

Guildhall Gainsborough
Lincolnshire DN21 2NA
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AGENDA

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

Governance and Audit Committee

Tuesday, 8th November, 2016 at 6.30 pm

Council Chamber - The Guildhall, Marshall's Yard, Gainsborough, DN21 2NA

Members: Councillor Giles McNeill (Chairman)
Councillor Jackie Brockway (Vice-Chairman)
Councillor Sheila Bibb
Councillor David Bond
Councillor John McNeill
Councillor Mrs Angela White
Alison Adams
Peter Walton
Andrew Morriss

1. Apologies for Absence

2. Public Participation

Up to 15 minutes are allowed for public participation. Participants are restricted to 3 minutes each.

3. Minutes of Previous Meeting

Meeting of the Governance and Audit Committee held on 15 September 2016.

4. Declarations of Interest

Members may make any declarations of interest at this point but may also make them at any point during the meeting.

5. Matters Arising Schedule

Matters Arising Schedule setting out current position of previously agreed actions as at Monday 31 October 2016.

(PAGES 1 - 4)

6. Discussion Item

Agendas, Reports and Minutes will be provided upon request in the following formats:

Large Clear Print: Braille: Audio: Native Language

Members' Allowances

To inform the work of the Remuneration Panel, prior to them making recommendations to full Council.

7. Reports for Consideration

- a) Annual Audit Letter (PAGES 5 - 10)
- b) Internal Audit Plan - Period 2 Monitoring Report (PAGES 11 - 40)
- c) Internal Audit External Quality Assessment (PAGES 41 - 58)
- d) AGS Monitoring Report - Period 1 (PAGES 59 - 62)
- e) Sector Led Body for Audit Appointments (PAGES 63 - 106)
- f) Strategic Risks - 6 month update (PAGES 107 - 112)
- g) Governance Options Approval of Consultation (PAGES 113 - 118)

8. General Items of Business for Consideration

- a) Work Plan (PAGES 119 - 122)

9. Exclusion of Public and Press

To resolve 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.

10. Exempt Reports

- a) Quickline Business Plan / Payments - Monitoring Report Period 2

M Gill
Chief Executive
The Guildhall
Gainsborough

Monday, 31 October 2016

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Governance & Audit Committee Matters Arising Schedule

Purpose:

To consider progress on the matters arising from previous Governance & Audit Committee meetings.

Recommendation: That members note progress on the matters arising and request corrective action if necessary.

Matters arising Schedule

Active/Closed Meeting	Active				
	Governance and Audit Committee				
Status	Title	Action Required	Comments	Due Date	Allocated To
Black					
	governance task and finish grp	extract from mins of meeting : - (b) that Councillors White, Bond and G McNeill be appointed to serve on the Task and Finish Group;	group has been established and met on 17 october. they have submitted a further report for consideration to the meeting on 8 november	20/10/16	Katie Coughlan
	amended workplan - ext audit	extract from mins of mtg 15/9/16 The External Auditor, indicated that in light of the revised "sign off of accounts timetable" a number of his reports due for submission, would maybe need to have their timelines revised. He undertook to liaise with the Governance and Civic Officer regarding any revisions required.	the work plan has been revised, as per the request received by e-mail from the external auditor	20/10/16	Katie Coughlan

	early closure of accounts report	<p>extract from mins of mtg 15/9</p> <p>The Director of Resources indicated that he would also prepare a report, for discussion at the next Chairman's Briefing meeting, and for possible subsequent submission to the Committee, setting out the timeline for the early closure of accounts.</p>	<p>item has been added to briefing. Agreed at briefing that this would be circulated as a briefing note to all cttee members in the first instance</p>	20/10/16	Ian Knowles
	report format	<p>extract from mins of mtg 14/4/16</p> <p>There was a detailed discussion regarding how reports were presented to Committee, with lay Members making a number of suggestions as to how the reports could be more engaging. Officers undertook to take the suggestions away and give these further consideration.</p>	<p>this item will be discussed at Chairs Briefing</p> <p>It was agreed</p> <p>Executive summaries will be included on reports and these should be in total no more than 30 pages for the meeting</p> <p>Duplication will be challenged in reports</p> <p>I will contact the County who I was advised have made strides in this area</p> <p>We will consider the use of hyperlinks to make the process of drilling into the detail easier.</p> <p>Continue to keep this under review and discuss again at our next briefing.</p> <p>deferred to Septembers briefing in absence of MO .</p> <p>Further discussion held, cttee admin are in the process of rolling out a new cttee management system and some of these area may feasible to address through this new system. we will continue to review and engage members where appropriate.</p> <p>Members were advised at their mtg on 15/9/16 that: -</p> <p>Officers undertook to engage with members where appropriate through the system's development.</p> <p>Councillor Brockway and Mr Morris indicated that they were happy to be engaged in the process.</p>	31/12/16	Alan Robinson

Green					
	Choice Based Lettings	(i) Officers continue to maintain formal communications with ACIS Group Ltd; (ii) Officers continue to provide operational and strategic leadership to the wider partnership; (iii) assurance be sought on the new ICT system for Choice Based Lettings; and (iv) complete the partnership agreement between ACIS and WLDC	This action only to be turned black when PC Cttee are assured that this work has been completed	31/12/16	Michelle Howard
	number of fixed term contracts	extract from mins 15/9/16 Members requested details of the number of fixed term contracts currently in existence across the Council. The Director of Resources undertook to provide this figure outside of the meeting.	please can you feedback through this Matters arising the number of such contracts – this number will be provided to November’s meeting	06/11/16	Tracey Bircumshaw
Grand Total					

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GA.27 16/17

**Committee
Governance and Audit**

Date 8th November 2016

C

Subject: 2016/2017 Members Allowance

Report by:

Director of Resources

Contact Officer:

Alan Robinson
Head of Revenues, Benefits and Central Services
Telephone 01427 676509
Email alan.robinson@west-lindsey.gov.uk

Purpose / Summary:

To allow the Governance and Audit Committee to discuss Members Allowance for 2016/2017 to assist the work of the Remuneration Panel

RECOMMENDATION(S): That Members consider and discuss issues around the Members Allowance scheme and feed into the Remuneration Panels deliberations.

IMPLICATIONS

Legal:

Financial :

Staffing :

Equality and Diversity including Human Rights :

NB: Please explain how you have considered the policy's impact on different groups (for example: young people, elderly, ethnic minorities, LGBT community, rural residents, disabled, others).

Risk Assessment :

Climate Related Risks and Opportunities :

Title and Location of any Background Papers used in the preparation of this report:

*Wherever possible please provide a hyperlink to the background paper/s
If a document is confidential and not for public viewing it should not be listed.*

Call in and Urgency:

Is the decision one which Rule 14.7 of the Scrutiny Procedure Rules apply?

i.e. is the report exempt from being called in due to urgency (in consultation with C&I chairman)

Yes

No

Key Decision:

A matter which affects two or more wards, or has significant financial implications

Yes

No

1 Introduction

1.1 At full Council on 28th July 2014 members agreed to a change in the constitution which changes the role of the Governance and Audit Committee with respect to Members Allowance.

1.2 The Committee no longer reviews the recommendations of the Remuneration Panel prior to the findings being presented to full Council. However it is recognised that the committee does have a role in the process. A discussion at this committee will be fed into the deliberations of the panel who will independently make recommendations to full council using all evidence available.

2 Considerations

- The 2015/2016 members allowance scheme attached as appendix A
- Changes in workload for ward members
- Changes in workloads for Chairs and Vice Chairs
- The financial position of the Council
- Review the SRAs paid to the Leader of the Opposition/Deputy Leader of the Opposition/Minority Group Leaders
- Review the SRAs paid to the Four Vice Chairs of Prosperous Communities/Challenge & Improvement committees
- Any other factors which members feels are relevant

APPENDIX A

SRA – Special Responsibility Allowances

		£
A	Basic Allowance	£5,280
B	SRA - Leader of Council	£11,747
C	SRA – Deputy Leader/s (in the event of two or more being nominated, the payment to be shared)	£4,237
D	SRA -Chair of Council	£3,737
E	SRA – Vice-Chair of Council	£1,282
F	Civic Allowance for the Chairman of Council	£1,500
G	Civic Allowance for the Vice-Chairman of Council	£400
H	SRA – Committee Chairs	£2,919
I	SRA – Committee Vice-Chairs	£1,382
J	SRA – Chair of Taxi & General Sub-Committee	£1,382
K	SRA – Leader of the Opposition (in the event of the Council being a ‘hung ¹ ’ Council, the Leaders of the two largest groups be paid the same special responsibility allowance as for the Leader of the Opposition)	£3,737

L	SRA – Deputy Leader of the Opposition	£769
M	SRA – Minority Group Leaders (per group member)	£85
N	Co-optees' Allowance – A payment of £38.18 for the first four hours of attendance at a meeting/event and a second payment for attendance in excess of four hours. The first four hours would commence from the start time of the meeting (To be paid when not chairing a meeting).	£50

No change to the allowances for Dependent Carers or travel allowances. The Panel noted and commented that travel allowances are currently in line with the tax efficient rate authorised by the Inland Revenue.

Subsistence – No change (Receipts must be provided for subsistence claimed and attached to the claim form).

- a. Absence of more than four hours but no more than eight hours – only the cost of one meal can be reimbursed up to a maximum of £15.
- b. Absence of more than eight hours but no more than 12 hours – only the cost of two meals can be reimbursed up to a maximum of £25.
- c. Absence of more than 12 hours but no more than 16 hours – only the cost of three meals can be reimbursed up to a maximum of £33.
- d. Absence of more than 16 hours but not including an overnight stay – only the cost of four meals can be reimbursed up to a maximum of £40.
- e. Overnight – No Change – £83
- f. Overnight (London or LGA) – No Change – £208

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GA. 29 16/17
Governance and Audit Committee
8th November 2016

D

Subject: Annual Audit Letter 2015/16

Report by:

Ian Knowles
Director of Resources (S151)

Contact Officer:

Tracey Bircumshaw
Financial Services Manager
01427 676560
Tracey.Bircumshaw@west-lindsey.gov.uk

Purpose / Summary:

The purpose of the report is to present the Annual Audit Letter to the Governance and Audit Committee.

RECOMMENDATION(S):

That Members accept the information contained within this report.

IMPLICATIONS

Legal:
None arising from this report.

Financial : FIN/82/17
As detailed within the Annual Audit Letter.
The corporate Audit Fees are met from an approved budget, with any additional work charged to the relevant project budgets.

Staffing :
None arising from this report.

Equality and Diversity including Human Rights :
None arising from this report

Risk Assessment :
None arising from this report.

Climate Related Risks and Opportunities :
None arising from this report.

Title and Location of any Background Papers used in the preparation of this report:

Call in and Urgency:

Is the decision one which Rule 14.7 of the Scrutiny Procedure Rules apply?

i.e. is the report exempt from being called in due to urgency (in consultation with C&I chairman)

Yes

No

Key Decision:

A matter which affects two or more wards, or has significant financial implications

Yes

No

Executive Summary

The Annual Audit Letter is attached at Appendix A, the headlines of which include:

- An unqualified audit opinion on the 2015/16 Statement of Accounts
- An unqualified value for money (VFM) 2015/16 conclusion
- The authority has good processes in place for the production of the accounts
- Certified Completion of the Audit
- Annual Governance Statement consistent with understanding of the Authority.

The report will be presented by Adrian Benselin, KPMG LLP (UK).



Annual Audit Letter 2015/16

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West Lindsey District Council

18 October 2016



Contents

The contacts at KPMG in connection with this report are:

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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. Public Sector Audit Appointments issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on Public Sector Audit Appointment's website (www.psaa.co.uk).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact John Cornett, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers (andrew.sayers@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk, by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

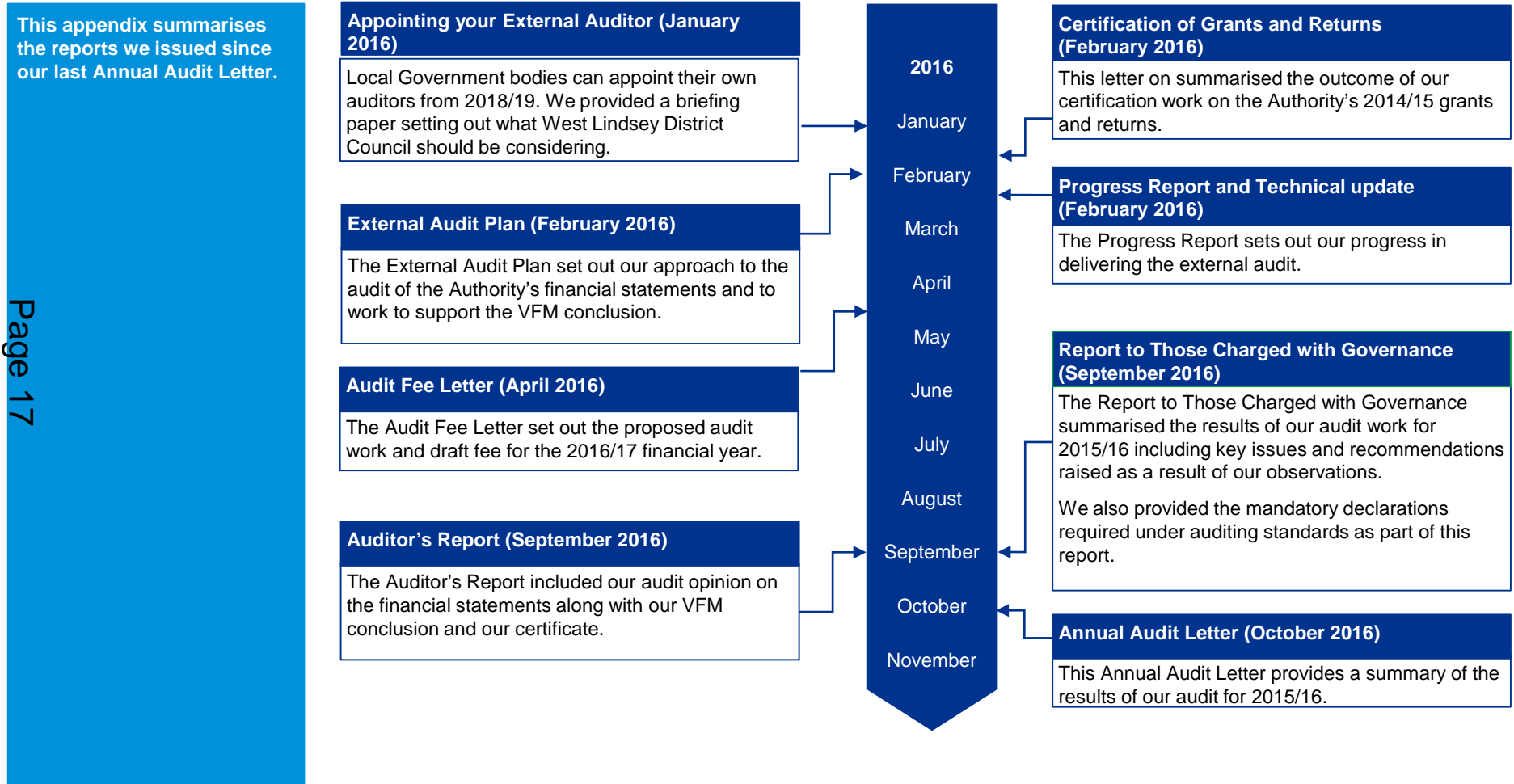
This Annual Audit Letter summarises the outcome from our audit work at West Lindsey District Council in relation to their 2015/16 audit year.

Although it is addressed to Members of the Authority, it is also intended to communicate these key messages to key external stakeholders, including members of the public, and will be placed on the Authority's website.

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VFM conclusion	<p>We issued an unqualified conclusion on the Authority's arrangements to secure value for money (VFM conclusion) for 2015/16 on 29 September 2016. This means we are satisfied that during the year the Authority had proper arrangements for informed decision making, sustainable resource deployment and working with partners and third parties.</p> <p>In reaching our VFM conclusion we reviewed the Medium Term Financial Plan (MTFP) reported to and approved by members in February 2016. The MTFP takes into account the risks and uncertainties from the national and local context.</p> <p>The MTFP includes savings targets to be achieved by 2020/21 of £1.2 million which is covered by the projected level of reserves (General Fund and earmarked reserves are projected to be £8.1 million at March 2021).</p> <p>The updated revenue budget monitoring, as reported to members in July 2016, shows a net underspend of £177k for the first two months of 2016/17. There are no other indications that the MTFP is not sustainable.</p> <p>No account can yet be taken of the impact, if any, that the Greater Lincolnshire Combined Authority will have on the Authority's spending plans. The new authority will have powers covering transport, planning and skills.</p> <p>We also considered the assumptions used in producing the MTFP, and we concluded that the assumptions are not unreasonable.</p>
Audit opinion	<p>We issued an unqualified opinion on the Authority's financial statements on 29 September 2016. This means that we believe the financial statements give a true and fair view of the financial position of the Authority and of its expenditure and income for the year.</p>
Financial statements audit	<p>The Statement of Accounts 2015/16 were prepared in a timely manner with high quality supporting work papers. There were no uncorrected audit adjustments.</p> <p>Our audit identified one material adjustment of £1.135 million to the Cash Flow Statement as a result of misclassification of receipts. The overall balance of the Cash Flow Statement was unaffected.</p> <p>Officers also amended the comparative disclosure in the Cash Flow Statement, mainly to reclassify business rates income amounting to £1.1 million. The overall balance of the Cash Flow Statement was unaffected.</p>
Annual Governance Statement	<p>We reviewed your Annual Governance Statement and concluded that it is not misleading or inconsistent with other information we are aware of from our audit of the financial statements.</p>
Whole of Government Accounts	<p>The Authority prepares a consolidation pack to support the production of Whole of Government Accounts by HM Treasury. We are not required to review your pack in detail as the Authority falls below the threshold where an audit is required. As required by the guidance we have confirmed this with the National Audit Office.</p>
Certificate	<p>We issued our certificate on 29 September 2016. The certificate confirms that we have concluded the audit for 2015/16 in accordance with the requirements of the Local Audit & Accountability Act 2014 and the Code of Audit Practice.</p>
Audit fee	<p>Our fee for 2015/16 was £43,403, excluding VAT, which is in line with our planned fee. Further detail is contained in Appendix 2.</p>

Appendix 1: Summary of reports issued



Appendix 2: Audit fees

This appendix provides information on our final fees for the 2015/16 audit.

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To ensure transparency about the extent of our fee relationship with the Authority we have summarised below the outturn against the 2015/16 planned audit fee.

External audit

Our final fee for the 2015/16 audit of the Authority was £43,403, excluding VAT. This is in line with the planned fee.

Certification of grants and returns

Under our terms of engagement with Public Sector Audit Appointments we undertake prescribed work in order to certify the Authority's housing benefit grant claim. This certification work is still ongoing. The final fee will be confirmed through our reporting on the outcome of that work.

Other services

During 2015/16 we provided tax services in relation to the establishment of a Local Authority Trading entity ("LATC") and potential entity acquisition. The fee for this work was £14,000, excluding VAT.



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GA.30 16/17

Governance & Audit Committee

08 November 2016

Ei

Subject: Internal Audit Quarter 2 Progress Report 2016/17

Report by:

Lucy Pledge (Head of Service – Corporate Audit & Risk Management – Lincolnshire County Council)

Contact Officer:

Ian Knowles, Director of Resources
ian.knowles@west-lindsey.gov.uk

Purpose / Summary:

The report gives members an update of progress, by the Audit partner, against the 2016/17 annual programmes agreed by the Audit Committee in March 2016.

RECOMMENDATION(S):

- 1) **Members consider the content of the report and identify any actions required.**

IMPLICATIONS

Legal: None directly arising from the report

Financial: FIN REF 56/17 None directly arises from the report.

Staffing: None.

Equality and Diversity including Human Rights:

NB: A full impact assessment **HAS TO BE** attached if the report relates to any new or revised policy or revision to service delivery/introduction of new services.

None arising from this report

Risk Assessment: N/A

Climate Related Risks and Opportunities: None arising from this report

Background Papers: No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

Call in and Urgency:

Is the decision one to which Rule 14 of the Scrutiny Procedure Rules apply?

Yes

No

X

Key Decision:

Yes

No

X



Internal Audit Progress Report 30th September 2016



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Appendix 4 – Assurance Definitions	
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Contact Details:
Lucy Pledge CMIIA
Head of Audit & Risk Management



For all your assurance needs
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Introduction

1. The purpose of this report is to:
 - Advise of progress made with the 2016/17 Audit Plan as at the end of September 2016
 - Provide details of the audit work undertaken since the last progress report.
 - Provide details of the current position with agreed management actions in respect of previously issued reports
 - Raise any other matters that may be relevant to the Governance & Audit Committee role

Key Messages

2. As at the end of September 2016 we have delivered 26% of the 2016/17 plan. Appendix 2 provides details on the current status of the plan.
3. Outstanding work against the 2015/16 audit plan is almost complete. One 2015/16 audit has been finalised with the ICT Incident Management resulting in Low assurance, details can be found in Appendix 1. There is one outstanding review from 2015/16 which is Traded Services. This is at draft report stage and requires agreement of management actions to be completed.
4. Work continues to progress on the 2016/17 audit plan, we have completed 2 audits since our last progress report, we have 1 at draft report stage and 2 more in progress.
5. We expect to deliver approximately 30% of the plan in quarter 3 having scheduled in a number of reviews including Growth Programme, Project and Programme Management and Intelligent Client, and our Assurance Mapping work.
6. A review and refresh of The Internal Audit Charter has been completed and will be reported to the Committee separately.
7. The scheduled External Quality Assessment (EQA) of Assurance Lincolnshire was completed in September 2016. The final report will be shared with the Council in a separate report along with an update of our Quality Improvement Plan.
8. Housing Benefit Subsidy Testing has been completed, there were minimal errors found. We have summarised our testing in a highlight report which has been presented to the Corporate Leadership Team.
9. Good progress has been made in implementing audit recommendations - there are currently only 3 overdue actions, 1 of which is high priority. We have revised the completion date for 6 recommended actions. Details on the outstanding actions can be found in Appendix 3.

Internal Audit work completed at 30TH September 2016

10. The following audit work has been completed and final reports have been issued since the progress report presented to the September meeting of the audit committee:

High Assurance	Substantial Assurance	Limited Assurance	Low Assurance	Consultancy
	Key Policies and Procedure		ICT Incident Management	Commercial Plans Phase 1

Note: The Audit Committee should note that the assurance expressed is at the time of issue of the report but before the full implementation of the agreed management action plan. Definitions levels are shown in Appendix 4.

Details of Low and Limited assurance audits can be found in Appendix 1, summary details of all other audits are included below.

Key Policies & Procedures – Substantial Assurance

Through our review of key policies and procedures & Approved Codes of Practice (ACoP) across five service areas, we have identified that overall the creation, approval and monitoring of these policies and procedures are well controlled.

All policies and procedures reviewed were up to date or currently being updated which provides assurance that Team Managers are effectively monitoring policies and procedures.

We identified that all key policies and procedures reviewed had been appropriately and formally agreed by the relevant Leadership team or Committee.

Our review identified some areas where process could be strengthened including

- Having a clear definition of what a key policy and procedure is. This will enable the Council to identify those policies and procedures which are of greatest significance and those where compliance needs to be closely monitored.
- The introduction of a central record will improve monitoring, uniformity and version control.
- Key policies and procedures and ACoPs could be strengthened by recording document history, retention and version control.

Commercial Plans Consultancy Phase 1

Our review found that the Council is developing good systems and processes to align its commercial approach with stated aims in the commercial strategy.

The Commercial strategy has been approved through the committee process and sets a clear vision to increase reoccurring revenue income by the year 2020.

There have been positive steps to move the commercial plan forward including:

- Regular meetings of the Commercial Board to support developing projects
- Commercial workshops to explore and understand specific commercial issues.
- The introduction of a member's commercial steering group to provide member oversight and a sounding board on decisions.
- A year one delivery plan which details what should be delivered and by when for 2016.

Our consultancy review made a series a suggestions for the Council to consider as it develops its Commercial approach and delivers the Commercial Plan, including-

- Developing a commercial criterion proportionate to the value, investment of the commercial opportunity. That projects must meet before the Council allocates resource to developing the project—based on cost, risk and reward.
- Agree a resource plan and staff structure which supports commercial project delivery. This should align to the Council's plans of having a continuous pipe line of developing projects and development of current projects.
- For larger value projects consider external review of figures, evidence and assumptions to ensure an objective view is achieved.
- For larger investment projects consider whether an individual formal project board with terms of reference may provide more effective management oversight than a general commercial board.
- Review the terms of reference of the commercial board to focus solely on income generating projects. Currently the scope of the board covers assets, culture change and other areas.
- Reduce the core membership of the commercial board to encourage a focussed decision based approach.
- Review the workings of the board to ensure the most effective use of officers time. Consider the way actions are recorded and allocated from meetings. Ensure papers and reports are circulated to members in a timely manner before meetings. Review recording of deadlines and timescales for projects so progress is clearly visible.

Overdue Audit Recommendations

11. The process for tracking outstanding Internal Audit recommendations has been reviewed. We regularly run produce a recommendations tracker report from our audit management information system and liaise with Business Improvement officers to ensure actions are accurately recorded and monitored. This helps to maintain oversight and momentum.

12. Currently there are 3 overdue management actions, of which 1 is High priority, that were due for completion by the 30th September 2016. The 1 overdue high priority action relates to the ICT Infrastructure review 2012/13 which was Limited Assurance. In Appendix 3 we have provided a summary of the all outstanding actions due to have been completed by 30 September 2016. We have also included fuller details of all the recommendations outstanding and their current status, these details are maintained and provided by the Council.

Performance Information

13. Our performance is measured against a range of indicators. We are pleased to report a good level of achievement against our targets – Appendix 5 shows our performance on key indicators as at 30th September 2016.

Appendix 1 – Details of Limited Assurance Reports

Incident Management – Low Assurance

Introduction and Scope

We have completed a review of Incident Management to provide assurance that ICT incidents are promptly identified, recorded and investigated in accordance with the Councils agreed incident management process, and that sufficient and appropriate actions are taken to ensure the ongoing security of the Councils infrastructure and data.

The review has focussed on events that could lead to loss of, or disruption to, the Council's operations, services or functions. Incident management is the process of limiting the potential disruption caused by such an event, followed by a return to business as usual.

This audit has not looked at Information Governance incidents and events that could lead to the actual or potential loss, theft or unauthorised access to Council information. There can however be a significant crossover between ICT incidents and Information Governance incidents, and in fact the Council has a single policy that covers both. It is important that whilst the two types of incidents might be considered separately all incidents are assessed at a very early stage to determine whether they are ICT incidents, or Information Governance Incidents, or both, to ensure they are dealt with appropriately.

The key risks identified for this review are that:

- Incidents are not detected
- Incidents are not corrected
- Lessons are not learnt

We sought to provide assurance that the above areas are sufficiently controlled by confirming:

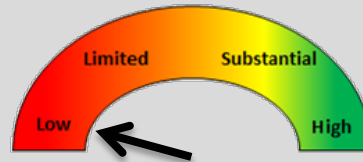
- Appropriate supporting policies are in place and up to date
- Adequate training is provided for users on the identification of possible incidents
- Clear procedures are in place for IT staff to classify incidents and respond accordingly
- Management periodically review incident cases to gain knowledge that may reduce the impact or likelihood of further instances occurring.

In undertaking this review we have referred to the ISO27001:2013 standard and associated guidance, around Information Security Management.

Executive Summary

Assurance Opinion

Low Assurance



Cyber security is increasingly seen as a key risk with 90% of large organisations suffering a security breach in 2015, with 69% of large organisations being attacked by external parties. It then follows that the authority should have effective arrangements in place to detect and manage security incidents.

An incident management policy is in place but needs improvement as procedures for responding to incidents are not sufficiently developed and staff may not then be responding in a consistent, effective manner.

The incident management policy is not shared with contractual third parties and agents of the Council. This may mean that external parties are not aware of the need alert the authority to security events or weaknesses and who they should contact.

There isn't a register kept of incidents that have been reported. Neither is there any detailed incident handling procedures for staff to follow.

It follows that a lack of a central register of reported incidents means that the authority cannot analyse this information to identify any areas that require additional training or where revised procedures may mitigate further occurrence.

Direction of Travel



Improving

Discussions held with the ICT Manager during the development of the report demonstrated that matters were being progressed to address the bulk of the recommendations made.

Incident Management Policy

The Information Security Incident Management Policy requires updating and expanding. The policy is derived from a template and there are a number of areas that have not been adapted for WLDC purposes. This was noted during a separate audit in 2014/15 and we were advised that a procedure for incident handling would be produced. This action remains outstanding.

Whilst the scope of the incident management policy says that it is intended for external as well as internal parties, it is not currently shared with external parties.

Training

At the time of review there wasn't an available learning facility for staff to undertake ICT Security training. We are advised that a solution will be in place by April 2016 and that mandatory training elements will be undertaken by the end of June 2016. Given the importance of being able to demonstrate that staff are trained in ICT Security, and incident detection, we have recommended that measures are put in place to help ensure this timeline is met.

Incident Reporting

The Information Security Incident Management Policy clearly states how to report an incident, although standardised forms are not used for online reporting to collect all the relevant information required.

Incident Recording and Handling

Incidents are not consistently logged. The logging of incidents is beneficial as there is then an assurance that incidents will be addressed. System outage are recorded on a single paper form, but have not been previously collated in a register.

The absence of documentation to support incident handling means that we cannot confirm whether incidents are consistently treated and routinely assessed to determine any onward reporting and prioritisation of response actions. Given the increase in cyber-security threats the prompt identification and assessment of incidents is considered key to being able to return to business as usual.

Organisational Learning

Due to the absence of incident logs, there is no periodic evaluation of incidents that have taken place that may then help to identify where the controls do not work as intended, and where improvements are necessary. Since finishing the field work for this review, known incidents that have occurred in the past year have now been retrospectively added to the Helpdesk system.

Learning from ICT information security incidents will provide useful information about actions that need to be taken to enhance security, and suitably anonymised case studies should also be used judiciously in training and awareness programmes.

A recent, widely publicised, incident experienced by Lincolnshire County Council confirmed the importance of robust procedures around incident detection and management. A malicious piece of software gained access to the LCC network. This attack impacted the availability of the Council's systems as efforts were taken to contain and eradicate the threat before restoring systems and data. From this experience a number of lessons were learnt, including:

- The importance of Information Security training.

- Prompt reporting and action.
- Treating serious incidents as Business Continuity Events and ensuring that plans have more realistic alignment to technical abilities and recovery timescales.

Our thanks to the Shared ICT Manager for his help and assistance during this review.

Management Response

While the ICT Team has historically effectively dealt with ICT related incidents, they have lacked a concise set of procedures to follow in such instances. This audit has focused the Council's attention on ensuring that our Incident Management processes are fully documented, communicated and followed and that the consistent reporting of and learning from related incidents become embedded across the organisation.

The audit has also made us revisit our Information Security Incident Management Policy and Procedure to ensure that it reflects both ICT related incidents and information security incidents and that both follow their respective sets of procedures.

We are pleased that the audit recognises that at the time of the audit many actions were underway to improve matters and many of the suggested actions have already been introduced.

The Council certainly takes the security of its systems and information seriously and has, to date, not fallen victim to serious attack resulting in loss of systems and/or information.

We thank the auditor for his work on this audit and subsequent advice as our actions progressed.

We request a follow-up audit after six months have elapsed to evaluate the changes we have implemented.

Appendix 2 – Audit Plan 2016/17 Schedule

Area	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Current Status / Assurance Opinion
Development Management Services Consultancy Phase 1	Phase 1 c/fwd from 15/16, consultancy to provide advice and support on the management of improvement plans to support the long term development of the service.	Q1	Not started		Postponed by management
Development Management Services Consultancy Phase 2	Phase 2, provide assurance that improvement plans and changes have led to better outcomes and a sustainable Development Management Service.	Q4	Not started		Not started
Housing Benefit Subsidy Testing	Carry out testing on a sample of benefit cases to provide assurance to the DWP that cases have been assessed correctly in line with legislation.	Q2/3	August 2016		Draft report stage
Commercial Plan Phase 1	Phase 1 consultancy to provide advice and support on the governance and management structures in place to support the Council's Commercial Plan objectives.	Q1	June 2016	September 2016	Complete
Commercial Plan Phase 2	Provide assurance on the management and delivery of the key Commercial Plan themes. Review how services and key projects are structured and align to the	Q4	Not started		Not started

Area	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Current Status / Assurance Opinion
	commercial plan deliverables and objectives.				
Key Policies and Procedures	Up to date policies and procedures play a key part in management assurance. We will confirm that key policies are up to date, understood and followed.	Q1	June 2016	September 2016	Complete Substantial
Progress and Delivery	Provide assurance on the P&D reporting process. Reviewing accuracy and relevance of key performance measures used in reporting.	Q3	September 2016		WIP
Risk Management	Review strategic and Service level risk management to give assurance on the effectiveness of monitoring and management of risks.	Q3	September 2016		WIP
Growth Programme	Review and provide assurance on the governance and effectiveness of the Council's growth plans and agenda.	Q3	Not started		TOR to be agreed at GCLT
Service Transformation	Provide assurance that new delivery models are fit for purpose and align to the medium term financial plan and corporate objectives.	Q2	Not started		Postponed by management
Intelligent Client Partnership Review	Using contingency days provide assurance on how the Council	Q3	Draft TOR		Not started

Area	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Current Status / Assurance Opinion
	manages key partnerships and ensure WLDC officers can take a leading role partnership development.				
ICT Audit 10 days	Area of coverage to be agreed	Q4	Not started		
ICT PCI DSS – Security of Electronic payment records	To review the Council's compliance with PCI DSS systems.	Q3	Draft TOR		Not started
Consultancy and Emerging risks.	Audit time available for work not identified in the annual plan.	Q1 – Q4			Not started
Project & Programme Management	Review the changes to the Councils governance arrangements and project management arrangements. Including the realignment of boards and management responsibilities.	Q3	Opening Meeting Booked		Not started
Key Control Testing	Delivery of key control testing to enable the Head of Internal Auditor to form an opinion on the Council's financial control environment.	Q4			Not started
Contingency Days – ICT Incident Management Follow Up	Follow up the Q1 low assurance audit to confirm that findings have been implemented.	Q4			Not started

Appendix 3 - Overdue Audit Recommendations

Summary of recommendations outstanding which were due to be implemented by 30 September 2016.

Activity	Issue Date	Assurance	Total Recs	Recs implemented	Priority of Recommendations o/s		
					High	Medium	Not yet due
ICT Infrastructure 2012/13	2012/13	Limited	15	14	1	0	0
Housing and Planning Enforcement 2015/16	Dec 2015	Substantial	8	6	0	1	1
Budget Preparation 2015/16	Feb 2016	High	1	0	0	1	0
Overall Total			24	20	1	2	1

Details of all outstanding actions, some of which were due for completion before 30th September 2016 and some after, rather than the more usual summary. This information is maintained and provided by the Council.

Name	No.	Priority	Finding	Agreed management action	Date to be completed	Response Comments	Revised date for completion	Person responsible
WLDC_Housing & Planning Enforcement 15/16 Page 38	10.2.1.1.	Medium	Reports containing elements of enforcement activity are presented to Policy and Resources Committee, with year-end reports produced by each department that provide a greater level of information, including any required actions arising from the levels of performance. These reports do not present a consistent and corporate view of enforcement activity.	From discussion with various enforcement officers and managers there would appear to be pros and cons to reestablishing the enforcement officer group. We are unable to offer a recommendation as to whether or not to reinstate the enforcement officer group as a result.	31/05/2016	Report to be produced for 2016/17 and therefore date amended to be in line.	30/04/2017	Mark Sturgess, Chief Operating Officer

2.1.1.1.	Medium	<p>A single, consistent delegated authority form was not found to be in use.</p> <p>We also found that in some cases an officer's delegated authority was recorded in more than one form (Community Safety). This may occur where new legislation is introduced, but having several forms detailing authorisation for the same officer could lead to later confusion.</p> <p>Several delegated authority forms were approved by a person who is no longer in post and the post itself dis-established, which may nullify the delegated authority.</p>	<p>Work has been done on the constitution to provide clarity around delegated powers, now all referenced by job title.</p> <p>A common form will be utilised referencing the relevant post title of the individual to whom powers have been delegated.</p>	31/03/2016	Consultancy advice in place and matter being worked through	01/07/2016	Andy Gray - Team Manager (Housing and Communities)
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WLDC ICT Infrastructure
12/13

3 High

A 'high-level' IT strategy is being produced, however we were advised that it may not cover the use of 'shared' resources across authorities, including for example people and IT resources.

The draft ICT strategy was not seen during the audit.

Agreed

Gareth Kinton (ICT Manager) will progress the recommendation for a detailed IT strategy with the business.

It is recognised that the IT strategy should 'align' with other strategies from partner Authorities to whom closer integration may be required in the future.

31/07/2016

Draft ICT Strategy and Action Plan produced - presented to GCLT on 20th Oct 16 and onto CPR for approval on 10th Nov 2016 .

31/07/2016

James O'shaughnessy

1	High	<p>The scheme is not working effectively and applicants are not getting the service they need.</p> <p>Current issues include a lack of compliance with the scheme by ACIS, including not meeting the 75% of properties let through the scheme target and not complying with the agreed process for Choice Based Lettings.</p> <p>2014/15 actual figures where 58% and for 205/16 54% against the 75% target.</p> <p>ACIS have control of the nominations process for their own properties, which means that applicants successfully bidding on properties and complying with the scheme can still be</p>	<p>Deliver the partnership improvement plan with Acis</p> <p>Revise P&D measures to ensure they are relevant and meaningful</p> <p>Complete review of stock transfer agreement with Legal Services</p> <p>Identify capacity within the team and implement process to proactively monitor and reports on nominations performance</p>	30/09/2016	Date amended due to delays in the review of the transfer agreement.	30/11/2016	Sarah Troman - Strategic Lead
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turned down by ACIS without informing the Council why.

These issues mean the service is not meeting its objectives of more choice for applicants and getting applicants based on housing need quickly into suitable properties.

There is a high reputational risk with the scheme in its current format.

2	High	<p>The partnership is not working effectively to support the Choice Based Lettings scheme. The steering group is not meeting regularly, ACIS have not attended for over a year, minutes and records of meetings are not always retained.</p> <p>Issues needing to be addressed are not being effectively managed by the steering group which was set up to carry out this function.</p> <p>The effect on WLDC is that long running issues with IT systems are not being addressed. This results in a poorer service for applicants and effects staff morale and workloads.</p> <p>There is a feeling of</p>	<p>WLDC has taken the lead on the partnership and is driving the agenda for partners to deal with long standing issues.</p> <p>In addition, we will initiate and progress the review and improvement or replacement the Choice Based Lettings software systems.</p> <p>WLDC to review the options around the existing partnership arrangements, and propose the best way to improve WLDC performance to GCLT.</p>	31/07/2016	Date amended due to the amount of time needed to ensure the review of the software is undertaken fully.	30/11/2016	Sarah Troman - Strategic Lead
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			<p>frustration due to the ineffectiveness of the steering group to meet, manage and resolved issues but having to use partners to raise issues in line with the partnership agreement.</p> <p>The record of the partnership over the last two years in being able to deal with issues is poor.</p>					
<p>WDC_Choice Based Lettings 15/16</p>	4	High	<p>We found there is insufficient Council understanding of the contract with the partnership to provide IT systems for the Choice Based Lettings process.</p> <p>The Council should have a clear understanding of the contract length, terms and conditions, overall and annual costs. To ensure it remains compliant with contract management</p>	<p>Clarify legal status of CBL partnership agreement</p> <p>Although not a contract, record the CBL partnership on Firefly to ensure there is a record of the partnership and relevant documents are attached</p>	30/06/2016	<p>Date amended due to delays in the clarity of the legal status of the partnership agreement.</p>	31/10/2016	<p>Sarah Troman - Strategic Lead</p>

			<p>and procurement rules. And to ensure it can monitor and manage the contract for the best possible outcomes for applicants.</p> <p>The contract details have not been entered onto the Councils contract management recording system.</p> <p>A recent internal audit on contract management gave a low level of assurance on the Councils management of contracts.</p>					
WLDC_Choice Based Lettings 15/16	5	Medium	<p>We found that as part of the partnership and IT system agreement the Council should be charging ACIS for using the system but is not.</p> <p>We were unable to</p>	Review the terms of the agreement to ensure recharges are applied to Acis as appropriate.	31/07/2016	Delay in timescales to ensure the upgrade is tested fully	30/11/2016	Sarah Troman - Strategic Lead

determine what the exact details and amounts are as there is a lack of details recorded on the contract specifics and as no charges have been made.

The Council should apply the charges to ACIS in line with the agreement and ensure that where income is available it is collected.

5	Medium	<p>The Council has not implemented one of the key monitoring systems documented in the land and property strategy. This process is designed to support effective working and progress on asset management.</p> <p>The strategy states that all asset decisions will be monitored through a table which records priority, timescales and resource. With the large amount of asset work ongoing, different groups being involved in asset decisions and the raised profile of the service it is important that the Council maintains an overview of progress.</p>	See finding 3 and 4	30/06/2016	Delays due to the restructure of the service.	31/10/2016	Sarah Troman - Strategic Lead
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Budget Preparation
15/16

Medium

There are no guidance notes in place to support the budget setting process. These are planned to be completed and are aligned to when the finance section had recruited permanent staff. This exercise has now been completed and guidance notes should be created.

Agreed, finance guidance notes to be complete for the budget setting process.

31/07/2016

Guidance currently being worked on and date extended.

31/9/16

Sue
Leversedge,
Principal
Accountant

Detailed guidance notes provide an overview of the process and support confidence in the system and accountants understanding of the key process of budget setting.

Appendix 4- Assurance Definitions¹

<p>High Assurance</p>	<p>Our critical review or assessment on the activity gives us a high level of confidence on service delivery arrangements, management of risks, and the operation of controls and / or performance.</p> <p>The risk of the activity not achieving its objectives or outcomes is low. Controls have been evaluated as adequate, appropriate and are operating effectively.</p>
<p>Substantial Assurance</p>	<p>Our critical review or assessment on the activity gives us a substantial level of confidence (assurance) on service delivery arrangements, management of risks, and operation of controls and / or performance.</p> <p>There are some improvements needed in the application of controls to manage risks. However, the controls have been evaluated as adequate, appropriate and operating sufficiently so that the risk of the activity not achieving its objectives is medium to low.</p>
<p>Limited Assurance</p>	<p>Our critical review or assessment on the activity gives us a limited level of confidence on service delivery arrangements, management of risks, and operation of controls and / or performance.</p> <p>The controls to manage the key risks were found not always to be operating or are inadequate. Therefore, the controls evaluated are unlikely to give a reasonable level of confidence (assurance) that the risks are being managed effectively. It is unlikely that the activity will achieve its objectives.</p>
<p>Low Assurance</p>	<p>Our critical review or assessment on the activity identified significant concerns on service delivery arrangements, management of risks, and operation of controls and / or performance.</p> <p>There are either gaps in the control framework managing the key risks or the controls have been evaluated as not adequate, appropriate or are not being effectively operated. Therefore the risk of the activity not achieving its objectives is high.</p>

¹ These definitions are used as a means of measuring or judging the results and impact of matters identified in the audit. The assurance opinion is based on information and evidence which came to our attention during the audit. Our work cannot provide absolute assurance that material errors, loss or fraud do not exist.

Appendix 5- Performance Details 2016/17 Planned Work

Performance Indicator	Annual Target	Target to date	Actual
Percentage of plan completed.	100% (revised plan)	35%	26%
Percentage of key financial systems completed.	100%	0%	0%
Percentage of recommendations agreed.	100%	100%	100%
Percentage of recommendations due implemented.	100% or escalated	100% or escalated	None due
Timescales: Draft report issued within 10 working days of completing audit.	100%	100%	100% 2 of 2
Final report issued within 5 working days of CLT agreement.	100%	100%	100% 2 of 2
Period taken to complete audit –within 2 months from fieldwork commencing to the issue of the draft report.	80%	80%	50% 1 of 2
Client Feedback on Audit (average)	Good to excellent	Good to excellent	Excellent 1 of 2

End of report



GA.31 16/17
Governance and Audit Committee
8 November 2016

Eii

Subject: Internal Audit External Quality Assessment

Report by:

Lucy Pledge (Head of Audit – Assurance
Lincolnshire – Lincolnshire County Council)

Contact Officer:

Ian Knowles, Director of Resources
ian.knowles@west-lindsey.gov.uk

Purpose / Summary:

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

The Standards require an external quality assessment at least once every 5 years as part of Internal Audit's Quality Assurance and Improvement Programme – this report provides the Committee with information on the result of the external quality assessment.

The outcome demonstrates that Assurance Lincolnshire 'generally conforms' with the Mission Statement for Internal Audit, Standards and Code of Ethics laid down in the PSIAS and the associated CIPFA advisory note.

RECOMMENDATION(S):

That the Committee:

- 1 note the External Quality Assessment of Assurance Lincolnshire as attached and what it tells the Committee about the quality of the Internal Audit Service, and;

2 are assured over the quality and effectiveness of the Council's Internal Audit Service provider – Assurance Lincolnshire.

IMPLICATIONS

Legal:

None arising from this report

Financial :

None arising from this report

Staffing :

None arising from this report

Equality and Diversity including Human Rights :

None arising from this report

Risk Assessment :

- Non compliance with legislation / mandatory professional standards
- Failure to deliver an effective Internal Audit Service will prevent an independent, objective assurance opinion being provided to those charged with governance and the Senior Management Team.

Climate Related Risks and Opportunities :

None arising from this report

Title and Location of any Background Papers used in the preparation of this report:

None arising from this report

1 Introduction

- 1.1 The Council's Internal Audit function is delivered by the County Council through Assurance Lincolnshire – a collaborative partnership consisting of Lincolnshire County Council, City of Lincoln and East Lindsey District Council.
- 1.2 The Public Sector Internal Audit Standards (PSIAS) – which have been in place since April 2013 (updated April 2016) consist of the following elements:
 - Mission Statement
 - Definition of Internal Auditing
 - Code of Ethics, and
 - Attribute and performance Standards for the Professional Practice of Internal Auditing
- 1.3 The PSIAS aim to promote further improvement in the professionalism, quality and effectiveness of internal audit across both the public and private sectors. They reaffirm the importance of robust, independent and objective internal audit assurance.
- 1.4 In local government the PSIAS are mandatory as required by the Accounts and Audit Regulations 2015. We must also comply with the CIPFA Advisory Note associated with the Standards.
- 1.5 The Standards require an external assessment at least once every 5 years as part of the Internal Audit Functions Quality Assurance Framework and Improvement Plan. They must be conducted by a qualified, independent assessor or assessment team from outside the organisation. Assurance Lincolnshire's Assessment was conducted by CIPFA.
- 1.6 CIPFA is ideally placed to carry out the review. They are one of the professional bodies who set internal audit standards for public bodies and provide professional guidance on the standards as well as other aspects of internal audit. CIPFA is therefore very familiar with internal audit standards in policy and in practice. They have undertaken a number of External Quality Assessments.
- 1.7 The assessment was undertaken in September 2016 and included:
 - Discussion with 34 people across our client base, including West Lindsey. This 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 was assessed against 56 fundamental principles and over 150 points of recommended practice.

2 Overall Conclusion

2.1 There were no areas of non-compliance with the standards that would affect the overall scope or operation of the internal audit activity, nor any significant areas of partial non-compliance.

2.2 In response to the best practice question the Assessor 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".

2.3 Assurance Lincolnshire is really pleased with the outcome of the External Quality Assessment. We pride ourselves on being an experienced, competent and innovative provider which strives to maintain and develop its service by embedding quality in all elements of internal audit activity. This helps ensure that we meet West Lindsey's assurance needs.

2.4 A copy of the External Quality Assessment report is attached in **Appendix 1**.

3 Quality Improvement Plan

3.1 The Assessor did identify some recommendations for further development and improvement. Actions have been agreed and included in our Quality Improvement Plan. Two recommendations were 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.

3.2 A copy of Assurance Lincolnshire's Quality Assurance and Improvement Plan is attached in **Appendix 2**.

Final Report for the external assessment of the internal audit function

Assurance Lincolnshire Partnership

Lead Associate: Elizabeth Humphrey, CPFA

**Internal QA: Keeley Lund, Technical Manager, CIPFA, Professional
Standards & Guidance**

21st October 2016

Review of Assurance Lincolnshire Partnership's Internal Audit service (September/October 2016)

Internal audit within the public sector in the United Kingdom is governed by the Public Sector Internal Audit Standards (PSIAS) which have been in place since 1 April 2013. The standards require periodic self-assessments and an assessment by an external person every five years. Now that the Assurance Lincolnshire Partnership has been operating under the standards for over three years, this was deemed a good time for the first external review. The review also included checking compliance with the Local Government Advisory Note (LGAN) where this has requirements in addition to those in the PSIAS. This report summarises the findings from reviews across the Partnership and focuses on those areas that are common to the whole Partnership. It should be read in conjunction with the three reports for City of Lincoln Council, East Lindsey District Council and Lincolnshire County Council.

The review was carried out through a process of interview and document review. I should like to thank all those who took the time to talk to me for their help. I reviewed fifteen audits carried out during the 2015/16 and 2016/17 financial years and I examined key documents including the Charter and reports to audit committees.

I identified no areas of non-compliance with the standards that would affect the overall scope or operation of the internal audit activity, and only one area of partial non-compliance in relation to the lack of audit of ethics and values at each Council. I have made some practical and pragmatic medium priority recommendations (R) and lower priority suggestions (S) to improve compliance with the standards without requiring significant extra work. The Partnership will need to take action to implement them and an action plan is included as appendix 1.

Best Practices

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. I have, however, indicated some areas where you could develop your practices further through the suggestions made below. Two further areas for possible development are:

- Working with audit committees to aid their challenge and support of your work, in particular their understanding of the implications of what they are being told and also their engagement in the audit process. One idea is to hold working groups outside the formal committee structure to examine issues arising from audits in greater detail.
- Making the audit principles live rather than simply referring to them in the Charter and audit report, perhaps linking them to your performance measures.

Summary findings and recommendations

Standard	Compliance	Findings	Recommendations and suggestions	Rec no
Attribute standards				
1000 Purpose, authority and responsibility	Full	Standard 1000.A1 The nature of assurance work is defined in the Charter, although it would be improved by making the link to the annual audit opinion	Make the link between assurance and the annual audit opinion in the Charter	S1
1100 Independence and objectivity	Full	Standard 1110 Independence and objectivity are well managed. The annual report did not, however, confirm no impairments to independence	Include a statement to confirm that independence has not been impaired in the past year in the annual report	S2
1200 Proficiency and due professional care	Full	It was clear from the audit files that audit work is carried out with proficiency and care and in accordance with the Partnership's Practice Notes		
1300 Quality assurance and improvement programme	Full	Quality and improvement is given priority and developments are shared across the Partnership		
Performance standards				
2000 Managing the internal audit activity	Full	Standard 2010 The same audit opinions are used across the Partnership for audits but not for the annual audit opinion	Consider using the same opinion for audit reports and for the annual audit opinion	S3
		Standard 2050 A detailed assurance mapping process underpins each year's audit plan and sources of assurance are included on the map but not in the annual plan	Make reference to the assurance mapping process and sources of assurance in the annual audit plan	S4
		LGAN 7.1.2 The audit strategy used by CLC and ELDC does not include references as to how audit service will be provided nor the resources needed to deliver the strategy	Include details of resources in the strategy/audit plan	R1
2100 Nature of work	Partial	Standard 2110.A1 Little ethics work has been undertaken in the past although some is now planned at each council	Ensure that the planned ethical audit is undertaken	R2

Standard	Compliance	Findings	Recommendations and suggestions	Rec no
2200 Engagement planning	Full	Standards 2120.A1, 2130.A1 and 2210.A3 Engagement planning is thorough and follows the requirements of the audit manual. The introduction of the Planning Engagement Document (PED) has been particularly helpful. However, terms of reference do not cover anything that has been ruled out of the audit (value for money and fraud risks for example) and refer to risks only in high-level terms	Consider including more detail regarding risks on terms of reference Consider indicating which areas have been deemed not applicable on terms of reference And/or consider sharing the PED with auditees	S5 S6 S7
2300 Performing the engagement	Full	My review showed that audits are well-performed and well-documented		
2400 Communicating the results	Full	Reports are clear and reflect the work undertaken. The new reporting template was particularly welcomed by clients		
2500 Monitoring progress	Full	The tracker mechanisms used at each Council push responsibility for monitoring implementation of recommendations onto auditees with audit taking a pragmatic, risk-based approach to obtaining evidence		
2600 Communicating the acceptance of risks	Full	There was no evidence that risks have been left unmitigated following an audit, highlighting the importance placed by the officers at each council on audit findings LGAN 10.2.7 Other than at ELDC and LCC (but not its clients), there are no arrangements to ensure that risks identified in audits are included on risk registers where appropriate	Introduce mechanisms to highlight risks arising from audits that should be included on risk registers, especially at clients	S8
Code of Ethics	Full	All interviewees stressed the emphasis placed on ethics by the audit team and their independence and objectivity		
Mission	Full	The Charter includes the newly developed internal audit mission		
Core principles	Full	No problems were identified	Work to integrate the	S9

Standard	Compliance	Findings	Recommendations and suggestions	Rec no
of internal audit		with following the new core principles, with the detailed assurance mapping exercise being particularly key. Further work will be needed to demonstrate compliance in the annual report for 2016/17	core principles into audit's work and consider how best to demonstrate this in the annual report in future	

Each member of the Partnership has details of the findings, standard by standard.

Elizabeth Humphrey CPFA

Appendix 1: action plan

Recommendations

No	Recommendation	Response	Responsible officer	Action date
R1	Include details of resources in the strategy/audit plan	Agreed – we will ensure a suitable statement on the adequacy of internal audit resources for all our clients.	Senior Management Group	31 st March 2016
R2	Ensure that the planned ethical audit is undertaken	Agreed - work is planned to provide assurance over how well our clients governance arrangement work in practice. This includes will include ethics.	Senior Management Group	31 st March 2016

Suggestions

No	Suggestion	Response	Responsible officer	Action date
S1	Make the link between assurance and the annual audit opinion in the Charter	Agreed – updated Charter	Lucy Pledge	Done
S2	Include a statement to confirm that independence has not been impaired in the past year in the annual report	Agreed - for 2016/17 annual report	Lucy Pledge	May 2017
S3	Consider using the same opinion for audit reports and for the annual audit opinion	We are comfortable with our current approach.	-	-
S4	Make reference to the assurance mapping process and sources of assurance in the annual audit plan	Agreed	Lucy Pledge	February / March 2017
S5	Consider including more detail regarding risks on terms of reference	We will ensure that risk descriptions are consistent across all documents – providing appropriate detail.	John Sketchley	Done
S6	Consider indicating which areas have been deemed not applicable on terms of reference	Our guidance to auditors within the terms of reference template includes 'to provide information on areas we are not reviewing'. We will remind staff for the need to be more explicit over the risks and areas not being covered in the terms of reference document.	John Sketchley	Done
S7	Consider sharing the PED with auditees	Not agreed – we use this as an internal planning document. The		

No	Suggestion	Response	Responsible officer	Action date
		key elements and information is already included in the Terms of Reference.		
S8	Introduce mechanisms to highlight risks arising from audits that should be included on risk registers, especially at clients	Agreed - We will include this element in our reports.	Rachel Abbott	31 st October 2016
S9	Work to integrate the core principles into audit's work and consider how best to demonstrate this in the annual report in future	<p>We will explore this further with our partners to consider if further action is required within our audit work.</p> <p>We will continue to promote the standards and core principles through our practice and team meetings.</p> <p>We will include commentary around the core principles in our annual report</p>	Senior Management	31 st December 2016

Opportunities for Improvement		Actions	Timescale for tasks to be achieved	Person Responsible	Status	
Governance						
Page 62	1.	Benchmarking	Analyse and feedback on CIPFA Benchmarking data and report to management team on key messages	September 2015	John Sketchley	Not complete
			Feedback to Team meeting	September 2015	Management Team	Not complete
			Review applicability and relevancy of benchmarking data sources – some information received through network and CIPFA	September 2016	John Sketchley	Not due
		No longer part of benchmarking club – information doesn't provide insight or good comparison given varied client base and differences in delivery models.				
	2.	Purpose, Authority & Responsibility	Update Audit Charter to Reflect the updated PSIAS (Addition of Core Principles & Mission Statement)	August 2016 (November 2016 Audit Committee)	Lucy Pledge	Complete
	3.	Audit Committee Effectiveness – LCC only	Support publication of Audit Committee Annual Report: <ul style="list-style-type: none"> • Self assessment of effectiveness • Draft annual report 	May 2016 June 2016	Lucy Pledge & Cllr S Rawlins	Complete. Draft shared with informal executive – will be published for Dec Council

Opportunities for Improvement		Actions	Timescale for tasks to be achieved	Person Responsible	Status
Governance					
4.	Ethical Audits	Recommendation arising from External Quality Assessment Complete the ethical audit at LCC	Phase 1 – September 2016 Phase 2 – March 2016	Lucy Pledge	Phase 1 completed Phase 2 – draft terms of reference to CMB November 2016
		Plan and undertake governance audit at each client and discuss value and timing of an ethical audit ie are the governance arrangements working?	March 2016 2016/17 audit plan	Lucy Pledge John Sketchley Dianne Downs Emma Bee John Scott	Will discuss as part of liaison meetings
5.	PSIAS	Regular practice discussions at team meetings – including: <ul style="list-style-type: none"> • Code of ethics • Audit process • Communicating results • Hot topic 	Ongoing	Management Team	Included as part of Service and Team Meetings
6.	Internal Audit Strategy / Plan	Include more information on resources in the internal audit strategy / plan eg structure chart	March 2017	Lucy Pledge Emma Bee John Scott	Not due
7.	Progress and Delivery Reporting	Improve in year reporting on the outcome of internal audit work and performance (as necessary)	Immediate	Lucy Pledge John Scott Emma Bee	Progress reports will be shared with Management Teams

	Opportunities for Improvement	Actions	Timescale for tasks to be achieved	Person Responsible	Status
8.	Annual Report	Review Annual report template to provide information on resources and how to illustrate conformance with the PSIAS mission statement and core principles	March 2016	Lucy Pledge John Scott Emma Bee	Not due
Practice					
9.	Quality Assurance and performance - Practice Manual	Full Manual review – conducted with the team	October 2015 May 2016	Steph O'Donnell	Complete. Practice workshop held in July and August 2016
10.	Quality Assurance - External Assessment	Co-ordinate external assessment and implement any suggested improvements: <ul style="list-style-type: none"> • Develop project plan • Conduct self assessment and pull together evidence pack for external assessor • Engagement planning • Assessment • Outcome report 	June 2016 June - July 2016 August 2016 September 2016 November 2016	Lucy Pledge & John Sketchley	Complete – Assessment undertaken in September 2016.
11.	Quality Assurance – feedback from key stakeholders	Bi- annual survey on effectiveness of Internal Audit Service	Postponed – will be picked up as part of External Assessment	-	-

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	Opportunities for Improvement	Actions	Timescale for tasks to be achieved	Person Responsible	Status
12.	Quality Assurance – post audit feedback	Improve post audit questionnaire return rate	September 2016	Amanda Hunt	Complete – followed up as part of liaison meeting
13.	Implementation of recommendations	Working with management to ensure that agreed actions are implemented – setting realistic timescales and taking ownership for implementation	September 2016	Al Simson	Completed –
Practice					
14.	Performance – External Audit Protocol	Update External Audit protocols to ensure best use of combined audit resources for client	July 2016 – Revised to December 2016	Lucy Pledge	Not due
15.	Practice notes	Health Check and VfM practice note – review and sign off	December 2016	Lucy Pledge	Not due
16.	Performance – Combined Assurance	Review and update process (improve integration of risk management and other sources of assurances)	September 2016	Lucy Pledge & John Sketchley	Complete. Workshop held and practice note updated.
17.	Performance – ICT Strategy	Update ICT strategy and approach following developments within the collaboration partnership and LCC delivery through SERCO	June 2016	John Sketchley	Complete – strategy updated.
Communication					
18.	Quality Assurance outcomes	Improve outcome reporting - Key theme report Developing training and support to improve as required	July 2016	Rachel Abbott and Team Leaders	Complete

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	Opportunities for Improvement	Actions	Timescale for tasks to be achieved	Person Responsible	Status
Communication					
19.	Contemporary reporting	Improve timescales for delivery of audit and investigations from time fieldwork commences to issue of draft and final reports	Monitored through progress reports	Dianne Downs Audit and Counter Fraud Teams	On going
20.	LCC only Managing client relationship	Take the opportunity given by the Senior Management restructure to rebuild relationship with IT service manager.	November 2016	Lucy Pledge & John Sketchley	On-going
21.	Email	Review and extend as necessary GCSX email accounts	November 2016	John Scott	Not due

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Continuing Professional Development (Service / Team)				
	Area / Activity	Outcome	Date Planned	Status
1.	IT Audit Awareness / Training General	Provide general awareness training for the team of key IT risks that they should be aware of in performing audits Provide information on Audit Lincolnshire approach to IT Audits	October & November 2016	General Awareness training provided – IT Audit considerations programme developed and will be shared at Team Meeting and included as part of audit planning

Continuing Professional Development (Service / Team)				
	Area / Activity	Outcome	Date Planned	Status
		Greater understanding of Computer Aided Auditing Techniques – benefits and use in determining testing strategies / analysing data		Further guidance on CAAT's required
2.	Update on UK Public Sector Internal Audit Standards <ul style="list-style-type: none"> • April 2016 additions • Key areas 	Provide a refresher on the PSIAS and make clear links between these and our procedures and practice	July 2016	Complete
Page 67 3.	Workshop on Planning and Engagement and developing the engagement terms of reference	Improve understanding and techniques to get the most out of the planning and engagement process – ensuring that the audit / or consultancy engagement focusses on what matters	July 2016	Complete
4.	Building on the E-learning on risk management process New module being launched at LCC	Ensure that all team is aware of the risk management processes of their clients and how this can help inform the audit process..	By September 2016	Complete
5.	Pentana	Equip staff to use the new audit software to its full potential and maximise compliance with the PSIAS	Dependent on Pentana installation – date still pending Explore external hosting options	Order placed
6.	Appraisal training	Attend corporate training for the new Principals and new	Working with Dave Simpson to get a face to	Complete

Continuing Professional Development (Service / Team)				
	Area / Activity	Outcome	Date Planned	Status
		team leader so that they are better equipped to complete appraisals	face event scheduled as there are not currently any planned June or July 2016	
7.	LCC Managers Essentials	Enrol new Principals on this training course to support skills development for new role	Enrol by June 2016 Completion date tbc	Complete
Page 68 8.	Fraud Awareness Session	Refresher information on Fraud Risks and Indicators including Fighting Fraud Locally, Bribery Act and money laundering	June / July 2016 – CoL leading	Complete
9.	CIPFA / SOLACE Good Governance Session	Refresher information on Good Governance and key changes / messages in the new guidance	September 2016	Pilot completed – update planned at next CARM meeting 1 st November 2016
10.	Update our workforce development plan (business strategy) with areas arising from appraisals, new recruits and our training and development plan.	Update CPD information Ensure appropriate resources and support given to enhance team skills.	June 2016 July 2016	



GA.32 16/17
Governance & Audit Committee
Date: 8 th November 2016

F

Subject: Periodic review of the Annual Governance Statement Action Plan 2015/16

Report by:	Ian Knowles, Director of Resources
Contact Officer:	Business Improvement & Corporate Governance Manager
Purpose / Summary:	To review the progress with the Annual Governance Statement 2015/16 Action Plan.

RECOMMENDATION(S):
 1) That Members seek assurance 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.

IMPLICATIONS

Legal: The Annual Governance Statement details compliance with the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit Regulations (amendment) (England) Regulations 2011.

Financial: FIN 83/17 Actions included in the Annual Governance Statement will be covered by existing resources.

Staffing: The action plan details the staff that are responsible for specific actions

Equality and Diversity including Human Rights: None

Risk Assessment: Risk management arrangements are part of corporate governance and issues raised under the arrangements were included within the Annual Governance Statement for this period.

Climate Related Risks and Opportunities: None

Title and Location of any Background Papers used in the preparation of this report:

Annual Governance Statement and Action Plan file in Business Improvement.

Call in and Urgency:

Is the decision one which Rule 14 of the Scrutiny Procedure Rules apply?

Yes

No

X

Key Decision:

Yes

No

X

1. Information

- 1.1 The Annual Governance Statement is the formal statement of the quality of the Council's governance arrangements, in accordance with the Accounts and Audit (England) Regulations 2011.
- 1.2 The Governance and Audit Committee in July 2016 agreed the Annual Governance Statement for 2015/16 and noted that an action plan would be put in place and monitored by the Committee to address the significant issues.

2. Significant Issues 2015/16

2.1 The significant issues that were identified for development were:

- Strategic & Spatial Planning
- Development Management
- Strategic Programme Delivery
- Information Governance & Security
- Intelligent Clienting
- Selective Licensing

3. The Action Plan

- 3.1 The Action Plan is attached and shows the current position with work designed to resolve the issues that have been identified.
- 3.2 Items of note to highlight are the marked improvements in Development Management performance and customer satisfaction; the latest position with regard to the adoption of the Central Lincolnshire Local Plan and the Selective Licensing scheme which is up and running and being monitored.

Title	Description	Action	Current Position	Date Due	BRAG	Revised Date	Officer
Strategic & Spatial Planning	Upon completion of the Local Plan and in light of the Greater Lincolnshire focus on strategic and spatial planning, we need to ensure West Lindsey's growth needs and strategic planning duties are understood and addressed to include duty to co-operate with all relevant strategic planning areas including all Nottinghamshire authorities	To undertake review of future options and develop a strategy for delivery	1. Central Lincolnshire Local Plan submitted for examination 2. Public Consultation period commenced 3. Plan submitted June 2016 to SoS to hold an examination in public 4. Examination in public programmed to commence end of Oct 2016.	31/12/2016	Green		Mark Sturgess
Development Management	To ensure issues relating to capacity; performance and customer care are addressed and sustainable improvements are realised	1. Ensure adequate capacity and skills within the service 2. Ensure performance reporting is robust and reliable 3. External independent assessment of performance reporting is provided 4. Deliver measurable and sustainable improvements in customer care	1. Team Manager appointed and steps in place to recruit performance manager 2. Further independent audit to be undertaken by Internal Audit in 2017 3. Performance measures in place and scrutiny and review processes in place 4. Improvement Plan update provided for C&I for 13th October 2016 - final report due March 2017.	31/07/2017	Green		Mark Sturgess
Strategic Programme Delivery	An extensive capital programme has been agreed and we therefore need to ensure that robust and appropriate governance arrangements are implemented to oversee its delivery and financial management governance and other strategic considerations e.g. stakeholder engagement are adequate to support complex change	1. Establish regular monitoring via Entrepreneurial Board. 2. Report to Members via Quarterly Finance Monitoring reports 3. Ensure each project follows the project management framework 4. Exception reporting through Progress & Delivery reports of projects not performing as expected 5. Annual review as part of year end closedown	1. Entrepreneurial Board in place 2. Progress & Delivery and Quarterly Finance Monitoring reports in place. 3. Project methodology in place and adherence monitored. 4. Review of Boards undertaken with emphasis on delivery of key strategic programmes in support of Corporate Plan delivery	31/07/2017	Green		Ian Knowles
Information Governance & Security	To ensure that appropriate controls and polices are in place to provide on-going mitigation for the Council against the risk of cyber-crime and/or leakage of data and information	1. Implement revised Information Governance Strategy 2. Refresh Information Security Policy 3. Develop and deliver training programme 4. Achieve PSN compliance 5. Follow-up ICT Incident Mgt Audit to be conducted Q3.	1. Strategy drafted. 2. Work underway to revise Security Policy with supporting processes. 3. DPA training completed. Further elements planned. 4. PSN work planned for 2016/17. 5. ICT Incident Mgt Audit timetabled.	31/07/2017	Green		Ian Knowles
Intelligent Clienting	To address the recognised issues across the CBL partnership and develop improved processes for customers and to review similar areas where good practice exists and apply learning to similar circumstances across the organisation	1. Improve effectiveness of nominations through CBL 2. Improve effectiveness of CBL partnership 3. Address issues relating to the CBL IT system 4. Strengthen CBL related contractual arrangements 5. Formalise CBL recharge arrangements 6. Improve quality of Housing register data 7. Formalise Housing Register related performance monitoring 8. Introduce Nominations and CBL Performance Monitoring 9. Request Internal Audit review of subject matter	1. Weekly monitoring in place undertaken by a post jointly funded by ACIS. 2. Review underway of ToR of CBL partnership using guidance set out in WLDC ACoP. 3. Legal requirements of CBL partnership under review. 4. IT system rebuilt and in test phase. Alternative arrangements also being explored. 5. Sampling of case data undertaken by monitoring officer. 6. Performance measures regularised and monitoring process in place 7. Audit to commence Q3 16/17	31/07/2017	Green		Mark Sturgess
Selective Licensing	To review the implementation, monitoring and initial performance of the selective licensing project in the Gainsborough South West Ward.	1. To deliver a selective licensing scheme in the SWW of Gainsborough	1. Scheme to be implemented from 18/7/16 2. Communication with landlords underway 3. Enforcement to commence from 01/01/17 4. Scheme underway	31/07/2017	Green		Mark Sturgess



GA.33 16/17

**Governance and Audit
Committee**

8 November 2016

G

Subject: Sector Led Body for Audit Appointments

Report by:

Director Of Resources

Contact Officer:

Ian Knowles
Director of Resources
ian.knowles@west-lindsey.gov.uk

Purpose / Summary:

To make a recommendation to full Council to join the national approach for appointing an external Auditor

RECOMMENDATION(S):

Members are asked to recommend to the Full Council that WLDC should participate in the national scheme for the appointment of External Auditors.

IMPLICATIONS

Legal:

Financial :

Staffing :

Equality and Diversity including Human Rights :

NB: Please explain how you have considered the policy's impact on different groups (for example: young people, elderly, ethnic minorities, LGBT community, rural residents, disabled, others).

Risk Assessment :

Climate Related Risks and Opportunities :

Title and Location of any Background Papers used in the preparation of this report:

*Wherever possible please provide a hyperlink to the background paper/s
If a document is confidential and not for public viewing it should not be listed.*

Call in and Urgency:

Is the decision one which Rule 14.7 of the Scrutiny Procedure Rules apply?

i.e. is the report exempt from being called in due to urgency (in consultation with C&I chairman)

Yes

No

Key Decision:

A matter which affects two or more wards, or has significant financial implications

Yes

No

1. Introduction

- 1.1 At its meeting in April the committee agreed to express an interest in participating in a national process for appointing External Auditors for the year 2018/19. The report considered is attached as appendix 1 for information.
- 1.2 The national approach through the LGA has been agreed with the DCLG and the current contract management company Public Sector Audit Appointments (PSAA) is establishing a process to lead on behalf of the sector.

2. The Process

- 2.1 An invitation has been issued by PSAA for all eligible Authorities to make a firm commitment to the process and their prospectus is attached at appendix 2.
- 2.2 The form of acceptance is also attached as appendix 3.
- 2.3 Regulation 19 of the Local Audit (Appointing Person) Regulation 2015 requires that the decision to opt in must be made by a meeting of the full Council meeting as a whole. A template report has been produced by the LGA which is attached at appendix 4.
- 2.4 This report will be amended appropriately for presentation to the full council meeting on the 14th November.

3. Recommendation

- 3.1 Members are asked to recommend to the Full Council that WLDC should participate in the national scheme for the appointment of External Auditors.



GA.64 15/16

Governance and Audit
Committee

Date 14th April 2016

E

Subject: Update on the arrangements for appointing a new External Auditor

Report by:

Director of Resources

Contact Officer:

Ian Knowles
Director of Resources
01427 676682
ian.knowles@west-lindsey.gov.uk

Purpose / Summary:

To inform members of the options available for appointing a new External Auditor and consider being part of a national approach.

RECOMMENDATION(S):

1 – Members consider this report and the implications of single or joint tender process and indicate if they wish for the authority to express an interest in joining with the LGA in a nationally led process for the appointment of External Auditors.

IMPLICATIONS

Legal: The Authority is required to appoint an External Auditor and follow appropriate procurement process in doing so.

Financial: The existing contract was a significant reduction on the previous arrangements and a new tender process may give rise to an increase form the current rates.

Staffing : There are no staffing implications arising from this report.

Equality and Diversity including Human Rights :

NB: Please explain how you have considered the policy's impact on different groups (for example: young people, elderly, ethnic minorities, LGBT community, rural residents, disabled, others).

Risk Assessment :

As appointing an External Auditors is a legal requirement then there is a risk that should the national approach not deliver the desired outcome that the Authority maybe without an appropriate appointment within the timescale. This risk will be mitigated by ensuring the process is monitored closely and having secondary plans in place.

Climate Related Risks and Opportunities : Not applicable to this report.

Title and Location of any Background Papers used in the preparation of this report:

*Wherever possible please provide a hyperlink to the background paper/s
If a document is confidential and not for public viewing it should not be listed.*

Call in and Urgency:

Is the decision one which Rule 14.7 of the Scrutiny Procedure Rules apply?

i.e. is the report exempt from being called in due to urgency (in consultation with C&I chairman)

Yes

No

X

Key Decision:

A matter which affects two or more wards, or has significant financial implications

Yes

X

No

1 Introduction

- 1.1 At the demise of the Audit Commission in 2012, the Government issued a national tender which packaged Local Government and other public bodies into a number of lots. Local Government were packaged on a geographical basis which meant that the larger Audit firms were able to bid in a tender process for the services they wished to provide within a geographical arrangement. At that time KPMG won the lot which contained West Lindsey District Council.
- 1.2 The contract issued was designed to run upto and including 2016/17 financial year with an option to extend for a further two years. In 2015/16 DCLG decided to extend the contract for one further year 2017/18. For information it is worth noting that the Department for Health did not extend the contract and therefore NHS bodies have needed to go to tender for External Auditors this year.
- 1.3 A company called Public Sector Audit Appointments Limited was established by the LGA in order to manage these contracts once the Audit Commission had been closed down.

2 Options

- 2.1 We have discussed previously with Committee the potential options including a tender in our own right, a joint tender with County neighbours and options considering regional and national approaches.
- 2.2 We have now received an invitation from the LGA (Appendix 1) asking if we would be interested in being part of a national approach, to be organised and managed through the current contract management company PSAA Ltd.
- 2.3 To remind members of the process we would need to go through if we organised our own single tender process I have attached a summary form KPMG on the subject as appendix 2.

3 Conclusion and Recommendations

- 3.1 The freedom to appoint our own External Audit is to be welcomed as that will give elected members a direct input into the process and the selection of External Auditors.
- 3.2 However, a single Authority tendering is unlikely to achieve as lower price as a collective approach be that national, regional or local due to the potential for offering a critical mass for economies of scale to any potential bidder.
- 3.3 Members are therefore asked to consider this report and the implications of single or joint tender process and indicate if they wish for the authority to express an interest in joining with the LGA in a nationally led process for the appointment of External Auditors.

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7 March 2016

From the LGA's Chief Executive

Dear colleague,

Sector-led body for the appointment of external auditors – opt-in sought

You will recall that the LGA established an independent company, Public Sector Audit Appointments Ltd (PSAA), to take on the management of the external audit contracts for local public bodies following the closure of the Audit Commission. We also secured the extension of contracts by an additional year which maintains the reduction in fees of 55 per cent for every single council achieved in the last few years and by doing so saves a further £24 million.

The LGA has successfully lobbied for the legislation to include provision for the establishment of a sector-led body to procure future audit contracts. We intend to support the appointment of PSAA as the sector-led body for local government. Our analysis indicates that this would be far cheaper for councils than every council procuring their external auditor separately. It would avoid the need for hundreds of separate procurement exercises and also has the advantage for councils making use of this procurement vehicle that it saves the time and costs which would otherwise be required to establish an Independent Auditor Panel.

Our survey of directors of finance last year indicated a significant majority in favour of our proposal and we now need to move forwards towards the process of signing councils up. For this to be a success we need councils to opt-in to the sector-led body approach.

So that we can continue to progress our efforts on behalf of the sector to secure efficient, cost effective and good quality arrangements we would like your council to express an interest by 30 April 2016. This is not a binding commitment and we hope to be able to issue formal invitations later in the year.

The [LGA website](#) will feature regular updates on the development of PSAA's proposed sector-led body role. However, if you would like further information or have any feedback on how this approach would work best for councils please contact Fiona Daley on fiona.daley@local.gov.uk.

Best wishes,

Mark Lloyd
Chief Executive,
Local Government Association

Appointing your external auditor

Background

In August 2010 the then Secretary of State for Communities and Local Government, Eric Pickles, announced that he intended to close the Audit Commission, the body that appointed external auditors to Local Government and NHS organisations (excluding Foundation Trusts). As part of this announcement, he also stated that organisations whose appointments were previously controlled by the Audit Commission should have the freedom to appoint their own external auditors.

The Audit Commission closed on 31 March 2015. At that time contracts were already in place for local government and NHS external audit appointments that covered audits up to and including the financial year 2016/17. Within these contracts there is an option to extend for a maximum of three further years, i.e. up to and including the financial year 2019/20.

A consultation exercise with key stakeholder groups has recently been concluded on whether, and if so for how long, to extend these contracts. The Government decided that for local government bodies the contracts will be extended by one year, so incorporating the audit of the 2017/18 financial year. Contracts for NHS bodies will not be extended.

What does this mean for West Lindsey District Council?

This decision means that you will assume the power to appoint your external auditor from the 2018/19 financial year onwards. This will be the first time you have made such an appointment. External auditors provide an important professional service and play a critical role in the stewardship of public spending, so it is vital that this new decision making power is exercised after careful consideration on how to proceed. Whilst you have different options open to you on how to approach this new power, you will need to comply with some specific requirements.

Appointing your external auditor

What should West Lindsey District Council be considering?

In deciding what to do there are a number of considerations.

Do your current external auditors provide you with a good service?	If yes, do you need to change? If no, now you have an opportunity to do something about it.
How could we procure an external audit service to ensure we get best value?	<p>You will have a number of options on how and when to procure your external audit service – these are summarised later in this document.</p> <p>Given the range of options it will be important to consider the best approach for your organisation.</p>
What do we need to do before we start a procurement process?	The new regulations require you to have an Audit Panel, which will be responsible for recommending who your external auditor should be. This Panel must include a majority of independent (i.e. not elected) members and an independent chair. It makes sense for the Panel to have links with your audit committee.
When do we need to undertake a procurement exercise?	<p>The regulations require you to have appointed your external auditor by 31 December in the year preceding the year of audit. As 2018/19 is the first year of these new arrangements, you will need to have appointed your auditor by 31 December 2017.</p> <p>You will need to undertake whatever procurement process you follow in good time – sometime between the Spring and Autumn of 2017. And before doing that you will need to have established your Audit Panel – by early 2017 would be sensible.</p>
Who can we appoint to be our external auditor?	You will only be able to appoint an audit firm that has been authorised by the ICAEW to undertake ‘local audit work’. Local government auditing is highly specialised and you will need to ensure that your auditor has the necessary capability, experience and capacity to fulfil the statutory duties of a local government auditor.

Appointing your external auditor

Procurement options

Although local government bodies will all assume the same power to appoint their external auditor, it is likely that various options will be followed on how they go about doing this. The main options are set out below.

Re-appoint incumbent auditor	One option might be to continue with your current audit provider for a short period, say between one and three years. This would delay testing the market, although you could benchmark proposed fees for reasonableness against published data or by comparing to similar bodies. This would provide stability of service in the short term and also avoid the 'rush to market' as large numbers of local authorities undertake procurement exercises within a short period of time, allowing you to procure later in a more settled audit market.
Stand-alone tendering	As with any other service, you could run your own procurement process. This allows complete autonomy over how and when you want this to be done, although you will need to ensure you follow the Regulations and consider any guidance issued by DCLG or other relevant bodies. However, you should consider whether you will have sufficient purchasing power on your own to obtain best value.
Combined procurement	You could join together with one or more neighbouring authorities to undertake a collective procurement exercise. This would enhance your purchasing power, but would diminish your autonomy over the process and you would need to consider how to retain sufficient sovereignty over decision making and whether this might complicate auditor independence considerations.
Existing frameworks	You could use one of the many existing government or public sector frameworks. These list firms who have already been shortlisted and therefore might speed up the process. You will need to ensure that the firms on any framework have been authorised by the ICEAW for local audit work, however.
Sector led procurement	The new audit legislation allows for a sector-led body (referred to as a 'specified person' in the Regulations) to undertake a bulk procurement process. If such an organisation emerges then this option provides an administratively easy route and would most likely have the greatest element of specialist audit procurement expertise. It would also provide good purchasing power, although with less autonomy than some other options, and might afford easier management of potential auditor independence issues than other combined procurements approaches. It will be the most similar option to the current arrangements.

Appointing your external auditor

What other factors should you consider?

When you are deciding who to appoint as your external auditor you will need to consider a range of factors. Key areas to consider are as follows:

- **Quality:** This is a vital consideration and should be appropriately weighted in any scoring methodology for assessing tenders. Relevant considerations include audit methodologies, systems and processes, staff training and expertise, and quality monitoring arrangements.
- **Experience:** Local government auditing is a specialist business and your auditor must have the necessary skills and sector experience. This is not just about understanding local authority financial reporting, but extends into auditors' value for money audit responsibilities and 'challenge' work.
- **Independence:** You will need to consider possible relationships with audit firms via non-audit work such as consultancy and tax advice. Independence is also an important mind-set for auditors to adopt, where you should be satisfied that your future auditor will be sufficiently challenging (and your current auditor should not be constrained in exercising their duties by any tendering process).
- **Organisational fit:** As with any service it is important to consider how the people you see in the audit team fit with your own organisational culture – i.e. can you work with these people.
- **Price:** Like any other out-sourced service you need to obtain good value through a competitive audit fee. However, best value does not mean the cheapest quote. The fee must be sufficient to provide a good quality service taking account of the scale, nature and risk profile of your organisation, and also the requirement for your external auditor to comply with auditing standards and other statutory duties.
- **Other services:** Although ethical standards provide limitations, you should consider what other services you might want your auditor to perform, whether that is other assurance services (e.g. certifying grant claims) or more added-value services.

Appointing your external auditor

What next?

There is still plenty of time before you appoint your external auditor for the first time, but there will be a long lead up to that decision. It is therefore important to think about how your organisation should approach this in good time. We would suggest that you should be developing your procurement strategy and selecting your preferred approach during 2016.

It is likely that further guidance and support will be issued by DCLG, and potentially other organisations such as CIPFA, to help you with the decisions you need to make and how you proceed. We will continue to update you on key developments.

If you want to discuss this further please contact your audit Engagement Lead, John Cornett.

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Contact



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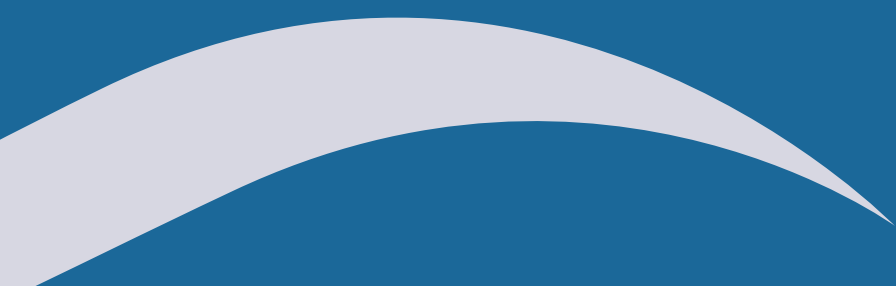
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Developing the option of a national scheme for local auditor appointments



“The LGA has worked hard to secure the option for local government to appoint auditors through a dedicated sector-led national procurement body. I am sure that this will deliver significant financial benefits to those who opt in.”

– Lord Porter CBE, Chairman,
Local Government Association

Over the next few months all principal authorities will need to decide how their auditors will be appointed in the future. They may make the appointment themselves, or in conjunction with other bodies. Or they can take advantage of a national collective scheme which is designed to offer them a further choice. Choosing the national scheme should pay dividends in quality, in cost, in responsiveness and in convenience.

Public Sector Audit Appointments Ltd (PSAA) is leading the development of this national option. PSAA is a not-for-profit company which already administers the current audit contracts. It has been designated by the Department for Communities & Local Government (DCLG) to operate a collective scheme for auditor appointments for principal authorities (other than NHS bodies) in England. It is currently designing the scheme to reflect the sector's needs and views.

The Local Government Association (LGA) is strongly supportive of this ambition, and 200+ authorities have already signalled their positive interest. This is an opportunity for local government, fire, police and other bodies to act in their own and their communities' best interests.

We hope you will be interested in the national scheme and its development. We would be happy to engage with you to hear your views – please contact us at generalenquiries@psaa.co.uk

You will also find some questions at the end of this booklet which cover areas in which we would particularly welcome your feedback.

Audit does matter

High quality independent audit is one of the cornerstones of public accountability. It gives assurance that taxpayers' money has been well managed and properly expended. It helps to inspire trust and confidence in the organisations and people responsible for managing public money.

Imminent changes to the arrangements for appointing the auditors of local public bodies are therefore very important. Following the abolition of the Audit Commission, local bodies will soon begin to make their own decisions about how and by whom their auditors are appointed. A list of the local government bodies affected can be found at the end of this booklet.

The Local Government Association (LGA) has played a leadership role in anticipating these changes and influencing the range of options available to local bodies. In particular, it has lobbied to ensure that, irrespective of size, scale, responsibilities or location, principal local government bodies can, if they wish, subscribe to a specially authorised national scheme which will take full responsibility for local auditor appointments which offer a high quality professional service and value for money.


The LGA supported PSAA's successful application to the Department for Communities & Local Government (DCLG) to be appointed to deliver and manage this scheme.

PSAA is well placed to award and manage audit contracts, and appoint local auditors under a national scheme

PSAA is an independent, not-for-profit company limited by guarantee and established by the LGA. It already carries out a number of functions in relation to auditor appointments under powers delegated by the Secretary of State for Communities & Local Government. However, those powers are time-limited and will cease when current contracts with audit firms expire with the completion of the 2017/18 audits for local government bodies, and the completion of the 2016/17 audits for NHS bodies and smaller bodies.

The expiry of contracts will also mark the end of the current mandatory regime for auditor appointments. Thereafter, local bodies will exercise choice about whether they opt in to the authorised national scheme, or whether they make other arrangements to appoint their own auditors.

PSAA has been selected to be the trusted operator of the national scheme, formally specified to undertake this important role by the Secretary of State. The company is staffed by a team with significant experience in appointing auditors, managing contracts with audit firms and setting and determining audit fees. We intend to put in place an advisory group, drawn from the sector, to give us ready access to your views on the design and operation of the scheme. We are confident that we can create a scheme which delivers quality-assured audit services to every participating local body at a price which represents outstanding value for money.



“Many district councils will be very aware of the resource implications of making their own appointment. Joining a well-designed national scheme has significant attractions.”

– Norma Atlay, President,
Society of District Council Treasurers

“Police bodies have expressed very strong interest in a national scheme led by PSAA. Appointing the same auditor to both the PCC and the Chief Constable in any area must be the best way to maximise efficiency.”

– Sean Nolan, President,
Police and Crime Commissioners
Treasurers’ Society (PACCTS)

The national scheme can work for you

We believe that the national scheme can be an excellent option for all local bodies. Early indications are that many bodies agree - in a recent LGA survey more than 200 have expressed an interest in joining the scheme.

We plan to run the scheme in a way that will save time and resources for local bodies - time and resources which can be deployed to address other pressing priorities. Bodies can avoid the necessity to establish an auditor panel (required by the Local Audit & Accountability Act, 2014) and the need to manage their own auditor procurement. The scheme will take away those headaches and, assuming a high level of participation, be able to attract the best audit suppliers and command highly competitive prices.

The scope of public audit is wider than for private sector organisations. For example, it involves forming a conclusion on the body's arrangements for securing value for money, dealing with electors' enquiries and objections, and in some circumstances issuing public interest reports. PSAA will ensure that the auditors which it appoints are the most competent to carry out these functions.

Auditors must be independent of the bodies they audit, to enable them to them to carry out their work with objectivity and credibility, and in a way that commands public confidence. PSAA plans to take great care to ensure that every auditor appointment passes this test. It will also monitor any significant proposals, above an agreed threshold, for auditors to carry out consultancy or other non-audit work to ensure that these do not undermine independence and public confidence.

The scheme will also endeavour to appoint the same auditors to bodies which are involved in formal collaboration/joint working initiatives or within combined authority areas, if the parties consider that a common auditor will enhance efficiency and value for money.

PSAA will ensure high quality audits

We will only contract with firms which have a proven track record in undertaking public audit work. In accordance with the 2014 Act, firms must be registered with one of the chartered accountancy institutes acting in the capacity of a Recognised Supervisory Body (RSB). The quality of their work will be subject to scrutiny by both the RSB and the Financial Reporting Council (FRC). Current indications are that fewer than ten large firms will register meaning that small local firms will not be eligible to be appointed to local public audit roles.

PSAA will ensure that firms maintain the appropriate registration and will liaise closely with RSBs and the FRC to ensure that any concerns are detected at an early stage and addressed effectively in the new regime. The company will take a close interest in feedback from audited bodies and in the rigour and effectiveness of firms' own quality assurance arrangements, recognising that these represent some of the earliest and most important safety nets for identifying and remedying any problems arising. We will liaise with the National Audit Office (NAO) to help ensure that guidance to auditors is updated when necessary.

We will include obligations in relation to maintaining and continuously improving quality in our contract terms and quality criteria in our tender evaluation method.

PSAA will secure highly competitive prices

A top priority must be to seek to obtain the best possible prices for local audit services. PSAA's objective will be to make independent auditor appointments at the most competitive aggregate rate achievable.

Our current thinking is that the best prices will be obtained by letting three year contracts, with an option to extend to five years, to a relatively small number of appropriately registered firms in two or three large contract areas nationally. The value of each contract will depend on the prices bid, with the firms offering the best prices being awarded larger amounts of work. By having contracts with a number of firms we will be able to ensure independence and avoid dominance of the market by one or two firms.

Correspondingly, at this stage our thinking is to invite bodies to opt into the scheme for an initial term of three to five years.

The procurement strategy will need to prioritise the importance of demonstrably independent appointments, in terms of both the audit firm appointed to each audited body and the procurement and appointment processes used. This will require specific safeguards in the design of the procurement and appointment arrangements.

“Early audit planning is a vital element of a timely audit. We need the auditors to be available and ready to go right away at the critical points in the final accounts process.”

– Steven Mair, City Treasurer,
Westminster City Council

“In forming a view on VFM arrangements it is essential that auditors have an awareness of the significant challenges and changes which the service is grappling with.”

– Charles Kerr, Chair,
Fire Finance Network

PSAA will establish a fair scale of fees

Audit fees must ultimately be met by individual audited bodies. PSAA will ensure that fee levels are carefully managed by securing competitive prices from firms and by minimising PSAA's own costs. The changes to our role and functions will enable us to run the new scheme with a smaller team of staff. PSAA is a not-for-profit company and any surplus funds will be returned to scheme members.

PSAA will pool scheme costs and charge fees to audited bodies in accordance with a fair scale of fees which has regard to size, complexity and audit risk. Pooling means that everyone within the scheme will benefit from the most competitive prices. Current scale fees are set on this basis. Responses from audited bodies to recent fee consultations have been positive.

PSAA will continue to consult bodies in connection with any proposals to establish or vary the scale of fees. However, we will not be able to consult on our proposed scale of fees until the initial major procurement has been completed and contracts with audit firms have been let. Fees will also reflect the number of scheme participants - the greater the level of participation, the better the value represented by our scale of fees. We will be looking for principal bodies to give firm commitments to join the scheme during Autumn 2016.

The scheme offers multiple benefits for participating bodies

We believe that PSAA can deliver a national scheme which offers multiple benefits to the bodies which take up the opportunity to collaborate across the sector by opting into scheme membership.

Benefits include:

- assured appointment of a qualified, registered, independent auditor
- appointment, if possible, of the same auditors to bodies involved in significant collaboration/joint working initiatives or combined authorities, if the parties believe that it will enhance efficiency and value for money
- on-going management of independence issues
- securing highly competitive prices from audit firms
- minimising scheme overhead costs
- savings from one major procurement as opposed to a multiplicity of small procurements
- distribution of surpluses to participating bodies
- a scale of fees which reflects size, complexity and audit risk
- a strong focus on audit quality to help develop and maintain the market for the sector
- avoiding the necessity for individual bodies to establish an auditor panel and to undertake an auditor procurement
- enabling time and resources to be deployed on other pressing priorities
- setting the benchmark standard for audit arrangements for the whole of the sector

We understand the balance required between ensuring independence and being responsive, and will continually engage with stakeholders to ensure we achieve it.

How can you help?

We are keen to receive feedback from local bodies concerning our plans for the future. Please let us have your views and let us know if a national scheme operated by PSAA would be right for your organisation.

In particular we would welcome your views on the following questions:

1. Is PSAA right to place emphasis on both quality and price as the essential pre-requisites for successful auditor appointments?
2. Is three to five years an appropriate term for initial contracts and for bodies to sign up to scheme membership?
3. Are PSAA's plans for a scale of fees which pools scheme costs and reflects size, complexity and audit risk appropriate? Are there any alternative approaches which would be likely to command the support of the sector?
4. Are the benefits of joining the national scheme, as outlined here, sufficiently attractive? Which specific benefits are most valuable to local bodies? Are there others you would like included?
5. What are the key issues which will influence your decisions about scheme membership?
6. What is the best way of us continuing our engagement with you on these issues?

Please reply to: generalenquiries@psaa.co.uk

The following bodies will be eligible to join the proposed national scheme for appointment of auditors to local bodies:

- county councils in England
- district councils
- London borough councils
- combined authorities
- passenger transport executives
- police and crime commissioners for a police area in England
- chief constables for an area in England
- national park authorities for a national park in England
- conservation boards
- fire and rescue authorities in England
- waste authorities
- the Greater London Authority and its functional bodies.

BOARD MEMBERS

Steve Freer (Chairman), former Chief Executive CIPFA

Caroline Gardner, Auditor General Scotland

Clive Grace, former Deputy Auditor General Wales

Stephen Sellers, Solicitor, Gowling WLG (UK) LLP

CHIEF OFFICER

Jon Hayes, former Audit Commission Associate Controller

“Maintaining audit quality is critically important. We need experienced audit teams who really understand our issues.”

– Andrew Burns, Director of
Finance and Resources,
Staffordshire County Council

PSAA Ltd
3rd Floor, Local Government House
Smith Square
London SW1P 3HZ

www.psa.co.uk

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Public Sector
Audit Appointments

Text of email sending invitation to opt in to all principal LG bodies

To: [email address for Chief Executive and Director of Finance for each audited body]

cc: [monitoring officer]

Date: 27 October 2016

Subject: [Name of audited body]

Invitation to become an opted-in authority

The Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015 (the Regulations)

Public Sector Audit Appointments Limited (PSAA), being an appointing person for the purposes of the Regulations, invites [name of audited body] (the authority) to become an-opted in authority in accordance with the Regulations.

Further information is contained in the opt-in letter and additional information attached to this email. The length of the compulsory appointing period is the 5 consecutive financial years commencing 1 April 2018.

A decision to become an opted-in authority must be taken in accordance with the Regulations, that is by the members of an authority meeting as a whole, except where the authority is a corporation sole, such as a police and crime commissioner, in which case this decision can be taken by the holder of that office.

The closing date to give notice to PSAA of the authority's acceptance of our invitation is: **9 March 2017**.

A form of notice of acceptance is enclosed with this invitation to opt in. The notice of acceptance must be sent by email to: appointingperson@psaa.co.uk and must be received before **5pm on Thursday 9 March 2017**.

PSAA confirms it is willing to receive notices of acceptance by email to this address and will confirm receipt of all notices of acceptance by email.



Jon Hayes
Chief Officer

27 October 2016

[Chief Executive Name]
[Authority name]
[Address]

Email: appointingperson@psaa.co.uk

Copied to: [Director of Finance name], [Job title], [Authority name]
[Monitoring officer name], [Job title], [Authority name]

Dear [Salutation]

Invitation to opt into the national scheme for auditor appointments

As you know the external auditor for the audit of the accounts for 2018/19 has to be appointed before the end of 2017. That may seem a long way away, but as there is now a choice about how to make that appointment, a decision on your authority's approach will be needed soon.

We are pleased that the Secretary of State has expressed his confidence in us by giving us the role of appointing local auditors under a national scheme. This is one choice open to your authority. We issued a prospectus about the scheme in July 2016, available to download on the [appointing person](#) page of our website, with other information you may find helpful.

The timetable we have outlined for appointing auditors under the scheme means we now need to issue a formal invitation to opt into these arrangements. The covering email provides the formal invitation, along with a form of acceptance of our invitation for you to use if your authority decides to join the national scheme. We believe the case for doing so is compelling. To help with your decision we have prepared the additional information attached to this letter.

I need to highlight two things:

- we need to receive your formal acceptance of this invitation by 9 March 2017; and
- the relevant regulations require that, except for a body that is a corporation sole (a police and crime commissioner), the decision to accept the invitation and to opt in needs to be made by the members of the authority meeting as a whole. We appreciate this will need to be built into your decision making timetable.

If you have any other questions not covered by our information, do not hesitate to contact us by email at appointingperson@psaa.co.uk.

Yours sincerely



Jon Hayes
Chief Officer

Appointing an external auditor

Information on the national scheme

Public Sector Audit Appointments Limited (PSAA)

We are a not-for-profit company established by the Local Government Association (LGA). We administer the current audit contracts, let by the Audit Commission before it closed.

We have the support of the LGA, which has worked to secure the option for principal local government and police bodies to appoint auditors through a dedicated sector-led national procurement body. We have established an advisory panel, drawn from representative groups of local government and police bodies, to give access to your views on the design and operation of the scheme.

The national scheme for appointing local auditors

We have been specified by the Secretary of State for Communities and Local Government as the appointing person for principal local government bodies. This means that we will make auditor appointments to principal local government bodies that choose to opt into the national appointment arrangements we will operate for audits of the accounts from 2018/19. These arrangements are sometimes described as the 'sector-led body' option, and our thinking for this scheme was set out in a prospectus circulated to you in July. The prospectus is available on the [appointing person](#) page of our website.

We will appoint an auditor for all opted-in authorities for each of the five financial years beginning from 1 April 2018, unless the Secretary of State chooses to terminate our role as the appointing person beforehand. He or she may only do so after first consulting opted-in authorities and the LGA.

What the appointing person scheme will offer

We are committed to making sure the national scheme will be an excellent option for auditor appointments for you.

We intend to run the scheme in a way that will save time and resources for local government bodies. We think that a collective procurement, which we will carry out on behalf of all opted-in authorities, will enable us to secure the best prices, keeping the cost of audit as low as possible for the bodies who choose to opt in, without compromising on audit quality.

Our current role means we have a unique experience and understanding of auditor procurement and the local public audit market.

Using the scheme will avoid the need for you to:

- establish an audit panel with independent members;
- manage your own auditor procurement and cover its costs;
- monitor the independence of your appointed auditor for the duration of the appointment;
- deal with the replacement of any auditor if required; and
- manage the contract with your auditor.

Our scheme will endeavour to appoint the same auditors to other opted-in bodies that are involved in formal collaboration or joint working initiatives, if you consider that a common auditor will enhance efficiency and value for money.

We will also try to be flexible about changing your auditor during the five-year appointing period if there is good reason, for example where new joint working arrangements are put in place.

Securing a high level of acceptances to the opt-in invitation will provide the best opportunity for us to achieve the most competitive prices from audit firms. The LGA has previously sought expressions of interest in the appointing person arrangements, and received positive responses from over 270 relevant authorities. We ultimately hope to achieve participation from the vast majority of eligible authorities.

High quality audits

The Local Audit and Accountability Act 2014 provides that firms must be registered as local public auditors with one of the chartered accountancy institutes acting in the capacity of a Recognised Supervisory Body (RSB). The quality of registered firms' work will be subject to scrutiny by both the RSB and the Financial Reporting Council (FRC), under arrangements set out in the Act.

We will:

- only contract with audit firms that have a proven track record in undertaking public audit work;
- include obligations in relation to maintaining and continuously improving quality in our contract terms and in the quality criteria in our tender evaluation;
- ensure that firms maintain the appropriate registration and will liaise closely with RSBs and the FRC to ensure that any quality concerns are detected at an early stage; and
- take a close interest in your feedback and in the rigour and effectiveness of firms' own quality assurance arrangements.

We will also liaise with the National Audit Office to help ensure that guidance to auditors is updated as necessary.

Procurement strategy

In developing our procurement strategy for the contracts with audit firms, we will have input from the advisory panel we have established. The panel will assist PSAA in developing arrangements for the national scheme, provide feedback to us on proposals as they develop, and helping us maintain effective channels of communication. We think it is particularly important to understand your preferences and priorities, to ensure we develop a strategy that reflects your needs within the constraints set out in legislation and in professional requirements.

In order to secure the best prices we are minded to let audit contracts:

- for 5 years;
- in 2 large contract areas nationally, with 3 or 4 contract lots per area, depending on the number of bodies that opt in; and
- to a number of firms in each contract area to help us manage independence issues.

The value of each contract will depend on the prices bid, with the firms offering the best value being awarded larger amounts of work. By having contracts with a number of firms, we will be able to manage issues of independence and avoid dominance of the market by one or two firms. Limiting the national volume of work available to any one firm will encourage competition and ensure the plurality of provision.

Auditor appointments and independence

Auditors must be independent of the bodies they audit, to enable them to carry out their work with objectivity and credibility, and in a way that commands public confidence.

We plan to take great care to ensure that every auditor appointment passes this test. We will also monitor significant proposals for auditors to carry out consultancy or other non-audit work, to protect the independence of auditor appointments.

We will consult you on the appointment of your auditor, most likely from September 2017. To make the most effective allocation of appointments, it will help us to know about:

- any potential constraints on the appointment of your auditor because of a lack of independence, for example as a result of consultancy work awarded to a particular firm;
- any joint working or collaboration arrangements that you think should influence the appointment; and
- other local factors you think are relevant to making the appointment.

We will ask you for this information after you have opted in.

Auditor appointments for the audit of the accounts of the 2018/19 financial year must be made by 31 December 2017.

Fee scales

We will ensure that fee levels are carefully managed by securing competitive prices from firms and by minimising our own costs. Any surplus funds will be returned to scheme members under our articles of association and our memorandum of understanding with the Department for Communities and Local Government and the LGA.

Our costs for setting up and managing the scheme will need to be covered by audit fees. We expect our annual operating costs will be lower than our current costs because we expect to employ a smaller team to manage the scheme. We are intending to fund an element of the costs of establishing the scheme, including the costs of procuring audit contracts, from local government's share of our current deferred income. We think this is appropriate because the new scheme will be available to all relevant principal local government bodies.

PSAA will pool scheme costs and charge fees to audited bodies in accordance with a fair scale of fees which has regard to size, complexity and audit risk, most likely as evidenced by audit fees for 2016/17. Pooling means that everyone in the scheme will benefit from the most competitive prices. Fees will reflect the number of scheme participants – the greater the level of participation, the better the value represented by our scale fees.

Scale fees will be determined by the prices achieved in the auditor procurement that PSAA will need to undertake during the early part of 2017. Contracts are likely to be awarded at the end of June 2017, and at this point the overall cost and therefore the level of fees required will be clear. We expect to consult on the proposed scale of fees in autumn 2017 and to publish the fees applicable for 2018/19 in March 2018.

Opting in

The closing date for opting in is 9 March 2017. We have allowed more than the minimum eight week notice period required, because the formal approval process for most eligible bodies, except police and crime commissioners, is a decision made by the members of an authority meeting as a whole.

We will confirm receipt of all opt-in notices. A full list of authorities who opt in will be published on our website. Once we have received an opt-in notice, we will write to you to request information on any joint working arrangements relevant to your auditor appointment, and any potential independence matters that would prevent us appointing a particular firm.

If you decide not to accept the invitation to opt in by the closing date, you may subsequently make a request to opt in, but only after 1 April 2018. The earliest an auditor appointment can be made for authorities that opt in after the closing date is therefore for the audit of the accounts for 2019/20. We are required to consider such requests, and agree to them unless there are reasonable grounds for their refusal.

Timetable

In summary, we expect the timetable for the new arrangements to be:

- Invitation to opt in issued 27 October 2016
- Closing date for receipt of notices to opt in 9 March 2017
- Contract notice published 20 February 2017
- Award audit contracts By end of June 2017
- Consult on and make auditor appointments By end of December 2017
- Consult on and publish scale fees By end of March 2018

Enquiries

We publish frequently asked questions on our [website](#). We are keen to receive feedback from local bodies on our plans. Please email your feedback or questions to: appointingperson@psaa.co.uk.

If you would like to discuss a particular issue with us, please send an email to the above address, and we will make arrangements either to telephone or meet you.

Form of notice of acceptance of the invitation to opt in

(Please use the details and text below to submit to PSAA your authority's formal notice of acceptance of the invitation to opt into the appointing person arrangements)

To: appointingperson@psaa.co.uk

Subject: [Name of authority]

Notice of acceptance of the invitation to become an opted-in authority

This email is notice of the acceptance of your invitation dated 27 October 2016 to become an opted-in authority for the purposes of the appointment of our auditor under the provisions of the Local Audit and Accountability Act 2014 and the requirements of the Local Audit (Appointing Person) Regulations 2015.

I confirm that [name of authority] has made the decision to accept your invitation to become an opted-in authority in accordance with the decision making requirements of the Regulations and that I am authorised to sign this notice of acceptance on behalf of the authority.

Name: [Name of signatory]

Title: [Role title] (authorised officer)

For and on behalf of: [Name of authority]

Date:

SPECIMEN REPORT
(TO A MEETING OF FULL COUNCIL/AUTHORITY)

DECISION TO OPT IN TO THE NATIONAL SCHEME FOR AUDITOR APPOINTMENTS
WITH PSAA AS THE 'APPOINTING PERSON'

Purpose of Report and Summary Points

This report sets out the proposals for appointing the external auditor to the Council/Authority for the 2018/19 accounts and beyond, as the current arrangements only cover up to and including 2017/18 audits. The auditors are currently working under a contract originally let by the Audit Commission and the contract was novated to Public Sector Audit Appointments (PSAA) following the closure of the Audit Commission.

A sector-wide procurement conducted by PSAA will produce better outcomes and will be less burdensome for the Council/Authority than any procurement undertaken locally. More specifically:

- The audit costs are likely to be lower than if the Council/Authority sought to appoint locally, as national large-scale contracts are expected to drive keener prices from the audit firms;
- Without the national appointment, the Council/Authority would need to establish a separate independent auditor panel, which could be difficult, costly and time-consuming;
- PSAA can ensure the appointed auditor meets and maintains the required quality standards and can manage any potential conflicts of interest much more easily than the Council/Authority;
- Supporting the sector-led body will help to ensure there is a vibrant public audit market for the benefit of the whole sector and this Council/Authority going forward into the medium and long term.

If the Council/Authority is to take advantage of the national scheme for appointing auditors to be operated by PSAA for the subsequent years, it needs to take the decision at this meeting to enable it accept the invitation by early March 2017.

Recommendation

The Council/Authority accepts Public Sector Audit Appointments' (PSAA) invitation to 'opt in' to the sector led option for the appointment of external auditors for five financial years commencing 1 April 2018.

Background

The Local Audit and Accountability Act 2014 (the Act) brought to a close the Audit Commission and established transitional arrangements for the appointment of external auditors and the setting of audit fees for all local government and NHS bodies in England. On 5 October 2015 the Secretary of State Communities and Local Government (CLG) determined that the transitional arrangements for local government bodies would be extended by one year to also include the audit of the accounts for 2017/18.

The Act also set out the arrangements for the appointment of auditors for subsequent years, with the opportunity for authorities to make their own decisions about how and by whom their auditors are appointed. Regulations made under the Act allow authorities to 'opt in' for their auditor to be appointed by an 'appointing person'.

In July 2016 PSAA were specified by the Secretary of State as an appointing person under regulation 3 of the Local Audit (Appointing Person) Regulations 2015. The appointing person is sometimes referred to as the sector led body and PSAA has wide support across local government. PSAA was originally established to operate the transitional arrangements following the closure of the Audit Commission under powers delegated by the Secretary of State. PSAA is an independent, not-for-profit company limited by guarantee and established by the LGA

PSAA is inviting the Council/Authority to opt in, along with all other authorities, so that PSAA can enter into a number of contracts with appropriately qualified audit firms and appoint a suitable firm to be the Council/Authority's auditor.

The principal benefits from such an approach are as follows:

- PSAA will ensure the appointment of a suitably qualified and registered auditor and expects to be able to manage the appointments to allow for appropriate groupings and clusters of audits where bodies work together;
- PSAA will monitor contract delivery and ensure compliance with contractual, audit quality and independence requirements;
- Any auditor conflicts at individual authorities would be managed by PSAA who would have a number of contracted firms to call upon;
- It is expected that the large-scale contracts procured through PSAA will bring economies of scale and attract keener prices from the market than a smaller scale competition;
- The overall procurement costs would be lower than an individual smaller scale local procurement;
- The overhead costs for managing the contracts will be minimised though a smaller number of large contracts across the sector;

- There will be no need for the Council/Authority to establish alternative appointment processes locally, including the need to set up and manage an 'auditor panel', see below;
- The new regime provides both the perception and reality of independent auditor appointment through a collective approach; and
- A sustainable market for audit provision in the sector will be easier to ensure for the future.

The Council/Authority's current external auditor is [XXXXXX], this appointment having been made under a contract let by the Audit Commission. Following closure of the Audit Commission the contract was novated to PSAA, and since this date PSAA has demonstrated its capability in terms of auditor appointment, contract management, and monitoring audit quality. Over recent years authorities have benefited from a reduction in fees in the order of 55% compared with fees in 2012. This has been the result of a combination of factors including new contracts negotiated nationally with the audit firms and savings from closure of the Audit Commission. The Council/Authority's current external audit fees are [£xxx,xxx] per annum.

The proposed fees for the subsequent years cannot be known until the procurement process has been completed, as the costs will depend on proposals from the audit firms.

The scope of the audit will still be specified nationally, the National Audit Office (NAO) is responsible for writing the Code of Audit Practice which all firms appointed to carry out the Council/Authority's audit must follow. Not all audit firms will be eligible to compete for the work, they will need to demonstrate that they have the required skills and experience and be registered with a Registered Supervising Body approved by the Financial Reporting Council.

Currently, there are only nine providers that are eligible to audit local authorities and other relevant bodies; all of these being firms with a national presence. This means that a local procurement exercise, as described immediately below, would seek tenders from these same firms, subject to the need to manage any local independence issues. Local firms could not be invited to bid.

Other options

If the Council/Authority did not opt in there would be a need to establish an independent auditor panel. In order to make a stand-alone appointment the auditor panel would need to be set up by the Council/Authority itself. The members of the panel must be wholly or a majority of independent members as defined by the Act. Independent members for this purpose are independent appointees, this excludes current and former elected members (or officers) and their close families and friends. This means that elected members will not have a majority input to assessing bids and choosing which audit firm to award a contract for the Council/Authority's external audit.

Alternatively the Act enables the Council/Authority to join with other authorities to establish a joint auditor panel. Again this will need to be constituted of wholly or a majority of independent appointees (members). Further legal advice would be required on the exact constitution of such a panel having regard to the obligations of each Council/Authority under the Act and the Council/Authority would need to liaise with other local authorities to assess the appetite for such an arrangement.

Neither of these options are recommended. Both these options would be more resource-intensive processes to implement and without the bulk buying power of the sector led procurement, would be likely to result in a more costly service. It would also be more difficult to manage quality and independence requirements through a local appointment process.

The invitation

PSAA has now formally invited this Council/Authority to opt in **[assuming this report is presented to Council/Authority following the offer letter]**. Details relating to PSAA's invitation are provided in an Appendix to this Report **[Appendix will come directly from PSAA]**.

In summary the national opt-in scheme provides the following:

- The appointment of a suitably qualified audit firm for each of the five financial years commencing 1 April 2018;
- Appointing the same auditor to other opted in bodies that are involved in formal collaboration or joint working initiatives to the extent this is possible with other constraints;
- Managing the procurement process to ensure both quality and price criteria are satisfied. PSAA will seek views from the sector to help inform its detailed procurement strategy;
- Ensuring suitable independence of the auditors from the bodies they audit and managing any potential conflicts as they arise;
- Minimising the scheme management costs and returning any surpluses to scheme members;

- Consulting with authorities on auditor appointments, giving the Council/Authority the opportunity to influence which auditor is appointed;
- Consulting with authorities on the scale of audit fees and ensuring these reflect scale, complexity and audit risk; and
- Ongoing contract and performance management of the contracts once these have been let.

The way forward

Regulation 19 of the Local Audit (Appointing Person) Regulations 2015 requires that a decision to opt in must be made by a meeting of the Council/Authority (meeting as a whole). The Council/Authority then needs to formally respond to PSAA's invitation in the form specified by PSAA by early March.

PSAA will commence the formal procurement process after this date. It expects to award contracts in summer 2017 and consult with authorities on the appointment of auditors so that it can make an appointment by the statutory deadline of December 2017.

Risk Management

The principal risks are that the Council/Authority fails to appoint an auditor in accordance with the new frameworks or does not achieve value for money in the appointment process. These risks are considered best mitigated by opting in to the sector led approach through PSAA.

Legal implications

Section 7 of the Local Audit and Accountability Act 2014 requires a relevant Council/Authority to appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding year. Section 8 governs the procedure for appointment including that the Council/Authority must consult and take account of the advice of its auditor panel on the selection and appointment of a local auditor. Section 8 provides that where a relevant Council/Authority is a local Council/Authority operating executive arrangements, the function of appointing a local auditor to audit its accounts is not the responsibility of an executive of the Council/Authority under those arrangements;

Section 12 makes provision for the failure to appoint a local auditor: the Council/Authority must immediately inform the Secretary of State, who may direct the Council/Authority to appoint the auditor named in the direction or appoint a local auditor on behalf of the Council/Authority.

Section 17 gives the Secretary of State the power to make regulations in relation to an 'appointing person' specified by the Secretary of State. This power has been exercised in the Local Audit (Appointing Person) Regulations 2015 (SI 192) and this gives the Secretary of State the ability to enable a Sector Led Body to become the appointing person. In July 2016 the Secretary of State specified PSAA as the appointing person.

Financial Implications

There is a risk that current external fees levels could increase when the current contracts end in 2018.

Opting-in to a national scheme provides maximum opportunity to ensure fees are as low as possible, whilst ensuring the quality of audit is maintained by entering in to a large scale collective procurement arrangement.

If the national scheme is not used some additional resource may be needed to establish an auditor panel and conduct a local procurement. Until a procurement exercise is completed it is not possible to state what, if any, additional resource may be required for audit fees for 2018/19.

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GA.34 16/17
Committee: Governance & Audit
8th November 2016

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Subject: Strategic Risks (November 2016)

Report by:

Director of Resources: Ian Knowles

Contact Officer:

Business Improvement & Corporate Governance
Team Manager
01427 676537

Purpose / Summary:

To present Members with the strategic risks
facing the Council as at November 2016

RECOMMENDATION(S): 1. To note and review the strategic risks as presented.

IMPLICATIONS

Legal: None

Financial: None FIN 78/17

Staffing: None

Equality and Diversity including Human Rights: None

Risk Assessment: None

Climate Related Risks and Opportunities: None

Title and Location of any Background Papers used in the preparation of this report:

Call in and Urgency:

Is the decision one which Rule 14.7 of the Scrutiny Procedure Rules apply?

i.e. is the report exempt from being called in due to urgency (in consultation with C&I chairman)

Yes

No

Key Decision:

A matter which affects two or more wards, or has significant financial implications

Yes

No

1 Introduction

1.1 Strategic Risks are considered as being those faced by the Council that if materialised would affect the delivery of corporate plan priorities.

1.2 Governance and Audit Committee review the strategic risks on a six-monthly basis.

2 Monitoring Arrangements

2.1 The strategic risks are presented to Core Leadership Team (CLT) on a quarterly basis for review.

2.2 CLT are requested to review the risks, control measures and future actions to ensure that they remain sufficiently robust to mitigate the identified risks.

2.3 Where corrective action is required and/or additional risks are identified, the strategic risk register is updated accordingly.

3 Risk Register

3.1 Following the production of the Council's new Corporate Plan covering the period 2016-2020 and the revision of the Council's Risk Strategy, work has been undertaken to assess the risks to the achievement of the Corporate Plan priorities and to identify current mitigations and/or further required action to strengthen the mitigating position.

3.2 This work has produced a revised strategic risk register based upon the following priorities:

- Open for Business
- Asset Management
- People First
- Partnerships/Devolution
- Local Plan
- Excellent Value for Money Services

3.3 A number of additional risks have also been identified which focus on elements that underpin our workings e.g. compliance and business continuity.

3.4 This approach reflects the guidance provided by the Association of Local Authority Risk Managers (ALARM). This body advocates that strategic risks should focus on the long-term objectives of the organisation, which can be affected by areas such as financial concerns, political risks, legal and regulatory changes and changes in the physical environment.

3.5 The risk register is presented for review.

4 Recommendation

4.1 Members are asked to review the register and to consider:

- Do any additional risks of a strategic nature exist?
- Are current controls and proposed actions sufficiently robust?

Title	Description of Potential Risk	Allocated To	Control	Control Measures	Actions	Review Date
Information Governance	Data leakage and successful cyber-crime attempts occur leading to financial, reputational and legal consequences due to lack of robust controls, policies and processes which are not communicated to and followed by staff and Members.	Ian Knowles	Treat	1. Data processing and storage complies with legislation. 2. Data quality is addressed within information policies. 3. Information Security training sessions are regularly held. 4. Data Quality policy in place. 5. Roles of Corporate Information Governance Group (CIGG), Senior Information Risk Owner (SIRO) and Senior Information Governance Officer (SIGO) established. 6. Information Asset Owners in place across the Council. 7. Information Governance Strategy in place. 8. On-going monitoring of developments in this field. 8. Data Protection Training undertaken across Council in summer '16. 9. External Audit complete and given a clean audit and positive VFM assessment.	1. Achieve an appropriate level of understanding and behaviours whereby Information Governance matters become business as usual considerations. 2. On-going training and review. 3 - Paper to DCLG on IG update 20160905 4 - Implement GDPR by May 2018 reviewed - 20th September	01/11/2016
Open for Business	Growth does not match the ambitions of the Council, skills issues are not addressed and analysis and promotion of the visitor economy does not materialise.	Penny Sharp	Treat	1. Capital Programme in place. 2. Strategic Partnerships formed (GLLEP). 3. LDO's and FEZ in place. 4. Growth Programme developed. 5. Effective Local Plan in development. 6. Growth Board overseeing programme/project development. 7. Progress and Delivery project reporting to Members. 8. Tourism working group in place.	1. To ensure that all service areas demonstrate behaviours and attitude that support the 'Open for Business' ethos.	01/12/2016
People First	We do not deliver a customer focussed approach, provide appropriate infrastructure and facilities for residents. We do not develop, equip and support staff to be fully effective in their roles thereby unable to adhere to our customer focussed, entrepreneurial principles, resulting in poor service, non-motivated work force and providing an unattractive offer both for residents and inward investment.	Ian Knowles	Treat	1. Gainsborough Growth Programme in place. 2. Effective Local Plan in development. 3. People Strategy developed incorporating culture change elements.	1. Develop out Customer Strategy. 2. Leisure Review to report providing potential options for future service delivery.	01/11/2016
Asset Management	Our assets are underutilised, generate lower returns than required, do not facilitate inward investment or deliver fewer social benefits than expected.	Penny Sharp	Treat	1. Strategic Land & Property Plan in place. 2. Commercial Plan in place. 3. Land and Property review undertaken. 4. Asset mgt database (CAMS) in place. 5. Rolling stock condition survey programme developed. 6. Planned maintenance programme completed and held on database.	1. Ensure appropriate skills/capability and capacity exist within the service.	01/12/2016
Devolution/Partnerships	Partnership working does not materialise or is not fully effective to support improved service delivery at as local a level as possible and successful commercial partnerships and Joint Ventures are not formed. Devolved powers do not materialise.	Manjeet Gill	Treat	1. Involvement at C/Exec level in devolution discussions and submissions to Govt.	1. Review of internal governance arrangements. 2. Design and ensure governance arrangements supporting devolved partnerships are robust and effective.	01/02/2017
Local Plan	Local Plan is not adopted and/or does not reflect or meet the needs of both Gainsborough and the infrastructure, housing and growth priorities for West Lindsey and our intentions re Neighbourhood Plans are not met	Mark Sturgess	Treat	1. Close scrutiny of Local Plan development. 2. Positive assurance in the form of audit findings relating to the process followed at the JPU. 3. LDOs and FEZ arrangements in place. 3. Challenge partners to ensure that they address the issues in their areas which could risk local plan adoption. 4. Effective consultation of draft Local Plan completed.	1. Deliver appropriate infrastructure to support Local Plan implementation and delivery. 2. Input in the Local Plan Examination to ensure that the Inspector finds the plan "sound".	09/12/2016
Excellent Vfm Services	We do not identify and implement efficient and effective, lower-cost alternative service delivery models. We do not ensure sufficient focus on the financial drivers and value for money considerations of change/improvement proposals.	Mark Sturgess	Treat	1. Functional analysis underway. 2. People Strategy focussing on expected skills and behaviours. 3. Development Management improvement plan underway. 4. Programme/project management methodology and structures in place. 5. Progress & Delivery reporting in place.	1. Appraise and design new service delivery model. 2. Establish ICT requirements to enable VFM services to be delivered. 3. Implement findings of Choice Based lettings audit. 4. Complete reviews into Localism and Public Protection. 5. Commission and commence reviews into enforcement, economic development and housing	02/01/2017

Commercial Approach	Commercial Projects do not deliver anticipated benefits resulting in increased financial pressures	Penny Sharp	Treat	1. Commercial Strategy in place. 2. Commercial steering group (including Members) established. 3. Commercial Programme Board overseeing programme/project development. 4. Progress and Delivery project reporting to Members. 5. Budget Monitoring undertaken. 6. Traded Services audit reported substantial assurance	1. Ensure appropriate skills, capacity and structures are in place to deliver commercial initiatives.	01/07/2016
Corporate Health & Safety	We do not adequately ensure that our staff and visitors are protected in the workplace from accidents or work-related ill-health by eliminating hazards from work activities where possible and where not, assessing and ensuring adequate control of the associated risks. This leads to an unsafe workplace and inadequate care for staff and potential legal action	Manjeet Gill	Treat	1. KMSKMW group in place to consider H&S issues. 2. H&S co-ordinator role in place. 3. H&S Champions across the Council. 4. Regular H&S walks undertaken to identify and report potential hazards in the workplace. 5. Stress management awareness for staff and subscription to CareLine facility. 6. Regularly reviewed service level H&S and lone working risk assessments and protocols in place. 7. Regular H&S council-wide training undertaken. 8. Reporting to CLT on H&S incidents. 9. JSCC considers H&S related matters.		01/02/2017
Compliance	We do not comply or fail to correctly implement relevant statutory legislation resulting in adverse reputational impacts and legal and financial consequences.	Ian Knowles	Treat	1. Horizon Scanning functions undertaken. 2. Monitoring Officer in place. 3. Annual production of Governance Statement. 4. Regular liaison with Lincs Legal Shared Services. 5. Legal implications detailed in reports	1. Undertake review of revised CIPFA Delivering Good Governance guidance and consider implications by Dec '16	01/11/2016
Business Continuity	Council services are not maintained and priority services are not provided in the event of significant disruption or a major emergency in the District.	Mark Sturgess	Treat	1. Business Continuity Plan in place. 2. Regular training events held. 3. Use of LCC based Emergency Planning Officer. 4. ICT recovery policy and protocols. 5. Service level business continuity plans in place. 6. Out of Hours rota in place.	1. Review of effectiveness of service level business continuity plans.	01/12/2016



GA.35 16/17

Committee
Governance and Audit

Date 8th November 2016

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Subject: Governance Options Approval of Consultation

Report by:

Director of Resources

Contact Officer:

Alan Robinson
Strategic Lead for Democracy and Business
Support
Telephone 01427 676509
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Purpose / Summary:

To agree consultation content on Governance
Models

RECOMMENDATION(S):

That Members agree to the content of the a consultation on Governance Arrangements for West Lindsey District Council

IMPLICATIONS

Legal: In order to make changes to the formal Governance arrangements of the Council consultation is required

Financial : None directly from this report

Staffing : None directly from this report

Equality and Diversity including Human Rights :

Risk Assessment :

Climate Related Risks and Opportunities :

Title and Location of any Background Papers used in the preparation of this report:
Annual Review of the Constitution from May 2016

Call in and Urgency:

Is the decision one which Rule 14.7 of the Scrutiny Procedure Rules apply?

i.e. is the report exempt from being called in due to urgency (in consultation with C&I chairman)

Yes

No

Key Decision:

A matter which affects two or more wards, or has significant financial implications

Yes

No

1 Executive Summary

- 1.1 At Full Council in May 2016 members agreed to investigate the possibilities to review the Governance arrangements. At Governance and Audit Committee on 15th September 2016 members agreed to the creation of a task and finish group to consider the options which best met the needs of the council.
- 1.2 The task and Finish Group met for the first time on 18th October 2016 to agree the terms of reference for the group and the desired outcomes for Governance arrangements, as well as the next steps in the process.
- 1.3 The meeting concluded that the Council should consider two of the legally available Governance Models. It was also suggested that consultation on these models as well as the 7 desired outcomes which had already been agreed at Annual Council be carried out as a matter of urgency.

2 Governance Models under consideration

- 2.1 **Committee Model (Known as Forth Option)** this is the system that we currently use. The key features of this are that Council and Committees make the decisions of the Council and these meeting are subject Scrutiny by the Challenge and Improvement Committee. Whilst this is the model that is currently used it can be amended and or improved through the annual review of the constitution which is normally agreed at Annual Council.
- 2.2 **Leader and cabinet.** This system was brought in by the Local Government Act 2000 and is the governance system that most councils operate. In some councils, individual members of the cabinet have decision-making powers; in others, decisions have to be made by the whole cabinet. Cabinet is led by a leader, who is elected by full council for a term determined by the council itself or on a four yearly basis (And will usually be the leader of the largest party on the council). These councils must have at least one overview and scrutiny committee.

3 Desired Outcomes

- 3.1 The following were the desired outcomes agreed previously at this committee and full council:
 - Speed of decision making – The Council's Decision Making process allows it to take advantage of opportunities on commercial projects and ensure that WLDC can work as quickly as its colleagues in Greater Lincolnshire
 - Empowering Individuals – Those members charged with representing the Council with partners have the authority to act and take responsibility for the decisions they

- make.
- Effective Council governance and roles of Members and Officers - to ensure the Council has maximum influence and impact with any potential Mayor and Combined Authority to the benefit of West Lindsey.
- Specialist Knowledge – Members have the knowledge and skills to make good, well informed and safe decisions
- Transparency – Governance arrangements which ensure residents can see that decisions are made reasonably and fairly.
- Accountability – There is clear accountability for success and failure for both members and officers
- Involvement – Members are able to set policy and take Ownership of key decisions.

4 Proposed Consultation

- 4.1 It is proposed that consultation is carried out by:
Use of the Councils Website
With West Lindsey Councillors
The Citizens Panel
Parish and Town Councils
Political Groups
- 4.2 The period of Consultation will be in accordance with agreed protocols and will close on 31st December 2016.
- 4.3 The draft questions for the Consultation are included in appendix 1 which is attached.
- 4.4 The pre-ambles introducing the consultation on the website / to the citizens panel will include a link to the LGA website where respondents will be able to find out more information about each of the governance options, under investigation.

West Lindsey District Council Governance Arrangements 2016

HELPFUL HINTS FOR COMPLETING THIS QUESTIONNAIRE

- Please read each question carefully. In most cases you will only have to tick one box but please read the questions carefully as sometimes you will need to tick more than one box, or write in a response.
- Once you have finished please take a minute to check you have answered all the questions that you should have answered.
- If you have any questions about this survey please contact Alan Robinson on alan.robinson@west-lindsey.gov.uk or call on 01427 676509.

West Lindsey District Council is reviewing its governance arrangements and two options are being considered. These are the Committee System which the council already uses and the Leader and Cabinet Model.

Committee system. Since the Localism Act this option is now available to all councils. Previously it was available only to district councils with populations under 85,000. Committee system councils make most decisions in committees, which are made up of a mix of councillors from all political parties. These councils may have one or more overview and scrutiny committees but are not required to.

Leader and Cabinet Model. This system was brought in by the Local Government Act 2000 and is the governance system that most councils operate. In some councils, individual members of the cabinet have decision-making powers; in others, decisions have to be made by the whole cabinet. Cabinet is led by a leader, who is elected by full council for a term determined by the council itself or on a four year.

1. Which system would you prefer West Lindsey District Council to use? **Please tick one box only**
 - Committee System
 - The Leader and Cabinet Model

2. In order to evaluate the models the Council will use the following outcomes. Please can you mark each of these outcomes from 1 to 7 with 1 being your first priority, 2 being the second priority and so on until 7 which would be the last priority to you.

Speed of decision making - The Councils Decision making process allows it to take advantage of opportunities on commercial projects and ensure that WLDC can work as quickly as its colleagues in Greater Lincolnshire.

Empowering Individuals - Those members charged with representing the Council with partners have the authority to act and take responsibility for the decisions they make.

Effective Council governance and roles of Members and Officers - to ensure the Council has maximum influence and impact with any potential Mayor and Combined Authority to the benefit of West Lindsey.

Specialist Knowledge - Members have the knowledge and skills to make good, well informed and safe decisions.

Transparency - Governance arrangements which ensure residents can see that decisions are made reasonably and fairly.

Accountability - There is clear accountability for success and failure for both members and officers

Involvement - Members are able to set policy and take ownership of key decisions.

3. Any other comments you wish to make about the proposed governance arrangements?

Thank you very much for your time completing this part of the questionnaire.

Please click submit once and you will be taken back to the West Lindsey District Council website.

Purpose:

This report provides a summary of reports that are due on the Forward Plan over the next 12 months for the Governance and Audit Committee.

Recommendation:

1. That members note the schedule of reports.

Governance and Audit			
Active/Closed	Active		
Date	Title	Lead Officer	Purpose of the report
8/11/2016	Members Champs	Alan Robinson	To Review the role of Member Champs - this matter will be now be part of the annual review of the Constitution, so will not come forward
	Sample Decision Making	Ian Knowles	As this is an information only item - This matter will now be covered by a briefing note to all Members of the Committee in the first instance
	Timeline for the early closure of accounts	Ian Knowles	As this is an information only item - This matter will now be covered by a briefing note to all Members of the Committee in the first instance
17/01/2017	Treasury Management Draft Strategy	Tracey Bircumshaw	To present the draft strategy for scrutiny purposes
	Internal Audit Plan Q3	Ian Knowles	To present progress against the agreed internal audit plan up until the end of period 3

	Quickline Monitoring Q3	Tracey Bircumshaw	Exempt monitoring report to assess progress against the agreed business loan
	Certification of Grants and Claims	Tracey Bircumshaw	For External Audit to present the Certification of Grants and Claims
	revised members code of conduct for consultation	Katie Coughlan	to present a revised code of conduct for elected members for consultation with all members and parishes
14/03/2017	Combined Assurance Report 2016/17	James O'Shaughnessy	To present the Combined Assurance Report
	external Audit Plan 16/17	Tracey Bircumshaw	to present the external audit plan
18/04/2017	Quickline Monitoring Q4	Tracey Bircumshaw	Exempt monitoring report to assess progress against the agreed loan as the end of period 4
	Constitution Annual Review	Alan Robinson	To present the Annual Review of the Constitution
	Strategic Risks - 6 month Update	James O'Shaughnessy	to present the 6 monthly update
20/06/2017	Member Training update	Alan Robinson	To present an update on the Member development programme
25/07/2017	annual fraud report - number and nature	Angela Matthews	to present the annual report - commercial element will go to cpr
Grand Total			

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