

WEST LINDSEY DISTRICT COUNCIL

MINUTES of the Meeting of the Governance and Audit Committee held in the Council Chamber - The Guildhall on 23 July 2019 commencing at 2.00 pm.

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

Councillor Mrs Tracey Coulson
Councillor David Dobbie
Councillor Mrs Caralyne Grimble
Councillor Mrs Angela White
Alison Adams
Andrew Morriss
Peter Walton

In Attendance:
Alan Robinson Strategic Lead Governance and People/Monitoring Officer
Tracey Bircumshaw Strategic Finance and Business Support Manager
Zlati Kalchev Internal Audit
Natalie Kostiuik Customer Experience Officer
Michael Norman Auditor Mazars
Matthew Waller Internal Audit
James Welbourn Democratic and Civic Officer

Apologies: Councillor Christopher Darcel

10 PUBLIC PARTICIPATION PERIOD

There was no public participation.

11 MINUTES OF PREVIOUS MEETING

The minutes of the meeting held on 18 June 2019 were approved as a correct record.

12 MEMBERS DECLARATIONS OF INTEREST

None.

13 MATTERS ARISING SCHEDULE

The matters arising schedule was noted.

14 ANNUAL GOVERNANCE STATEMENT 2018/19

Members considered the Annual Governance Statement for 2018/19 along with the

associated Action Plan. Also considered was the closure of the Annual Governance Statement 2017/18 and Action Plan.

The Monitoring Officer introduced the report, adding that it was a retrospective look at how West Lindsey District Council's (WLDCs) governance arrangements were tested, and how they performed. The Annual Governance Statement identified issues to come over the course of the year, which included risk management, a peer review, a governance review, and Member and induction training.

Following this introduction, Members asked questions of officers present. The following points were highlighted:

- Payment Card Industry Data Security Standards (PCIDSS) referred to taking cardholder payments by machine, or over the telephone. Scans were performed on a quarterly basis on systems and firewalls to make sure that they were secure. Access to, and movements of appliances were also logged;
- Members of staff have to be trained in PCIDSS. A review took place on this topic, resulting in a 'substantial' outcome;
- The issue of online training for Members could fall within the remit of the reformatted Member Development Group. Any Members interested in joining the Member Development Group should reply to an email sent to them on this topic from Democratic Services;
- On a monthly basis Finance check the 'higher-level', or larger spend amounts of WLDC related organisations; contract spends were captured. Smaller spends of £250 or less were looked at as part of Budget Monitoring reports by the Finance team;

No one officer at WLDC can spend a budget without it being signed off by a colleague;

- Generally speaking, when WLDC enter into any partnership an exit strategy would be built in. Most of this work would be completed in conjunction with Lincolnshire Legal.

RESOLVED to:

- (1) Approve the Annual Governance Statement for 2018/19 and the associated Action Plan;
- (2) Sign off the Action Plan for 2017/18 as completed.

15 AUDITED STATEMENT OF ACCOUNTS

Members considered the 2018/19 audited Statement of Accounts.

Members had received the unaudited statement of accounts on 31 May; these accounts were now presented as audited. The accounts had been prepared in accordance with statutory guidance and in compliance with approved accounting policies.

The Strategic Finance and Business Support Manager highlighted the following points:

- Income and expenditure accounts showed a surplus of £1.583m, which compared to the revenue outturn of £3.133m, after taking into account statutory adjustments;
- West Lindsey District Council (WLDC) had net assets of £5.571m, with usable reserves totalling £23.631m;
- The General Fund Working balance was above the minimum provision of £2 million, and stood at £3.849m;
- WLDC remained well placed to meet the liabilities of future risks. In relation to cashflow for income and expenditure, there had been an increase of £2.113m.

Following this introduction, Members asked questions of officers. Further information was provided:

- The pension fund deficit reduced between 2016/17 and 2017/18. The main influence was around the assets and liabilities of the fund. There was a triennial review of the entire pension fund undertaken by actuaries, reassessing Council contributions to make sure the deficit was paid off within a 20 year timeline;
- There were 353 authorities in local government; WLDC were positioned in the upper quartile of this list in terms of their share of the deficit;
- The major impact on the surplus for the provision of services of £1.858m was the adjustment to the pension fund. Previously this had been a reduction in monies paid, whereas this year it had been an increase;
- The general fund balance would mitigate any risks in the short term. There were also contingency reserves for the commercial investment properties.

Brexit was difficult to assess at this point in time;

- The longer term debtors figure consisted of a number of external loans to third parties; for example:
 - the joint venture company for Market Street Renewal,
 - an independent developer loan of £200k to construct units;
 - intercompany loans with Sure Staff and West Lindsey Staffing Company;
- The fall in the net expenditure figure was due to a number of statutory adjustments to the amounts in the expenditure statement- statutory overrides where the Council Tax payer should be charged. These adjustments related to items such as capital purchases, financial income and expenditure;
- When WLDC receive grants, they come with a range of conditions. Unapplied grants were held on the balance sheet as a creditor;

- The provision of reserves had increased significantly;
- Following a review of business rate provisions for appeals, it was decided that these were being over-provided for;
- Currently WLDC was performing above the target for commercial investment; the property portfolio equated to a significant amount of money;
- The overall financial strategy was increasing income generation, and had long-standing plans in place to deal with critical issues;
- Internal Audit had looked at the investment approach and awarded positive levels of assurance;
- The largest provisions seemed to be for those appeals for business rates, informed by the threats that exist. The provisions were prudent;
- In 2018/19 WLDC were part of the 100% business rates retention pilot. This meant that there was no Revenue Support Grant (RSG), but 100% retention of business rates.

The retention of business rates was down to 50% in 2019/20, but the government had promised a 75% retention scheme in the future;

- The Minimum Revenue Provision (MRP) policy states that WLDC would not charge revenue for commercial investment properties funded through prudential borrowing. A valuation volatility reserve would mitigate any shortfall in the borrowing compared to the sale of any asset.

RESOLVED to:

- (1) Confirm there were no concerns arising from the Financial Statements within the Statement of Accounts that needed to be brought to the attention of Full Council;
- (2) Approve the Statement of Accounts for 2018/19;
- (3) Permit the Section 151 Officer and the Chairman of the Governance and Audit Committee to certify the letter of representation to West Lindsey District Council's Auditor, Mazars, on completion of the audit.

16 ISA 260 REPORT

Members considered the External Auditor's report on the quality of the Statement of Accounts and the Annual Governance Statement for 2018/19.

The External Auditor highlighted sections of the report:

- Work in the area of 'significant risk' had been completed, along with the work relating to pensions;
- 3rd party verifications for WLDC's bank accounts and investments were still awaited;
- There were no outstanding queries with officers;
- Materiality set out the framework for the external audit; it was based on gross operating expenditure from the previous year;
- The proposal was to give an unqualified opinion, in addition to an unqualified value for money (VfM) conclusion. No broader audit powers had been needed;
- The significant findings and risks were listed as being:
 - Management override of controls;
 - The valuation of property, plant and equipment and investment properties;
 - The valuation of net defined pension liability;
- Statutory guidance was that there should be an MRP for investment properties. Local authorities should interpret this as they see fit. The financial impact for this year had been negligible;
- Under the banner of VfM, there had been two broad areas of further work around the commercialisation strategy and WLDC's sustainability;
- No additional representations were asked for as part of this work. The Committee's acceptance on misstatements relating to pensions was requested.

The Chairman did raise with the External Auditor that it was unfortunate that the ISA 260 report was supplementary to the agenda; ideally the report needed to be given the same time consideration as the Statement of Accounts, and needed to be considered before the Statement of Accounts report.

Following questions from Members, further information was provided:

- The VfM conclusion was underpinned by the policy on the Minimum Revenue Provision;
- Commercialism was initially identified as a risk; WLDC was categorised as a smaller authority investing significant funds for a Council of their size;
- Misstatements did not make a substantial difference for future pensions payments as they were below the materiality threshold.

RESOLVED to accept the content of the report.

17 ANNUAL VOICE OF THE CUSTOMER REPORT 2018/19

Members considered a report on customer feedback from the year 2018/19, as well as looking at the customer contact data.

The following points were highlighted:

- This was the first report on customer feedback using a new process agreed previously;
- Both compliments and comments had increased in number, but complaints had decreased from the previous report;
- Updates to customer satisfaction levels were reported through the Progress and Delivery paper, a quarterly report that was seen by Overview and Scrutiny, Prosperous Communities and Corporate Policy and Resources Committees.

Following questions and comments from Members, further information was provided:

- Complaints for Waste Services and Street Cleansing have decreased, in part due to more specific reporting being able to break these complaints down. For example, missed bins only becomes a complaint when it was a repeated problem;
- Comments were suggestions that WLDC could look at in the future. Comments were grouped with complaints and compliments as being statements about a service. The Customer Satisfaction Survey was more automated, but does work alongside the complaints, compliments and comments service;
- Online forums such as Facebook were monitored for any feedback or questions for the Council.

RESOLVED to:

- (1) Note the content of the Voice of the Customer report;
- (2) Note that the processes and procedures used to gain insight into Customer Experience were robust and adequate.

18 INTERNAL AUDIT Q1 19/20

Members considered an update on progress by the Audit partner, against the 2019/20 annual programmes.

During Quarter 1 five reviews had been completed by the Internal Audit team:

- Key Controls - Substantial Assurance
- Investment Programme - Substantial Assurance
- Payment Card Industry - Substantial Assurance
- Data Security Standard Follow up
- Planning Enforcement - Limited Assurance
- Follow up

- ICT Capacity and Capability - Consultancy work

Members expressed disappointment that Planning Enforcement had received limited assurance again; Internal Audit confirmed that this would be followed up. Any 'limited assurance' audit would receive the same treatment. The Monitoring Officer outlined to Members that when the initial audit was carried out the team was in the early stages of a restructure, and it was clear that more staffing resource was required. Subsequently, the resource in that team had been doubled.

The actions outstanding within that team had now been completed, but needed to be tested by Internal Audit. Once the service was running effectively and efficiently, the resourcing requirements would be revisited.

The Chairman gave his thanks to Matt Waller from Internal Audit for all the work he had done with this Committee.

RESOLVED to note the report.

19 WORK PLAN

The workplan was noted – an Independent Member gave his thanks to report writers for producing promising reports without being overly glossy.

The meeting concluded at 3.42 pm.

Chairman