

Guildhall Gainsborough  
Lincolnshire DN21 2NA  
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**AGENDA**

This meeting will be recorded live and the video archive published on our website

**Governance and Audit Committee**  
Tuesday, 13th October, 2020 at 2.00 pm  
Virtual - MS Teams

<https://west-lindsey.public-i.tv/core/portal/home>

**Members:**

- Councillor John McNeill (Chairman)
- Councillor Mrs Jackie Brockway (Vice-Chairman)
- Councillor Stephen Bunney
- Councillor Mrs Tracey Coulson
- Councillor David Dobbie
- Councillor Mrs Caralyne Grimble
- Councillor Mrs Angela White
- Alison Adams
- Andrew Morriss
- Peter Walton

1. **Minutes of Previous Meeting** (PAGES 2 - 7)  
Held on 29 September 2020.

Ian Knowles  
Head of Paid Service  
The Guildhall  
Gainsborough

Friday, 9 October 2020

# Agenda Item 3

Governance and Audit Committee- 29 September 2020

## WEST LINDSEY DISTRICT COUNCIL

MINUTES of the Meeting of the Governance and Audit Committee held in the Virtual - MS Teams on 29 September 2020 commencing at 2.00 pm.

**Present:** Councillor John McNeill (Chairman)  
Councillor Mrs Jackie Brockway (Vice-Chairman)

Councillor Stephen Bunney  
Councillor Mrs Tracey Coulson  
Councillor David Dobbie  
Councillor Mrs Caralyne Grimble  
Councillor Mrs Angela White  
Alison Adams  
Andrew Morriss

**In Attendance:**  
Alan Robinson Director of Corporate Services and Monitoring Officer  
Emma Bee Audit Manager  
Tracey Bircumshaw Assistant Director of Finance and Property Services and  
Section 151 Officer  
Caroline Capon Corporate Finance Team Leader  
Mark Dalton  
James O'Shaughnessy Corporate Policy Manager & Deputy Monitoring Officer  
Stacey Richardson Principal Auditor  
Katie Storr Senior Democratic & Civic Officer  
James Welbourn Democratic and Civic Officer

### 26 PUBLIC PARTICIPATION PERIOD

There was no public participation.

### 27 MINUTES OF PREVIOUS MEETING

The minutes of the meeting held on 21 July 2020 were approved as a correct record.

### 28 MEMBERS' DECLARATIONS OF INTEREST

There were no declarations of interests.

### 29 ANNUAL GOVERNANCE STATEMENT 2019/20 AND ACTION PLAN

Members considered the Annual Governance Statement (AGS) 2019/2020 and associated Action Plan.

The action plan had been set around any ideas that had arisen for improvement or redress. Since the draft statement had been presented, there had been one slight amendment. This

amendment was the appointment of the Assistant Director for Finance, Business Support and Property Services as the Authority's Section 151 Officer. This responsibility had previously rested with the Chief Executive, but it was considered best practice for the Chief Executive not to have a division of responsibilities.

The Action Plan outlined six areas for scrutiny over the coming year. These were:

1. Implement the Senior Management Restructure;
2. Sustainability, Climate and Environment Strategy;
3. Effectiveness of the Governance and Audit Committee Survey;
4. Post-Emergency Pandemic Recovery Response and Plans;
5. Effectiveness and Understanding of Corporate Procurement Procedures;
6. Act on the Recommendations of the Peer Review.

The Action Plan would be brought back on two further occasions to be presented to this Committee.

Following this introduction, Members asked questions of officers and provided comment. Further information was provided;

- The Parish Charter had been adopted, and was now available for circulation to parishes and towns. It had also been added to the West Lindsey District Council website;
- The delay in key procurement referred to in the report related to a number of IT related procurements that had been commissioned, such as the CRM (Customer Relationship Management) and ERP (Enterprise Resource Planning) systems. There had been an initial thought that a combined system for these two areas would be available, but this did not materialise. Procurement within West Lindsey District Council (WLDC) had provided a great deal of assistance, and acted as a safety net to make sure purchases were carried out in a legal manner;
- The formal publication of the Peer Review, agreed with the Local Government Association (LGA) had been delayed due to the Covid-19 pandemic. It had been agreed to take this item to Full Council in November;
- The views of service users, such as those at the leisure centre can be reflected in future statements;
- Separate to the service reviews been undertaken, work was being carried out on efficiencies within the Council. The Monitoring Officer and People and Organisational Development Manager produce a yearly report on the Workforce Development Plan; this aims to try and ensure the workforce that we have corresponds with the skills required to perform different roles;
- Currently corporate procurement procedures are drawn from the Official Journal of the European Union (OJEU), but officers are guided by paid advice from Procurement Lincolnshire.

The report was moved and seconded, and it was unanimously **RESOLVED** to approve the

Annual Governance Statement 2019/2020 and associated action plan as bearing a true reflection of the Council's governance related arrangements and issues arising out of the year 2019/2020.

### **30 REPORT TO THOSE CHARGED WITH GOVERNANCE - EXTERNAL AUDIT COMPLETION REPORT - ISA 260**

Members considered an External Audit report on the quality of the Statement of Accounts and the Annual Governance Statement for 2019/2020. The report was introduced by Mark Dalton of Mazars, the Authority's External Auditors. The introduction contained the following highlights:

- Subject to the completion of limited outstanding work, Mazars anticipated issuing a clean, unqualified opinion. A good set of accounts and supporting working papers had been produced, with a positive outcome across all sectors;
- There were national issues that impacted on the audit; firstly Covid-19 and the associated uncertainties, and the delays in auditor guidance and assurances;
- In relation to work on financial statements, and given the material valuation uncertainty related to 'property, plant and equipment', auditors were likely to include an 'emphasis of matter' paragraph in the report. This would highlight the Authority's disclosure of material uncertainty to a reader of the accounts. This was not a modification to the audit opinion, but instead a 'sector-wide' issue;
- Assurances were still required from the Lincolnshire Pensions Fund Auditor. Until these have been received, the financial statement cannot be signed off. These assurances were expected by the middle of October, which was consistent with the rest of the sector;
- The assumptions in the McLeod case, a case of age discrimination which had been brought against public sector pension schemes did not represent a material difference in the audit as this case had already been accounted for, and was a national issue;
- The Authority's Minimum Revenue Provision (MRP) policy had been discussed with WLDC management, along with the restatement of vired balances and pension's legal cases. The impact of these issues on the auditor's work and fees had been discussed;
- No controlled deficiencies had been identified, and only a very small number of misstatements;
- A clean, unqualified conclusion had been arrived at for 'value for money', in relation to commercial and financial sustainability;
- Appendix C of the agenda pack confirmed the independence and objectivity of the audit team – this was a standard letter of representation.

Following this introduction, Members had the opportunity to ask questions of the external

audit. Further information was provided:

- This had been the first full year that Mazars had audited the accounts, and satisfaction was expressed that the process had gone well and the relationship between themselves and WLDC was running effectively and smoothly;
- Mazars were content with the provisions put in place by WLDC in regard to Covid risks, as well as the financial stability of the Authority. A General Fund working balance was held which mitigated risks in year, and this stood at £4.2 million at the end of March 2020. The Government had supported WLDC through grant funding for expenditure incurred. The current overall position was that WLDC can meet costs caused by Covid within the 2020/2021 financial year without the need to use reserves;
- WLDC was not the only authority to depart from national guidance and retail a Valuation Volatility Reserve (VVR). It was the opinion of the Section 151 Officer that this was a prudent approach in regards to investment properties;
- Mazars were looking for a percentage increase in their fee. In their opinion, it was because of the expectation of the Public Sector Audit Appointments (PSAA) that there would be fee variations this year. These proposals were wholly consistent across all Districts in Lincolnshire, and had been benchmarked with other audit providers. Any increase would be driven by extra work for auditors on property, plant and equipment and pensions. This would be discussed further with WLDC officers.

The report was moved and seconded, and it was unanimously **RESOLVED** to accept the ISA 260 completion report.

### **31 AUDITED STATEMENT OF ACCOUNTS 2019/20**

Members considered the Audited Statement of Accounts for 2019/2020.

An introduction was provided by WLDC's Section 151 Officer, who highlighted the following points:

- Additional work had been undertaken on the Covid 19 pandemic – as the accounts reflected, the Authority was in a good position as the financial reserves met liabilities;
- The balance sheet reflected net financial assets of £5.85 million. Useable reserves totalled just over £24 million, with £16 million set aside for future investment and service improvements. A General Working Fund Balance of £4.2 million was held, against a minimum requirement of £2.5 million;
- The Comprehensive Income and Expenditure Statement showed net expenditure of £1.158 million; there was a deficit on the 'Provision of Services' totalling £8.007m which was reconciled to the actual surplus;
- The £340,000 surplus was contributed to the General Fund Balance at the end of the financial year;

- The Actual overall Outturn has realised a surplus of £2.2m, of which £0.815m related to one off budget provision for projects funded from reserves and which had approval for carry forward as they crossed consecutive financial years;
- There had been a revaluation of the pension fund in light of both the McLeod and Goodwin legal cases. The arguments in these cases were (separately) around age and sexual orientation discrimination.

Following this introduction, Members asked questions of officers present. Further information arose from these conversations:

- The cash flow statement in the report reflected those items of capital expenditure, operational and financial activities. £9 million of receipts had been taken from long and short term borrowing; this number was £16 million in the previous financial year. £5 million less had been invested in property plant and equipment compared to the previous financial year. However, there had been an increase in investments in long-term assets of £3 million;
- There had been a movement in the 'carrying amount' on non-current assets of £3 million, due to the handing over of assets at Wilson Street and Bowling Green Road in Gainsborough, where development was due to take place;
- If there had been a significant number of misstatements that individually were below the threshold for reporting, then these would be picked up by the external auditor as misstatements were noted cumulatively by them. If they were at a 'trivial' level, which is to say at or below £28,000, then officers would decide on whether to report this to Governance and Audit Committee;
- Business grants utilised by Councils were issued by central Government; any balance held by the Authority would be as a creditor;
- Property and asset values were reassessed every financial year;
- There had been a variance between the previous year and preceding year's working capital due to short-term borrowing taking place on current liabilities;
- The Public Works Loans Board (PWLB) increased their interest rates by 1% in 2019 to discourage Councils from investing in properties. As a result of this rate increase, the Authority had taken short term borrowing at a lower rate than the PWLB were offering.

The paper was then moved and seconded, and it was unanimously **RESOLVED** to:

- (1) Confirm that there were no concerns arising from the financial statements that needed to be brought to the attention of the Full Council;
- (2) Approve the Statement of Accounts for 2019/2020;
- (3) Permit the Section 151 Officer and the Chairman of the Governance and Audit Committee to certify the letter of representation to the auditor of the Accounts,

Mazars, on completion of the audit.

### **32 WORKPLAN**

The Governance and Audit Effectiveness paper due in October had been delayed until January.

With no further comments, the workplan was noted.

The meeting concluded at 3.23 pm.

Chairman