee work programme and training plans. It will also inform the annual report.

| Good practice questions | Does not comply | Partially complies and extent of improvement needed* | | | Fully complies |
|-------------------------|----------------------|---|-------------------------|----------------------|---------------------------|
| | Major improvement | Significant improvement | Moderate improvement | Minor improvement | No further improvement |
| Weighting of answers | 0 | 1 | 2 | 3 | 5 |

Audit committee purpose and governance

- 1 Does the authority have a dedicated audit committee that is not combined with other functions (eg standards, ethics, scrutiny)?
- 2 Does the audit committee report directly to the governing body (PCC and chief constable/full council/full fire authority, etc)?
- 3 Has the committee maintained its advisory role by not taking on any decision-making powers?
- 4 Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's 2022 Position Statement?
- 5 Do all those charged with governance and in leadership roles have a good understanding of the role and purpose of the committee?
- 6 Does the audit committee escalate issues and concerns promptly to those in governance and leadership roles?
- 7 Does the governing body hold the audit committee to account for its performance at least annually?

* Where the committee does not fully comply with an element, three options are available to allow distinctions between aspects that require significant improvement and those only requiring minor changes.

| Good practice questions | | Does not comply | Partially complies and extent of improvement needed | | | Fully complies |
|-----------------------------------|---|-------------------|---|----------------------|-------------------|------------------------|
| | | Major improvement | Significant improvement | Moderate improvement | Minor improvement | No further improvement |
| Weighting of answers | | 0 | 1 | 2 | 3 | 5 |
| 8 | Does the committee publish an annual report in accordance with the 2022 guidance, including: | | | | | |
| | <ul style="list-style-type: none"> compliance with the CIPFA Position Statement 2022 | | | | | |
| | <ul style="list-style-type: none"> results of the annual evaluation, development work undertaken and planned improvements | | | | | |
| | <ul style="list-style-type: none"> how it has fulfilled its terms of reference and the key issues escalated in the year? | | | | | |
| Functions of the committee | | | | | | |
| 9 | Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement as follows? | | | | | |
| | Governance arrangements | | | | | |
| | Risk management arrangements | | | | | |
| | Internal control arrangements, including: | | | | | |
| | <ul style="list-style-type: none"> financial management value for money ethics and standards counter fraud and corruption | | | | | |
| | Annual governance statement | | | | | |
| | Financial reporting | | | | | |
| | Assurance framework | | | | | |
| | Internal audit | | | | | |
| | External audit | | | | | |
| 10 | Over the last year, has adequate consideration been given to all core areas? | | | | | |
| 11 | Over the last year, has the committee only considered agenda items that align with its core functions or selected wider functions, as set out in the 2022 guidance? | | | | | |
| 12 | Has the committee met privately with the external auditors and head of internal audit in the last year? | | | | | |

| Good practice questions | Does not comply | | | | | Fully complies |
|-------------------------|-------------------|-------------------------|----------------------|-------------------|------------------------|----------------|
| | Major improvement | Significant improvement | Moderate improvement | Minor improvement | No further improvement | |
| Weighting of answers | 0 | 1 | 2 | 3 | 5 | |

Membership and support

| | | | | | | |
|--|--|--|--|--|--|--|
| 13 Has the committee been established in accordance with the 2022 guidance as follows? | | | | | | |
| <ul style="list-style-type: none"> • Separation from executive | | | | | | |
| <ul style="list-style-type: none"> • A size that is not unwieldy and avoids use of substitutes | | | | | | |
| <ul style="list-style-type: none"> • Inclusion of lay/co-opted independent members in accordance with legislation or CIPFA's recommendation | | | | | | |
| 14 Have all committee members been appointed or selected to ensure a committee membership that is knowledgeable and skilled? | | | | | | |
| 15 Has an evaluation of knowledge, skills and the training needs of the chair and committee members been carried out within the last two years? | | | | | | |
| 16 Have regular training and support arrangements been put in place covering the areas set out in the 2022 guidance? | | | | | | |
| 17 Across the committee membership, is there a satisfactory level of knowledge, as set out in the 2022 guidance? | | | | | | |
| 18 Is adequate secretariat and administrative support provided to the committee? | | | | | | |
| 19 Does the committee have good working relations with key people and organisations, including external audit, internal audit and the CFO? | | | | | | |

Effectiveness of the committee

| | | | | | | |
|--|--|--|--|--|--|--|
| 20 Has the committee obtained positive feedback on its performance from those interacting with the committee or relying on its work? | | | | | | |
| 21 Are meetings well chaired, ensuring key agenda items are addressed with a focus on improvement? | | | | | | |
| 22 Are meetings effective with a good level of discussion and engagement from all the members? | | | | | | |
| 23 Has the committee maintained a non-political approach to discussions throughout? | | | | | | |

| Good practice questions | Does not comply | Partially complies and extent of improvement needed | | | Fully complies |
|---|----------------------|--|-------------------------|----------------------|---------------------------|
| | Major improvement | Significant improvement | Moderate improvement | Minor improvement | No further improvement |
| Weighting of answers | 0 | 1 | 2 | 3 | 5 |
| 24 Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers? | | | | | |
| 25 Does the committee make recommendations for the improvement of governance, risk and control arrangements? | | | | | |
| 26 Do audit committee recommendations have traction with those in leadership roles? | | | | | |
| 27 Has the committee evaluated whether and how it is adding value to the organisation? | | | | | |
| 28 Does the committee have an action plan to improve any areas of weakness? | | | | | |
| 29 Has this assessment been undertaken collaboratively with the audit committee members? | | | | | |
| Subtotal score | | | | | |
| Total score | | | | | |
| Maximum possible score | | | | | 200** |

** 40 questions/sub-questions multiplied by five.