

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 18 April 2023 commencing at 10.00 am.

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

Councillor Stephen Bunney
Councillor Mrs Tracey Coulson
Councillor Mrs Caralyne Grimble
Councillor Mrs Angela White
Alison Adams
Andrew Morriss

In Attendance:
Jeanette McGarry Assistant Director People & Democratic Services
Peter Davy Financial Services Manager (Deputy Section 151 Officer)
Daniel Watson Director and Engagement Lead, Mazars LLP
Paddy Sadd Manager, Mazars LLP
Alastair Simson Principal Auditor, Lincolnshire County Council
Tony Maycock Principal Auditor, Lincolnshire County Council
Katy Allen Corporate Governance Officer
Katie Storr Democratic Services & Elections Team Manager
Andrew Warnes Democratic and Civic Officer

54 PUBLIC PARTICIPATION PERIOD

There was no public participation.

55 MINUTES OF PREVIOUS MEETING

RESOLVED that the Minutes of the previous Meeting of the Governance and Audit Committee held on 14 March 2023 be approved and signed as a correct record.

56 MEMBERS DECLARATIONS OF INTEREST

There were no declarations of interests made at this point in the meeting.

57 MATTERS ARISING SCHEDULE

With no comment, the Matters Arising Schedule was duly **NOTED**.

58 SIX MONTH REVIEW OF STRATEGIC RISKS

Members gave consideration to the 6 Month Review of Strategic Risks facing the Council as at March 2023. The Interim Assistant Director & Monitoring Officer introduced the report and provided Members with a brief context of the updated risks and trigger points.

Strategic risks were considered, those faced by the Council that, if materialised, would adversely impact the delivery of corporate priorities. The approach adopted reflected the guidance provided by the Association of Local Authority Risk Managers. The body advocated that strategic risks should focus on the long-term objectives of the organisation, which could be affected by areas such as financial concerns, political risks, legal and regulatory changes and changes in the physical environment. The Governance and Audit Committee regularly reviewed the strategic risks on a six-monthly basis.

Debate ensued, and there were numerous contributions on the education issues within the District and the associated risks concerning a lack of education opportunities outside of the grammar school in Gainsborough, alongside the knock-on effects on other parts of the affected parties' lives.

In a discussion about the housing associated risks, the Assistant Director explained that she would take back the concerns raised to the Housing team. The issues raised included, small-level landlords dropping out of the market, renting issues, the number of older people in the District, property sizes, ageing dwellings and a predicted drop in house prices. The Officer highlighted these were wider connected problems with housing and re-iterated specialists were to be made aware.

Regarding RAF Scampton related statements, the Officer gave assurance that a large team was working on the project, with external financial, planning and legal advice. The Authority was also engaging with the Local Government Association to meet the Home Office's priorities. Members were also advised that the paper and the risks noted were written before the Home Office's recent announcement of RAF Scampton usage. But there was a reminder that the Strategic Risk Register was reflective of corporate priorities, Scampton was related to wider risk of regenerating the District and as such would be reflected with the wider risks but would not appear as a risk on the strategic register its own right.

During multiple points in the debate, Members raised the idea of having another updated review at the July 2023 meeting of the Committee. The Officer agreed for Members to receive an updated report at that meeting, which was to take on the concerns of the highlighted issues during the debate, and factor in recent and pending changes.

Having been proposed and seconded, on being put to the vote it was unanimously

RESOLVED that:

- (a) having reviewed the Strategic Risk register, noting the comments made, no

additional strategic risks be included; and current controls and proposed actions are considered sufficiently robust; and

- (b) in light of recently emerging and pending circumstances a further review of the Strategic Risk Register be submitted to the Committee in July 2023.

59 EXTERNAL AUDIT STRATEGY MEMORANDUM (PLAN) 2022/23

Members considered the External Audit Strategy Memorandum (Plan) for 2022/23. In presenting the report the Audit approach as detailed on page 46 of the agenda pack was highlighted. Significant audit risks highlighted by the External Auditor included the management override of controls; the Valuation of Property, Plant and Equipment, Investment Properties and assets held for sale; and the Valuation of Net Defined Benefit Liability (Pensions). Key judgements highlighted being the Minimum Revenue Provision (MRP), and Group Accounts.

Materiality was an expression of the relative significance or importance of a particular matter in the context of financial statements as a whole. Misstatement in financial statements were considered material if they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. Initial materiality levels were:

- Overall Materiality - £955,000;
- Performance Materiality - £715,000; and
- Triviality - £ 28,000. This was about 2% of the growth register.

Debate ensued, and in response to a query about the transition to the new auditors for the Authority, KPMG, it was explained that regular meetings were held between the two audit organisations and PSAA, and there was frequent collaboration between them. Members were reminded that most of the transition work was during the finalisation and completion of the audits.

In response to a question about the protections in place concerning the significant risk of overriding controls, the material fraud in accounts went through regular sample testing, with everything in the general ledger receiving a chance to be audited. Members also heard that any transactions above the Overall Materiality level were considered, with the holistic response being to consider the appropriate control environment.

Regarding a query about whether specific audit results for improvement were fed back to the Council, the Director and Engagement Lead for Mazars explained that qualified actuaries regularly reviewed how senior management challenged the estimates and checks, and Management took ownership and responsibility for the recommendations. Members were also appreciative of the updated reports and the clarity of the External Auditors' presentation and comments.

Having been moved and seconded, on being put to the vote, it was unanimously

RESOLVED that the External Audit Strategy Memorandum (Plan) for 2022/23 be accepted.

60 INTERNAL AUDIT DRAFT ANNUAL PLAN 2023/24

Members considered the Internal Audit Draft Annual Plan Report for 2023/2024 based on assurance mapping and risk assessments across the Council's critical services. The Principal Auditor introduced the report and provided Members with brief context as to the reports purpose, highlighting the main aspects of the Annual Plan in the appendix.

The plan had been developed taking a risk-based approach and had been developed in conjunction with Management through managers requests, member requests, cyclical reviews, and areas of interest intelligence gathering such as the combined assurance work.

The report included the level of resources, and costs of providing assurance through delivery of the plan.

Debate ensued, and Members commented about the listed areas of audits and enquired about other possible areas for internal audit to focus on. These included the housing and renting situation within the District, selective licensing scheme under consideration, and the project to rejuvenate RAF Scampton if the circumstances facilitated such an audit. The Principal Auditor explained further consideration could be held by at the six-month review stage and could be raised during liaison meetings with Management Team to assess the appetite, alongside other priorities and emerging risks in the Plan.

In response to a query about the reduction of the number of days, this had been reduced from 166 to 146 as there were to be no subsidiary days planned for the 2023/24 council year. Seeking to understand if this would create a saving, Members were advised that subsidy work would potentially need to be undertaken through another arrangement; the subsidy work allocation was currently under discussion by Management Team.

Having been proposed and seconded, it was unanimously

RESOLVED that the contents of the report be agreed and that Members were assured the plan provided robust coverage of the Council's critical areas and services.

61 COMBINED ASSURANCE REPORT 2022/23

Members gave consideration to the Combined Assurance Report 2022/23, which presented the work with Assurance Lincolnshire and the wider Management Team.

The purpose of the Combined Assurance Report was to produce a record of assurance against the Council's critical activities and risks. It provided an overview of assurance across the Council making it possible to identify where assurances were present, their source and where there were potential 'unknowns or gaps'. It offered a triangulated view of assurance with opinion provided by management, corporate and/or third-party assurance and Internal Audit.

The Principal Auditor explained that the overall assurance levels direction of travel was positive, with red rated down from 2% to 1%, amber rated down from 49% to 42% and green rated up from 49% to 57%. The Combined Assurance report was produced annually and the

report under consideration covered the year ending 31 March 2023.

Debate ensued, and Members raised multiple points about aligning the issues raised in the report with those in the Strategic Risks report, and a perceived lack of consistency. The Assistant Director explained that the report reflected the corporate plan and risk register. Concerning the specific case of housing stock, there was a difference in the process between the internal auditors' assessing activities in the marketplace, and the strategic risks utilised by officers. It was suggested that a golden thread that linked the strategic risks with the combined assurance findings was possible. A related suggestion by a Member to review the presentation of risks more generally was also heard.

In response to a line of enquiry about the leisure centre contracts and lack of revenue issue, the Assistant Director of People and Democratic Services clarified the national context of lockdowns and the impact of the Covid-19 pandemic more generally, significantly affected the operational expenditure of the leisure centre. The Officer advised the Committee that the Authority was liaising and supporting its partners.

Members also expressed other potential related issues, such as a rise in heating costs and a lack of grant support, with one expressing concern over the financial provision affecting the future of leisure provision in the District. Members were informed that the Overview and Scrutiny Committee regularly scrutinised the leisure centre contracts.

In a dialogue about the IT findings in the report and raised concerns about a possible critical event, the Principal Auditor explained that it was the view of the IT Manager and supported by the relevant Directors, with the focus being on a self-assessment process and Lincolnshire Assurance provide some scrutiny to the results produced. The Officer also informed Members of the five-year ICT audit plan, with planned reviews into incident management and cybersecurity.

Members also commented on the importance of environmental concerns when it came to focusing on net zero targets and energy efficiency more widely, focusing not just on SLY (security, liquidity and yield) attributes, but on ESG (environmental, social and governance) features of investments.

Having been proposed and seconded on being put to the vote, it was unanimously

RESOLVED that:-

- (a) the report be approved; and
- (b) the Committee were assured that the finding illustrated that the Council's governance framework was operating effectively.

62 ANNUAL CONSTITUTION REVIEW & MONITORING OFFICER REPORT

Members gave consideration to the Annual Review of the Constitution 2022/23 for recommendation to Council in respect of proposed amendments to the Constitution.

The Annual Report from the Monitoring Officer aimed to provide a holistic view of all

governance associated matters. The Report was broken down into 14 sections, with a few housekeeping amendments, and any aspect was open for discussion and consideration by the Committee.

The Council was required by law to prepare and keep up-to-date a Constitution which explained how the Council operated, how decisions were made and the procedures which were to be followed to ensure that these were efficient, transparent and accountable to local people.

Article 14 of the Constitution stipulated how such a review should be conducted namely:

- a) by observing meetings of different parts of the Member and Officer structure;
- b) by undertaking an audit trail of a sample of decisions;
- c) by recording and analysing issues raised with Monitoring Officer by Members, Officers, the public and other stakeholders;
- d) by comparing practices in this authority with those in comparable authorities, or national examples of best practice; and
- e) by undertaking a review of each committee's effectiveness.

As comprehensive reviews of the Constitution were undertaken in 2011, 2014 and 2017, and a large number of amendments were made to large sections of the document in 2018, a number of relatively minor amendments were proposed as detailed at Section 3 of the report. Officers were to consider during 2023/24 as to whether a more comprehensive review of the Constitution was required in coming years, noting the date when such work was last undertaken.

The Constitution had continued to be tested during the 2022/23. The Monitoring Officer was pleased to report that it had provided a clear and robust framework for the governance and decision-making of this Council. This was especially important with the delivery and inception of some very ambitious projects.

As part of the last Annual Review considered by Council in May 2022, Members agreed a list of associated work to be undertaken during the 2022/23 civic year namely:

- Parish Charter
- Member Development
- Members IT
- Work on 4th tier governance review
- Adoption of New Code of Conduct by Parishes
- Government Response to the Committee on Standards in Public Life's review of Local Government Ethical Standards
- Review of Council Procedure Rules
- Working Groups Terms of Reference
- Call-in Objection Form for Parish Council Use

Section 2 of the report provided a brief update of the work which had been undertaken over the period and any arising outcomes. Any proposed amendments arising from this work or feedback received through the year were contained in Section 3 of the report, with all amendments being brought together in a table of changes for implementation at paragraph 3.9. On this occasion some amendments proposed throughout the review were not being proposed for progression; these were detailed at Section 6 of the report together with the

rationale.

Section 7 details associated work planned to be undertaken during the 2023/24 civic year, which included those areas of work which not progressed as expected in 2022/23, and concluded the Annual Review.

Sections 8 – 14 made up the Monitoring Officer's Annual Report and aimed to provide a holistic overview of all governance matters.

Section 8 of the report sets out the governance arrangements in place to manage Commercial and Economic Growth and Section 9 was a new section outlining the implications of the new Subsidy Control Act 2023 and a statement of compliance. Section 10 presented a data analysis of the number, nature and outcome of complaints received under the Code of Conduct, during the 2021/22 civic year.

Section 11 of the report asked Council to approve the appointment of Mr Andrew Morriss, an Independent Member of the Governance and Audit Committee due to an expiry of office. Section 12 detailed support the Monitoring Officer had provided to a number of Parish Councils to ensure their continued functioning.

Section 14 was a new addition in 2020/21 and provides information in respect of the Council's Regulation of Investigatory Powers (RIPA). A review of arrangements saw an arising recommendation from the Inspector that Members should receive at least annually the number of times the Council has used its powers. The Monitoring Officer's Annual report was the channel through which such information is reported and concluded the Annual Report.

Debate ensued, and Members raised multiple aspects, focusing on parish councils and the parish charter. Members expressed a desire for broader communication and the implementation concerns with the new parish charter, which was to establish communication between the Authority and parish level bodies. The Chairman informed Members that the Corporate Policy and Resources Committee would review the new Parish Charter annually.

In response to a specific query about the past signatures being liable to the financial statements and responsibilities of parish councils, the Financial Services Manager stated the precept information was checked regarding paying into the correct account, with a double check on the correct bank details. It was further explained that they would still have liability until it was fully confirmed after a possibly lengthy process.

A Member also expressed a desire to advertise to the newly elected Parish Councils their call-in abilities to the Authority's Planning Committee and requested further communication with all Parish Councils. Members also expressed that not enough progress had been made on the relationships between the Authority, and parish and town councils.

It was also noted that minor spelling and numbering issues would be corrected before the report was to be considered by Full Council at the Annual Council meeting on 22 May 2023. Members also supported the minor amendments to the Constitution regarding public participation and attendance to working groups.

Having been proposed and seconded, upon taking the vote, it was unanimously

RESOLVED that:-

- a) the amendments to the Financial and Contract Procedure Rules, summarised in Section 4, and attached as Appendices 5 and 6 to this report. be approved;
- b) that the governance outlined in Section 8 of the report, in respect of managing Commercial and Economic Growth, provides assurance that the council is taking appropriate mitigating measures against the risks identified in its commercial approach be agreed; and
- c) delegated authority be granted to the Monitoring Officer, in consultation with the Chairman of the Governance and Audit Committee, to update the report following consideration by the Committee where further progress is likely to be achieved, or to reflect Committee's views prior to its submission to Annual Council

Further **RESOLVED** that the Governance and Audit Committee **RECOMMEND** to Council the following:

- a) that the outcome of the 22/23 annual review, as detailed in the report be received and noted;
- b) that the additional amendments detailed throughout Section 3 of this report, identified during the 22/23 review be adopted and implemented with immediate effect;
- c) that the appointment of Mr Andrew Morriss as Independent Member on The Governance and Audit Committee until Annual Council May 2027 (Section 11) be approved;
- d) that delegated authority be granted to the Monitoring Officer, in consultation with the Chairman of the Governance and Audit Committee, to amend the Scheme of Corporate Delegations (pages 48 – 60 of Section IV), if required, on approval of HR policies by Corporate Policy and Resources Committee throughout 2023/24;
- e) that
 - the progress made with regards to the areas of work agreed for further development in the previous review (Section 2);
 - the areas considered but not taken forward (Section 6)
 - the further planned work for 2023/24 onwards (Section 7);
 - the introduction of the Subsidy Control Act (Section 9)
 - the statistical data provided within the report in respect of the number, nature and outcome of Code of Conduct Complaints (Section 10);
 - the support offered to Parish Councils (Section 12); and
 - the use of the Council's RIPA powers during the period (section 14) be received and noted.
- f) that the amended Financial Procedure Rules and Contract Procedure Rules approved by the Governance and Audit Committee be noted.

63 WORKPLAN

At this point in the meeting, the Chairman expressed his gratitude for all Members who had served and were serving on the Committee over the past four years, for the expertise knowledge of the Independent Members, and the support received from Officers.

In response to a query about the newly agreed Strategic Risk report being allocated for the July 2023 meeting, the Democratic Services and Elections Team Manager confirmed that it would be added to the workplan.

The Workplan as set out in the report was **NOTED**.

The meeting concluded at 11.12 am.

Chairman