



Minutes of a meeting of Audit and Governance Committee held on Thursday, 4 December 2025

Members present:

Nigel Robbins	Helene Mansilla
Nick Bridges	Jeremy Theyer
Tony Dale	Len Wilkins

Officers present:

Tyler Jardine, Trainee Democratic Services Officer	David Stanley, Deputy Chief Executive and Chief Finance Officer
Michelle Burge, Chief Accountant and Deputy Section 151 Officer	Alex Walling (Bishop Fleming)
Nickie Mackenzie-Daste, Senior Democratic Services Officer	Kira Thompson, Election and Democratic Services Support Assistant

Observers:

Councillors Patrick Coleman, Mike Evemy and Angus Jenkinson

41 Apologies

There were no apologies for absence.

42 Substitute Members

There were no substitute members.

43 Declarations of Interest

No declarations were made.

44 Minutes

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The Committee noted the minutes of 30 September 2025. No issues were raised, and upon being proposed and seconded, the Committee agreed to approve the minutes.

RESOLVED: The minutes of the Audit and Governance Committee on 30 September 2025 were APPROVED (2 votes for, 1 abstention.)

45 Public Questions

There were no public questions.

46 Member Questions

There were no member questions.

47 Treasury Management Mid-Year Report

The Chair invited the Deputy Chief Executive Officer to introduce the item. The Deputy CEO noted that the report author was present at the Committee and apologised for the atypical formatting of the report, explaining that this was produced as part of the Council's required information provision to the Chartered Institute of Public Finance and Accountancy (CIPFA) rather than in line with the Finance team's usual reports for the Committee. The Deputy CEO explained that the Council had benefited from improved returns on investment in 2025 as well as two additional factors – a higher balance for investing via taxation and limited spending, and limited shifting of interest rates from the Bank of England, both of which contributed positively to the Council's financial position. The officer also noted the only ongoing borrowing being a 'climate bond' from circa 2022, which was being actively repaid and was utilised on projects including solar panel installation and electric vehicle charging points within the District. The Council had not undertaken any borrowing during the 2024-2025 period and did not intend to for the remainder of the year.

The Deputy CEO noted that Section 5 referenced externally-managed funds ("pooled funds", a Cash Plus fund and a Real Estate Investment Trust (REIT)) – and explained that there was some concern regarding the statutory override that existed on the accounting for pooled funds which was due to expire on 31 March 2025, but this had been extended through to 2029. The officer also noted that this would not cover any pooled fund investments made after 1 April 2024 but this caveat did not apply to any of the Council's current investments, having all been made prior to that date. The Deputy CEO then requested questions or comments from Committee members.

The Committee noted some errors in grammar – page 25 misspelled "diversified", and Annex A, part 1.3, had a percentage value missing. The report author officer confirmed that these would be corrected.

The Committee queried Table 5, showing the initial value versus current value for all pooled funds. The Committee asked how they should consider an investment that had reduced in overall value despite continuing to provide a dividend to the Council. The Deputy CEO explained that while the total value had decreased, the period from which the investments were initially taken out meant that they had provided, over time, a greater income than their change in value. The officer continued to explain that the pooled funds were also partially selected to diversify the Council's portfolio in light of limited returns on cash balances, and that the intent of these investments was to hold them long-term, anticipating certain holdings may increase or decrease in value, but that the overall portfolio was expected to, supported by opinions from Arlingclose, stay in the black. Past performance of certain funds did not, in this case, necessarily indicate future performance. The Chair queried how difficult it would be to withdraw Council funds from these investments if it were considered appropriate to do so in future. The Deputy CEO explained that it would depend on the individual funds in question, and whether the other invested parties also did so at the same time, referencing a property developer as a hypothetical, which would prompt the fund to protect its own integrity and make withdrawing more expensive or difficult. The officer summarised the system as there being "a cost to go into these investments and a cost to go out of them". The officer added that there was around £350,000 earmarked in the eventuality of withdrawal at cost, that there remained a balancing act on protecting the Council from unexpected risk and actively utilising funds on projects within the District.

RESOLVED: The Committee noted the Treasury Management report.

48 External Auditors Annual Report 2025/26

Alex Walling, an Auditor from Bishop Fleming, attended the Committee to introduce and discuss the report and explained that this item was one of the reports required to be provided to the Council as part of the National Audit Office (NAO) Code of Audit Practice. The report remained in draft format for the Committee due to the timings set by the NAO. Principally the report covered the findings of the accounts audit, as well as Value-For-Money (VFM) commentary under three key areas; financial sustainability, governance, and the three 'E's of Economy, Efficiency and Effectiveness, chosen due to ongoing concerns on these areas across the wider public sector. The Auditor noted that staff losses had limited the pace of completion for these reports and that the full accounts audit would be presented at the next Committee in January, before the statutory backstop date, but no significant concerns had been identified yet.

The Auditor explained that Page 13 included a traffic light system, noting that on 'governance' one significant issue had been identified, with a recommendation having been issued to the Council to address this. Two additional recommendations from previous reviews remained partially but not fully implemented. The report itself covered the 2024/25 financial year only, and any actions from after 1 April 2025 would be

included in the following year's report. The main concern identified by Bishop Fleming concerned the Council's procurement process as highlighted by the recent Counter-Fraud Enforcement Unit investigation. The Auditor explained that although no funds were lost, the concern arose over senior individuals being involved in the process, potentially indicating issues with internal culture or processes. The Auditor approved of the Council's action plan in response to these concerns and would review the progress of officers and members in the following year.

The Committee queried the subject of witnesses, and whether the Auditor would need to see evidence from the Council over the next financial year to ensure all concerns had been addressed. The Auditor responded that they had found the Council's current action plan acceptable, and would be revisiting it in future to check whether all points had been implemented to satisfaction. On the suggestion of witnesses, evidence, and reviewing internal audit activities, the Auditor clarified that auditors were not investigators in that sense and added that this situation and its fallout in fact suggested that the whistleblowing process worked.

The Committee asked if the Council should anticipate further issues regarding procurement. The Deputy CEO answered that he was confident that the Council's response to this issue had so far been robust, citing the introduction of a dedicated procurement board, officer and member training, and procurement toolkits, all to ensure a similar case would not reoccur, as well as noting that the report highlighted where controls were circumvented and how, and that the action plan now existed to address these weaknesses.

The Committee noted with concern that no further action was taken on individuals relevant to the investigation. The Deputy CEO explained that the officers in question were no longer employed by the Council and that the member was no longer in a senior position. The Committee further queried if the Committee had any blame for the situation as it could have been considered a "failure of governance". The Deputy CEO explained that it was not the role of the Committee to review every single case of, for example, procurement; and that this would not be possible due to the Council's ongoing works and the periodic nature of the Committee's meetings. The Deputy CEO continued that he believed the right considerations for the Committee would be whether they felt they had received sufficient information to be assured that controls were in place. The Chair added that at the following Committee date the CFEU investigations would be revisited and explained that their role as Committee members would be to ensure that the overarching control scheme was in place.

The Committee highlighted the remaining actions listed in the report as incomplete and queried at what point do these become serious issues and on what timeline must they be resolved. The Auditor from Bishop Fleming responded that this depended on the nature and severity of each issue but auditors actively monitored progress and

would raise concerns about an outstanding issue that was not being sufficiently actioned.

The Committee observed that there were no changes to the Council's policies regarding accounts requested by the auditors, which members felt indicated effective finance team controls.

RESOLVED: The Committee noted the external auditor's report.

49 Corporate Risk Register

The Deputy Chief Executive Officer introduced the item and noted that at the 27 May 2025 Committee meeting a commitment was made to bring before the Committee a draft risk strategy, of which the Corporate Risk Register was one part. The Deputy CEO explained that the Council's risk appetite was 'cautious', meaning there was a preference for the delivery of safe options with a medium degree of risk versus reward. The Annex included a five-by-five scoring matrix on Page 40:

- Red = significant risk requiring mitigation.
- Amber = emerging or developing risk.
- Green = tolerable/managed risk with known mitigation.

Red risks included Cybersecurity and Health and Safety; Amber risks included financial mitigation and potential civil emergencies.

The Corporate Leadership Team (CLT: Chief Executive, Deputy CEO and Section 151 Officer, Monitoring Officer, Director of Communities & Place) had reviewed the risk register and made the decision to rebuild it from the ground up due their feeling that it did not accurately represent the Council's strategic risks or their mitigation efforts. The new register had removed risks that no longer applied to the Council (for example, issues with Publica) and instead focused on direct impacts such as legal concerns and reputational damage. The Deputy CEO then invited questions from Committee members.

The Chair observed that this risk register did not include mention of procurement processes and the potential for individuals to circumvent established rules, as the Committee had previously discussed. The Deputy CEO clarified that the register had not included anything related to procurement by default, that the officer felt it would have been inappropriate to add it after the fact, and that this would likely have been listed as an 'Amber' concern due to the fact that mitigation was now in place. the CLT would amend the register to include this by the next update in April 2026. The Chair agreed with this suggestion and noted that the Leader of the Council, present as an observer, also agreed.

The Committee queried what measures were in place to mitigate the potential scenario of a failure by one of the Council's contracted partners, considering it a significant risk

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due to reputational damage and the financial value of certain contracts. The Committee noted that the Council was partially reliant on Dun and Bradstreet (D&B) alerts, which are after-the-fact, and asked if there were more proactive measures also in place. The Deputy CEO assured the Committee that robust, ongoing monitoring was in place for all suppliers, including for example Freedom Leisure and Publica, for any services they provide. D&B alerts were used as an additional indicator for monitoring, not in place of internal controls.

The Committee asked when the last test of the identified top risks such as Cyber and Health and Safety was conducted. The Deputy CEO suggested that the Head of ICT would say that in terms of defending the Council from digital threats, internal systems were tested every day, and that while the officer could confirm that there were specific penetration and additional tests conducted it would have been inappropriate to divulge sensitive details to the Committee in public forum, suggesting that members of the Committee could be provided an exempt report to further detail vulnerability testing. The Chair noted that the Head of ICT was expected to be present at the next meeting of the Committee and could be interrogated on that future date. The officer continued and explained that Health and Safety was identified as a concern after an internal audit report revealed insufficient recordkeeping when tests were conducted. The Head of Community, Property and Assets had committed to addressing this and the CLT was actively monitoring progress.

The Committee commended the efforts made to address cybersecurity risks and raised the increasing relevance of Artificial Intelligence (A.I.) as a possible risk. The Deputy CEO advised that an AI policy was currently under development and would be provided to Cabinet for approval at a later date.

The Committee queried how they were to identify positive or negative developments for the included risks. The Deputy CEO explained that this version, due to the fact that this was a newly prepared risk register, did not have comparisons to previous issuances but future reports would include clear and legible indicators, likely arrows, to more easily show Committee members where progress was being made as well as when the last review of each risk was. The officer continued that some risks would not change significantly for an extended period due to their nature, but they must still be regularly reviewed to ensure the definition was still accurate, mitigations remained appropriate, and outdated references were corrected.

Members noted the value of the summary page in highlighting both existing strategic risks and those not yet captured. The Deputy CEO reported that each service maintains a comprehensive risk register, with processes in place to escalate risks from service level risk registers to the strategic register where appropriate. An example was given in relation to Treasury Management, where staffing issues could lead to escalation and targeted mitigation actions. The Committee discussed the importance of understanding risks that did not yet appear on the strategic register but were captured

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within service-level registers - it was agreed that visibility of these emerging risks would assist in anticipating issues that may require future escalation.

RESOLVED: The Committee unanimously voted for the quarterly inclusion of the Risk Register at Committee meetings.

50 Audit and Governance Committee Work Plan

The Chair introduced the work plan and noted each report due for upcoming Committee dates, before advising that this was still ongoing work. The Deputy CEO also confirmed that this was the case but noted that all relevant items were anticipated to be completed by the dates listed in this report for inclusion at the relevant committees, and that officers had not anticipated issues but if any were encountered there may be a need for a delegated decision to meet statutory deadlines.

RESOLVED: The Committee noted the Work Plan.