

Guildhall Gainsborough
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AGENDA

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

Governance and Audit Committee
Tuesday, 11th January, 2022 at 10.00 am
Council Chamber - The Guildhall

PLEASE NOTE DUE TO CAPACITY LIMITS WITHIN THE GUILDHALL THE PUBLIC VIEWING GALLERY IS CURRENTLY SUSPENDED

This Meeting will be available to watch live via: <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 Christopher Darcel
- Councillor David Dobbie
- Councillor Mrs Caralyne Grimble
- Alison Adams
- Andrew Morriss
- Peter Walton

1. **Minutes of Previous Meeting** (PAGES 2 - 10)
To confirm and sign as a correct record the Minutes of the Meeting of the Governance and Audit Committee held on Tuesday 9 November 2021.

Ian Knowles

Head of Paid Service
The Guildhall
Gainsborough

Monday, 10 January 2022

WEST LINDSEY DISTRICT COUNCIL

MINUTES of the Meeting of the Governance and Audit Committee held in the Council Chamber - The Guildhall on 9 November 2021 commencing at 2.00 pm.

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

 - Councillor Stephen Bunney
 - Councillor Mrs Tracey Coulson
 - Councillor Christopher Darcel
 - Councillor David Dobbie
 - Councillor Mrs Caralyne Grimble
 - Andrew Morriss
- In Attendance:**
- Ian Knowles Chief Executive
 - Tracey Bircumshaw Assistant Director of Finance and Property Services and Section 151 Officer
 - Emma Redwood Assistant Director People and Democratic Services
 - Natalie Kostiuik Customer Experience Officer
 - Emma Bee Audit Manager
 - Mark Dalton Mazars – External Audit
 - Mike Norman Mazars – External Audit
 - Ele Snow Senior Democratic and Civic Officer
 - Katie Storr Democratic Services & Elections Team Manager
- Apologies:**
- Alison Adams
 - Peter Walton
- Membership:** No substitutes were appointed for the meeting.

30 CHAIRMAN'S WELCOME

The Chairman welcomed all Members to the Meeting and highlighted the Covid secure measures which would be in place throughout the meeting.

31 PUBLIC PARTICIPATION PERIOD

There was no public participation.

32 MINUTES OF PREVIOUS MEETING

RESOLVED that the Minutes of the previous Meeting of the Governance and Audit Committee held on 28 September 2021 be approved and signed as a correct record.

33 MEMBERS DECLARATIONS OF INTEREST

There were no declarations of interests made at this point in the meeting.

34 MATTERS ARISING SCHEDULE

With no comment, the Matters Arising Schedule was duly **NOTED**.

35 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. The report was introduced by Mark Dalton and Mike Norman of Mazars, the Authority's External Auditors. In presenting the report they highlighted the key headlines, these being

- An anticipated unqualified Audit Opinion on the 2019/20 Statement of Accounts
- Anticipated to have no significant weaknesses to report in relation to Value for Money, however the final report would be issued within 3 months of the audit judgement on the accounts.
- The Whole of Government Accounts had not yet been issued to authorities to complete and the Auditors were awaiting instruction from the National Audit Office.
- The quality of statements submitted had been high with few amendments being required
- There have been no public objections to the accounts

The Auditor had highlighted within the report three significant risks and provided details of how these risks were addressed and their conclusion on the risks listed below;

- Management override of controls
- Net Pension Liability
- Valuation of Property, Plant and Equipment

It was stressed that these were largely routine matters and not a qualification.

The Auditor highlighted the management judgement in respect of the Minimum Revenue Provision Policy in relation to Investment Properties and recognised that a voluntary revenue provision was made in 2020/21. This matter would continue to feature on the Memorandum.

The audit had not identified any significant internal control deficiencies, and the Auditor confirmed that they had not encountered any difficulties in undertaking their work. Thanks

were expressed to the finance team for their co-operation.

The Auditor highlighted two material adjustments to the draft Statement of Accounts, relating to the Pension Liability valuation and the clarification, after the publication of the draft statements, of a change in the treatment of the Additional Restrictions Grant.

Debate ensued and in response to questions, noting that with all the adjustments requested, the bottom line had been affected by around £60k, less than the amount for a material consideration, Officers advised this could not be treated as a simple post balance adjustment, the reasons for this were outlined and understood.

Members were advised audit procedures were designed to identify fraud whilst undertaking normal procedures and any concerns would certainly be brought to the attention of this Committee and the Management Team. Not every individual transaction was checked, linked to the concept of materiality. Deeper investigations were undertaken should initial samples demonstrate a reason to do this.

The Committee asked further questions seeking to understand when External Auditors may commence an investigation to particularly look for Fraud, would that be on request from Members?, or would that be when external circumstances were brought to the attention of External Audit? It was confirmed, that it could arise for a number of reasons, including those examples provided or by a concerned resident. It was further confirmed that media reports were borne in mind and that Auditors work was retrospective.

In response to questions, the Auditors confirmed that there were no concerns to bring to the Committee's attention. Financial sustainability of the Council was a matter to be addressed as part of the Value for Money Audit, the findings of which would be reported to a future meeting of the Committee.

RESOLVED that the ISA 260 completion report be accepted and any recommendations with the ISA 260 be borne in mind when approving the Annual Statement of Accounts.

36 AUDITED STATEMENT OF ACCOUNTS

Members considered the Audited Statement of Accounts for 2020/2021.

An introduction was provided by the Section 151 Officer, who was pleased to advise that the Statement of Accounts 2020/21, had received an unqualified audit opinion.

The Statements reflected the Authority's financial activity for the year up to 31 March 2020.

The Authority had continued to deliver its Executive Business Plan activities to achieve its corporate objectives, through investment projects and service delivery.

Whilst the Authority had not achieved the statutory deadline for the certification of the statement, for reasons previously reported to Committee, the situation was not unique, with only 9% of authorities having met the 30 September deadline.

The narrative report provided an illustrative and comprehensive view of the Council and its performance and achievements in delivering corporate plan objectives

The Balance sheet (page 37) detailed net liabilities of £2.543m which reflected the impact of a significant increase in the pension liability, and which was planned to reduce over a period of 20 years.

Useable reserves had increased from £24m to £29 with £18m earmarked for future investment and service improvements and to mitigate risk.

The General Fund working balance was £7.3 of which £3.4m was unallocated and which exceeded the minimum requirement of £2.5m and which provided some resilience to changes in future funding in the medium term.

The Comprehensive Income and Expenditure Account (page 36) reflected £8.401m of net expenditure, of which a surplus on provision of services of £0.219m had been reconciled to the actual surplus from the Council's revenue activities £5.534m which was contributed to the General Fund Balance and was net of £1.4m of support for ongoing projects, would be carried forward.

The Cash flow statement (page 38) showed a net outgoing of cash, reflecting the significant amount of grant funding the Authority was holding on behalf of Government and which would either be expended in the current year or returned to Government.

In terms of the accounts there had been a re-valuation of the pension fund to take into account the financial impacts of two legal cases, the McCloud judgement and The Goodwin case. The re-valuations have been deemed below materiality at £232k and therefore the accounts have not been adjusted.

The S151 Officer placed on record her thanks to the Finance Team for their work in preparing the Statements, and invited questions from the Committee.

In responding, the S151 advised as to why the unusable reserves had increased. Members noted this accounted for the re-valuation reserve, which reflected movements within asset values. This was not a cash transaction and did not appear in the revenue accounts. Similarly the pension reserve, which had a significant reduction due to the re-evaluation of assets and liabilities of the fund, which accounted for the largest increase in the useable reserves. A smaller contributor was the capital adjustment account, which reflected the repayment and financing of capital assets.

Members commented on the improving quality of the report, its ease of reading for external users and the quality of the figures within there to give a sound picture of the Council's finances. Members did make a few comments aimed at improving the external users experience, namely seeking clarity around the FTE by Cluster, indicating clearer definitions would be of assistance and in respect of the Carbon Management Plan which stated emissions reduction, that any reduction should be further quantified and indicate how reductions had been achieved. Members were reminded that reductions were quantified in reports to Policy Committees but it was accepted more detail could be helpful.

Committee also indicated that a note to the statements to explain the large difference

between grant income and grant expenditure (for external readers) may have been helpful.

In response to further questions, the reason for a substantial increase in the provision for earmarked reserve for budget smoothing was explained. This primarily related to the Business Grant Relief, in respect of Hospitality and Leisure, totalling £2.7m, however due to how business rates were accounted for, the actual charge to the Authority would not take place until 2021/22 and this additional reserve helped smooth the budget for future years.

It was confirmed that in respect of the Joint Venture Company MRSL, held by the Authority and which had property assets, only the principle loan outstanding featured in West Lindsey District Council's Statement of Accounts. Group accounts were prepared for the Joint Ventures.

Again noting provisions and reserves had increased ten fold, Officers advised the Pension reserve had seen a £10m increase, as previously advised, assumptions and notes which referred to this movement could be found at Note 32. In response to further comments regarding risk such pensions liabilities could have for organisations, the External Auditor advised that he was content, that the figures from the actuary were appropriately reflected in the Council's financial statement.

The S151 Officer also indicated that there was a tri-annual review of the pension fund management which re-based the contribution levels. Over recent years the contribution rate had been increasing by 1%, as an employer's contribution rate.

Members were reminded of the forthcoming Pensions Training which would aide Members understanding further.

In response to questions regarding severance pay detailed within the accounts, the S151 Officer confirmed that exit packages had been reviewed by Auditors and it had been confirmed that appropriate governance had been in place and as such the payments were appropriate in accordance with contractual requirements.

Finally in respect of Fair Value, assurance was sought that challenge was offered in respect of fair value estimates, with one such instance being highlighted to the Committee. Due diligence was undertaken and Officers fully understood any rationale for a change in valuation and how that had been arrived at.

RESOLVED that: -

- (a) having reviewed the Statement of Accounts Committee confirms that there are no concerns arising from the Financial Statements that need to be brought to the attention of the Council.
- (b) the Statement of Accounts for 2020/21 and their certification by the Chairman of the Committee be approved; and
- (c) the Section 151 Officer and the Chairman of this Committee be permitted to certify the letter of representation to the Auditor, Mazars, on completion of the audit.

37 LOCAL GOVERNMENT AND SOCIAL CARE OMBUDSMAN (LGO) ANNUAL REVIEW LETTER REPORT 2020/21

Members considered a report on the Local Government and Social Care Ombudsman (LGSCO) Annual Review letter 2020/21. This report examined the Annual Review Letter which covered complaints that were either received or decided by the LGSCO during the 2020/21 period.

Section 2 of the report included the annual review figures, these were summarised to the Committee and highlighted in the Executive Summary.

Historical data on complaints referred to the LGSCO was included along with comparison to previous year's figures and findings. Noting, the LGSCO had not accepted new complaints and had stopped investigating existing cases between the 18th March 2020 and 29th June 2020, to allow authorities to respond to the Covid-19 pandemic. This had reduced the number of complaints the LGSCO received and decided during the 2020/21 year.

Section 3 of the report provided further information of those complaints upheld, two in total, with sections 4 and 5 setting out how the authority had complied with any recommendations from the LGSCO and any learning it had implemented as a result.

Finally the report compared how West Lindsey District Council had performed overall nationally and in comparison to 20 other similar local authorities in terms of the number of complaints referred, investigated and upheld by the LGSCO.

RESOLVED that the Local Government and Social Care Ombudsman Annual Review letter 2020/21 and report be welcomed, and having scrutinised its content the Committee have assurance that the current complaint handling procedures are functioning adequately.

38 MEMBER DEVELOPMENT ANNUAL REPORT

Members gave consideration to the Member Development Annual Report 2020/21 which reviewed Member Development activity for the past 12 months and set out relevant actions into the Civic Year 2022/23.

Section 2 of the report summarised the Development Sessions held October 2020 – September 2021. Overall, attendance at Member Development sessions for the period had increased, with some sessions seeing over 30% attendance. This was an increase on previous years and was considered to be as a result of sessions being held online, reducing travel time.

Section 3 of the report set out the focus for the next Member Development Group, this being the delayed roll out of Learning Pool and early preparations for the 2023 Full Induction Programme. Finally, Section 4 set out a proposed timetable of activity for the Member Development Group, including reports to its parent Committee, up until December 2022.

Debate ensued and in response to questions Officers confirmed a number of the sessions had been open to Parish Councils. This had initially been attended well, the most recent

sessions less so. Parishes had been provided with advance notification of the sessions, with repeaters issued in the Parish News. Training slides had been made available to all Parish and Town Clerks.

Members considered further work could be undertaken to improve the engagement and relationships between the District Council and its Parishes, reminding Members the focus of this report was Member Development for District Councillors.

Members welcomed the introduction of Learning Pool, an on-line training platform for Members, which had long been an aspiration.

RESOLVED that: -

- (a) the report be accepted as an accurate reflection of Member Development for the period October 2020 to September 2021; and
- (b) the proposed action plan regarding future development sessions and initial preparations for the 2023 Full Induction be supported.

39 INTERNAL AUDIT QUARTER 2 REPORT 21/22

Members considered a report which provided an update of progress, by the Audit partner, as at 30 October 2021, against the 2021/2022 annual programme, which had been agreed by the Audit Committee in April 2021.

During the period, four assurance audits had been completed and seven audits were currently in progress, one at the draft stage.

The completed audits being:-

Together 24 – receiving High Assurance
Housing Benefit Subsidy - – receiving High Assurance
Grants Given - – receiving High Assurance
Covid Business Grants - receiving Substantial Assurance

Audits in progress /draft stage were -

ICT Helpdesk – Draft report stage
Local Land Charges – Draft report
Follow Up – Fieldwork stage
Insurance – Fieldwork stage
ICT Network Infrastructure – Fieldwork Stage
Flooding – Terms of Reference
Key Project ERP System – Terms of Reference

Information on each was included within both the body of the report.

The Value for Money Audit had been put on hold in light of the delayed External Audit position, however work had resumed since the writing of the report.

During the quarter the combined assurance work had also commenced.

A total of 12 agreed actions had yet to be implemented (1 High, 10 Medium and 1 low) No overdue actions were outstanding. Appendix 2 provided details of those actions and indicated where extended implementation dates had been agreed.

The Full Audit Plan was set out at within the report and the matters of interest included within the report were also highlighted to the Committee.

Debate ensued and in response to questions, the internal auditor clarified that “broadly on track” in reference to the Together 24 Project, in effect meant the Project was in line with its original business case and projections and / or its revised timeline. The programme had been reviewed in light of the Covid impact, seeing some elements brought on-line sooner than expected. Auditors used this information to assess whether this was acceptable given the context of the organisation to form a judgement.

Members had questioned when the error in the Northgate system was identified and Officers undertook to provide this information outside of the meeting, in the absence of having it to hand.

Regarding grants given and the concerns expressed regarding the Local Councillor Initiative Fund , Auditors advised that LCIF attracted less monitoring due to the materiality of grants and amounts involved, sample monitoring was undertaken. Match fund grants attracted greater monitoring given the values. With regard to business grants all applications had gone through national fraud checker, a large amount of due diligence had been undertaken and all information submitted to government.

It was clarified and confirmed that the internal Audit Plan was largely composed by Internal Audit Services, and was not a plan set or driven by Management Team. Liaison and collaboration did take place. The plan was dynamic and did allow for deviations. Information was triangulated through every interaction and used to form a picture, which drove the Plan on a risk and material basis. The Combined assurance report due imminently also gave assurance around the first line of Governance and provided a holistic overview.

Addressing Committee’s final question the process for appointing consultants was shared with the Committee, which included procurement. Clear work objectives, deliverables, and scope were established by Managers to ensure success could be assessed. Similarly, mechanisms were in place to monitor agency staff. All staff regardless of status were managed through the appraisal and 1-2-1 process to ensure objectives were being met.

A Member of Committee enquired as to how concerns with a company or consultant service would be brought to Committee’s attention with Officers clarifying termination of contracts was deemed operational. Only if the termination resulted in a financial or other implication, which required Committee consent, would a report be submitted to the relevant Committee. Failing contracts would be reported through performance and delivery and Members with any concerns should approach the Management Team.

RESOLVED that having considered the content of the report, no further actions be identified.

40 WORKPLAN

The Workplan as set out in the report was **NOTED**

Committee had previously expressed a desire to meet at 10.00am, the Chairman advised that the request was being considered through the appropriate channels and Members would be advised of the outcome in due course, with any change becoming effective for the Committee's January meeting.

The meeting concluded at 3.41 pm.

Chairman