

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 13 March 2018 commencing at 2.00 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
Andrew Morriss
Peter Walton

In Attendance:

Eve Fawcett-Moralee	Executive Director of Economic and Commercial Growth
Ian Knowles	Executive Director of Resources and S151 Officer
Alan Robinson	Strategic Lead Governance and People/Monitoring Officer
Tracey Bircumshaw	Finance & Business Support Manager
James O'Shaughnessy	Corporate Policy Manager & Deputy Monitoring Officer
John Cornett	External Audit
Michael Norman	Auditor KPMG
Lucy Pledge	Internal Audit
Matthew Waller	Internal Audit
James Welbourn	Democratic and Civic Officer

Apologies: None

59 PUBLIC PARTICIPATION PERIOD

There was no public participation.

60 MINUTES OF PREVIOUS MEETING

The minutes of the meeting held on 16 January 2018 were approved as a correct record.

61 MEMBERS DECLARATIONS OF INTEREST

None.

62 MATTERS ARISING SCHEDULE

The matters arising schedule was noted.

63 ATTENDANCE OF THE EXECUTIVE DIRECTOR FOR ECONOMIC AND COMMERCIAL GROWTH

The Executive Director for Economic and Commercial Growth made a presentation to committee on commercial strategy and governance.

The following points were raised:

- The Commercial Plan for 2014-16 brought in £1 million savings, and included a £20 million commercial property portfolio;
- In December 2016, a Commercial and Economic Growth directorate was created;
- Grants for economic growth and development in 2017/18 were awarded, amounting to £6 million for housing, and £2 million for employment;
- The Commercial Investment Portfolio in February 2017 targets a 3% net return;
- The crematorium was set to net a 3% return in year 4. The leisure contract amounted to £135k a year, and the commercial services (waste) contract gave a £200k income for 2017/18;
- There were commercial loans of £1 million; 2% above the borrowing rate;
- Other ongoing corporate vehicles and agreements were:
 - I. Sure Staff 2016;
 - II. Sun Inn and Roseway carpark grants;
 - III. Grant funding agreements with Dransfield Property Limited;
 - IV. Market Street Renewal Limited;
 - V. Joint venture agreement with Acis;
 - VI. Development Partnership.
- New projects follow a process, starting with the inception at Management Team (internal), Member approval at Prosperous Communities and Corporate Policy and Resources committees, followed by ongoing governance at Programme Board and its sub Boards (internal);
- A new Monitoring Officer report will be introduced from June 2019, including:
 - I. Constitutional review and the re-affirmation of delegations;
 - II. A review of governance activity and any changes over the administrative year;
 - III. A review of the Standards Regime and details of any code of conduct breaches.

Following this presentation, Members of the committee had the opportunity to ask questions of officers present. Further information was provided:

- A key element from the external auditors was around whether returns match

investments. In addition, there needed to be openness and transparency around decision making; however, on occasion private papers for committee would be necessary;

- Selection of partners should be done wisely, and effective working with those partners was crucial;
- Everything should be tied back into the Executive Business Plan and Medium Term Financial Strategy (MTFS);
- An economic impact assessment (EIA) would be done prior to projects such as the Sun Inn Hotel. The model for the EIA was set up by an external body specialising in this area; however, WLDC now have their own version of this model. The model would evolve with any future guidance;
- Build costs were higher than the end values in the case of the Sun Inn. Grant funding regimes such as the European Regional Development Fund (ERDF) help to fund the build, and others like it. Where there were gaps in funding, advice had been taken from European lawyers and surveyors. All payments made in arrears were scrutinised. The challenge was explaining why developers need gap funding;
- Internal Auditors look at governance, risk and control. The commercial strategy had been looked at over a number of years, and improvements are recommended where necessary. Next year's plan will look at income and investment; the auditor's role was to look at how the council manages its business;
- An EIA is only part of the project's due diligence; it would also be looked at in purely economic terms, through a cost/benefit analysis;
- A project would be stopped if it was in the Council's best interest to do so.

64 COMBINED ASSURANCE REPORT 17/18

Members considered the council's Combined Assurance report for 2017/18.

Overall, over 70% of the council's key activities were performing well, with the remainder requiring attention. All of the areas requiring attention were known to management, so action plans were in place.

Having reviewed the report, Management Team have identified 4 key areas of focus over the next 12 months:

1. A review of statutory returns – there were a lot of performance and financial figures that need auditing;
2. Oversight of 3rd party arrangements. Work had been started on this already;
3. Enforcement services had been the subject of scrutiny. Enforcement had recently undergone a restructure;
4. WLDC was successful in being awarded a strand of the wellbeing service in conjunction with East Lindsey District Council. This new service should be up and running successfully over the next 12 months.

Those aspects would form part of the Annual Governance Statement for 2017/18.

Following this introduction, and after questions from Members, further information was provided;

- It was important that backroom staff were recognised for their positive effect on debt collection;
- The finance for the wellbeing service will follow year on year. The contract with Lincolnshire County Council (LCC) contained a small profit for WLDC. Should the demands of the service change significantly, there was scope for further negotiation with LCC.

East Lindsey District Council had taken the primary lead and were the contractors with LCC; WLDC was a sub-contractor;

- The risk strategy will start to be reviewed over the next 12 months;
- 71% of activities addressed within the report were said to be performing well, compared to 55% from 2016/17.

RESOLVED to approve the report and be assured that the findings illustrate that the Council's governance framework is operating effectively.

65 CLOSURE OF ACCOUNTS 2017/18 - ACCOUNTING MATTERS AND EXTERNAL AUDIT PLAN 17/18

Members considered a report reviewing the accounting policies, actuary assumptions and materiality levels that will be used for the preparation of the 2017/18 accounts.

There was also the opportunity for the External Auditor to explain the process of External Audit of the Statement of Accounts, and the approach to the Value for Money Audit 2017/18.

The following points were highlighted:

- The report sought to give assurance that WLDC were well under way in terms of the timetable, and outstanding tasks. Some of the formalities within the report were around the approval of the accounting policies;
- The Community Infrastructure Levy (Cil) had been introduced; however no income had been received from this scheme as yet;
- The materiality level for WLDC, i.e. the level at which items were disclosed within the Statement of Accounts was set at £750k. The external auditors have set their level at £850k;
- The earlier closedown deadline would mean that Governance and Audit committee would not see the statement of accounts prior to issue. They would be signed by the

Section 151 Officer by 31 May, and then passed to the external auditors. There can be circulated to Governance and Audit Members when they are ready to go to the auditor, before the accounts are finally due to be signed off in July;

- In terms of the External Audit Plan, there were two things require by statute. Firstly an opinion on the accounts, and secondly a 'value for money' conclusion;
- The materiality level that the external auditors used determined what level of error could influence users of accounts when making their decision. Although external audit have a materiality level of £850k, they do not audit to this level;
- There were three significant risks identified in relation to the external audit for 2017/18:
 1. Valuing of equipment; some council assets have not been valued for 3-4 years, so the value of these assets needed to be reassessed. This would only ever be an estimate, is a significant value in the accounts, and was a material value;
 2. Pensions liabilities risks – the estimated liability was just under £36.5 million. This would be audited from two angles – the information provided to the actuary, and the pension fund element. It was a material value, and a figure outside of WLDC control;
 3. Faster close – the fundamental challenge was to maintain the approach taken in previous years, and to deliver accounts by the end of May.
- Areas of audit focus were also highlighted; these included commercialisation, and relationships with other companies;
- No conclusion would be provided on whether WLDC were providing a value for money service; however, the external auditors' job was to make sure that all of the appropriate measures were in place to provide value for money;
- The main risk on value for money was the medium term financial plan – this was common with all authorities;
- The planned audit fee was the same as last year's fee.
- The resources were in place to provide the external audit within expected timescales;

There then followed some discussion on the signing off of accounts, and the dates that Members would receive the unaudited accounts. It was deemed not beneficial to send out the unaudited accounts by email to Members; however an extra training session, prior to the Governance and Audit meeting in June was agreed that could deal with the unaudited accounts. The unaudited accounts would be brought to Governance and Audit committee in June.

Lastly, the external auditors declared that they had carried out some non-audit work with the Challenge and Improvement committee.

RESOLVED:

- (1) To approve the Accounting Policies (as included at Appendix 1 of

- the report);
- (2) To note the pension assumptions (Appendix 2 of the report);
 - (3) To note the risk assessment (Appendix 3 of the report);
 - (4) To approve the proposed materiality levels as included at section 4 of the report, including the revisions detailed at 5.7 of the report;
 - (5) To note the key closedown dates at section 7.6 of the report;
 - (6) To accept the main accounting changes for 2017/18 and onwards as shown at section 8 of the report;
 - (7) To accept that in future years, due to the earlier deadline the Unaudited Statement of Accounts will be circulated after issue by the Section 151 Officer;
 - (8) To note that accounting policies for group accounting and accounting for the Community Infrastructure Levy are now required;
 - (9) To note and receive the External Audit information contained within the report at Appendix 4.

66 INTERNAL AUDIT DRAFT ANNUAL PLAN REPORT 2018/19

Members considered the draft annual audit plan based on assurance mapping and risk assessments across the council's critical services.

The Head of Service – Corporate Audit and Risk Management informed the committee that internal audit wished to change the way the internal audit plan was managed. This was a reflection that the plan, once made, was not absolute.

The following points were highlighted:

- Internal audit still work to an allocated number of resources, and consult with the Section 151 Officer on issues around progress and delivery of the audit plan;
- The fees remain the same as last year; for the 5th year running they remain the same and represent value for money;
- Internal audit were looking at all areas of activity with the council. There was also time for consultancy where proactive advice could be given;
- The level and mix of resources, together with the areas covered in the internal audit plan would lead the Head of Service – Corporate Audit and Risk Management to be able to give the Head of Internal Audit annual opinion for 2019.

Following questions from Members, further information was provided:

- Equality and diversity was last audited 10 years ago. It could be worth revisiting in the future;
- Health and safety had been audited as part of the cyclical plan. The other areas that had been audited (environmental protection, Income and Investment Programme) were part of combined assurance, discussed with managers;
- Environmental Protection and Enforcement teams now report to a different manager,

as do Corporate Health and Safety, who now report through to the HR team.

RESOLVED to note and agree the contents of the report and be assured that the plan provided robust coverage of the Council's critical areas and services.

67 WORKPLAN

Subject to the addition of items on unaudited accounts, and commercial governance, and the ISA 260 report moving back to July, the workplan was noted.

The meeting concluded at 3.39 pm.

Chairman