

## **Governance Committee**

1. This report summarises the business undertaken at the Governance Committee meeting held on 2 August 2023.

### **General Report of the Meeting Held on 2 August 2023**

#### **External Audit Progress Report**

2. Georgia Jones, Grant Thornton presented the report which provided an update on progress in delivering their responsibilities as the Council's External Auditor.
3. We noted the updates on the Financial Statements Audit, Value for Money (VfM) work and other areas including certification of claims and returns, meetings and events.
4. The External Auditors had not received the financial statements from the council but understood that these were being worked on, once received Grant Thornton would commence the audit for 22/23. The Value for Money work for 2022/23 would commence following receipt of the accounts too and the aim is to report back to the Committee in November.
5. The audit plan for 2022/23 had been completed and brought to the Committee previously. The audit findings report, auditors report and auditors annual report is expected to be presented to the Committee in November 2023. We noted the report.

#### **External Audit Annual Report 2021/22**

6. Georgia Jones, Grant Thornton presented the External Auditors report for 2021/22 which reported on the Value for Money work undertaken and provided key recommendations. The three areas considered were financial sustainability, governance and improving economy, efficiency, and effectiveness.
7. Following consideration of the criteria, no significant weaknesses were identified with regards to financial sustainability, but improvement recommendations were made. Significant weaknesses were identified in relation to governance and improving economy, efficiency, and effectiveness. We were reminded that this was a retrospective analysis in relation to the 2021/22 audit and therefore, a lot of the issues had already been addressed and reflected in the detailed Internal Audit Report on procurement, previously considered by Members.
8. We considered the four key recommendations around ICT/digital safeguards, council governance, and procurement. Six improvement recommendations had been made which focused on best practice in relation to finance processes, council governance, conflicts of interest, council management of the case and the commercial services directorate. Senior Management had accepted these recommendations and Grant Thornton considered the management responses to be reasonable and addressed the recommendations raised.

9. Following queries regarding the deadline dates in the recommendations, we were advised that the dates were included as part of the management responses and were considered reasonable in order to deliver the key and improvement recommendations. These would be reviewed both internally and externally.
10. We thanked internal audit for identifying the procurement issues and were advised that both officers and Grant Thornton were satisfied that safeguards were now in place to prevent this happening again, but this would be tested going forward. We noted the report.

### **Treasury Management Outturn Report 2022/23**

11. Jean Waddington, Principal Financial Accountant presented the report of the Director of Finance which outlined Treasury Management performance and compliance with Prudential Indicators for the financial year ended 31 March 2023.
12. The Treasury Strategy for 2022/23 to 2024/25 was approved by Council on 22 February 2022. A mid-year review of Treasury Management activity was presented to the Governance Committee on 23 November 2022.
13. It was reported that capital expenditure in 2022/23 was at £13.4 million. The progression of the 2022/23 programme, which included the Strawberry Meadows and Tatton Gardens developments, was affected by rising construction costs, rising interest rates and global supply chain issues. External finance of £4.6 million was required to fund the 2022/23 capital programme spend.
14. We noted that the average daily investment was at £6.1 million in 2022/23, which was down from £9.3 million in 2021/22 due to the reduction in Covid Grants. From historically low levels of interest rates in 2020/21 and 2021/22, following a number of increases the average yield for 2022/23 was significantly higher than previous years at 1.72%, above the benchmark of 1.22%.
15. The Council continued to achieve budget savings by maintaining a position of under borrowing, which means that it has used its own cash balances to finance capital expenditure rather than taking additional external loans.
16. We discussed how to get the best return on investments and were advised that the council the best return, or saving, was in using cash balances instead of borrowing; we were advised that the council would only borrow externally if cash balances required this as it was cheaper to use internal resources. If investing, the council would consider where money is placed and in what form. If the council could get a better interest rate by placing money for longer, this would be considered but only if it was certain that there would be readily available cash flow over the course of the investment period. We noted the report.

## **CIPFA Audit Committees – Practical Guidance for Local Authorities and Police**

17. Dawn Highton, Head of Audit and Risk presented her report which presented the latest CIPFA Position Statement: Audit Committees in Local Authorities and Police 2022 and CIPFA guidance – Audit Committees – Practical Guidance for Local Authorities and Police 2022. The report also presented proposals to assess the skills and knowledge of the Committee to ensure a comprehensive training plan can be developed.
18. The guidance represented best practice and CIPFA expected that all local authorities make their best efforts to adopt the principles contained within the guidance, aiming for effective audit/governance committee arrangements. We noted that the guidance contained a suggested Terms of Reference and a Self-Assessment of good practice.
19. We were requested to complete and return the self-assessment to Democratic Services by the 31 August 2023. The results of the self-assessment would be collated by Internal Audit and used to inform the Member Development Programme to ensure we were in the best position to fulfil our role on the Committee. Both the Terms of Reference and Self-Assessment would be brought back to the Committee at the meeting in September for consideration.
20. We were encouraged to have a look at the guidance and complete the self-assessment in order to make sure the correct training was being delivered to the Committee. It was also proposed that the Committee Members meet to consider the way the council approaches the governance process. We approved the recommendations in the report.

## **Chair of Governance Committee Response to External Audit Planning Enquiries**

21. Dawn Highton, Head of Audit and Risk presented her report which outlined the Chair of the Governance Committee responses provided to the planning enquiries made by the External Auditors, Grant Thornton as part of the 2022/23 statutory accounts.
22. In line with Auditing Standards and to support the Audit Planning process, the External Auditor needed to establish the risk of fraud or error. We considered the questions and responses provided by the Chair of the Governance Committee which were appended to the report. We requested that the responses be made more explicit to have a more meaningful dialogue.
23. Following queries, reassurances were made that high-risk fraud areas were considered within the audit plan and reviewed regularly. Fraud awareness training for members was requested.
24. We were also advised that laws and regulations were complied with through training and regular updates on legislation change and council decisions were moderated through a two-stage process to ensure legal compliance. We approved the recommendations in the report.

## **Strategic Risk Review**

25. Caroline Winstanley, Transformation Co-ordinator presented the report of the Director of Change and Delivery which provided an updated Strategic Risk Register, setting out the strategic risks to the council, control measures and actions planned to help manage risk.
26. The annual update of the risk register included updates identified by the Shared Senior Management team through interim reviews conducted throughout the year.
27. Many of the highest scoring risks focused on delivering Council priorities, including service delivery, large scale capital projects, and working with strategic partners to deliver outcomes. These reflected the key challenges facing the organisation such as the budgetary pressures and financial uncertainty. ICT and cyber security also remained a high risk to the council due to the potential impact on service delivery and reputational damage which was being managed through the delivery of the ICT plan.
28. There were strong control measures in place to mitigate these risks, including as part of the Council's governance framework and budget setting and monitoring processes. We noted that there were 17 risks included on the strategic risk register. Since the previous review, 1 risk had decreased (failure of shared services arrangements) and 1 risk had increased in score (incidents affecting service delivery), 1 risk had been removed (failure to manage the recovery from COVID-19 effectively) and 1 new risk had been identified (failure to address the impact of climate change).
29. We queried the removal of the failure to manage recovery from COVID-19 effectively risk and were advised that the risk relating to service delivery and business continuity captures the impact of pandemics and other significant incidents.
30. We also queried whether lessons learned were taken into account when reviewing the risk register and were advised that if specific incidents had occurred, such as Covid-19, there would be specific reviews but this was not undertaken as part of the review of strategic risk register. We noted the strategic risks, controls in place and actions planned to further mitigate risks as set out in the report.

## **RIPA Application Update**

31. Chris Moister, Monitoring Officer advised that there were now internal and external processes in place in relation to getting RIPA authorisations. It was reported that no RIPA applications had been made. We noted the update.

## **Work Programme**

32. We considered the work programme for 2023/24 which set out the reports to be considered at each Governance Committee meeting throughout the Council year. An additional item to consider the CIPFA self-assessment results would

be added to the work programme for September. We noted the work programme.

### **Recommendations**

33. To note the report.

Councillor Alan Platt  
Chair of the Governance Committee

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