

WEST LINDSEY DISTRICT COUNCIL

MINUTES of the Meeting of the Governance and Audit Committee held in the Council Chamber - The Guildhall, Marshall's Yard, Gainsborough, DN21 2NA on 8 November 2016 commencing at 6.30 pm.

Present: Councillor Giles McNeill (Chairman)
Councillor Jackie Brockway (Vice-Chairman)

Councillor Sheila Bibb
Councillor John McNeill
Councillor Mrs Angela White
Alison Adams
Peter Walton
Andrew Morriss

In Attendance:
Ian Knowles Director of Resources and S151 Officer
James O'Shaughnessy Team Manager BI and Corporate Governance
Alan Robinson SL - Democratic and Business Support
Mark Sturgess Chief Operating Officer
Cliff Dean ICT Manager
Katie Coughlan Governance and Civic Officer

Also In Attendance
John Cornett KPMG – External Auditors
Lucy Pledge Internal Audit – Lincolnshire County Council
Matthew Waller Internal Audit – Lincolnshire County Council

Also Present David Lomas – Chairman - Remuneration Panel

Apologies: Councillor David Bond

Membership: No substitutes were appointed for the meeting

39 PUBLIC PARTICIPATION

There was no public participation

40 MINUTES OF PREVIOUS MEETING

RESOLVED that the Minutes of the meeting of the Governance and Audit Committee held on 15 September 2016 be approved and signed as a correct record

41 DECLARATIONS OF INTEREST

There were no declarations of interest made at this stage of the meeting.

42 MATTERS ARISING SCHEDULE

Members gave consideration to the Matters Arising Schedule which set out the current position of all previously agreed actions as at 31 October 2016.

With regard to the green action entitled “number of fixed term contracts” the Director of Resources advised that there were currently 26 such contracts in operation across the workforce.

RESOLVED that progress on the Matters Arising Schedule as set out in report GA. 16/17 be received and noted.

43 DISCUSSION ITEM - MEMBERS ALLOWANCES - TO INFORM THE WORK OF THE REMUNERATION PANEL PRIOR TO THEM MAKING RECOMMENDATIONS TO FULL COUNCIL

The Chairman welcomed Mr David Lomas, Chairman of the Remuneration Panel, to the meeting.

Mr Lomas addressed the Committee, outlining the role of the Panel. He outlined in detail the impact and effect the financial crisis had had on the Panel’s work, and how it was a prevalent and relevant consideration, the Panel had to take into account. Members were provided with details of the work the Panel, supported by Officers, undertook in reaching its recommendations, this included, comparing allowances paid by other similar local authorities; taking into account the increase offered to staff from government, as parity and public opinion were also relevant considerations; and consultation with Elected Members.

The Chairman advised that previously Council had expressed concern that there had been no increase offered to the position of Leader of the Opposition. However, he was of the view that the duties connected to this post had not increased and therefore this was a fair reflection.

In response to the Committee’s comments, Officers advised as to why some committees had two vice chairman. This was an historic position, created with the introduction of the new constitution, which had seen the remit of some committees increase significantly. This was not a matter for decision by the Remuneration Panel. They set the allowances paid to positions, as opposed to the number of remunerated positions.

In responses to comments, Members were advised that historically Mr Lomas’s Panel had made recommendations to this Committee on the Members’ Allowance scheme, prior to it having been submitted to Full Council for approval. There had been a general consensus that this process could have been viewed as impeding the impartiality intended and hence the Committee were now asked to express views to inform the work of the Panel in advance

of recommendations being formed and submitted directly to Council.

The value of the process was questioned but having learned that only very few Councillors engaged through the other routes made available, the Committee were of the view that the approach did add value and offered opportunity to comment in advance of formal recommendations being made.

At the request of new Members the increases approved in recent years were summarised to the Committee. It was noted that for a considerable number of years no increase had been approved, in line with the freeze on Officer pay; more recently increases of 1% in-line with those seen by Officers had been applied.

There was general consensus that Ward Member duties had increased.

The Chairman indicated that he had previously enquired with the IT department as to whether e-mail communications could be tracked, in order that ward councillor duties could be better ascertained in the future.

Prudency by the Panel was welcomed.

The Chairman and Committee thanked Mr Lomas for his attendance.

44 ANNUAL AUDIT LETTER

Consideration was given to a report from the Authority's Auditor KPMG, which presented the Annual Audit Letter to the Committee. The Headlines, as set out on page 2 of the report, were outlined to Members and included that the Authority had: -

- an unqualified audit opinion on the 2015/16 Statement of Accounts;
- an unqualified value for money (VFM) 2015/16 conclusion;
- had good processes in place for the production of its accounts;
- had received certified completion of the Audit; and
- had an Annual Governance Statement consistent with the External Auditor's understanding of the Authority.

In concluding, the Audit Fee for 2015/16 was highlighted.

Since completion of the report there were two further matters the external auditor wished to bring to the attention of the Committee, namely that, as previously advised, the timeline for the closure of accounts nationally would change in the next two years. An early closure workshop was being held with Staff and Elected Members in early December 2016, in order that all could better understand the implications and key milestones. Secondly, West Lindsey's Audit Manager, Adrian Benselin, would be retiring from his position. Once a new Audit Manager had been identified he/she would be introduced to the Officer core and the Committee.

The Committee wished Mr Benselin all the best for the future and for all his hard work on behalf of West Lindsey. The Chairman requested that a letter of thanks be sent of his behalf.

In responding to questions, it was confirmed that the current doubt over the devolution deal, would have no impact on the Auditor's conclusions.

It was noted that a technical update had been circulated separately to all Members of the Committee. Members were asked to raise any issues or comments they had regarding the document's content, to either KPMG direct, or with the Chairman, and these would be discussed further at his next briefing meeting in January.

RESOLVED that the information contained within report GA.29 16/17 be received, noted and accepted.

45 INTERNAL AUDIT PLAN - PERIOD 2 MONITORING REPORT

Consideration was given to a report which gave Members an update of progress, by the Audit partner, against the 2016/17 annual programmes agreed by the Audit Committee in March 2016.

The report further provided details of the audit work undertaken during the period; the current position with agreed management actions in respect of previously issued reports; and details of other audit activity relevant to the Committee.

The report advised on two audits having been completed during the period; The outcomes of each audit were outlined to Members in detail and it was noted that the Team Manager – ICT was in attendance to answer any specific questions Members had on the outcome of the ICT incident Management Audit which had received low assurance.

The report further advised of the audits currently in progress and other significant audit work undertaken during the period and going forward.

Prior to opening the debate the Internal Auditor verbally updated the Committee on some items referred to in the written report, namely Key message 3, the management actions regarding the Traded Services Audit had now been agreed; and Key message 9, only 2 actions remained outstanding and neither of these were high priority.

Debate ensued and in response to Members' concerns regarding outstanding enforcement actions, Officers advised of the work being undertaken by Mr Bowery across all enforcement services. This work was due to conclude imminently and would address all outstanding actions.

The issue of Agile Working was raised and Members sought indication as to how output was monitored. Assurance was offered that the policies and procedures were audited to give assurance that employees working from home were subject to the same requirements as those in the office. All employees had regular 1-2-1s and were managed through personal workplans and objectives. The same management oversight tools were in place regardless of where the employee was based. There were also concerns regarding confidentiality arising from Agile Working. Again assurance was offered that regardless of where the employee "logged on" to the system, the same policies and procedures were enacted. All files accessed were accessed off the main server through the Council's systems, as if the

employee was located in the main office base. There were clear expectations laid down for all employees. It was noted that measures to ensure confidentiality were also required in open plan offices, and the use of shaded screen in the office was now becoming common place.

Mr Cliff Dean addressed the Committee regarding the ICT incident Management Audit, reaffirming the Management position as set out in the report. All new systems had been implemented and a follow up audit would be undertaken in 6 month's time.

Members received an update following the recent Choice Based Lettings Audit, discussed at their previous meeting. The Authority was not prepared to accept the current standard and would continue to challenge partners.

In response to Members' questions, Officers confirmed both the Service Transformation and Development Management Phase 1 Audits had been cancelled by management. The reasons being, with regard to Service Transformation, current delivery models were under review and therefore the audit would have been of no value. With regard to the latter, this had originally been postponed in order for a Peer Review to be undertaken in the first instance. This had resulted in an action plan being produced which was progressing well and therefore it was unlikely the Phase 1 Audit would now be undertaken as in house measures were delivering results. The Phase 2 Audit was likely to commence in the first Quarter of next year's plan.

It was noted that whilst a Plan was set for the year, there was no priority order within the Plan and it was often discharged taking into consideration team capacity, examples were cited.

The Internal Auditor confirmed completion of the Plan in its entirety was still likely, however, there was a pressure and this had been raised with Management. Further assurance was offered that the service was independent and not directed by Management.

RESOLVED that the contents of the report be received and noted

46 INTERNAL AUDIT EXTERNAL QUALITY ASSESSMENT

Internal Audit within the Public Sector in the UK is governed by the Public Sector Internal Audit Standards (PSIAS) - which had been in place since April 2013 (updated April 2016).

The Standards required an external quality assessment be undertaken at least once every 5 years as part of Internal Audit's Quality Assurance and Improvement Programme. Members gave consideration to a report which provided the Committee with information on the result of the external quality assessment.

The assessment was undertaken in September 2016 and included:

- Discussion with 34 people across the client base, including West Lindsey. This had involved Audit Committee Chair's, Chief Executives, Section 151 Officers and auditees.
- Review of a wide range of documentary evidence and audit files, including the Internal Audit Charter.

- Comparison with other Internal Audit Functions

Assurance Lincolnshire practice had been assessed against 56 fundamental principles and over 150 points of recommended practice.

The overall conclusion had been that there were no areas of non-compliance within the standards that would affect the overall scope or operation of the internal audit activity, nor any significant areas of partial non-compliance.

In response to the best practice question the Assessor had stated:-

"As part of my review I was asked to compare the Assurance Lincolnshire Partnership against other authorities for whom CIPFA has undertaken PSIAS reviews. There is little that I can add to the excellent work that you are already doing and I have already requested examples of some of your core documents to share with others".

Assurance Lincolnshire were really pleased with the outcome of the External Quality Assessment and prided themselves on being an experienced, competent and innovative provider which strived to maintain and develop its service by embedding quality in all elements of internal audit activity.

A copy of the External Quality Assessment report was provided to Members.

The Assessor had identified some recommendations for further development and improvement. Actions had been agreed and included in the Quality Improvement Plan. Two recommendations had been made:

- R1 Include details of resources in the strategy/audit plan.

More information on the team and level of staff resources deployed to deliver the plan.

- R2 Ensure that the planned ethical audit is undertaken.

Assurance Lincolnshire plan and undertake work to contribute to the development of clients governance arrangements. Updated good practice guidance on governance, including ethics, was published in April 2016. Assurance Lincolnshire work plans for 2016 and 2017 include assurance over conformance with this guidance and whether clients' governance arrangements are working effectively. We propose to include this work for West Lindsey in the 2016/17 plan.

A copy of Assurance Lincolnshire's Quality Assurance and Improvement Plan was provided to Members.

The Committee congratulated Audit Lincolnshire on their success.

RESOLVED that

- (a) the External Quality Assessment of Assurance Lincolnshire as detailed within the report and what it tells the Committee about the quality of the Internal Audit Service be noted, and;
- (b) the Committee are assured over the quality and effectiveness of the Council's Internal Audit Service provider – Assurance Lincolnshire.

47 TO VARY THE ORDER OF THE AGENDA

The Chairman indicated that with leave of the Committee, he intended to vary the order of the agenda in that he wished to take agenda item 7 (j) (Governance Options – Approval of Consultation) next before proceeding with business in the order as stated on the published agenda.

RESOLVED that the order of the agenda be varied as outlined above.

48 GOVERNANCE OPTIONS APPROVAL OF CONSULTATION

Members gave consideration to a report which sought agreement on the content of the proposed consultation to be undertaken with regard to Governance Models.

It was being proposed that consultation be carried out by:-

- Use of the Council's Website
- With West Lindsey Councillors
- The Citizens Panel
- Parish and Town Councils
- Political Groups

The period of Consultation would be in accordance with agreed protocols and would likely close on 31st December 2016 (tbc).

The draft questions for the Consultation were provided to Members within the report and debate ensued.

Some concern was expressed that ranking could skew results but it was acknowledged why this was required. The surveys value to a lay person was questioned.

In response to questions regarding promotion, Officers advised that use of social media and the Council's website would be used. Parish Councils were also being consulted and could advise their communities of the survey.

It was stressed that this was only an initial stage consultation and if a major change to governance was likely, much more in depth consultation would be required.

In response to Members comments, Officers undertook to plain English check the survey prior to its dispatch, however caution was expressed that the wording contained within the survey was that which had been previously agreed by Council.

RESOLVED that the content of the consultation on Governance Arrangements for West Lindsey District Council be approved, subject to it being plain English checked in the first instance.

49 AGS MONITORING REPORT - PERIOD 1

Consideration was given to a report which reviewed the progress made to-date against the Annual Governance Statement 2015/16 Action Plan.

In responding to Members comments, the AGS production process was outlined, including the process by which “issues” were identified.

It was suggested that an AGS refresher training session may be useful.

RESOLVED that Members are assured that the current position of the Annual Governance Statement Action Plan for 2015/16, will result in the completion of all relevant actions by July 2017.

50 SECTOR LED BODY FOR AUDIT APPOINTMENTS

At its meeting on 14 April 2016, the Committee had given consideration to a report which informed Members of the options available to the Authority for appointing a new External Auditor. That report had also asked Members to give consideration to being part of a national approach.

At that meeting Members had formally resolved to express an interest in joining with the LGA in a nationally led process for the appointment of External Auditors.

The national approach, through the LGA, had been agreed with the DCLG and the current contract management company Public Sector Audit Appointments (PSAA) were establishing a process to lead on behalf of the sector.

An invitation had been issued by PSAA for all eligible Authorities to make a firm commitment to the process and Members were provided with their prospectus.

It was noted Regulation 19 of the Local Audit (Appointing Person) Regulation 2015 required that the decision to opt in must be made by a meeting of the Full Council meeting as a whole.

On that basis Members were asked to consider the content of the report and if agreeable make a recommendation to Full Council that WLDC should participate in the national scheme for the appointment of External Auditors.

RESOLVED that it be **RECOMMENDED** to Full Council that West Lindsey District Council participate in the national scheme for the appointment of External Auditors.

51 STRATEGIC RISKS - 6 MONTH UPDATE

Consideration was given to a report which presented Members with the strategic risks identified as facing the Council as at 1 November 2016.

It was noted that the Strategic Risk Register had been rigorously discussed by the Management Team on 1 November resulting in more actions being identified. These would be detailed in the next update report to the Committee.

RESOLVED that having reviewed the strategic risks as presented they be noted

52 WORK PLAN

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

It was noted that two items previously identified for submission to this meeting would now be circulated as briefing notes to the Committee, in the light that no decisions were required, these were: -

- Sample Decision Making
- Timeline for the early closure of accounts

A request had been received from the Chairman of the Challenge and Improvement Committee for this Committee to review the call-in procedure. Committee were asked to note that this would be undertaken as part of the annual review of the Constitution as would the review of the Member Champion role.

With regard to the latter Members requested that the item be re-instated for January 2017, to allow them time to debate the matter.

Members also requested ample time to discuss the contents of the revised Code.

RESOLVED that the work plan as at 31 October 2016 be noted, subject to the amendments detailed above.

53 EXCLUSION OF PUBLIC AND PRESS

RESOLVED that under Section 100 (A)(4) of the Local Government Act 1972, the public and press be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Act.

Note: The Committee took a 10 minute recess to allow Members to consider the information tabled (appendices to the report) and the meeting recommenced at 8.55 pm.

Note: Peter Walton and Alison Adams left the meeting during the adjournment.

54 QUICKLINE BUSINESS PLAN / PAYMENTS - MONITORING REPORT PERIOD 2

Members received a report for assurance purposes and to give the Committee confidence that Quickline were able to meet the conditions of the loan.

In presenting the report Officers indicated at present the arrangement was in line with expectations and capital repayments continued to be made.

Members also received information on factors which had been affecting sales and cashflow performance.

Some Members expressed concern regarding the data in Appendix B and what they believed it indicated.

Members did pose a question around the cost of sales and Officers undertook to discuss this with Quickline and feedback to Members outside of the meeting.

Officers again re-iterated that whilst there were a few areas of concern, no action was considered necessary, as all payments to date had been met and this was the Authority's primary concern

RESOLVED that the monitoring information as presented be accepted and the Committee be assured.

The meeting concluded at 9.17 pm.

Chairman