

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 10 April 2014, commencing at 6.30 pm

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

Councillor Ken Bridger
Councillor Jackie Brockway
Councillor David Dobbie
Councillor Di Rodgers
Councillor Anne Welburn

Alison Adams (Independent Co-opted Member)

In Attendance:
Jeanette McGarry Interim Director
Russell Stone Section 151 Officer and Financial Services Manager
James O'Shaughnessy Business Improvement and Corporate Governance Team Manager
Dinah Lilley Governance and Civic Officer

Also in attendance :
Lucy Pledge Internal Audit (Lincolnshire County Council)
Lisa McKenzie Internal Audit (Lincolnshire County Council)
Tony Crawley External Audit (KPMG)

Also Present : Councillor Chris Day
Councillor Geoff Wiseman

Apologies: Councillor Gillian Bardsley
Councillor Malcolm Leaning
Councillor Roger Patterson

69 PUBLIC PARTICIPATION

There was no public participation.

70 MINUTES (GA.49 13/14)

Meeting of the Special Governance and Audit Committee held on 27 February 2014.

RESOLVED that the Minutes of the meeting of the Special Governance and Audit Committee held on 27 February 2014 be approved and signed as a correct record.

71 MATTERS ARISING SCHEDULE (GA.50 13/14)

Members gave consideration to the Matters Arising Schedule which set out the current position of all previously agreed actions as at 2 April 2014.

The Interim Director updated the Committee on the matter of the independent member vacancy, noting that the Monitoring Officer had sought the Committee's views by email, the results of which were awaited. The Vice Chairman sought clarification on the Constitutional position regarding independent members and was told by the Governance and Civic Officer that it was mandatory for the Committee to have one, but that additional independent members were at the discretion of the Committee.

The Interim Director also reminded Members that training on Minerva would be arranged in due course.

Concerns were expressed that Matters Arising were not being updated appropriately by officers, and that this was fundamental to the workings of the Council. The Interim Director agreed to monitor this and would follow up any outstanding actions. She added that the Elswitha Action Plan and the corporate Governance Smart Action Plan, closure reports were due to be submitted to the next Committee.

RESOLVED that progress on the Matters Arising Schedule as set out in report GA.50 13/14, be received and noted.

70 MEMBERS' DECLARATIONS OF INTEREST

There were no declarations of interest made.

71 EXTERNAL AUDIT PLAN 13/14 (GA.51 13/14)

The External Auditor presented the Annual Audit Plan to explain the process of external audit of the Statement of Accounts and approach to the Value for Money Audit 2013/14

There was to be no change to the overall audit approach, and the initial assessments in the document would be reviewed throughout the year, and any new emerging risks would be addressed accordingly.

Following the initial risk assessment the LGPS Triennial Valuation had been identified as a significant risk. The impact was to be considered on 31 March 2014 and liaison would take place with actuarial experts and the auditor of the Lincolnshire Pension Fund to gain assurance over the liability.

The initial risk assessment for the VfM conclusion had identified Governance Arrangements, specifically the Authority's need to balance good governance with its commercial strategy, as a significant risk. The Broadband project would be used to test the governance process and project management arrangements.

The Audit Plan report set out the four stages of the audit approach and the timeline to be followed. The fees were set out in the report, noting that if significant risks arose necessitating additional work, would be subject to change.

Note: Councillor Dobbie arrived at this point of the meeting.

Members of the Committee questioned if the Council's move towards a more commercial approach led to a greater test of fraud. The external auditor assured Members that there was an increased pressure to monitor more closely and that auditors would look to work alongside officers through projects. The Interim Director reminded Members that with a decreasing dependency on government grants, and having to make significant savings, the Council was working closely with both external and internal audit to ensure due diligence.

RESOLVED that the information contained within the report be received and noted.

72 CERTIFICATION OF GRANTS AND CLAIMS (GA.52 13/14)

The External Auditor presented the report which set out the Grant Claims certifications for 2012/13. No qualification was required in respect of housing and council tax benefits. Some errors had been identified which required minor cell amendments, necessitating a slightly higher fee than the indicative quote.

Thanks were expressed to all officers involved in the production of the report.

RESOLVED that the information contained within the report be received and noted.

73 INTERNAL AUDIT PLAN – QUARTERLY PROGRESS REPORT (GA.53 13/14)

The Internal Auditor presented the report which set out progress from December 2013 to February 2014, which was 80% of the year, this was now complete and the final report would be submitted to the next meeting of the Committee.

Full assurance had been given to Welfare Reform, and Substantial Assurance to Housing Benefits – Highlight Report. However, Limited Assurance had been given to four areas: Asset Management; NNDR – Growth Project; Partnership Management; and Project Management. Executive summaries for each of these areas were appended to the report and the key findings were summarised as:

Asset Management

The Council's current approach to the management of assets does not provide a positive level of assurance that its aims and objectives will be met. Specifically in understanding its asset base, maximising asset use and complying with asset disposal and acquisition policies.

NNDR – Growth Project

This is a key project for the Council – our audit identified that the project in its current form will struggle to progress and achieve successful delivery of its potential benefits. We have recommended that management review the project to assist in defining achievable outcomes and detailed success measures.

Partnership Management

Our audit identified the need to strengthen the governance and accountability arrangements for partnerships.

Project Management

Work is underway to strengthen the project management arrangements of the Council. Our limited assurance opinion is based on the fact that these arrangements are at an early stage and are not fully embedded across the Council.

Discussion ensued on those issues that had received limited assurance. Members requested that lead officers report to Committee on progress with regards their respective Audit Action Plans. The Internal Auditor assured the Committee that an Action Plan had been agreed and management responses had been comprehensive, this would be reported back to the next meeting. The Interim Director informed Members that an Approved Code of Practice (ACOP) was in place and work was ongoing with officers on a shared performance management framework. Audit Actions would be included in service plans and reported regularly to CMT. Members requested assurance that the number of Corporate projects had been rationalised. The Interim Director advised that each of the Council's Boards had reviewed and rationalised the number of projects.

Members were surprised at the sample of five partnerships assessed, and felt that the JPU should have been included, and that appropriate exit strategies should be in place for any partnerships felt to not be working.

Regarding the Asset Management, it was questioned whether the timescales for the nine management actions were realistic, the Chief Finance Officer resolved to circulate updates on progress.

Other audit work undertaken during the period assessed the Gateway Review – E-Accessibility Project, and audits in progress were: Risk Management; Financial Systems; and ICT.

RESOLVED that: subject to further assurances from Directors, and presentations from the lead officers with regards the Limited Assurance Audits, the report be noted.

74 INTERNAL AUDIT PLAN (GA.54 13/14)

The Internal Auditor set out details of the draft annual programme of internal audit work to be completed by the Audit partner in 2014/15.

The Internal Audit strategy had been developed to demonstrate how assurance could be given on: the critical systems of the Council; due diligence; strategic risks; emerging risks; key transformation programmes and projects; and ICT assurance.

The level of assurances in place had been identified by using the 'Three lines of Assurance' Model: Management; Corporate Functions and Third Party; and Internal Audit. To help triangulate the information each activity was to be risk assessed against significance, sensitivity and materiality.

Those areas identified by senior management as having the most impact on the successful delivery of Council priorities or whose failure could result in significant damage to reputation, financial loss, impact on people (risks) were identified as:

- Corporate Fraud
- Information Governance
- Land, Property & Estate Management
- Strategic Economic Development
- Joint Local Plan
- Vulnerable People

Due Diligence - Those systems that support the running of the Council and ensure compliance with key policies

- Finance Systems
 - Debtors
 - Payroll
 - Pensions
 - Property, plant & equipment
- Key Control Testing of Financial systems

Other issues to be considered included: Benefits; Insurance; Contract Management; Emerging risk contingency and ICT (mobile devices and shared service with NKDC)

All of the above totalled 176 days for which the fees were set out in the report.

Members were reassured to see that 42% came under the category of due diligence, but expressed concerns that the JPU was not listed as an item to be audited. It was noted that this would be covered in a joint audit with the other local authorities concerned.

RESOLVED that the content of the Internal Audit Plan for 2014/15 be agreed.

75 ANNUAL GOVERNANCE STATEMENT ACTION PLAN UPDATE (GA.55 13/14)

The Business Improvement and Corporate Governance Team Manager presented the current position with the Annual Governance Statement Action Plan 2012/13 as was agreed by the Committee in September 2013. Several issues had been identified for development and the Action Plan was appended to the report.

Under the BRAG system most were identified as Black, having been completed, several were Green, and two were Amber. These were: Project Management and ICT Infrastructure. Project management was being embedded and a Code of Practice being developed. There were no security issues with ICT and the Council was now PSN compliant.

RESOLVED that the current position with the Annual Governance Statement Action Plan 2012/13 be noted.

76 COMBINED ASSURANCE REPORT (GA.56 13/14)

The Business Improvement and Corporate Governance Team Manager outlined the purpose of the Combined Assurance Report. It was to produce a record of assurances against critical activities and risks. It provided an overview of assurance across the Council making it possible to identify where assurances were present, and their source, and where there were potential assurance 'unknowns or gaps'. It offered a triangulated view of assurance with separate opinion provided by management; corporate and/or third party assurance and Internal Audit.

The report recorded improvements and progress when compared to the previous year's report. Significant improvements in terms of the level of assurance had been recorded in relation to Transactional Services; Governance and Strategy; Localism and Projects.

Members were pleased to note that Localism showed 100% Green status, however it was suggested that it would be useful to see directional arrows showing progress for the remaining matters.

RESOLVED that, the contents having been reviewed, the Combined Assurance Report be noted.

77 WORK PLAN (GA.57 13/14)

Members considered their work plan for meetings during the ensuing year.

It was noted that the Committee had agreed to look at Relationships and that this was not now showing in the work plan. The Interim Director agreed to investigate this.

The Internal Auditor clarified that some items were repetitive and could be combined.

New items such as a Q/A session on Limited Assurance and the previously discussed feedback from the Council's Boards be added into the work plan.

RESOLVED that the work plan as at 2 April 2014 be noted.

The meeting concluded at 8.36pm.

Chairman