



Guildhall Gainsborough
Lincolnshire DN21 2NA

Tel: 01427 676676 Fax: 01427 675170

AGENDA

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

Governance and Audit Committee

Tuesday, 7th November, 2017 at 2.00 pm

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

Members:

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

1. **Apologies for Absence**

2. **Public Participation Period**

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

3. **Minutes of Previous Meeting**

- i) Meeting of the Governance and Audit Committee held (PAGES 3 - 8)
on 14 September 2017

4. **Members 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**

(PAGES 9 - 12)

Matters Arising schedule setting out current position of
previously agreed actions as at 30 October 2017.

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

Large Clear Print: Braille: Audio: Native Language

6. Public Reports for Consideration

- i) Members' Allowances (PAGES 13 - 16)
- ii) Attendance of the Head of Paid Service
 - Progress and Delivery audit review; (VERBAL REPORT)
 - Combined Assurance report;
 - Development Management Audit;
- iii) Outcome of Development Management Audit (PAGES 17 - 48)
- iv) Internal Audit Plan - Period 2 Monitoring Report (PAGES 49 - 74)
- v) Annual Audit Letter (PAGES 75 - 84)
- vi) Periodic review of the Annual Governance Statement Action Plan 2016/17 (PAGES 85 - 92)
- vii) Review of the Effectiveness of Internal Audit (PAGES 93 - 106)
- viii) Review of Strategic Risks (Nov 2017) (PAGES 107 - 120)

7. Workplan (PAGES 121 - 122)

Mark Sturgess
Interim Head of Paid Services
The Guildhall
Gainsborough

Monday, 30 October 2017

WEST LINDSEY DISTRICT COUNCIL

MINUTES of the Meeting of the Governance and Audit Committee held in the Council Chamber - The Guildhall, Marshall's Yard, Gainsborough, DN21 2NA on 14 September 2017 commencing at 2.30 pm.

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

Councillor Mrs Sheila Bibb
Councillor David Bond
Councillor John McNeill
Councillor Mrs Angela White
Alison Adams (Independent Co-opted Member)
Andrew Morriss (Independent Co-opted Member)

In Attendance:

Ian Knowles	Director of Resources and S151 Officer
Alan Robinson	SL - Democratic and Business Support
Tracey Bircumshaw	Financial Services Manager
Matthew Waller	Internal Audit
John Cornett	External Audit
Michael Norman	Auditor KPMG
Caroline Capon	Principal Accountant
Katie Coughlan	Senior Democratic & Civic Officer
Ele Durrant	Democratic and Civic Officer
James Welbourn	Democratic and Civic Officer

Apologies: Peter Walton (Independent Co-opted Member)

Membership: No substitutes were appointed for this meeting.

28 PUBLIC PARTICIPATION PERIOD

Note: The Committee took a five minute recess to allow Members to access their papers as the WIFI in the chamber was not functioning. The meeting recommenced at 2.36pm.

There was no public participation.

29 MINUTES OF PREVIOUS MEETING

The minutes of the meeting held on 25 July 2017 were approved as a correct record and signed by the Chair.

30 MEMBERS DECLARATIONS OF INTEREST

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

31 MATTERS ARISING SCHEDULE

Members gave consideration to the Matters Arising Schedule which set out the current position of all previously agreed actions as at 6 September 2017.

The matter arising on the 'Review of Progress and Delivery Audit recommended actions/assessment of progress made to date' was deferred until the next meeting on 7 November, as the Head of Paid Service had indicated he would be unable to attend the September meeting.

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

32 AUDITED STATEMENT OF ACCOUNTS 2016/17

Consideration was given to a report which presented the Audited Statement of Accounts for 2016/17 to Members for scrutiny and adoption.

The Section 151 Officer introduced the report, outlining:

- The surplus remains at £1,058,000;
- The pensions' deficit has increased by £7.5 million. The contribution from West Lindsey District Council remained the same.

Members then asked questions of officers, and also provided comment on the Audited Statement of Accounts. Responses to questions, and further comments were provided as follows:

- There was a recommendation from the external auditors in the ISA260 report from last year regarding changing the bank reconciliation system changing to new software. There were some software issues in October related to the internal audit affecting a number of transactions; however the reconciliation was signed off by the auditors as being appropriate in spite of these issues. Efforts were made to ensure these reconciliations were accurate throughout the year, and this issue has now been fully resolved;
- The Section 151 Officer drew Members' attention to a programme called 'Customer First' aimed at improving customer satisfaction, as well as the quality of services that customers receive. The situation around complaints had not changed since the report was written; however there were ongoing discussions about defining what a 'complaint's is. Some complaints received are around the outcome of a decision, rather than the process that was followed in reaching that decision (Planning was cited as an example);

- West Lindsey District Council (WLDC) would be able to exist, without touching reserves for one full year, plus another third (this was expressed as 130% in the report);
- There was an assumption in the calculations for the pensions liability based on a pay award of 3%;
- The staffing trends calculated in the report are all comparable this year;
- As reported through Corporate Policy and Resources throughout the year, there have been a number of 'windfall grants' that haven't been fully expended. These totalled around £101,000. Also to note:
 - a refund of around £172,000 from the pension fund;
 - Planning income exceeded its target;
 - Statutory accounting - £3.3 million. The capital programme was not delivered so the schemes were carried forward into the financial year;
- There has been a regular underspend on employee costs. Each year, senior officers will discuss their discretionary spend; this has reduced over the past three years;
- Fuel costs have reduced substantially for WLDC as an organisation. Half of this reduction has been taken as a benefit for this year; the other half has been kept as a contingency, particularly with fuel costs beginning to rise again;
- From a staffing perspective WLDC regularly look at staff, what is needed, and what those staff are doing. The costs associated with statutory services and discretionary services are being examined;
- A provision of £1.9 million on business rates appeals was reported, with the WLDC share of this being around £700,000. Each month a report analysing the Valuation Officer's list appeals is received, and currently this stood at £1.4 million;
- Surestaff had predominantly provided operational services staff for the Green Waste team at WLDC over the past year. They had also provided general office staff; however there are a number of specialist recruitment agencies that had helped to fill posts.

WLDC were by far the biggest contractor for Surestaff. Built into the business plan was a low cost provision for WLDC, which allowed Surestaff the capacity to build up other contracts. Surestaff was split into two companies – the second of which provided services to the Private Sector;

- The amount of time technical systems are available and ('uptime') was at 99%. There was a thorough recovery route should systems fail. IT systems are shared with North Kesteven District Council; the primary servers for both authorities are held at West Lindsey. If a problem with the servers at West Lindsey is detected, a switch over to a secondary server at North Kesteven would take place.

A digitised backup is taken offsite at North Kesteven;

- The Business Continuity Plan (BCP) holds all contact details for the Service Managers at WLDC. Hard copies of this are kept at home for when they are required.

The BCP was last tested in January 2017. Testing should take place at least once a year;

- There are no outstanding creditors that have been retained over the first few months of this financial year.

Members, and the Section 151 Officer gave their thanks to the Financial Services Manager and her team for the work that went into the report.

RESOLVED that:

- (1) The Statement of Accounts have been reviewed and there were no concerns arising from the Financial Statements that needed to be brought to the attention of the Council;
- (2) The Statement of Accounts for 2016/17 be approved;
- (3) The Section 151 Officer and the Chairman of Governance and Audit Committee can certify the letter of representation to KPMG, on completion of the audit.

33 REPORT TO THOSE CHARGED WITH GOVERNANCE (ISA260 REPORT) 2016/17

Consideration was given to a report from the Authority's auditor KPMG, who presented their report to those charged with Governance (ISA 260 report) in relation to the Statement of Accounts and Annual Governance Statement 2016/17, the headlines of which included:

- There were no significant, and no material items identified for adjustment during the course of the audit;
- There was one recommendation in relation to the bank reconciliations which had been dealt;
- Elements of the accounts where judgement was required or significant accounting estimates were needed were assessed as 'balanced';
- The accounts production process was good and ahead of schedule. Responses given by the Finance team were exemplary;
- The key risk identified for Value for Money (VFM) was financial resilience, particularly with regard to the medium term financial strategy;
- Appendix 4 of the report set out the non-audit work over the course of last year. Potential conflicts of interest were highlighted in that appendix. The value of the work

was 12% of the audit fee;

- An additional fee around the extra work that had been undertaken is to be agreed with the S151 Officer and would be reported back to the Governance and Audit Committee;

The S151 Officer assured Members that he was content that current processes do provide value for money in the majority of circumstances.

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

34 AGENCY STAFF & CONSULTANTS EXPENDITURE 2016/17

Members gave consideration to an annual update on the expenditure incurred during 2016/17 on the engagement of temporary/agency staff and consultants.

The Financial Services Manager outlined that the significant portion of agency staff are used to resource the Green Waste service. The total expenditure on agency staff for 2016/17 was £757,000, which compared to £944,000 being spent in 2015/16. £379,000 of this £757,000 figure related to operational services.

In relation to consultancy – where specialist advice would be needed consultants would be appointed on a project by project (with business case) basis. Expenditure totalled £428,000 in 2016/17, compared to £366,000 from 2015/16.

The £91,000 cost for the interim Commercial Strategic Lead referred to in paragraph 5.2 of the report arose out of staffing issues, which should not occur again.

The Section 151 Officer outlined that Financial Services and Operational Services had set budgets allowing them to bring in interim staff at peak times. Also required would be long-term cover for sickness or maternity for example. Some of these interim posts are covered by grants; in addition Surestaff are used to cover some relief work in the summer.

The Chairman highlighted that expenditure for this year on interim staff was down from the previous year.

RESOLVED to note the information contained within the report.

35 WORKPLAN

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

Members highlighted that the Q4 report for Quickline Monitoring was no longer required.

RESOLVED that the work plan as at 14 September 2017 be noted.

The meeting concluded at 3.40 pm.

Chairman

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

Status	Title	Action Required	Comments	Due Date	Allocated To
Green					
	Internal Audit Plan	Review of P&D recommended actions/assess progress made to date	The Chairman of the G&A Cttee invited the Head of Paid Service to the next meeting (7th November) in order that he could update the Committee on the progress made regarding the outstanding recommendations in relation to the Progress and Delivery audit.	07/11/17	Mark Sturgess
		P&D Audit Recommendations to be included in Q2 P&D report	Reference to the Progress and Delivery Limited Assurance Audit to be included in the Progress and Delivery report and thus submitted to the Prosperous Communities and Corporate Policy and Resources committees/report to be added to the FW Plan. Agreed that this item was to roll onto the next G&A committee on 7th November (which Mark is noted to attend in order to present).	07/11/17	Mark Sturgess

	<p>member training - future topic request</p>	<p>Extract from mins of mtg 14/3 The rationale for reviewing sales invoicing was further explained and it was noted that key staff were been offered training around commerciality. Members requested that some level of commercial awareness training be built into the Member Training Plan in the future.</p>	<p>Please build into plan going forward. Discussion took place to confirm what training Members required. Agreed to look at courses to aid better understanding of issues such as Procurement, Commercial awareness, Ethics, Decision making, Business Case risk/understanding, Conflicts of Interest, Commercialism, setting up a Private Company and related risks, Contract management. External and Internal training options to be considered.</p>	<p>25/10/17</p>	<p>Alan Robinson</p>
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	strategic risk register	<p>extract from mins of mtg 18/4/17: -</p> <p>Discussion ensued and Members were asked to consider whether there were any further strategic risks they considered should be reflected on the register.</p> <p>The following suggestions were made: -</p> <ul style="list-style-type: none"> • Uncertain outcome of the general election • County Council's plans regarding unitary authorities <p>Officers undertook to consider these further.</p>	<p>james please see above, and feedback through this matters arising any comments you have. James to provide an update at 1 June Briefing. Work is on-going, suggestions made to date continue to be considered. Members will next review the Risk Register in November.</p>	07/11/17	James O'Shaughnessy
Grand Total					

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**Committee
Governance and Audit**

Date 7th November 2017

Subject: 2018/2019 Members' Allowances

Report by:

Director of Resources

Contact Officer:

Alan Robinson
Strategic Lead for People and Governance
Telephone 01427 676509
Email alan.robinson@west-lindsey.gov.uk

Purpose / Summary:

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

RECOMMENDATION: To consider and discuss issues around the Members' Allowances scheme and feed into the Remuneration Panel's deliberations.

IMPLICATIONS

Legal: None directly resulting from this report

Financial : None directly resulting from this report

Staffing : None directly resulting from this report

**Equality and Diversity including Human Rights :
None directly resulting from this report**

Risk Assessment :

Climate Related Risks and Opportunities :

Title and Location of any Background Papers used in the preparation of this report:
None.

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 The process for the setting of Members' Allowances has been established for a number of years. West Lindsey, in common with Local Authorities has a Remuneration Panel which is made up of Independent people from the West Lindsey area. This panel consults with Group leaders, individual Members and with the Governance and Audit Committee. The Panel make recommendations to Full Council in January where the proposals can be accepted or rejected.
- 1.2 The role of this Committee is that of consultee. 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 2017/2018 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;
- Changes in the operation of the Licensing and Regulatory Committees;
- Consideration of a proposal to reimburse members for the costs eyesight tests;
- Consideration of increased caring costs since the rate for "Dependant Carers Allowance" was last reviewed.

Rates of Allowance Appendix 1

Amount

Code Description

2017/2018 A

	Basic Allowance	£5,400
B	SRA - Leader of Council	£12,000
C	SRA – Deputy Leader/s (in the event of two or more being nominated, the payment to be shared)	£4,350
D	SRA -Chair of Council	£3,840
E	SRA – Vice-Chair of Council	£1,320
F	Civic Allowance for the Chairman of Council	£1,550
G	Civic Allowance for the Vice-Chairman of Council	£420
H	SRA – Committee Chairs	£3,000
I	SRA – Committee Vice-Chairs	£1,420
J	SRA – Leader of the Opposition (in the event of the Council being a ‘hung’ Council, the Leaders of the two largest groups be paid the same special responsibility allowance as for the Leader of the Opposition)	£4,350
K	SRA – Deputy Leader of the Opposition	£790
L	SRA – Minority Group Leaders (per group member)	£90
M	Co-optees’ Allowance – A payment of £60 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).	
N	Dependant Carers’ Allowance (maximum per hour) (to follow the minimum wage)	£6.50
O	Car Allowance (per mile) (the mileage rate to be	£0.45



**Governance & Audit
Committee**

07 November 2017

Subject: Outcome of Development Management Audit

Report by:

Lucy Pledge, Head of Internal Audit,
Lincolnshire County Council
lucy.pledge@lincolnshire.gov.uk

Contact Officer:

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

Purpose / Summary:

The report provides members with the findings of the Development Management Audit requested by Governance and Audit Committee in January 2017.

RECOMMENDATION(S):

- 1) **That Members consider the content of the report and provide comment.**

IMPLICATIONS

Legal: None directly arising from the report

Financial: 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.

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

Key Decision:

Yes

No

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Draft Internal Audit Report Development Management

Date: October 2017

What we do best...

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Existing strong regional public sector partnership

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Already working extensively with the not-for-profit and third sector

The contacts at Assurance Lincolnshire with this review are:

Lucy Pledge CMIIA, QIAL

Audit and Risk Manager (Head of Internal Audit)

Lucy.pledge@lincolnshire.gov.uk

Team Leader's Name

Team Leader

John.Sketchley@lincolnshire.gov.uk

Principal's name

Principal Auditor

Matthew.waller@lincolnshire.gov.uk

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Background and Context

In October 2015 WLDC management requested a Peer review of the Planning service. The aim of the review was to help identify some long running issues with in the service and how to address them. The Councils aim is to have an effective, high performing sustainable Planning Service in place.

The review noted that there were a number of areas for improvement and an action plan was developed to ensure the improvement actions were monitored and completed.

A six month follow up review was commissioned which found that good progress had been made but there remained some key areas to address and implement.

In 2015/16 the Audit Committee requested that an audit be undertaken of Planning. The audit was initially put on hold pending the outcome of the Peer Review, and later awaiting the appointment of a new manager. The manager has been in post for 10 months now and at its meeting in January 2017 the Audit Committee requested that the audit now be started.

Meeting with Planning management and members of the Audit committee and Planning committee we agreed the Terms of Reference for the audit and identified ten key risk areas to

cover. Including the Development Management Service, Planning Enforcement and Section 106 monitoring.

The 2016/17 combined assurance report identified the Development Management service as Amber. The service has not been subject to an internal audit for several years.

Scope

The following risks were identified and agreed with management and members -

- There is no effective management of the Planning Service
- The work of the service is not adequately planned and performance is not managed
- Staff resources are inadequate to deliver an effective service
- Engagement with stakeholders, public and members, is not effective
- Planning applications are not processed in accordance with policy
- The delegation of decision making is inappropriate or ineffective
- Neighbourhood plans are not properly taken account of
- Previous S106 agreement outcomes are not monitored
- Enforcement action is inadequate or ineffective
- The recommendations of the Peer Review have not been implemented

Executive Summary

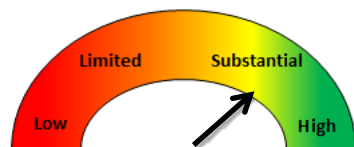
Risks

Risk	Rating (R-A-G)	Recommendations	
		High	Medium
Risk 1 - There is no effective management of the Development Management service	G	0	0
Risk 2 - The work of the service is not adequately planned and performance is not managed	A	1	0
Risk 3 - Staff resources are inadequate to deliver an effective service.	G	0	0
Risk 4 - Engagement with stakeholders, public and members, is not effective.	A	1	1
Risk 5 - Planning applications are not processed in accordance with policy	G	0	0
Risk 6 - The delegation of decision making is inappropriate or ineffective.	G	0	0
Risk 7 - Neighbourhood plans are not properly taken account of.	G	0	0
Risk 8 -Previous S106 agreement outcomes are not monitored.	A	0	2
Risk 9 - Enforcement action is inadequate or ineffective.	R	2	2
Risk 10 - The recommendations from the peer review have not been implemented	G	0	0

Key Messages



The Planning Service Substantial Assurance



We found that there is a well run, effective planning service in place. The overall feeling and feedback from all officers interviewed was positive. A full staff structure, settled senior managers and officers, clarity on roles and a prolonged period of good performance all support a substantial assurance opinion on the service.

Executive Summary

Key Messages



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There is clarity on outcomes, reporting, targets and governance for the service. Regular team meetings and sharing of performance data means that there is a wider appreciation and understanding of service targets throughout the whole planning service.

The actioining of the Peer review recommendations has supported a wider management led improvement drive and stability in key roles by appointing permanent staff has also supported a period of good perofmance.

There were 96 actions recorded in the improvement action plan, coming out of the Peer review. A majority of these have been implemented. The service is no longer monitoring the remaining actions, as agreed with members. These will be now be monitored through business as usual or are dependent on the implementation of the new ARCUS ICT system for Development Management.

There were some areas identified during the review where improvements could be made to current systems and controls, these included –

A key service performance indicator is the time taken to complete applications. The Service is currently reporting excellent performance against these targets. We found that for 25% of applications tested there was no evidence to support time extensions that had been applied to the case.

As a result of this finding all planning applications within the period were rechecked by the Assistant Team Manager and to understand whether these were isolated cases. No further cases were identified and this is something that the officers are now routinely considering much earlier in the decision making process. It has been discussed with all officers again and will be routinely monitored through individual 121s where any time extensions are used.

Executive Summary

Interviews with Members

As part of the audit we interviewed 4 members. In our interviews with members they acknowledged that the service has improved since the Peer Review in 2015, but all felt that there are more improvements to be made. Members were not confident that further improvements will be made, and seemed unaware of the benefits to be achieved by the new Planning ICT system, which is the most significant remaining action following from the Peer Review.

All members commented positively on the appointment of Oliver Fytche-Taylor as Planning Services Manager and several expressed the view that much of the improvement was down to Oliver's hard work and dedication. They also commented positively on the capability of the Development Management team as a whole.

We found that there is a marked difference of opinion between members and officers on the effectiveness of communications by the Development Management team.

Members expressed the view that communications between officers and applicants, developers, Parish Councils and members could be improved. They showed frustration that they do not always get the information they need when they need it, or in an understandable form. Several members said that they found officers to be defensive when questioned about delegated decisions.

We discussed these comments with officers who felt that they have, and do, provided appropriate and relevant information as required. They were disappointed that their efforts to communicate effectively was resulting in some negative feedback, and did not see what they could do differently that would improve matters.

We did identify that some, if not most, of the communication mismatch is due to the differing nature of the role, interests and focus of the officer and member. As one member told us, 'I do get frustrated with recommendations from officers but I think this is because they are following the rules which often are not what members want'.

Executive Summary

During the audit members raised a number of queries about specific planning applications, and we looked into other applications where members had raised queries by email. We found no evidence that officers had acted without due process.

Differences in opinion will happen on occasions due to the nature of development management. In fact members can at times disagree with each other, and also disagree with to the CLLP, which went through a rigorous consultation process before being adopted.

The focus of officers is getting the job done and meeting timescales. Our work has shown that they are very good at this. The focus of members is often on dealing with applicants, developers and the local community who disagree with the decision being made. Both sides need to understand the position of the other, and the two should engage accordingly. This is acknowledged in the Council's Local Code of Conduct for Councillors and Officers dealing with Planning Matters which states:

'A successful relationship between Councillors and Officers can only be based upon mutual trust and an understanding of each other's positions. This relationship, and the trust which underpins it, must never be abused or compromised.'

Members need to understand that officers make their decisions in accordance with the various planning policies and plans and accept that the decision might be contrary to what they want, or think is correct. Most decisions are delegated, however when an officers assesses an application as being 'balanced', that is there are reasons for approving and reasons for refusing, the application, they are brought to the attention of the Chair of the Planning Committee and if agreed are referred for decision by the Committee. Therefore members make the final decision on applications where there is doubt.

Officers need to understand that members are being questioned, and pressured, by applicants, developers, and local communities. When a decision is made that is contrary to what these stakeholders would wish for, members have to deal directly with the stakeholders. Officers at this time

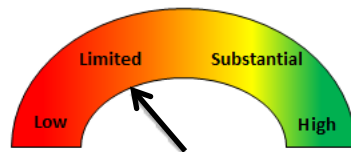
Executive Summary

must provide members with timely and understandable information to enable the member to respond effectively. Where officers are aware of a potential problem with an application at an early stage it would be useful to alert interested members as this may avert difficulties with stakeholders later in the process.

To achieve the level of understanding detailed in the Code of Conduct, and ensure that officers and members understand each other's role interests and focus, workshops have been undertaken in each of the last 2 years, and those attending have recorded that they were highly satisfied with those workshops. More needs to be done.

We recommend that the Council looks to make better use of the programme of training event/workshops to develop the necessary level of understanding and communication between officers and members. We also recommend that officers work with members on a one-to-one basis where necessary or appropriate. These recommendations not only apply to Development Management but also to Enforcement where the same level of understanding is required.

Planning Enforcement Limited Assurance



The Planning Enforcement service make effective and correct decisions, in line with the approved

Executive Summary

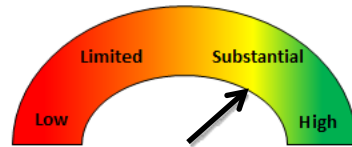
policies. These decisions have result in appeals and to date all decisions have been upheld as appropriate and proportionate. Where appropriate, planning enforcement matters are considered within the wider remit for enforcement within the Council to ensure that best use of resources is achieved.

We found that that the service is not meeting its performance targets due to a number of reasons, including a disparity between the resource available and the service offered.

We identified several areas where the Council could review and strengthen the service provided including -

- A review of whether some outcome measures would provide better service insight, rather than the time taken to action each case should be considered.
- There there is one full time enforcement officer to action all cases. Some temporary resource has been provided however performance continues to be below target and the resource is due to end in September 2017.
- The joint working between planning enforcement and planners could be improved when setting planning conditions. Currently some planning conditions encourage public requests for enforcement when in reality the conditions are unenforceable.
- The service could improve the way it reports its case load to add some context to performance figures. Currently there is no breakdown of cases by priority or year, just an overall figure. This does not support analysis and understanding of where improvements could be made.
- Although below target performance has been reported through Progress and Delivery reports we found that there had been a limited response and corrective action taken corporately. And performance continues to be off target.
- The target for actioning cases is 150 days, current reported performance is 188 days.

Section 106 Monitoring Substantial Assurance



The Council has been without a contributions officer for several years until one was appointed in 2016. This has had an effect on the monitoring and recording of section 106 agreements.

An officer has now been appointed and work is starting on improving and developing the recording, monitoring and reporting of section 106 agreements. We found that there is a monitoring system in place and Section 106 agreements are recorded.

Some further clarity is needed to ensure this role is understood, resourced and that roles and responsibilities are documented and understood for maintaining an accurate record. As currently several different services including finance, growth team and the contributions officer are involved in monitoring these agreements.

We noted in testing that an amount of contributions monies had not been spent and was over due to be returned to the developer. Although the amount was not material it did demonstrate the need for a full overview and reconciliation of agreements.

Management Response



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Planning Audit – Management Response.

The Development Management (Planning) Service

This audit is welcomed. The planning service at West Lindsey District Council has been under pressure for the last few years. It has been the subject of a peer review and a comprehensive service improvement programme. It has also been at risk of designation due to its performance in the determination of minor and other planning applications in the two years ending in September 2016.

Since early 2016 the service has been able to demonstrate sustained improvement in its performance. This, in part, helped it avoid “designation” in the early part of 2017. The service needed this audit to give assurance to its key stakeholders (members, officers, applicants, parish councils, developers and those affected by development) that the service is performing at the standard it should and delivering a quality service.

It was heartening to read, given the work which has gone into the service in the last few years, that: ***“there is a well-run, effective planning service in place”***.

Having said that there are things in the report which need to be addressed. This audit highlights the importance of communication and the understanding of the different roles of members and officers in the delivery of the service. A key area of concern is the apparent mismatch between officers’ view of the service and the expectation of members. This is likely to be the explanation for the quote from a member given on page 4 of the audit report: *“I do get frustrated with recommendations from officers but think this is because they are following rules which are not what members want”* If members don’t understand the legislative and policy background that underpin planning decisions they are almost bound to become

Executive Summary

frustrated when they don't get the outcome they expected, especially if the reasons for the decision are not properly explained. This is a principal message from the audit: officers will have to work harder to explain the legislative and policy basis for decisions and recommendations; and members will need to ensure that they involve themselves in planning decisions at the right level and carry the learning from the training sessions into their ward and committee work.

For the last two years the service has run a training programme for councillors and parish councils. This has included an externally facilitated workshop on the different roles members and officers play in the delivery of the planning service. All these training events recorded high levels of satisfaction from the councillors who attended. These events were aimed at improving the understanding of members of the planning system and their role within it and helping officers understand how to operate in a political environment.

Whilst, as part of the actions from this audit, the planning training programme will be revised, it is worth reiterating how planning decisions should be made. Planning decisions are governed by the development plan. This means that decisions need to be in accordance with the (member) agreed development plan (the recently adopted Central Lincolnshire Local Plan and any relevant Neighbourhood Plan) unless there are sound planning reasons for not doing so. At the time of the audit the Central Lincolnshire Local Plan had only recently been adopted. Given decisions taken since then and the outcomes of a number of appeals it will be clear that members should have confidence in the policies of that plan to deliver the planning outcomes they are looking for in their communities.

In short the determination of a planning application needs to be based on the application of policy, the detailed evidence relevant to the application and the operation of the "planning balance". In this respect planning officers are employed to advise on this balance, based on their qualifications and experience.

Executive Summary

Decisions and recommendations are never their personal view. On the other hand Councillors should be wary getting drawn into a detailed assessment of a planning application with local people, the agent/developer/land owner or parish council prior to a decision being made, and simply refer such approaches to the planning officers. The officer's report will balance the considerations and come to a conclusion on the application based on the evidence and the application of policy. If an application is subsequently determined by the Planning Committee it is their job to review the "planning balance" and they are entitled to come to a different conclusion if they weight the considerations differently.

In conclusion this audit is welcomed as it represents an opportunity to boost confidence in the development management service at the Council. It can, through its action plan, help to strengthen the relationship between officers and members on planning issues. On the one hand members should avoid getting involved in the detail of a planning application with the agent, applicant, parish council or objector and try to refer any questions to officers. On the other hand officers need to be better at explaining how they have applied the "planning balance" in their recommendations and decisions and certainly not be defensive. That way the Council will be seen as having an effective and efficient development management service (operated by both members and officers) which takes planning decisions in the best interest of the District as whole.

Planning Enforcement

The story around planning enforcement set out in the audit report is less positive. However some of the deficiencies identified are acknowledge and are in the process of being remedied.

Earlier in the year the increased demand on the service (as reported through progress and delivery) was recognised and additional temporary resources were made available. Management Team has recognised

that this increase in demand is likely to remain for the foreseeable future and is therefore taking steps to make these temporary resources permanent.

It is clear from the audit that the decisions made in relation to enforcement are sound and in line with the Council's policy. High risk cases are prioritised and where required formal action is taken.

Enforcement is also a demand led service and is governed by a "risk based policy" which seeks to manage this demand. The planning enforcement policy is under review and will be subject to pre – scrutiny by the Challenge and Improvement Committee before being presented to the Prosperous Communities Committee for adoption. This should assist the effectiveness of the service.

In the recent re-structuring of the Team Managers all enforcement activity has now been centralised under one manager giving a greater focus to this area of work. This should also help ensure that the service is as effective as it can be.

Section 106 Monitoring

It is helpful that the audit acknowledges the work which has gone into re-establishing the post of development contributions officer and how that will make the job of monitoring s106 agreements much more effective.

Action Plan

1	Risk Description	Current Rating	Target Rating
	The work of the service is not adequately planned and performance is not managed	AMBER	GREEN
Findings			
We tested a sample of 24 cases from between January 2017 and May 2017 and found that 6 or 25% of extensions did not have the required supporting evidence. Evidence is required to confirm the extension of time to complete the case was valid. Officers are required to obtain and retain proof that the applicant agrees with any extension.			
Implications			
The completing of cases within set time scales is key. Having extended cases with no supporting evidence to say why undermines the assurance that can be placed on performance reporting.			
It also could affect the performance reporting to central government.			
Recommendation			Priority level
Check 100% of extended cases to ensure the required documentary evidence is present.			High
Ensure all staff are clear that evidence to support extensions must be recorded on case files.			
Agreed Action		Responsibility	Implementation date
The service carried out a 100% check on cases, which had not yet been reported to central government. No more issues were found. New systems have been implemented to 100% check all time extension cases for evidence.		O.Fytche – Taylor Team Manager	Implemented

Action Plan

2	Risk Description	Current Rating	Target Rating
	Engagement with stakeholders, public and members, is not effective.	AMBER	GREEN
Findings			
<p>Our interviews with members identified that there is a marked difference of opinion between members and officers on the effectiveness of communications by the Development Management team.</p> <p>Members showed frustration that they do not always get the information they need when they need it, or in an understandable form. Several members said that they found officers to be defensive when questioned about delegated decisions. Officers were disappointed that their efforts to communicate effectively was resulting in some negative feedback, and did not see what they could do differently that would improve matters. We did identify that some, if not most, of this communication mismatch is due to the differing nature of the role, interests and focus of the officer and member.</p> <p>Both sides need to understand the position of the other, and the two should engage accordingly. Workshops have been undertaken in each of the past 2 years to address this but more needs to be done.</p>			
Implications			
The continued sustainability and good performance of the Development Management service is not maintained due to a break down in member officer relations. The reputation of the service is damaged and this could be hard to rectify.			
Recommendation			Priority level
The Council makes more use of the programme of training event/workshops to develop the necessary level of understanding and communication between officers and members. Officers work with members on a one-to-one basis where necessary or appropriate.			High
Agreed Action		Responsibility	Implementation date
<p>Continue to work with members through the agreed training plan and update workshops and use feedback and examples to tailor future training events.</p> <p>Ensure there is understanding of officer and member roles and that one-to-one support and feedback is considered as part of any future training and development work.</p>		O.Fytche – Taylor Team Manager	01.04.2018

Action Plan

3	Risk Description	Current Rating	Target Rating
	Engagement with stakeholders, public and members, is not effective.	AMBER	GREEN
Findings			
<p>The Council has consulted with members and developed an annual member training plan. Training has started and feedback has been very positive. To support an effective service and support understanding of planning issues the Council should continue to engage and encourage members to attend training events.</p> <p>For one recent training events we found a relatively low number of members had attended.</p>			
Implications			
Members are not engaged and up to date with the latest best practice and WLDC policy. This could increase the risk of incorrect advice to applicants and increase contact and communications with all stakeholders.			
Recommendation			Priority level
The Council explores all ways of continuing to develop and engage with members with development management training. Including offering 1-2-1 sessions or on-line training alongside group training.			Medium
Agreed Action		Responsibility	Implementation date
<p>Capture feedback from training and evaluate how successful the training has been not just how well it has been delivered.</p> <p>Record examples of where issues have arisen and use these in annual feedback and training sessions for staff and members.</p>		O.Fytche – Taylor Team Manager	31.03.2018

Action Plan

4	Risk Description	Current Rating	Target Rating
	Previous S106 agreement outcomes are not monitored.	AMBER	GREEN
Findings			
<p>We found that all though there is a contribution officer role this officer has many other duties. Including implementing the Community Infrastructure Levy (CIL) which has impacted on their ability to manage section 106 agreements.</p> <p>There may still be insufficient resource to effectively manage section 106 agreements. Including developing effective monitoring processes and ensuring administration work is complete and up to date.</p>			
Implications			
<p>The Council does not effectively monitor and use section 106 contributions monies to support local developments.</p> <p>There is no visibility to stakeholders on the delivery of agreement contributions and this reduces the confidence that section 106 monies are being effectively managed.</p>			
Recommendation			Priority level
The Council reviews and considers the actual resource required to effectively monitor and report on all section 106 contributions, including Green Spaces.			Medium
Agreed Action		Responsibility	Implementation date
Review work objectives and agree a robust system of monitoring as an interim measure until the ARCUS system is implemented.		O.Fytche – Taylor Team Manager	31.03.2018

Action Plan

5	Risk Description	Current Rating	Target Rating
	Previous S106 agreement outcomes are not monitored.	AMBER	GREEN
Findings			
<p>There is no current regular reporting of section 106 information.</p> <p>It is planned that when the new ICT system ARCUS goes live this will be addressed. However at the time of the audit the ARCUS project had stalled and was behind schedule. Implementation was due in April 2017 but the provider was not able to keep to agreed deadlines for delivery and in August 2017 the system was not implemented. .</p> <p>This would be particularly valuable not only to management but also to residents and members. As section 106 agreements represent the public getting something back when a new development is agreed in their area.</p>			
Implications			
The public and members do not have any visibility on the expected and actual outcomes of section 106 agreements. This creates a lack of trust between stakeholders and officers and can affect the Council's reputation.			
Recommendation			Priority level
Develop the current monitoring systems and start regularly reporting on SMART measures for all section 106 agreements. Develop a report for members and senior management to ensure there is effective governance and monitoring of agreements.			Medium
Agreed Action		Responsibility	Implementation date
Review work objectives and agree a robust system of reporting as an interim measure until the ARCUS system is implemented.		O.Fytche – Taylor Team Manager	31.03.2018

Action Plan

6	Risk Description	Current Rating	Target Rating
	Enforcement action is inadequate or ineffective.	RED	GREEN
Findings			
<p>The planning enforcement service is not achieving its performance targets. This is a long running issue in a high priority and high risk reputation area.</p> <p>The current resource is not enough to keep up with the volume of cases coming in. Currently all cases come in and are assessed by priority between 1 and 4. The Council should consider whether only higher priority cases at 1 and 2 should be dealt with.</p>			
Implications			
Public concerns about planning enforcement issues are not being dealt with effectively and this creates further work and contact for the service and is a reputational risk to the Council.			
Recommendation			Priority level
<p>The Council reviews its long term plan for the enforcement service. There is an opportunity to increase resource on a permanent basis and address the backlog of work and performance issues.</p> <p>Alternatively the enforcement policy could be reviewed with a view to and reduce the priority of cases that the Council currently actions.</p>			High
Agreed Action		Responsibility	Implementation date
<p>As part of a policy review, carry out benchmarking to compare resource issues. Work with the Development Management team to address cross service issues, including –</p> <ul style="list-style-type: none"> - Undertake a review to develop the Enforcement policy that is risk based with input from Development Management - Develop performance targets that focus on the outcomes of the services work 		A .Gray Team Manager	31.03.2018

Action Plan

7	Risk Description	Current Rating	Target Rating
	Enforcement action is inadequate or ineffective.	RED	GREEN
Findings			
We found that for some planning applications the conditions were quite prescriptive and this made it easy for them to be broken and for locally affected public to ask for enforcement action. In reality some of these issues were not enforceable and this led to increased customer contact for the service and long running cases for the section. As evidenced in the reporting of time taken to close cases which are over target.			
Implications			
The Council has large volumes of enforcement cases it cannot enforce.			
There is reputational damage to the service from stakeholders including the public and members. As unenforceable actions are raised due to a lack of definition and understanding.			
Recommendation			Priority level
As part of a service and policy review to address performance the Council should also review the fundamentals of planning enforcement. To see if any improvements or lessons learned from the last 12 months can be applied to support a more effective service.			Medium
Areas to cover could include - 1. Definition of enforceable actions 2. Reality check on what is achievable re enforcement requests. 3. Improved communications with planning when setting conditions.			
Agreed Action		Responsibility	Implementation date
As part of a wider enforcement and Policy review we will consider the best future options for the service. There will be regular meetings between Development Management and Enforcement to ensure progress and effective decisions continues.		A.Gray Team Manager	31.03.2018

Action Plan

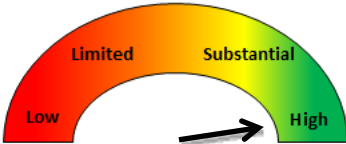
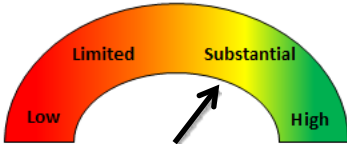
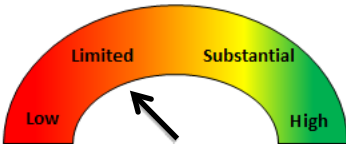
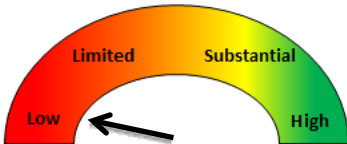
8	Risk Description	Current Rating	Target Rating
	Enforcement action is inadequate or ineffective.	RED	GREEN
Findings			
<p>The Council captures performance through its Progress & Delivery reports to senior management and members. The planning enforcement service has been reporting below target levels of performance through this report for the last 12 months. The most recent Progress and delivery report shows time taken to close cases is still above target at 186 days against a target of 150 days.</p> <p>The Councils key performance monitoring system has highlighted issues within the service including missed targets on time taken to action and close cases. Actions to date have not had the desired impact of improving performance to within tolerance levels.</p> <p>A temporary officer has been appointed to address resource issues as the service tries to address performance issues but this has had limited effect on achieving targets and performance is still off target. The extra resource is due to end in September 2017.</p>			
Implications			
The Councils Progress & Delivery (P&D) reporting process has not generated a sustainable corporate response to the issue of under performance in the enforcement service.			
Recommendation			Priority level
<p>The Council reviews its performance management processes once sustained below target performance is reported through P&D.</p> <p>The P&D process should not only highlight performance issues but should also lead to robust corrective action which results in an improvement against the targets. That has not been the case to date with planning enforcement.</p>			Medium
Agreed Action		Responsibility	Implementation date
There is an annual review of performance measures which will consider current measures and whether improved outcomes measures may provide better service performance insight.		M.Sturgess Acting Head of Paid Service	31.03.2018

Action Plan

9	Risk Description	Current Rating	Target Rating
	Enforcement action is inadequate or ineffective.	RED	GREEN
Findings			
<p>We found that the service could improve the way it manages and reports workloads. When we reviewed records in May 2017 we found two open cases dated from 2014. There were also several dated 2015. The target for closing cases was 100 days and is now 150 days, so there should be no cases dated later than January 2017.</p> <p>We also found cases that had remained open despite being in effect suspended or closed while the service waited for actions to be taken which were outside of their control. This has resulted in some cases increasing the average time taken to action all cases and affecting the performance reporting of the service.</p>			
Implications			
The services performance looks worse than it actually is and reporting formats do not support effective and contextual reporting.			
Recommendation			Priority level
<p>The service reviews its reporting of enforcement cases and considers the following.</p> <ol style="list-style-type: none"> 1. Reporting case by priority to add some context to reports. 2. Reporting by year to add some context to reports. 3. Closing down old cases or inactive cases to produce a more accurate relevant performance picture. 4. Defining the process for when cases can be closed off in the policy review. 			High
Agreed Action		Responsibility	Implementation date
To be implemented as part of the policy review		A.Gray Team Manager	31.03.2018

Action Plan

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High	Substantial
<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>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>
Limited	Low
<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>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>

Action Plan

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Action Priority	
High	Immediate management attention is required - an internal control or risk issue where there is a high certainty of: substantial loss / non-compliance with corporate strategies, policies or values / serious reputational damage / adverse regulatory impact and / or material fines (action taken usually within 3 months).
Medium	Timely management action is warranted - an internal control or risk issue that could lead to financial loss / reputational damage / adverse regulatory impact, public sanction and / or immaterial fines (action taken usually within 6 to 12 months).



Appendix 2 – Distribution List

Distribution List



O.Fytche Taylor - Team Manager

A. Gray – Team Manager Enforcement

M.Sturgess – Acting Head of Paid Service

I Knowles – Director of Resources

KPMG – External Audit

Disclaimer

The matters raised in this report are only those which came to our attention during our internal audit work. Our quality assurance processes ensure that our work is conducted in conformance with the UK Public Sector Internal Audit Standards and that the information contained in this report is as accurate as possible – we do not provide absolute assurance that material errors, fraud or loss do not exist.

This report has been prepared solely for the use of Members and Management of West Lindsey District Council. Details may be made available to specified external organisations, including external auditors, but otherwise the report should not be used or referred to in whole or in part without prior consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended for any other purpose.

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**Governance & Audit
Committee**

07 November 2017

Subject: Internal Audit Plan - Period 2 Monitoring Report

Report by:

Lucy Pledge, Head of Internal Audit,
Lincolnshire County Council
lucy.pledge@lincolnshire.gov.uk

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 2017/18 annual programmes agreed by the Audit Committee in March 2017.

RECOMMENDATION(S):

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

IMPLICATIONS

Legal: None directly arising from the report

Financial: 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.

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

Key Decision:

Yes

No

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Internal Audit Progress Report at 30th September 2017



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Appendix 1 – Audit Plan & Scheduling 2017/18	
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Appendix 3 – Assurance Definitions	
Appendix 4 – Details on overdue audit recommendations	

Contact Details:**Lucy Pledge CMIIA QIAL****Head of Audit & Risk Management*****For all your assurance needs*****County Offices, Newland, Lincoln, LN1 1YG****☐: 01522 553692 ☐ lucy.pledge@lincolnshire.gov.uk**

Introduction

1. The purpose of this report is to:
 - Advise of progress made with the 2017/18 Audit Plan
 - 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 West Lindsey Governance & Audit Committee role

Key Messages

2. Work continues to progress on the 2017/18 audit plan with all audit reviews scheduled for quarters one and two either started, at draft report stage or completed.

For quarter one audits the Commercial Strategy draft report is with management for a final response, Effective Decision Making consultancy has been completed and is waiting for management team sign off, Development Management is ready for final approval by the management team.

Quarter two audits include Bank Reconciliation, Sales and Invoicing, Licensing and NKDC Partnership review, which are all at the draft report stage. Housing Benefit subsidy testing is complete and the Procurement review will be completed in the next quarter. Details are included in the Internal Audit Plan schedule in Appendix 1

3. The annual assurance mapping process for 2017/18 is underway and appointments have been scheduled with all managers to document the Council's assurance on key delivery and critical areas.
4. We have delivered 45% of the 2017/18 Internal Audit Plan against a quarter two target of 46%. Appendix 2 provides details on the current status of the plan.
5. Good progress has been made in implementing audit recommendations - there are currently only 3 overdue actions. Two are medium priority and one is high. The high priority action relates to the 2016/17 Progress & Delivery audit which was limited assurance. Details on the outstanding actions can be found in Appendix 2 & 4.

Internal Audit work completed at 30th September 2017

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

High Assurance	Substantial Assurance	Limited Assurance	Low Assurance	Consultancy
None	ICT Systems Flare. Project & Programme management Key Controls Finance Housing Benefits Subsidy	None	None	

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 3.

7. Below are summaries of the audit reports issued. :

ICT Systems Flare – Substantial Assurance

We undertook a review of the management arrangements in place for the operation of the Civica APP (Authority Public Protection) application to assess them against best practice (ISO:27001) in the following areas:

- System administration
- Security over access
- Changes to system parameters
- Audit trail

The arrangements for the administration of the system are good, changes to system parameters are properly controlled and an audit trail is maintained. Responsibility for system administration is allocated to a centralised system administration function and this works effectively, enabling good control over the addition and removal of users and the allocation of permissions.

There were some areas where overall systems security can be improved and we have made several recommendations under the following areas:

No contract was able to be located during the audit. We have recommended that the Council satisfies itself that a current contract is in place.

We have recommended that supplier access is then disabled at both the network and application levels to provide a layered control.

Permissions allocated to users within Civica should also be subject to periodic review to ensure appropriate levels of access are maintained.

Project & Programme Management – Substantial Assurance

The main purpose of the review was to provide independent assurance that projects are delivering expected benefits on time and within budget. The review focussed on the delivery of three projects:

- Installation of TVs
- Learning Platform
- Committee Admin System

Based on our review of three projects, projects are generally underpinned by sound project management processes, which support the timely delivery of expected benefits on budget. The three projects were all appropriately approved, regularly monitored and on budget. The non-delivery of one project was due to a conscious decision to delay rather than a key control weakness.

The review highlighted some areas for improvement including – ensuring complete project records are retained, project success is measured against SMART targets and that a proportionate approach to Project Management is taken to projects of various size and complexity.

We were also asked to provide advice around the adequacy of the governance arrangements within the Council's revised approach to managing projects and programmes.

We found that the new approach (as at the time of the review) should improve process efficiency and control with the retention of a flexible project management methodology, greater accountability being placed on the Project/Programme Sponsors and the introduction of a Gateway team.

We made several suggestions to support and strengthen the new process.

Key Controls Finance (Debtors, Housing Benefits and Pensions) – Substantial Assurance

The purpose of our audit is to provide independent assurance that key controls for the administration and management of the following systems were in place and operating effectively in 2016-17: Debtors, Pensions and Housing Benefits.

We found that the Council has good processes and controls in place to ensure that the systems we reviewed operate effectively and support protecting the business from fraud and error. We have identified a number of areas where the Council could strengthen these arrangements by ensuring that:

Debtors

Staff ensure supporting papers and documents for debtor invoices are recorded on an accessible shared drive to support a clear audit trail of transactions and completeness of records.

Pensions

Ensure changes to pension information and reconciliations of changes are reviewed and authorised by a second officer.

Develop a clear plan to cover for the main Pensions officer who is off on maternity leave to ensure pension administration continues to work effectively.

Benefits

The quality assurance checking process, which checks the assessment of benefit cases, is reconfigured to more closely align it to the guidance provided by the Department of Work and Pensions in terms of sample selection and error reporting/analysis.

Ensure that reviews of high value benefit payments are evidenced.

Housing Benefit Subsidy testing – Substantial Assurance

We have carried out annual testing on Housing Benefit subsidy on behalf of, and in conjunction with, the external auditor KPMG.

A sample of Benefit cases are tested to provide overall assurance on the accuracy of the Housing Benefits caseload and to confirm that the correct level of subsidy has been claimed by the Authority. The work is carried out by Internal Audit to ensure an independent test of cases and subsidy. Any errors found during testing lead to further checking of similar cases.

We examined twenty-nine cases as part of the work undertaken to support the subsidy claim. The vast majority of cases tested were satisfactory with claims being correctly assessed and promptly updated by Benefits staff.

Twenty-Nine cases were examined, of which six cases contained errors. Where we found errors we have share these with Benefits management and made some recommendations in the report action plan to further support improvement in the areas identified. Our work on subsidy informs the External Auditors view and assurance on grant work at the Council.

Overdue Audit Recommendations

8. Outstanding Internal Audit recommendations are tracked and monitored along with the Council's Business Improvement Officers to ensure actions are accurately recorded and monitored. This helps to maintain oversight and momentum.
9. There are 3 overdue management actions of which one is High priority. There are a further 4 actions where the date for completion has been extended.

Appendix 2 & 4 provides details of all outstanding recommendations.

Performance Information

10. Our performance is measured against a range of indicators. We are pleased to report a good level of achievement against our targets – The table below shows our performance on key indicators as at 30th September 2017.

Performance Details 2016/17 Planned Work

Performance Indicator	Annual Target	Target to date	Actual
Percentage of plan completed.	100% (revised plan)	46%	45%
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	100% or escalated
Timescales: Draft report issued within 10 working days of completing audit.	100%	100%	100%
Final report issued within 5 working days of CLT agreement.	100%	100%	100%
Period taken to complete audit –within 2 months from fieldwork commencing to the issue of the draft report.	80%	80%	70% (5 of 7)
Client Feedback on Audit (average)	Good to excellent	Good to excellent	Excellent

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*NB Work scheduled in and due to start February / March 2018, this will give us the full previous 12 months to review financial transactions.

Other Matters of Interest

The CIPFA Better Governance Forum September 2017 issue issued some guidance for Audit Committees for the following areas. 2017 edition of the Public Sector Internal Audit Standards, Understanding the risks and opportunities from Brexit and recent developments and resources

We have also included the National Audit Offices guidance to Audit Committees on Cyber security risks.

This is included as a separate PDF and is not included in the papers pack.

Appendix 1 – Audit Plan Schedule

Area	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Current Status / Assurance Opinion
Effective Decision Making	Consultancy - review to provide insight and support on the Councils decision making process by reviewing a sample of key decisions.	May 17	May 2017	Aug 17	Complete Consultancy
Development Management Services Phase 2	Phase 2, provide assurance that improvement plans and changes have led to better outcomes and a sustainable Development Management Service.	May 17	May 17		Draft report
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 commercial plan deliverables and objectives.	April 17	April 17		Draft Report
Housing Benefits Subsidy	Test a sample of benefit cases to on behalf of the external auditor KPMG to provide assurance on the subsidy claimed by the Council	Q2 July	July 17	Sept 17	Complete Substantial Assurance
Bank Rec	New system in place, audit requested by Finance manager to provide	July 17	Aug 17		Draft report

Area	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Current Status / Assurance Opinion
	assurance that the new system is operating as intended and providing a robust bank rec process.				
Procurement	Provide assurance on the procurement process and rationale. Review whether alternatives are considered as part of the process including partnerships, shared services and commissioning.	Sept 17	Q3		TOR agreed ready for Q3 review
NK Partnership	Provide assurance on the monitoring and management of this key partnership.	Aug 17	Aug 17		Draft report
Sales and Invoicing	To provide assurance That managers understand the commercial principals of traded services. To provide assurance that finance systems and invoicing are compatible with commercial aims.	Aug 17	Aug 17		Draft report
ICT Patch Management	Confirm that software updates and patches are effectively applied and monitored across the Councils key ICT applications.	October 2017			Opening Booked

Area	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Current Status / Assurance Opinion
Good Governance Ethics	Consultancy - Review the Council governance arrangements against recommended CIPFA best practice and provide assurance on the systems, processes and outcomes.	November 2017			WIP
Combined Assurance	Document the Councils critical areas to provide an assurance rating to inform the audit plan and report to management and members.	Q3			WIP
Choice Based Letting's Follow Up	To provide management with assurance that actions from previous key audits have been implemented and this has led to improved outcomes.	October 2017	October 2017		WIP
Local land Charges Follow Up	To provide management with assurance that actions from previous key audits have been implemented and this has led to improved outcomes.	October 2017			Opening meeting booked
Programme Board and Growth	Review the workings of the Programme Board and follow up on 2016 growth audit work and provide assurance on project and programme work in delivery.	Q4			

Area	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Current Status / Assurance Opinion
Key Controls Finance	Delivery of key control testing to enable the Head of Internal Audit to form an opinion on the Council's Financial control environment.	Q4			
PCI DSS Follow up	A follow up review of the Limited assurance review carried out in 2016/17	Q4			
Progress and Delivery Follow up	A follow up review of the limited assurance review from 2016/17.	Q4			
ARCUS ICT System	Provide assurance that the new Development management ICT system is being effectively managed and installed.	Q4			

Appendix 2 - Overdue Audit Recommendations at 30TH September

Data is for audits where recommendations were due to be implemented by 30th September 2017

Activity	Issue Date	Assurance	Total Recs	Recs implemented	Priority of Recommendations o/s		
					High	Medium	Not yet due
ICT Infrastructure	August 2013	Limited	15	14	*1	0	0
Progress & Delivery 2016/17	June 2016	Limited	5	1	1	2	1
Key Policies and Procedures 2016/17	Sept 2016	Substantial	12	11	0	1**	0
PCI DSS 16/17	March 2017	Limited	8	6	1***	1***	0
Totals			40	32	3	4	1

* Original date for completion 31.12.2103, revised date 31.12.2017.

**Original date for completion 31.03.2017, revised date 31.12.2017.

***Original date for completion 01.04.2017, revised date 30.11.2017.

Appendix 3- 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</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.

and / or performance.

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.

Appendix 4- Details on overdue audit recommendations 2017/18

Name	Priority	Finding	Agreed Management Response	Date to be completed	Response Comments	Revised date for completion	Person responsible
WLDC_ICT_Infrastructure 12/13	High	Ensure that a comprehensive ICT strategy is produced, and in particular addresses the question of 'sharing' services and people across Local Authorities.	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.	31/12/13	The ICT strategy has been in development for some time and whilst a full strategy has not been agreed during that period the development and progression of the Corporate ICT has continued to be developed. An ICT Strategic Overview was agreed with Corporate Policy and Resources in June 2015 and in recent months we have had SOCITM undertaking work to review our current plans and carry out maturity surveys of IT and Digital provision. Whilst an IT strategy is still intended to be delivered this will now be aligned with the work on our Closer to the Customer (CTTC) programme which is currently being scoped.	31/12/17	James O'Shaughnessy

PCI DSS	High	<p>A requirement of the PCI DSS standard (v3.1) is that all staff are aware of the importance of card holder data security. The Council, in completing its compliance questionnaire, has indicated 'yes' but this is not strictly the case as there is no explicit reference to card holder data security in the Information Security training, provided by the Council, for its staff. The revised PCI DSS standard (v3.2) goes further in directing staff to card holder data security policy and procedures. The revised 3.2 standard is currently best practice but this will become a requirement as of February 2018. The Council does not currently have an approved PCI DSS security policy although we have made the Information Governance Officer aware and this is being developed.</p>	<p>5.A PCI DSS security policy will be produced and made available to relevant staff. Our Information Security Policy will incorporate reference to the PCI DSS security policy and card holder data security. Training arrangements for all staff will be provided via Learning Pool and processes to promote on-going awareness will be implemented.</p>	31/05/17	<p>1. PCI-DSS Security Policy adopted by Corporate Policy and Resources Committee on 13/4/2017.2. PCI-DSS LearningPool module prepared for roll-out to staff. Implementation by mid May.3. LearningPool module tested by Customer Services ready to be rolled out to staff.4. Problem with completion tracking of LP module - under investigation.</p>	31/10/17	Steve Anderson
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P&D Audit July 17

High

Although the P&D reporting process has been in place for some years there remains a difficulty in collecting and collating complete information for services and corporate measures. Further work is needed to ensure managers are clear on the process their responsibilities and reporting requirements. At the time of the audit we could not locate any written guidance or policy to support the aims and process of the P&D reporting system. As the report has developed and changed over the last four years documented guidance is important to support clarity and engagement with the process.

Review the current measures used to ensure they are relevant to members, senior managers and team managers. Develop a performance practice and process guide linked to delivering the Council's corporate objectives.

31/05/17

Dates are currently being reviewed by Mark Sturgess

Mark Sturgess

PCI DSS

Medium

The Council has confirmed in the self-assessment questionnaire that there is a current network diagram that documents all connections between the cardholder data environment and other networks, including any wireless networks. The diagrams provided to us to support this assertion do not provide a sufficient level of detail to clearly document the infrastructure used. The completion of sufficiently detailed network diagrams can go on to inform the response to further questions in the self-assessment questionnaire.

6.A review of the detail of the supporting network diagram will be undertaken

01/04/17

Use of NetBrain to produce diagram to go to CISG

30/11/17

Cliff Dean

Key policies and procedures	Medium	<p>There is a corporate retention and destruction schedule which is located on the Council's Minerva site. This was last updated in 2014. Although key policies are stated within the retention policy, they are not explicitly stated individually but it is clear how long they have to be retained for. There is currently an ongoing corporate project 'Implementation of the Records Management Policy'. This has been rolling since 2015. This will not only bring the retention and destruction schedule up to date but will help to address document control such as naming conventions and versioning.</p>	<p>Appropriate focus and scrutiny on the management of the project will be undertaken to realise the achievement of the objectives</p>	31/05/17	<p>1. Presentation of project progress and next steps given to SLT members on 2/5/2017.2. R&D Schedule being updated as information is identified. Included as an action on the GDPR Implementation project and planned for issue end Dec 2017.</p>	31/12/17	Steve Anderson
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Medium The Council has set around 250 performance measures that can be included in P&D reports. For the period two report around half of these were incomplete and not reported. Some have no targets set and so may never be reported and some are not completed by managers so cannot be included in the report. To support a more effective reporting process the Council should ensure that all the required measures are completed. All the reported measures should be are SMART measures and managers responsibilities for providing the information should be reconfirmed.

Review / reduce the number of measures used based on experience and the need for the measures. Discarded measures to be used at service level where appropriate. Work with Team Managers to establish baselines and where appropriate targets.

31/05/17

Dates are currently being reviewed by Mark Sturgess

P&D Audit July 17

Medium There are currently a large amount of measures for services to provide to complete the regular P&D reports. After several years of development using this system many measures remain incomplete and so the reports are not fully populated. This reduces the effectiveness and usefulness of the reports and manager and member oversight on performance.

Review measures reduce corporate measures and develop service measures.

31/05/17

Dates are currently being reviewed by Mark Sturgess

Mark Sturgess



Committee Governance and
Audit Committee

Date 7^h November 2017

Subject: Annual Audit Letter 2016/17

Report by:

Tracey Bircumshaw
Finance and Business Support Manager

Contact Officer:

Tracey Bircumshaw
Finance and Business Support 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):

To accept the information contained within this report.

IMPLICATIONS

Legal:
None arising from this report.

Financial : FIN/90/18
As detailed within the Annual Audit Letter, the corporate Audit Fees are met from an approved budget and totalled £43,403.

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 2016/17 Statement of Accounts;
- An unqualified value for money (VFM) 2016/17 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 John Cornett, KPMG LLP (UK).

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Annual Audit Letter 2016/17

West Lindsey District Council

October 2017

Contents

Report sections

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Appendices

1. Summary of reports issued 4

2. Audit fees 5

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.psa.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.

The contacts at KPMG in connection with this report are:

John Cornett

Director

T: 0116 256 6064

E: john.cornett@kpmg.co.uk

Mike Norman

Manager

T: 0115 935 3554

E: michael.norman@kpmg.co.uk

Vikash Patel

Assistant Manager

T: 0116 256 6069

E: Vikash.patel@kpmg.co.uk

Section one

Summary

This Annual Audit Letter summarises the outcome from our audit work at West Lindsey District Council in relation to the 2016/17 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.

A summary of the reports we have issued during the year is included at Appendix 1.

VFM conclusion

We issued an unqualified conclusion on the Authority's arrangements to secure value for money (VFM conclusion) for 2016-17 on 25 September 2017. This means we are satisfied that during the year the Authority had appropriate arrangements for securing economy, efficiency and effectiveness in the use of its resources.

To arrive at our conclusion we looked at the Authority's arrangements to make informed decision making, sustainable resource deployment and working with partners and third parties.

VFM risk areas

We undertook a risk assessment as part of our VFM audit work to identify the key areas impacting on our VFM conclusion and considered the arrangements you have put in place to mitigate these risks. We identified one area of focus for our continuing VFM risk assessment, regarding your arrangements for securing financial resilience. We took account of, amongst other things, your 2016-17 outturn and your financial plan for 2017/18 and future years. The Medium Term Financial Strategy (MTFS) identified an expected surplus budget in 2017-18 but sets out the financial challenges in 2019-20 and future years, with further savings of £0.4 million required by 2021-22. The MTFS acknowledges there are risks attached to the proposals and that the medium term financial sustainability is dependent on the successful delivery of the Authority's commercial and growth opportunities, and improvement and transformation of its services.

Overall, we concluded that in 2016-17, the Authority had made proper arrangements to ensure it took properly-informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

Audit opinion

We issued an unqualified opinion on the Authority's financial statements on 25 September 2017. 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.

Financial statements audit

No material errors were identified during the audit and there were no uncorrected audit differences that we needed to report. We considered the Authority's accounting practices to be appropriate, the draft accounts were published well ahead of the deadline and the quality of supporting working papers was good.

Other information accompanying the financial statements

Whilst not explicitly covered by our audit opinion, we review other information that accompanies the financial statements to consider its material consistency with the audited accounts. This year we reviewed the Annual Governance Statement and Narrative Report. We concluded that they were consistent with our understanding and did not identify any issues.

Certificate

We issued our certificate on 25 September 2017. The certificate confirms that we have concluded the audit for 2016/17 in accordance with the requirements of the Local Audit & Accountability Act 2014 and the Code of Audit Practice.

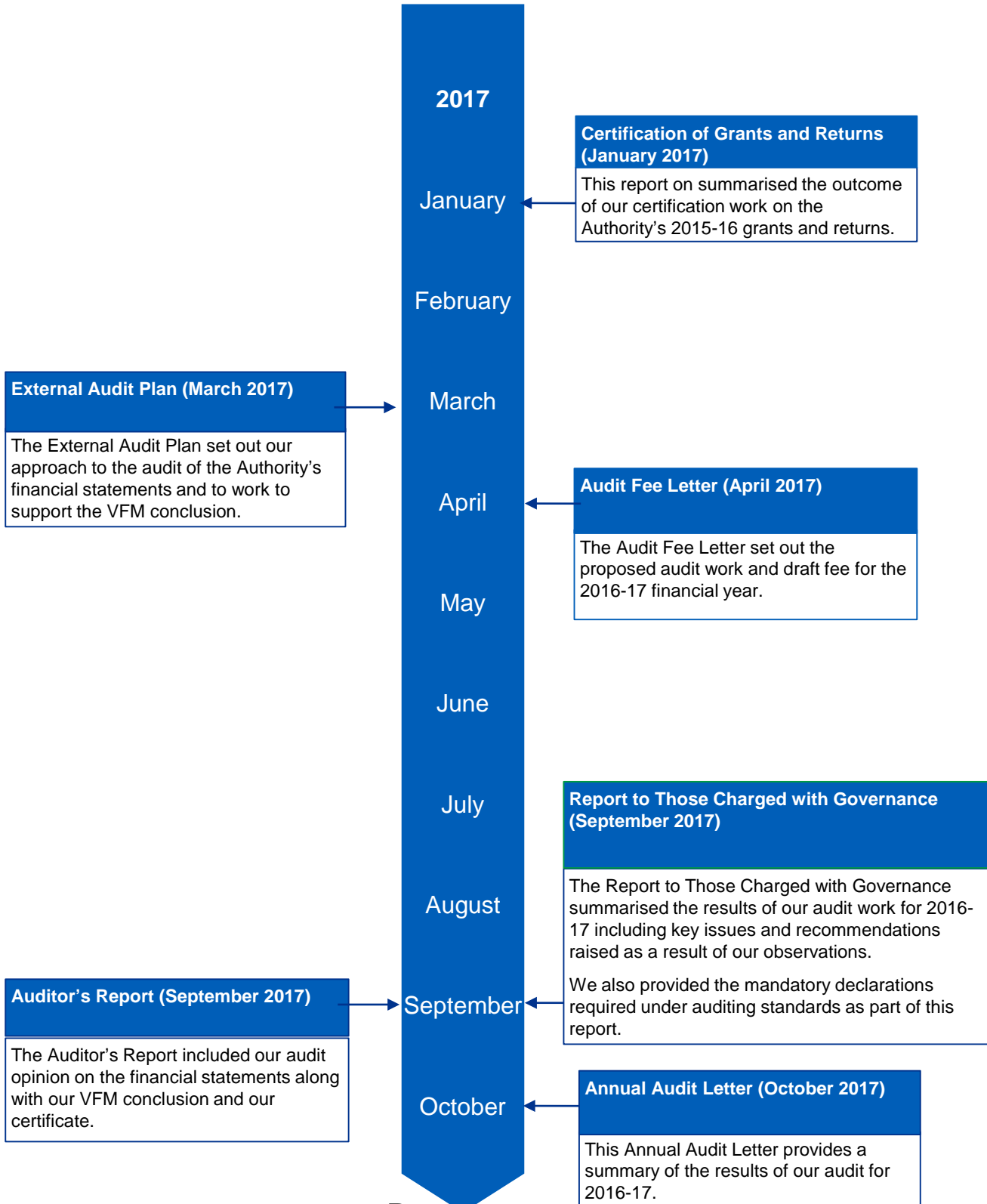
Audit fee

The scale fee set by PSAA for 2016-17 was £43,403, excluding VAT. Further detail is contained in Appendix 2.

Appendix 1

Summary of reports issued

This appendix summarises the reports we issued since our last Annual Audit Letter.



Appendix 2

Audit fees

This appendix provides information on our final fees for the 2016-17 audit.

To ensure transparency about the extent of our fee relationship with the Authority we have summarised below the outturn against the 2016-17 planned audit fee.

External audit

The scale fee set by PSAA for the 2016-17 audit of the Authority was £43,403 (excluding VAT),.

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 indicative scale fee set by PSAA for this work is £6,176. The final fee will be confirmed through our reporting on the outcome of that work in January 2018.

Other services

We charged £5,200 (excluding VAT) for tax advice regarding group structure considerations This work was not related to our responsibilities under the Code of Audit Practice.

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Governance & Audit
Committee

Date: 7th November 2017

Subject: Periodic review of the Annual Governance Statement Action Plan 2016/17

Report by:

Ian Knowles, Director of Resources

Contact Officer:

Corporate Policy Manager

Purpose / Summary:

To review the progress with the Annual Governance Statement 2016/17 Action Plan.

RECOMMENDATION(S):

- 1) That Members seek assurance that the current position of the Annual Governance Statement Action Plan for 2016/17 will result in the completion of all relevant actions by July 2018.**
- 2) To approve the closure of the action relating to Selective Licensing.**
- 3) To retain inclusion of Development Management on the action plan at this stage.**

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 83/18 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 2016/17 and Action Plan

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 2017 agreed the Annual Governance Statement for 2016/17 and noted that an action plan would be put in place and monitored by the Committee to address the significant issues.

2. Significant Issues 2016/17

- 2.1 The significant issues that were identified for development were:
 - i. **Implementation of General Data Protection Regulations** – to ensure compliance with new regulations coming into force on 25th May 2018, which aim to increase cyber-security and the protection of data
 - ii. **Political Governance** – to maintain and re-inforce the current high standards of behaviour across all levels of democratic governance within West Lindsey
 - iii. **Partnerships** – to critically evaluate and maintain the effectiveness of the Council's key strategic partnerships
 - iv. **Value for Money** – to complete value for money assessments across service areas and develop appropriate improvement plans to achieve greater value for money and increased productivity; wider usage of benchmarking and the creation of a value for money culture

- v. **Delivery of Key Commercial and Community Based Projects** – to deliver at the required pace, key projects in support of the Corporate Plan which deliver benefits for the whole of the District
- vi. **Resilience and Capacity** – to balance the Council’s capacity to deliver ambitious programmes with the operational and management responsibilities placed on staff
- vii. **Selective Licensing** – for Members to receive and consider a report evaluating the implementation and effectiveness of the scheme
- viii. **Development Management** – to receive the findings of an audit into the service, providing oversight and scrutiny to ensure subsequent recommendations and actions are appropriately considered and implemented

2.2 These issues had been identified as a result of the Council’s annual Combined Assurance Report, the need to carry-over matters contained within the 2015/16 action plan, or the key strategic importance of the issue to the Council.

3. The Action Plan

3.1 The Action Plan is attached and shows the current position against the work designed to resolve the issues that have been identified.

3.2 Progress has been made with regard to the action relating to Selective Licensing. Prosperous Communities Committee received an update [report](#) last month on this subject and have agreed that the scheme is sufficiently mature as to classify it as business as usual activity. Going forward, yearly progress/information reports have been requested. As a result it is proposed to close this action as completed.

3.3 With reference to the entry relating to Development Management, the audit report into this area has been received with a ‘substantial’ assurance rating provided. Actions have been identified and agreed to further strengthen the service provided. It is proposed that this matter remains open on the action plan until such time as progress against the agreed actions has been evidenced. A provisional completion date of 31st March 2018 is suggested.

3.4 Members will receive further progress reports as the year progresses.

4. Recommendation

4.1 Members are asked to:

1. State their assurance that the current position of the Annual Governance Statement Action Plan for 2016/17, will result in the completion of all relevant actions by July 2018.

2. Approve the closure of the action relating to Selective Licensing following the recent receipt and approval by Prosperous Communities Committee of an update report on this topic.

3. Agree to retain reference to Development Management on the action plan until progress against recommended audit actions has been evidenced.

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Annual Governance Statement 2016/17 Action Plan

Issue	Description	Action	Current Position	Date Due	Officer	BRAG
Implementation of General Data Protection Regulations	To ensure compliance with new regulations coming into force on 25th May 2018, which aim to increase cyber-security and the protection of data	<ol style="list-style-type: none"> 1. Devise project plan and milestones 2. Undertake self-assessment exercise and act on findings 3. Determine response for appointment of DPO 4. Implement scheme of staff training and awareness 5. Maintain on-going review of guidance and best practice 6. Obtain external assessment of delivery plan 	<ol style="list-style-type: none"> 1. Project plan designed and progress review mechanisms in place. 2. Self-assessment exercise underway 3. Training packages being investigated 4. DPO position appointed 5. Communications plan developed 6. Audit scheduled for Q3 to check progress 	30/06/2018	I. Knowles	Green
Political Governance	To maintain and re-inforce the current high standards of behaviour across all levels of democratic governance within West Lindsey	<ol style="list-style-type: none"> 1. Roll-out newly adopted Code of Conduct via training/workshops 2. Deliver specific Member behaviour training via external provider 3. Produce annual report to Standards Committee 4. Work closely with Group Leaders 5. Work with team managers and other key staff on working in a political environment 	<ol style="list-style-type: none"> 1. New Code of Conduct in place. 2. Training delivered for Members July 2017 3. Regular meetings scheduled with Group Leaders 4. Team manager training incorporated into Workforce Development Plan 5. Annual report presented to Standards Committee 	31/07/2018	A. Robinson	Green
Partnerships	To critically evaluate and maintain the effectiveness of the Council's key strategic	<ol style="list-style-type: none"> 1. Review all key partnerships and update partnership register 	<ol style="list-style-type: none"> 1. Paper to GCLT in May 2017 setting out rationale. 2. Review of Audit 	31/07/2018	I. Knowles	Green

	partnerships	<ol style="list-style-type: none"> 2. Report to GCLT on evaluation 3. Raise awareness and understanding across staff 4. Implement on-going monitoring and reporting on effectiveness 	<p>Commission's 'Governing Partnerships' guidance underway.</p> <ol style="list-style-type: none"> 3. Review meetings TBA with partnership leads 			
Value for Money	To complete value for money assessments across service areas and develop appropriate improvement plans to achieve greater value for money and increased productivity; wider usage of benchmarking and the creation of a value for money culture	<ol style="list-style-type: none"> 1. Gain understanding of benchmarking tool 2. Undertake VfM assessments across a number of service areas 3. Report initial findings to GCLT and learning obtained 4. Roll-out VfM work across remaining service areas 5. Identify improvements required and plans for delivery 6. Monitor progress through internal process 	<ol style="list-style-type: none"> 1. VfM tool utilised and VfM assessments produced. 2. Findings presented to a number of service areas with discussions and consideration of results 	31/07/2018	I. Knowles	Green
Delivery of Key Commercial and Community Based Projects	To deliver at the required pace, key projects in support of the Corporate Plan which deliver benefits for the whole of the District	<ol style="list-style-type: none"> 1. Ensure effective Sponsorship of all key projects. 2. Review delegation arrangements and streamlining of governance arrangements 3. Effective Board scrutiny and challenge/support for programme delivery 4. Commission audits into 'Effective Decision Making' 	<ol style="list-style-type: none"> 1. Sponsorship of key programmes and projects allocated 2. Work underway to examine governance processes 3. Board ToRs in place and reviewed 4. Await 'Effective Decision Making' audit report 5. Await 'EB/Programme Board' audit reports 	31/07/2018	E. Fawcett-Moralee	Green

		and 'EB/Programme Board' 5. Act on recommendations of Commercial Plan review	6 Await review of Commercial Plan			
Resilience and Capacity	To balance the Council's capacity to deliver ambitious programmes with the operational and management responsibilities placed on staff	<ol style="list-style-type: none"> 1. Workforce Development Plan reviewed and updated 2. Implement resourcing plan to ensure appropriate skills/capacity in place 3. Undertake to streamline processes to deliver greater efficiency and delivery capacity 4. Completion of Business Plans to identify staff resources required to deliver objectives through to 2020/21 	<ol style="list-style-type: none"> 1. Current Workforce Development Plan ready to be reviewed taking account of appraisal 16/17 needs. 2. Outline Resourcing Plan principles in place. 3. Work underway to examine processes of governance following external review 4. Restructure at management level completed. 5. Business Plans submitted and analysis of content underway 	31/07/2018	I. Knowles	Green
Selective Licensing	For Members to receive and consider a report evaluating the implementation and effectiveness of the scheme	<ol style="list-style-type: none"> 1. Officers to collate data and information and produce report 2. Report to be presented and approved by Prosperous Communities Committee Oct 17 	<ol style="list-style-type: none"> 1. Scheme in place and monitoring and review of effectiveness in place 2. Report received by PC Committee and approved. Now deemed as BaU activity 	31/12/2017	M. Sturgess	Green

Development Management	To receive the findings of an audit into the service, providing oversight and scrutiny to ensure subsequent recommendations and actions are appropriately considered and implemented	<ol style="list-style-type: none"> 1. Audit to be completed and findings considered by GCLT 2. Audit report to be presented to G&A Committee 3. Actions to be completed and signed off 	<ol style="list-style-type: none"> 1. Audit completed and report received. Substantial assurance rating received and findings reviewed by G&A Committee Nov '17. 2. Await evidence of progress against agreed audit actions 	31/03/2018	M. Sturgess	Green
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**Committee:
Governance & Audit
Committee**

**Date: 7th November
2017**

Subject: Review of the Effectiveness of Internal Audit

Report by:

Director of Resources

Contact Officer:

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

Purpose / Summary:

To review and report on the effectiveness of the internal audit service provided by Assurance Lincolnshire.

RECOMMENDATION(S): To agree with the conclusion that the Council has effective internal audit arrangements in place.

IMPLICATIONS

Legal: None

Financial: FIN/MT/46/18

Staffing: None – externally provided internal audit service

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:

None.

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. The Council is required to assess the effectiveness of its Internal Audit (IA) service on a regular basis. IA is provided by Assurance Lincolnshire, part of Lincolnshire County Council.
- 1.2. The determination of effectiveness is arbitrary; there is no prescribed method by which it should be assessed. This review has drawn on empirical evidence, where it exists and has consulted key stakeholders. It has looked at the organisational impact that IA has had on the authority, both in terms of its auditing function (and associated reports and recommendations) and also with regard to its consultancy service which the Council has utilised. The report also recognises the work the Head of Internal Audit (HIA) has undertaken to help Members understand and develop their role through the Governance & Audit Committee.
- 1.3. The conclusion the report draws is that the Council does have an effective IA service. It is independent, professional, has appropriate relationships with Members and senior officers; alerts the Council to areas of control weakness and provides support in addressing those issues.
- 1.4. The quality of the service provided by IA, as assessed by managers and key Members across the Council is a key indicator of its effectiveness. Post audit questionnaires (covering audit planning; audit reports and communication) are issued by IA and the responses are collated. In 2016/17 there was a 75% response rate with all aspects scoring very good or excellent.
- 1.5. The result of external assessment of IA also forms part of the picture of overall effectiveness. External assessment has replaced the annual self-assessment exercise which was undertaken by the service. In 2016/17 IA was subject to an external quality assessment which was undertaken to assess conformity with the UK Public Sector Internal Audit Standards (PSIAS). No areas of non-compliance were identified. The assessor commented:

“I identified 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. 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”

The external assessment report was shared with Management Team and the Governance & Audit Committee. The findings have informed the service's Continuous Improvement Plan which has also been shared with Management Team and the Governance & Audit Committee.

- 1.6. Timeliness and the scheduling of audits has been identified as an issue in the past year; the cause of which has been identified as being due to internal Council processes. As a result there was a 20% reduction in coverage of the 2016/17 audit plan; equating to 40 days unused. While this did not impair the

ability of the HIA to provide her annual opinion on governance arrangements within the Council, work has been undertaken to address matters with all audits for 2017/18 already scheduled; scoping arrangements reviewed and Management Team review and approval arrangements re-examined. Additionally the Governance & Audit Committee have been reminded of their responsibility to monitor progress against the yearly audit plan and to seek explanation for any deviations.

- 1.7. The service offers good value for money in terms of costs per day and the number of audit days required to deliver the audit plan. Furthermore external audit are able to rely on the work of IA where appropriate which saves the Council external audit fees.
- 1.8. IA also provides added value in a number of ways. These include its access to a wide range of specialists to draw upon for audit work/consultation (e.g. Fraud, Risk, Insurance, Health Safety); its understanding of the business and the level of accessibility due to the on-site provision of audit staff
- 1.9. An area that has dramatically improved since the last in-depth review of the effectiveness of the service is the benefit the Council has gained from the findings contained within audit reports. Over recent years, great emphasis has been placed on ensuring that recommendations are acted upon and implemented. This has seen the number of outstanding recommendations fall from over 100 (three years ago) to a figure of zero as reported within IA's annual report for 2016/17. This is a substantial improvement and demonstrates the value that managers now place on the service IA provide and also upholds the overall integrity of the auditing discipline.
- 1.10. The final element of a truly effective IA service is the function and role of the audit committee. Considerable work has gone into improving the way the Governance & Audit committee works and the efforts made are evident. The Committee has benefitted from effective Chairmanship; interest in the subject matter on the part of all Committee members and by posing challenge to and the seeking of assurance from officers. On-going training for Members has been provided on a regular basis which has been well attended. Additionally the Committee is encouraged to undertake self-assessment to gauge its effectiveness.

2. Background

- 2.1. The Accounts and Audit regulations require the Council to review its IA function. This year's review has been a comprehensive exercise, including interviews with key stakeholders. It is anticipated that for the next two years a lighter touch will be sufficient.
- 2.2. IA services are provided to the Council by Assurance Lincolnshire (part of Lincolnshire County Council).

3. Methodology for the Review

- 3.1. Measuring “effectiveness” is not an exact science and there is no prescribed methodology to follow. To assess the effectiveness of the service and support provided by IA, evidence upon which to form a judgement has been collated from a variety of sources as set out in the table below. If the IA function was well managed, properly resourced and complied with the PSIAS, it would be reasonable to assume that they were likely to be effective in the execution of their function.

Evidence	Source
Compliance with Public Sector Internal Audit Standards	Findings of External Quality Assessment (Sept 2016)
Performance against audit standards	Assessment by Director of Resources
Delivery against audit plan	Progress reporting to G&A committee. Internal Audit Annual Report 2016/17 Findings and recommendations within reports
Feedback from key stakeholders	Questionnaire and interviews
Benchmarking	Comparison against other authorities and audit providers

4. Internal Audit in Context

4.1. Combined Assurance Model

4.1.1 The purpose of IA is to provide independent assurance designed to add value and improve how the Council operates. Assurance Lincolnshire have developed an award winning model of using all assurance functions across the Council, including that of management and corporate functions and 3rd parties. This is used to develop an assurance map which shows what assurance IA can obtain from other sources.

4.1.2 In brief, IA populates the assurance map in the first instance, using high level risk assessment against areas falling within the following categories: critical activities, fundamental systems, key projects, emerging and strategic risks. This is based on a mixture of standard audit requirements, intelligence gained by the auditors in the course of field work and discussion with team managers and corporate strategic priorities articulated in the Corporate Plan and other key strategic documents. The findings are reviewed by the Council’s Management Team who provide final determination and analysis, commentary and context around them. A report is produced for Governance & Audit Committee to review.

4.1.3 Using this approach, IA are able to plan their audits to make the best use of their resources and to ensure critical systems and key strategic risks are adequately covered within the minimum number of days.

4.2 Additionally, IA have recently incorporated consultancy work into their offer. Acting in the capacity of a 'critical friend' this supports their customers as they initiate and develop key projects or reviews of processes by providing objective assessment of the planned initiatives and progress made. During the recent past, such support has been provided for WLDC.

5. How Internal Audit Works

5.1. Staffing

5.1.1 Assurance Lincolnshire is made up of staff working in a collaborative arrangement drawn from Lincolnshire County Council, East Lindsey District and City of Lincoln Councils. Its functions cover business development, audit, counter-fraud, risk management and insurance and health and safety. This benefits WLDC as it has access to specialist skills if required.

5.1.2 The principal staff working on the WLDC caseload are the HIA, supported by an Audit Team Leader, a Principal Auditor and two Senior Auditors. All work carried out for WLDC is supervised by the HIA. Staff are rotated periodically to ensure they do not become too close to the client. All staff are professionally qualified, through either CIPFA, AAT or IIA. All staff have personal development plans and participate regularly in continuing professional development.

5.2. Development of Annual Audit Plan

5.2.1 This is done with reference to the aforementioned Combined Assurance model; corporate priorities and strategic risks. The draft plan is discussed with Management Team and through a process of constructive challenge a final plan is drawn up which is signed off and owned by Management Team. Although the HIA will listen to the views of Management Team, ultimately it is her decision on which areas require audit investigation. There is evidence that HIA displays sufficient independence to set the audit plan according to perceived risk rather than management requirements. This is an essential factor for an internal audit function to be effective.

5.2.2 Once the audit plan has been agreed by Management Team it is presented to the Governance & Audit Committee for final approval. The audit plan can be amended throughout the year as new risks and issues come to light – these can be signaled by IA, the Chair of the Governance & Audit Committee, any of the statutory officers, or by Management Team. However, any deviations (removals/additions) from the original plan have to be carefully managed; with the Governance & Audit Committee playing a key role in monitoring delivery of the plan and questioning the rationale for any deviations. There is evidence of deviation (additions and deletions) over the past three years, which provides assurance that the system is sufficiently flexible and communication lines are sufficiently robust to respond to emerging potential threats. However, 2016/17 saw the number of audit days decrease due to a number of deletions from the original plan. A significant decrease in both the number of audits conducted and audit days completed can impair HIA's ability to provide the

Council with independent assurance over some of its key risks and critical business systems and ultimately make it difficult to form an overall an opinion on the effectiveness of the Council's governance framework.

5.2.3 For 2017/18 the Audit Plan was developed within a new framework as agreed by the Director of Resources and HIA. This re-enforces the protocol that audits are conducted into critical areas of business activity.

5.3. Process of Conducting Reviews

5.3.1 Once the plan is agreed, the individual reviews are undertaken during the course of the year. IA put together an indicative scope and then meet with the auditee to agree where they can add value/assess key risks/provide assurance. Wherever possible, scopes are produced and agreed as early as possible in advance of the audit commencing. The scope forms the basis of the client brief, which is then agreed by Management Team. This is useful as a combination of operational and strategic insights add value to the final brief.

5.3.2 Reviews are generally carried out by the senior and principal auditors and each review is overseen by the HIA. Once a review is completed the draft report is prepared within 10 working days and is then sent to the auditee for the factual accuracy to be checked and a management response to be provided. When feedback from the auditee has been considered (which may result in amendments of facts) the amended draft is sent to Management Team for discussion. The review by Management Team tends to be a full and frank discussion of the findings and recommendations, with some constructive challenge. The aim of the exit meeting is to secure management action and ownership; which is designed to improve the control environment.

5.3.3 Following this, the report is finalised and then goes through for recommended actions to be loaded onto the Council's audit actions monitoring system for implementation within the agreed timescales.

5.4. Progress Reporting and Follow Up

5.4.1 Both Management Team and the Governance & Audit Committee receive quarterly updates on the work progressed by IA. This includes an overview of the findings of each completed audit; with additional information provided in cases where limited or no assurance conclusions have been made. A quarterly tracker, which picks up any overdue recommendations, is also produced by IA which is cross-referenced against local records. Explanations are provided for both Management Team and the Governance & Audit Committee in instances where any actions are not completed by the original anticipated completion date.

5.4.2 Any activity audited that receives a less than substantial assurance rating is scheduled to receive a follow-up audit within 12 months. This ensures that remedial actions to improve matters are implemented and associated risks are mitigated.

6. Findings

6.1. As set out at 3.1 above, the methodology for the review is based on the assessment of IA's performance against:

- a) Compliance with Public Sector Internal Audit Standards
- b) Performance Against the Audit Charter
- c) Delivery Against the Audit Plan
- d) Feedback from Key Stakeholders
- e) Benchmarking

6.2. Compliance with Public Sector Internal Audit Standards

6.2.1 PSIAS were originally defined in a document published by CIPFA and the government in April 2013. These were revised from April 2016. In September 2016, an [external review](#) of Assurance Lincolnshire's Internal Audit Service was conducted to assess compliance with the PSIAS. The review entailed an in depth self-assessment against the standards. Its findings, which provided assurance that the IA service provided is compliant, was shared with the Governance & Audit Committee in November 2016. The main points are summarised below:

Standard	Elements	Conform?
Definition of Internal Auditing	Set out in a clear and concise manner	Yes
Code of Ethics	Integrity, objectivity, confidentiality, competency	Yes
Mission	Clearly set out the purpose of the function	Yes
Core Principles of Internal Audit	Defined and demonstrated	Yes
Attribute Standards	Purpose, authority and responsibility Independence & objectivity Proficiency and due professional care Quality assurance and improvement programme	Yes
Performance Standards	Managing the Internal Audit activity Nature of work Engagement planning and performing the engagement Communicating results Monitoring progress Communicating the acceptance of risks	Yes

6.2.2 Whilst the external review concluded that IA comply with the required standards and provide an exemplar service, a number of recommendations were made to further strengthen compliance with the standards. These recommendations have been incorporated into IA's Continuous Improvement Plan which has been shared with Management Team and also the Governance & Audit Committee.

6.3. Performance Against Audit Charter

6.3.1 The Audit Charter sets out the nature of the IA function and details the roles and responsibilities of IA, Management and the Governance & Audit Committee. It is a key policy document in support of audit arrangements. The [Audit Charter](#) was updated this year to reflect the revised PSIAS which came into force from April 2016 and was approved by the Governance & Audit Committee in March 2017.

6.3.2 The Charter incorporates the following eight considerations:

1. The purpose of Internal Audit	5. How management can assist the internal review process
2. The scope of Internal Audit	6. The audit reporting framework
3. How independence and objectivity are assured	7. The quality of service and duty of professional care
4. Internal Audit responsibilities and objectives	8. Core principles

6.3.3 The Director of Resources has assessed how well IA is fulfilling its role and discharging its responsibilities. He has concluded that IA is behaving in accordance with the undertakings set out within the Charter.

6.3.4 The HIA attends Management Team meetings to discuss the Audit Plan, to agree scopes of major audits and to discuss draft recommendations of major audits. Monthly liaison meetings with the Director of Resources and the HIA/Audit Team Leader also take place to discuss performance and progress and identify emerging risks. IA provide regular progress reports to the Governance & Audit Committee advising them of work against the plan completed during the period, other significant work, audits in progress, performance information and any other matters of interest; thus helping them keep abreast of relevant emerging guidance and legislation. The HIA, together with the external auditors, have undertaken a programme of training for Governance & Audit Committee members to enable them to fulfill their role effectively.

6.3.5 It is acknowledged that from the management side there are two areas which could be strengthened and these will assist the process of IA. These are:

- a) Keeping amendments to the internal audit plan to a minimum.
- b) Management Team to improve the speed of throughput, evaluation and sign off, of completed audit reports.

6.4. Delivery Against Audit Plan

6.4.1 In 2016/17, IA delivered 88% of the audit plan within year. Performance information is regularly reported to Management Team and the Governance & Audit Committee. Whilst the field work on all audits on the plan had been completed by the end of the year, some of the audits were started later than

scheduled and clearance of some of the audits through Management Team was not as efficient as required. Steps have been taken to improve matters

through the early scoping of audits, swift escalation of issues affecting progress and delivery against the plan, no unilateral decisions taken to deviate from the original plan and robust monitoring and scrutiny undertaken by the Governance & Audit Committee.

Performance Information

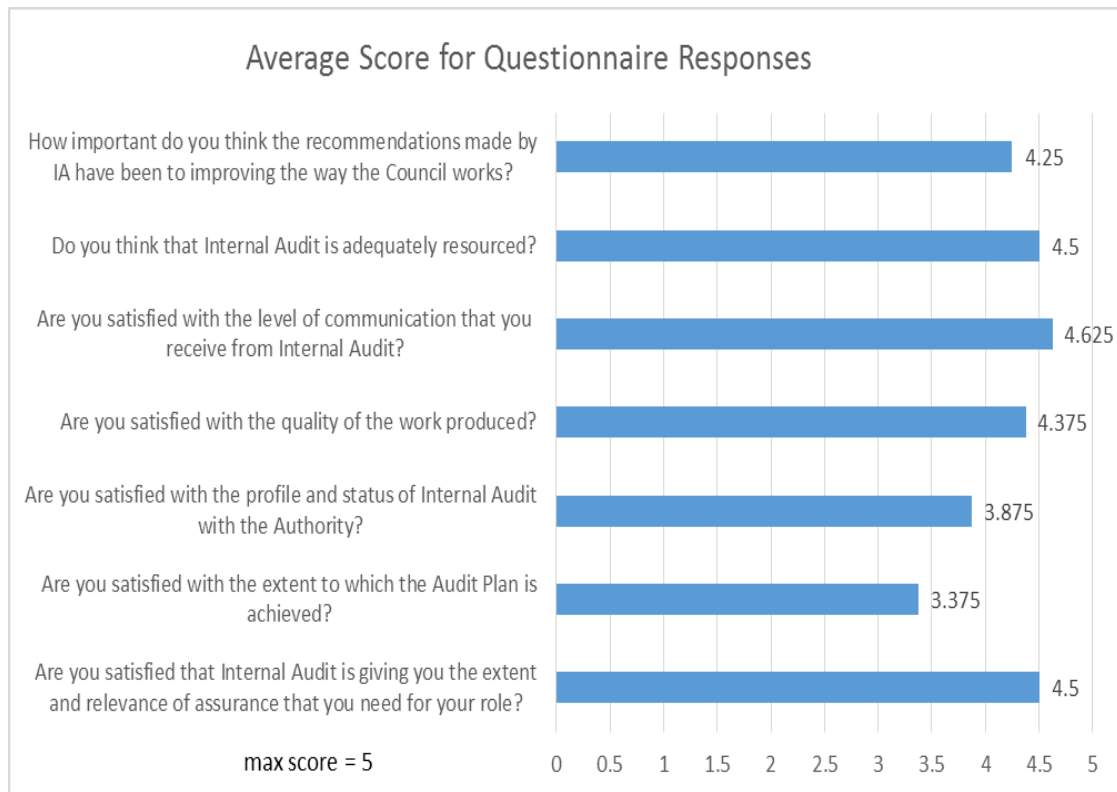
Performance Indicator	Target	Actual 2016/17
% of Plan Completed	100%	88%
% of Key Financial Systems Completed	100%	66%
% Recommendations Agreed	100%	100%
% Recommendations Due Implemented	100%	100%
Draft Report Issued Within 10 Working Days	100%	77%
Final Report Issued Within Five Working Days of Management Team Sign Off	100%	100%
Period taken to Complete Audit Within Two Months From Fieldwork	80%	55%
Client Feedback on Audit	Good/Excellent	Excellent

6.4.2 Whilst the audit plan is, in the main, being delivered, that in itself does not mean that IA is being effective. The measure of effectiveness is surely whether or not governance related matters are working effectively within the Council and that IA are identifying areas of weakness and supporting improvements. At the time of the last in-depth report, the Council had received a red rating for governance. In the intervening period the Council has made significant changes to its processes, organisational structure and approach to ensuring that governance is a core concern of all staff and its key elements are applied in a consistent manner. IA have actively supported the Council in improving matters. The work undertaken has resulted in the HIA reporting improvements, to the extent that for the last two years the Council's arrangements for governance, risk management and control have all been assessed as performing well.

6.5. Feedback from Key Stakeholders

6.5.1 Key stakeholders were interviewed as part of the review and asked to complete a short questionnaire. The questionnaire asked a number of questions about the context of audit and will be used to further develop the way the Council makes use of the work of IA.

6.5.2 The chart below shows the average score for the questions shown. The highest potential score is five. The responses show that most respondents were very satisfied with the service provided by IA and believed that IA had been effective in moving the Council forwards.



6.5.3 The two aspects recording scores of below four and are therefore worthy of comment were:

- a) Satisfaction with the profile and status of IA within the Authority
- b) Satisfaction with the extent to which the Audit plan is achieved

6.5.4 The reasons for the non-achievement of the 2016/17 audit plan have been documented earlier and remedies have been put in place to ensure that the causal issues that have been identified will be addressed.

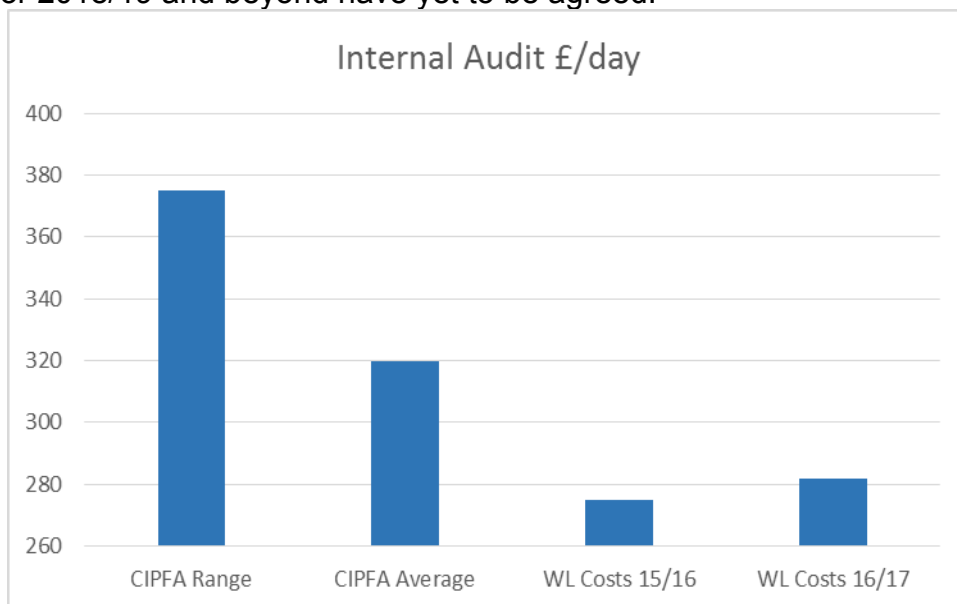
6.5.5 With regards to the profile and status of IA within the Authority, it was considered that Members' access to IA could be improved. Currently the HIA and her officers attend Chair's Briefs and Governance & Audit Committee meetings and are available for Members to discuss matters. Annually, following a Governance & Audit Committee meeting, Members meet with Assurance Lincolnshire and External Audit. Additionally, the HIA has been approached by and met with individual Members. Wider awareness across all Members of such availability may have to be considered.

6.6. Benchmarking

6.6.1 Using CIPFA data, desk based research has established that across their contributory cohort of local authorities, CIPFA have calculated that internal audit costs per day in 2015/16 were in the range of £260 to £375. The average cost per day was calculated to be £320. This compares to the daily charge for WLDC of £275 during the same period; 14% less than the average

fee paid across the CIPFA cohort and 27% less than the highest cost point within the CIPFA range. In itself this suggests that in terms of costs, WLDC receive a very competitive offer from IA.

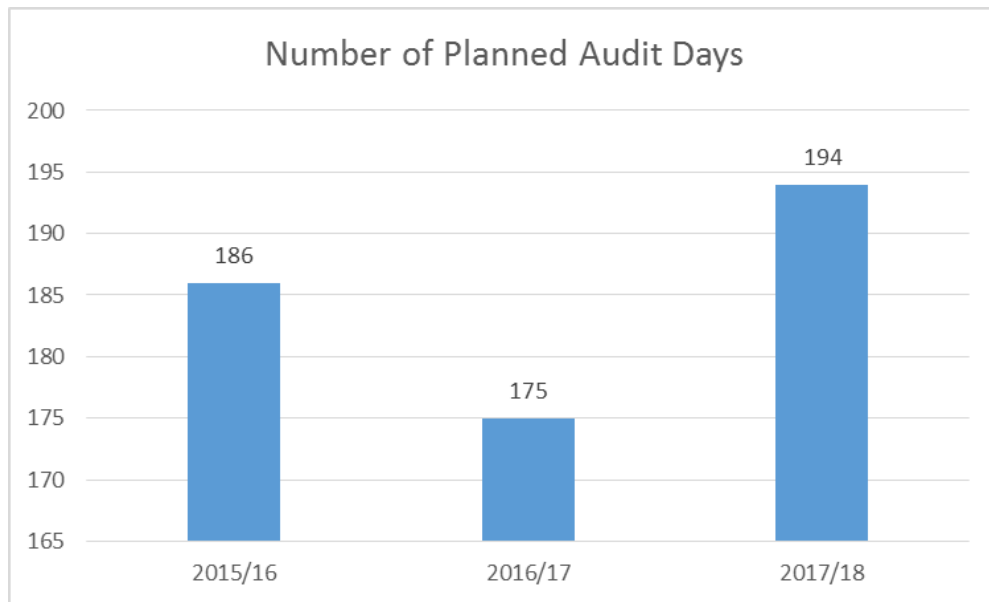
6.6.2 The day rate of £275 had been fixed for the previous five years up to 2016/17 and was increased to £282 (an increase of 2.5%) for 2016/17 and 2017/18. Fees for 2018/19 and beyond have yet to be agreed.



6.6.3 Other useful metrics could include the number of days allotted to the IA plan. This information is not available via benchmarking, but local data is at hand. The premise being that the fewer days required could in itself be viewed as a measure of effectiveness: if we are still receiving adequate assurance and are using fewer audit days one might conclude that the Council has an effective audit service.

6.6.4 The chart below shows the number of days allotted to the IA Plan for the period 2015/16 to 2017/18. It shows that there was a reduction of 11 days between 2015/16 and 2016/17. For 2017/18, 194 days have been set aside. On the face of it, this represents an increase of 19 days, (11%) and therefore a potential indicator of a reduction in the effectiveness of the service received. However, the increase is accounted for three follow-up audits requested by the Council, following the reporting of limited assurance findings within the initial audit reports.

6.6.5 Caution should be applied however to placing an over-reliance on the number of planned audit days as a measure of effectiveness. Different audits are done year on year, the Council's risks change, as do its policies, personnel and key programmes of work; all meaning that in any given year the number of days can rise and fall.



6.6.6 As part of the Assurance Lincolnshire partnership a number of other benefits accrue:

- a) Easier and more cost effective to audit joint working/cross cutting reviews (e.g. shared services)
- b) Sharing best practice across partner sites to complete audits quickly and focusing on key areas of concern/risk
- c) Innovative Audit Approach - "Combined Assurance" feeding directly into documents such as the Annual Governance Statement and Internal Audit Annual Plan
- d) Offer of consultancy services to provide objective opinion/advice on the development and outcomes of key programmes
- e) Wider range of specialists to draw upon for audit work/consultation (e.g. Fraud, Risk, Insurance, Health Safety)
- f) Understanding the business - LA operated service with a proven track record – flexibility – responsive
- g) Accessibility – on-site provision of audit staff
- h) Provision of training for Governance & Audit Committee members
- i) Risk awareness and risk appetite work
- j) Close working with external audit e.g. Assurance Lincolnshire take on Housing Benefit subsidy and other work to help reduce additional external audit fees

7. Conclusion

7.1 The overall view of IA is that it is an effective, value for money service with whom the Council enjoys a good relationship. It is sufficiently independent and professional to provide an objective arm's length appraisal of control weaknesses; but is at the same time regarded as approachable and is used particularly by Members as a tool to provide assurance on matters of concern.

- 7.2 The audit service is well run and conforms to all necessary standards. There is a culture of continuous improvement and regular quality assurance work is undertaken. The externally led Quality Assurance exercise the service partook in provided a positive finding and highlighted exemplar work which was recommended as best practice.
- 7.3 The terms of the relationship with the Council are set out within the Audit Charter, which clearly defines the roles and responsibilities of all parties. IA fulfill their role according to the terms of the Charter, although there are some aspects of the part management play which need strengthening on the part of the Council. Plans are in place to address these matters.
- 7.4 The audit plan is compiled based on an assessment of risk, materiality and drawing on other forms of assurance through an award winning model known as the Combined Assurance model. The plan was mostly discharged in 2016/17, with issues arising as a result of deletions to the original plan and delays in sign off of completed audit reports.
- 7.5 The consultancy support that IA provide has been utilised by the Council and has been beneficial in supporting programme development and providing objective opinion.
- 7.6 Since the last in-depth review, there is clear evidence of real improvements in organisational practices, structures, procedures and behaviours arising as a direct result of recommendations made by IA. In this respect the function has proved to be effective.
- 7.7 When compared with other authorities the daily chargeable rate is favourable and the number of audit days required is appropriate. In addition there are a number of value added benefits gained by the Council from being part of the wider Assurance Lincolnshire partnership.
- 7.8 The success of IA as a service is in no small part due to the skill and professionalism of the HIA. The Council recognises the investment she has made in delivering an effective audit service to West Lindsey and in helping West Lindsey become a better Council.
- 7.9 Having an effective audit function is not in itself sufficient; it is one aspect of the overall control framework. The Council must maintain its current level of effectiveness in responding to the issues highlighted in audit reports. Additionally the Governance & Audit Committee must continue to fulfil its scrutiny role and hold the executive to account when governance related weaknesses arise or are highlighted. All elements should combine to ensure that the maximum benefit is derived from the work of IA.

8. Recommendation

- 8.1 Members are asked to agree with the conclusion that the Council has effective internal audit arrangements in place.



Committee: Governance & Audit

Date: 7th November 2017

Subject: Review of Strategic Risks (Nov 2017)

Report by:

Director of Resources: Ian Knowles

Contact Officer:

James O'Shaughnessy
Business Improvement & Corporate Governance
Team Manager
01427 676537

Purpose / Summary:

To present Members with the strategic risks facing the Council as at November 2017

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

IMPLICATIONS

Legal: None

Financial: None FIN/MT/45/18

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 the Council's Management Team on a quarterly basis for review.

2.2 The Management Team 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 Identification of Strategic Risks and Population of 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 was 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 produced a 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 were 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.

4. Risk Matrix

4.1 To assess the severity of potential risks, the Council uses the following matrix based on the relationship between the likelihood and impact of risks arising.

I m p a c t	Critical	4	8	12	16
	Major	3	6	9	12
	Minor	2	4	6	8
	Negligible	1	2	3	4
		Hardly Ever	Possible	Probable	Almost Certain
	Likelihood				

4.2 The following guidance is available to determine which classification is applied:

You should assign a number in the range 1-4 as follows:	
Likelihood: 1 = Hardly Ever (<5%) 2= Possible (5-35%) 3= Probable (35-75%) 4= Almost Certain (>75%)	
1 = Negligible Impact: <ul style="list-style-type: none"> • Minor service disruption • Minor Injury • Financial loss < £250k • Isolated complaints 	2 = Minor Impact <ul style="list-style-type: none"> • Service disruption • Loss time injury • Financial loss >£250k - £500k • Adverse local media coverage • Failure to achieve a service plan objective
3 = Major Impact <ul style="list-style-type: none"> • Significant service disruption • Major/disabling injury • Financial loss >£500k - £1m • Adverse national media coverage • Failure to achieve Corporate Plan objective 	4 = Critical <ul style="list-style-type: none"> • Total service loss for a significant period • Fatality to employee, service user or other • Financial loss >£1m • Ministerial intervention in running service

4.2 This methodology enables each risk to be categorised as either low, medium or high in nature and prioritisation as regards mitigations can be applied.

5. Management Team Review

5.1 Since the formation of the risk register based on the methodology set out above, progress has been made against the delivery of the Corporate Plan, specifically in respect of the creation and adoption of the Central Lincolnshire Local Plan. This work has been completed with arrangements now in place to monitor delivery. Hence reference to this matter has been removed from the strategic risk register.

5.2 Reference was previously made to Devolution (and Partnerships) within the risk register. Members will be aware that work to progress this concept across Lincolnshire has terminated and consequently reference has been removed from the register.

5.3 Additionally, since the register was last presented to Members, the Chief Executive has left the Authority. Risks for which this officer was assigned as owner have been redistributed across the remaining members of the Management Team.

6. Risk Management Audit

6.1 To remind Members, Internal Audit have recently completed an audit into the Council's risk management arrangements. This report provided a 'substantial assurance' rating.

7. Recommendation

7.1 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?

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Strategic Risks – November 2017

Risk Rating Matrix:

Impact	Critical	4	8	12	16
	Major	3	6	9	12
	Minor	2	4	6	8
	Negligible	1	2	3	4
		Hardly Ever	Possible	Probable	Almost Certain
Likelihood					

Title	Allocated To	Description of Potential Risk	Risk Level	Control	Control Measures	Review Date	Actions	Review Period
Information Governance	Ian Knowles	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.	High	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.	31/03/2018	1. Ensure that Information Governance is built into the organisation's culture by March 2018. 2. On-going training and review. 3. Implement GDPR by May 2018	Quarterly

					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 and Spring '17. 9, Paper to GCLT on IG update Feb 2017. 10. PSN Certification achieved (Aug '17). 11. DPO role in place and agreed.			
Open for Business	Eve Fawcett-Moralee	The achievement of the growth targets lags behind the local plan. The increase in tax base does not match ambition.	Medium	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 place. 6 Progress and Delivery project reporting to Members. 8. Tourism working group in place.	31/12/2017	1. To ensure that there is an enabling approach in all land based services. 2. To ensure sufficient expertise and capacity is available to provide professional support and advice to complex programmes of work.	Quarterly
People First	Mark Sturgess	Customer - We do not deliver a customer focussed approach, provide appropriate infrastructure and facilities for residents.	Medium	Treat	1. Gainsborough Growth Programme in place. 2. Effective Local Plan agreed and now in implementation and monitoring stage. 3. People Strategy developed incorporating culture change elements. . 4. Active lead	31/12/2017	1. Deliver the customer first programme. 2. Leisure Review to report providing potential options for future service delivery. 3. Member	Quarterly

		<p>Community & Residents - We do not provide leadership of place for our communities and residents to ensure their well-being isn't adversely affected.</p> <p>Workforce - 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.</p>			<p>role played in Health & Well-being and Skills agendas. 5. C&I Committee review into youth unemployment with formal support provided for West Lindsey Employment & Skills Partnership. 6. Oct 2017 self-assessment carried out to demonstrate compliance with S11 of the Children Act 2004 as required by Safeguarding Children Board. Awaiting moderation. Effective compliance and good practice across most areas (assessed as green) with one area in need of development; complaints policy (assessed as amber) - see action 4.</p>		<p>health commission to report by end of 2017. 4. Update customer complaints policy to ensure safeguarding is explicitly referenced - action in progress.</p>	
Asset Management	Eve Fawcett-Moralee	Our assets are underutilised, generate lower returns than required, do not	Medium	Treat	1. Strategic Land & Property Plan in place. 2. Business Plan in place providing assurance on resourcing and implementation. 3. Land and	31/12/2017	1. Obtain assurance during 2018 from Internal Audit of effectiveness of the utilisation of CAMS.	Six-Monthly

		facilitate inward investment or deliver fewer social benefits than expected.			Property review undertaken. 4. Asset mgt database (CAMS) in place and fully utilised. 5. Rolling stock condition survey programme implemented. 6. Planned maintenance programme being worked to. 7 Managed by programme board.		2. Respond to the findings of audit into Commercial Plan. 3. To ensure sufficient expertise and capacity is available to provide professional support and advice to complex programmes of work.	
Partnerships	Ian Knowles	Partnerships - We do not fulfil our role as influencer, shaper and co-ordinator of major economic, social and environmental issues that affect the District. Partnerships - Our delivery vehicles for shared services/shared estate or trading companies do not effectively deliver against their intended purpose and achieve VfM.	Medium	Treat	1. Management Team to review of strategic partnerships to assess their effectiveness and on-going relevance. 2 ACOP in place to support consistent approach to partnership working	31/12/2017	1. Continue to review our participation and effectiveness of partnerships. Report on effectiveness in summer 2018	Quarterly

Excellent VfM Services	Mark Sturgess	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. We do not use effective benchmarking data to inform VfM decisions and failure of partnership mechanisms to deliver VfM considerations.	Medium	Treat	<p>1. Functional analysis completed and results analysed to provide an internal benchmark. 2. People Strategy focussing on expected skills and behaviours. 3. Development Management improvement plan complete. 4. Programme/project management methodology and structures in place. 5. Progress & Delivery reporting in place. 6. Localism restructure implemented providing refreshed focus on the service. 7. VfM Handbook devised for staff and presentation to SLT. 8. Annual Business Planning exercise undertaken to drive efficiencies and improvements 9. Reviews of both function and structure undertaken across a number of services - enforcement, property and assets, economic development and housing.</p>	31/12/2017	<p>1. Appraise and design new service delivery model. 2. Establish ICT requirements to enable VfM services to be delivered. 3. Undertake VfM assessments across service areas and report to management team. 4. Respond to findings from the planning audit</p>	Six-Monthly
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Commercial Approach	Ian Knowles	Commercial Projects do not deliver anticipated benefits resulting in increased financial pressures	High	Treat	1. Commercial Strategy forms business plan. 2. Commercial steering group (including Members) established. 3. Programme Board has oversight of high risk commercial programmes and investments. 4. Capital Programme oversight and Progress and Delivery project reporting to Members. 5. Budget Monitoring undertaken, including Trading Statements. 6. Substantial assurance audit finding (Oct 2016) re Traded Services. 7. Creation of Trading and Operational Services Manager to provide capacity & capability now forms role of Strategic Manager Services. 8. Annual Business Planning exercise designed to identify commercial opportunities across service areas	31/12/2017	1. Ensure appropriate skills, capacity and structures are in place to deliver commercial initiatives. 2. Respond to findings of audit into Commercial Plan	Quarterly
Corporate Health & Safety	Mark Sturgess	We do not adequately ensure that our staff and visitors are protected in the workplace from accidents or	Medium	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	31/12/2017	Recruit new Health & Safety officer to coordinate activity	Six-Monthly

		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			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. 10. Dignity at Work training undertaken in Nov '16.			
Compliance	Ian Knowles	We do not comply, or fail to correctly implement relevant, statutory legislation resulting in adverse reputational impacts and legal and financial consequences.	Medium	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. 6. Review undertaken of CIPFA Delivering Good Governance guidance and reference made in WLDC Constitution.	31/12/2017	1. Undertake review of Horizon Scanning function to ensure it provides management team with quality information and strategic oversight to inform resource prioritisation and allocation.	Quarterly

Business Continuity	Mark Sturgess	Council services are not maintained and priority services are not provided in the event of significant disruption or a major emergency in the District.	Medium	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. 7. WLDC access to Resilience Direct website and resources	31/12/2017	1. Review of effectiveness of service level business continuity plans.	Quarterly
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Governance and Audit Committee Work Plan

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
16/01/2018	Certification of Grants and Claims	Tracey Bircumshaw	To present the Certification of Grants and Claims report
	Internal Audit Monitoring Report - Period 3	James O'Shaughnessy	To present the Internal Audit Monitoring Report for Period 3
	Draft Annual Treasury Management Strategy	Tracey Bircumshaw	To present the Draft Annual Treasury Management Strategy Report
	AGS Monitoring Report - Period 2	James O'Shaughnessy	To present the AGS Monitoring Report for Period 2
13/03/2018	Accounting Matters 2017/18 Closedown actuarial ass	Tracey Bircumshaw	To present the Accounting Matters 2017/18 Closedown Report and actuarial assumptions
	Combined Assurance Report 2017/18	James O'Shaughnessy	To present the Combined Assurance Report
	Draft Internal Audit Plan 18/19	Tracey Bircumshaw	To present the Draft Internal Audit Plan 18/19
	External Audit Plan 17/18	Tracey Bircumshaw	To present the External Audit Plan 17/18
	Internal Audit Charter	Tracey Bircumshaw	To provide independent and objective assurance on critical activities and key risks
17/04/2018	Strategic Risks - 6 month Update	James O'Shaughnessy	To present the 6 monthly update
	Internal Audit Q4 Monitoring	Tracey Bircumshaw	To present the final quarter monitoring report

	Constitution Annual Review	Alan Robinson	To present the Annual Review of the Constitution
	AGS 15/16 Monitoring Report (Q3)	James O'Shaughnessy	To provide Members with an update on the progress made against actions relating to the significant issues identified within the AGS 2015/16
13/09/2018	Appointment of External Auditors 2018/19	Tracey Bircumshaw	To accept the appointment of Mazar's as the Councils External Auditor from 1 April 2018 for a period of 5 years