

WEST LINDSEY DISTRICT COUNCIL

MINUTES of a Meeting of the Governance and Audit Committee held in the Council Chamber at the Guildhall, Gainsborough on Thursday 27 June 2013 commencing at 6.30 pm.

- Present:**
- Councillor Sue Rawlins (Chairman)
 - Councillor Giles McNeill (Vice-Chairman)

 - Councillor Gillian Bardsley
 - Councillor Jackie Brockway
 - Councillor Anne Welburn
 - Councillor Geoff Wiseman

 - Alison Adams (Independent Co-opted Member)
- In Attendance:**
- Manjeet Gill Chief Executive
 - Alex Reeks Assistant Chief Executive
 - Russell Stone Section 151 Officer and Financial Services Manager
 - Katie Coughlan Governance and Civic Officer
- Also in attendance :**
- Lucy Pledge Internal Audit (Lincolnshire County Council)
 - John Sketchley Internal Audit (Lincolnshire County Council)
 - Paula Longden External Audit (KPMG)
 - Tony Crawley External Audit (KPMG)
- Also Present :**
- Councillor Chris Darcel
- Apologies:**
- Steve Wallace (Independent Co-opted Member)
 - Councillor Ken Bridger
 - Councillor David Dobbie
 - Councillor Malcolm Leaning
 - Councillor Roger Patterson
 - Councillor Di Rodgers
- Membership:**
- Councillor Geoff Wiseman substituting for Councillor Di Rodgers

6 PUBLIC PARTICIPATION

There was no public participation.

7 MINUTES

- (a) Meeting of the Governance and Audit Committee held on 21 March 2013

RESOLVED that the Minutes of the meeting of the Governance and Audit Committee held on 21 March 2013 be approved and signed as a correct record.

- (b) Meeting of the Governance and Audit Committee held on 20 May 2013

RESOLVED that the Minutes of the meeting of the Governance and Audit Committee held on 20 May 2013 be approved and signed as a correct record.

8 MATTERS ARISING SCHEDULE (GA.01 13/14)

Members gave consideration to the Matters Arising Schedule which set out the current position of all previously agreed actions as at 19 June 2013.

In reference to the outstanding Amber action, the Assistant Chief Executive provided the following update: -

Central Lincolnshire Joint Strategic Planning Committee/Joint Planning Unit

- They are charged with producing the **Core Strategy** which sets out the strategic approach which will be taken to development across the Central Lincolnshire area – this has been through several rounds of public engagement (starting at the end of 2011) and will be subject to further public scrutiny when the final document is approved for submission to the Secretary of State on 8 July 2013. The timetable for the formal adoption of the Core Strategy is on track according to the project plan.
 - Formal 6 week consultation starting in August 2013
 - Guidance on the website, sessions with parishes, leaflets in public buildings
- They are also charged with the production of an “**allocations document**” which will allocate the smaller/non-strategic sites across the District and develop detailed policies which will be used by planning committees. The engagement process has started on this document and meetings with groups and parishes have been arranged over the summer.

- Further scope for engagement on this but it has not yet been project planned

Community Infrastructure Levy

- This is a separate but linked matter. The production of a community infrastructure levy charging schedule is a District responsibility and is not covered by the agreement to set up the CLJSPC or the JPU. However as the provision of infrastructure is closely linked to the delivery of the growth identified in the Core Strategy this council has agreed to produce an aligned community infrastructure levy with the other central Lincolnshire councils.
 - Prosperous Communities Committee agreed to consult on the draft charging schedule starting at the beginning of July.

Gainsborough Regained Refresh

- The 2012 Master is draft form and is being reviewed to address the issues raised in the audit report. In particular the plan is being linked to a marketing plan to promote the town centre for investors. The project plan will be amended to take account of this. Governance will take place through the Growth Board. Further updates on this will be brought to the Committee as the process develops.

RESOLVED that progress on the Matters Arising Schedule as set out in report GA.01 13/14, and the update detailed above, be received and noted.

9 MEMBERS' DECLARATIONS OF INTEREST

There were no declarations of interest made.

10 EXTERNAL AUDIT INTERIM REPORT (GA.02 13/14)

Members gave consideration to the External Audit Interim Report.

At the request of Members, the terminology REFCUS was explained. Members sought assurance that the identified ambiguities in relation to the contract between the Council and the Big Red Dot Foundation (BRDF) could be resolved before the end of the three year period. It was suggested that maybe a side agreement would be appropriate.

In response, Officers explained at length the way monies were held by the Foundation and the strategy behind making the investment in this way. The intention was to review the contract nearer its conclusion.

However, Members indicated they would welcome further information at their next meeting regarding the current contract arrangements and putting measures in place to minimise risk at the early stages as opposed to the latter stages.

RESOLVED that: -

- (a) the contents of the report be received and noted; and
- (b) further information regarding the current contract arrangements and putting measures in place to minimise risk at the early stages be submitted to the next meeting.

11 INTERNAL AUDIT QUARTERLY PROGRESS REPORT (GA.03 13/14)

Consideration was given to a report which provided Members with an update on progress by Internal Audit, against the annual audit programme agreed by the Audit Committee on the 12th March 2012 and the 2013/14 annual programme agreed by the Audit Committee on the 21st March 2013.

In the ensuing debate Members expressed concern that there appeared to be a common thread of late information, incomplete information, non-documentation and non-compliance. Further concerns were expressed in that if project management and planning continued to remain an issue effective delivery would be compromised significantly.

Members asked a number of questions to seek assurances but these were deferred until Members had heard Officers presentation in relation to the next item. (Minute 12 relates)

At the request of Members the Section 151 Officer addressed the comments arising from the Financial Management Audit and the General Ledger Audit and outlined how these were been addressed in practice.

On that basis it was **RESOLVED** that: -

- (a) the contents of the report be received and noted;
- (b) the Director of Regeneration and Planning be in attendance at the Committee's next meeting to provide assurance around the project plan and its implementation in respect of Gainsborough Re-gained; and
- (c) the Committee be provided with further information for assurance, regarding budget management and the general ledger in terms of progress achieved in implementing the required actions

12 INTERNAL AUDIT ANNUAL REPORT (GA.04 13/14)

Members gave consideration to a report which provided the Head of Internal Audit's opinion on the adequacy of the Council's control environment and the delivery of the plan for 2012/13 as approved by the Committee on 12 March 2012.

Prior to opening up the debate for Members, the Chief Executive and the Assistant Chief Executive both addressed the Committee, setting out the steps which had been taken to date to address those matters detailed in the report, as well the next planned stages for continued improvements, during which the following points were noted: -

Over the last six months:

- We have strengthened the Core Management Team shaping of audit inspection plans, audit scope and final reports to put a stronger focus on what CMT feel are high-risk areas. This has resulted in some draft reports that were initially receiving substantial assurance being reduced to limited assurance following challenge and further validation by CMT.
- We have set clear priorities related to the Corporate Plan and put in place the right systems to deliver such as programme boards, in some cases reducing officers' workload in critical areas to ensure capacity
- We have established programme boards led by directors and the management of the commercial board has been taken over by the Chief Executive in order to model good programme management and to focus on high risk areas such as investments.
- We have allocated new resources at a senior level to lead on land and property and investment related programmes.
- We have established stronger second line assurance and better member scrutiny and performance management with a new vice-chair of challenge and improvement with responsibility for progress and delivery. There are regular reports on delivery of the Corporate Plan that is a framework for first and second lines of assurance.
- We have received substantial assurance on the systems in place for progress and delivery.
- We have carried out training and development sessions for project management, gateway reviews, commercial skills such as knowledge and theory in line with the Treasury green book approach.

- We have refreshed the Risk Management Strategy in management workshops and discussed this with committee chairs before coming to Governance and Audit committee for approval.
- We have prepared proposals to put in place new resources to strengthen capacity and capability at a senior management level with a focus on governance, risk and delivery.
- We have organised workshops with management to agree new competencies and behaviours to deliver better on governance, programmes, risk and value for money.
- We have linked these competencies and behaviours to job descriptions to enable us to strengthen the ability to hold managers to account on areas which are more entrenched due to culture change.

Moving Forward

Project Management

Audit said: New project management processes need to be embedded and integral to how the Council successfully manages and delivers its projects.

With an approach to project management based on proportionality, we will:

1. Insist on a minimum standard for project management for small projects
2. Insist on the appropriate use of the full project management methodology for large projects
3. Review the effectiveness of our programme boards
4. Ensure a single view of all projects is created to maintain awareness of what we are delivering and resource use

Risk Management

Audit said: We identified that the Corporate Risk Register needs reviewing / updating to ensure that it focuses on what is of corporate importance to the Council.

We will:

1. Complete independent in depth reviews on service risk registers and ensure appropriate mitigating actions are in place
2. Adopt a robust risk register approach for corporate and strategic risks and ensure that these registers are a standing item on the CMT monthly agenda

3. Put appropriate checks in place for reassurance on compliance

Investment Decisions

Audit said: Our interim findings have identified a number of areas of improvement, namely;

- Ensuring that there is sufficient capacity to deliver business as usual activities and key priority projects
- Ensure compliance with the agreed project methodology
- Implementing the Council's commercial strategy, particularly the development of sound business cases

We will:

1. Build further capacity and capability in officer resources and leadership
2. Ensure compliance with an agreed project methodology as outlined above
3. Adopt the five case model as the minimum standards for investment proposals. Adopt an appropriate approach to investment appraisals
4. Adopt an agreed process for undertaking due diligence
5. Strengthen member and stakeholder engagement in current process and strengthen the process where necessary
6. Align behaviours for accountability and governance with job descriptions

Income Generation

Audit said: Our work identified how income budgets are set and projected was in need of improvement. Income generation, budgeting, monitoring and reporting processes need to keep pace with the priority the Council now places on income generation

We are:

1. Delivering the 'Finance Matters' project which aims to enhance the information and capability of budget managers

ICT Infrastructure

Audit said: Our audit identified areas of improvement around:

- IT security
- resilience in the event of disaster
- development of Code of Connection for WLDC network
- Review and update IT policies

- Software licencing and asset control
- Firewall / intrusion prevention system

We are:

1. Delivering a project to move to a shared infrastructure with North Kesteven district council for resilience and the release of efficiencies
2. Delivering a project to secure compliance with infrastructure build and security requirements to enable connection the Public Service network (PSN). This project will ensure that all concerns raised are addressed or connection will be refused.

Information Governance

Audit said: We established that the organisation does not have a coordinated corporate approach to managing information governance. Introduction of this through an information governance group could aid

We will:

1. Develop the Information Governance Group and ensure regular action
2. Establish an approved protective marking scheme
3. Reviewing relevant policies and provide necessary training
4. Put appropriate checks in place to assure compliance

Debate ensued and Members expressed concerns regarding methodology and capacity issues. The Committee were of the view that well documented, understood and embedded documentation procedures were critical, and until assurance was received that such things were in place, there was a view that the Council should “pause and reflect” prior to committing to any further investment proposals.

Whilst acknowledging and recognising the points raised by the Assistant Chief Executive in addressing the Committee, the presentation was a cause for concern with Members, in that some were of the view it was a reactive statement, whilst others were concerned there were too many arising actions, all of them worthy, but the sheer volume making delivery difficult. Some were of the view that the Council’s direction was changing too fast without the appropriate fail safes being in place in the first instance. Staff needed to be comfortable and confident with the procedures within which they were being asked to work and all were of the view that if appropriate process were agreed at the outset, difficulties would not arise at the latter stages.

Discussion then turned to investments decisions and Members commented that they needed to be comfortable and understand some of the delegated investment decisions, which at present they did not feel was always the case. In responding to Officers’ comments around due diligence, and varying levels dependent upon the project size, Members were strongly of the view that due

diligence should be a standard process regardless of the project and it was of critical importance that relevant staff were fully trained and understood the importance of such.

There was an initial suggestion that the matter should be referred to the Challenge and Improvement Committee for further investigation, however as this was the Committee charged with over-seeing governance and arising from the comments and concerns expressed throughout the debate it was: -

RESOLVED that: -

- (a) the contents of the report be received and noted; and
- (b) a further update be provided to the Committee at its next meeting setting out progress achieved against the action plan outlined by the Assistant Chief Executive, detailed above; and
- (c) an interim report / briefing paper be provided to the Committee on current investment decisions, setting out what is the process; all current investment decisions be investigated; the level they are each worked up to and who has provided due diligence for each.

13 RISK MANAGEMENT STRATEGY (GA.05 13/14)

Members gave consideration to a report which sought approval of the Governance, Risk and Compliance Strategy.

Member' sought indication as to how the Strategy would be reviewed and were referred to page 12 of the report.

RESOLVED that the Governance, Risk and Compliance Strategy be approved.

14 ANNUAL GOVERNANCE STATEMENT (GA.06 13/14)

Consideration was given to a report which presented the draft Annual Governance Statement for 2012/13 and which sought feedback for inclusion in the final statement which would be presented to Members at their September meeting for approval.

Arising from comments and concerns which had been raised earlier in the meeting, Members were of the view that both investment decisions and the Constitution should be incorporated into the list of issues referred to in Section 4 of the report.

RESOLVED that both investment decisions and the Constitution be incorporated into the list of issues referred to in Section 4 of the report; and the final statement be submitted to the September meeting of the Governance and Audit Committee for approval.

15 REVIEW OF EFFECTIVENESS OF INTERNAL AUDIT (GA.07 13/14)

The authority is required by statute to review the effectiveness of internal audit at least annually and the findings of the review to be considered by an appropriate committee of the Council. Members gave consideration to a report which met this requirement by reporting the findings of work undertaken by Officers and Members to review the Council's current arrangements.

The Committee wished to place on record their thanks to Ms Pledge and her team for all the hard work they had undertaken.

RESOLVED that having considered the contents of the report, the conclusion that the Council has effective internal audit in place be endorsed.

16 UN-AUDITED STATEMENT OF ACCOUNTS (GA.08 13/14)

Consideration was given to a report which presented the un-audited statement of accounts for information purposes at this stage.

Members noted and welcomed the planned intention to hold a training session 2 weeks prior to the Committee's next meeting in September to assist Members with scrutinising and questioning the Accounts when presented for approval.

RESOLVED that: -

- (a) the Unaudited Core statements to the Statement of Accounts prior to publication be received and noted; and
- (b) a training session be arranged 2 weeks prior to the Committee's next meeting in September to assist Members with scrutinising and questioning the Accounts when presented for approval.

17 FEEDBACK REPORT (GA.09 13/14)

Members gave consideration to a report which reviewed the number, type and results of complaints, comments and compliments made to the Council during 2012/13. The report further advised Members about the work being undertaken to deliver the Customer Experience Strategy.

The Committee wished to place on record their thanks to all the staff for the work they undertake on behalf of the Authority.

RESOLVED that the 2012/13 results be noted.

18 SUMMARY OF BENEFIT FRAUD 12/13 (GA.10 13/14)

Members gave consideration to a report which reviewed the number, type and results of fraud investigations made to the Council during 2012/2013.

The Committee again expressed thanks for the excellent work undertaken by the Fraud Team.

RESOLVED that the 2012/13 results be noted.

19 WORK PLAN (GA.11 13/14)

Members considered their work plan for meetings during the 2013/14 Civic Year.

Members noted and welcomed the planned intention to hold a Special Meeting during September 2013 to consider the Elswitha report. Some Members expressed disappointment at the timeline, however it was important that all “lessons learnt” were teased out in order that they could be applied in the future to other projects, and such work would unfortunately take time. The Committee requested that all Members be invited to attend the meeting and those interviewed receive the report in advance.

RESOLVED that the work plan as at 19 June 2013 be noted; and a Special Meeting be arranged during September 2013 to consider the Elswitha report.

The meeting concluded at 9.56 pm.

Chairman