

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 29 November 2022 commencing at 10.00 am.

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

Councillor Stephen Bunney
Councillor Christopher Darcel
Councillor Mrs Angela White
Councillor Mrs Angela Lawrence
Alison Adams
Andrew Morriss

In Attendance:
Emma Foy Director of Corporate Services and Section 151
Emma Redwood Assistant Director - People and Democratic Services
Peter Davy Financial Services Manager (Deputy Section 151 Officer)
Michael Norman Auditor Mazars
Katie Storr Democratic Services & Elections Team Manager
Andrew Warnes Democratic and Civic Officer

Apologies: Councillor Mrs Tracey Coulson
Councillor Mrs Caralyne Grimble

Membership: Councillor Mrs Angela Lawrence substituted for Councillor Mrs Tracey Coulson

30 PUBLIC PARTICIPATION PERIOD

There was no public participation.

31 MINUTES OF PREVIOUS MEETING

RESOLVED that the Minutes of the previous Meeting of the Governance and Audit Committee, held and adjourned on 11 October 2022, and re-convened on 21 October 2022 be approved and signed as a correct record.

32 MEMBERS DECLARATIONS OF INTEREST

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

33 MATTERS ARISING SCHEDULE

Members expressed their thanks for the flood risk letter, and requested further information going forward. The Matters Arising Schedule was duly **NOTED**.

34 REPORT TO THOSE CHARGED WITH GOVERNANCE - EXTERNAL AUDIT COMPLETION REPORT (ISA260)

Members considered an External Audit report on the quality of the Statement of Accounts. The report was introduced by Mike Norman of Mazars, one of the Authority's External Auditors. In presenting the report he highlighted the key headlines, these being on pages 23 and 24 of the report

- An anticipated unqualified audit opinion on the 2021/22 Statement of Accounts, with the proposed audit opinion included in the Draft Auditor's Report attached at Appendix B of the main report.
- Value for Money work remained in progress and the results would be reported within the Auditor's Annual Report later in the year. There were no significant weaknesses in arrangements to report in relation to the arrangements that the Council had in place to secure economy, efficiency and effectiveness in its use of resources. Further detail on the Value for Money work was provided in section 7 of this report.
- The Whole of Government Accounts had not yet been issued to authorities to complete and the Auditors were awaiting instruction from the National Audit Office.
- There have been no public objections to the accounts.

Referring Members to page 26 of the report pack, the External Auditor confirmed that work in relation to the "Net Defined Benefit Pension Liability valuation" was now completed and as such he could confirm that no material issues had been identified.

Members attention was also drawn to Section 6 of the report which set out audit misstatements, which included a small number of unadjusted misstatements.

There was one material misstatement identified during the Audit that had now been corrected by Officers, page 45 of the report pack provided details of this and circumstances which had seen this arise and there were two unadjusted misstatements to note in the following areas in

- Pension Scheme – Net Pension Liability. The Pension Fund advised that there had been an increase in the pension fund asset value in the time between the Actuary preparing the original IAS19 pension figures and the audit of the Council's accounts (September/October 2022). A new IAS19 report was therefore requested by the Council in October 2022 and the amount of the valuation increased to the asset value was £439k. The impact of this was to reduce the Council's net pension liability by the same sum.
- Valuation of Property, Plant and Equipment. During the audit a small number of errors were identified in asset data used by the Valuer. Updated valuations for the affected assets were requested which had resulted in a net increase in the asset values of £88k.

These were not considered to be material and Officers had not proposed to adjust the financial statements as result, the Auditor indicated his satisfaction with that position.

In concluding the External Auditor highlighted that the Audit had not identified any significant internal control deficiencies, no significant risks nor had they encountered any difficulties in undertaking their work. Thanks were expressed to the finance team for their co-operation.

Debate ensued and in response to questions, regarding the material misstatement, the S151 Officer explained the circumstances which had seen an additional £700,000 deemed payable to HMRC. This payment was under dispute and Members were advised there was a meeting scheduled with HMRC to ascertain a solution.

In responding to comments on the formatting and accessibility of the reports, Members were informed that previous feedback had resulted in revisions been made, but the further feedback provided during the meeting would be passed to relevant officers. Regarding the minor individual errors, Members sought and received assurance that these were not looked at in isolation and if a large number of small errors had been identified this would be referenced and effect the overall opinion. This was not the case in respect of West Lindsey with the External Auditor further explaining that the £88,000 figure was an aggregated figure.

RESOLVED that the content of the report be accepted

35 AUDITED STATEMENT OF ACCOUNTS 2021/22

Members considered the Audited Statement of Accounts for 2021/2022. An introduction was provided by the Section 151 Officer, who was pleased to advise that the Statement of Accounts 2021/22, had received an unqualified audit opinion. The Statements reflected the Authority's financial activity for the year up to 31 March 2022.

Prior to opening the debate, and at the request of the Chairman, the Monitoring Officer confirmed all present had undertaken the required training in accordance with the Constitution.

In opening, Members congratulated Officers on the presentation of the report and commented on the positive impact the Council's Community Grant Scheme had on local communities and in leveraging in match funding.

Lengthy questioning ensued and explanation was requested and received regarding the details of note 11 on page 131 of the agenda pack, regarding the corrections listed. The Section 151 Officer explained the movement in earmarked reserves had been recategorized for consistency into three types of reserves as required by the newly instated statement of recommended practice. Members were assured that it was a requirement to classify, and provide competitors contingency and risk service investments.

In responding to further questions in respect of the Council owned companies and joint ventures, the S151 Officer advised as to why these companies were only referenced in a disclosure note to the Accounts. This was primarily due to them not being material in size. Officers outlined how materiality was defined and Members were reminded where Business

Plans and accounts for such ventures were reported to.

Members were keen to ensure there was a route by which subsidiary companies were reviewed to ensure they still met their objectives, were fit for purpose, served a need and were still the appropriate mechanism. Furthermore, there should be transparency around any such review. Members were assured that the Monitoring Officer could consider reviews and future audits into West Lindsey District Council's subsidiary companies and it was suggested these should be considered for inclusion in the Annual Audit Plan.

Members also learned the decreased received money was due to the decline in Covid-related activity provided by the Authority.

In responding to a question which sought clarity of what the service investment fund was used for and how it was replenished, Members ascertained such funds were used for IT upgrades, IT replacement programmes, and new systems such as the new finance system introduced in year. Service Investment Funds were generally funded by a combination of under spends in a year, where something had been budgeted to take place in one year, but the actual renewal took place in the following year, creating a special ear marked reserve for it, or any surplus in grant funding that wasn't expected. Earmarked reserves were created either from an underspend or where there was a known future liability.

Members further sought clarity as to whether service investment, involved investment in training. In responding the Section 151 Officer advised that earmarked reserves could be used, for invest to save projects, these may be capital investments or training where this would lead to savings in the future, citing a good example as the T24 programme. Change, officers were funded from earmarked reserve and provided business analysis that would lead to future savings and/or improved service delivery.

Members sought from the Section 151 Officer the key points she would draw from the report to provide confidence that the Authority was in sound financial position, firstly it was noted that unlike a number of Councils, the Authority was not at risk of issuing a Section 114 notice. The Officer highlighted three key successes.

The first was the borrowing levels. The Officer explained that the Authority could pay off the long-term and short-term borrowing levels in one payment, highlighting the high risks with local government finances and other local authorities' situations. The second success was the cash flow statement, which had a net increase over the financial year, with £17 million available. The third element was surrounding the future funding gaps against the general reserve balances of £4 million. The funding gap over the medium term remained within the grasp of the current general fund balances over the next two to three years. The Committee also indicated that a note on the statements to explain these positive features may have been helpful, particularly in communicating the statements. Noting an increase in salaries over the year Officers advised that this were primarily funded from the successful Levelling Up Grant Fund, which had allowed additional Officers to brought in fully funded. These Officers were on fixed term contracts aligned with the funding.

Noting the impact of inflation, Members questioned where the biggest risks to the Council were. The biggest cost to the Authority was it staffing but as a result of prudent budgeting for a 4% increase, further supported by a decrease in the national insurance contributions by employers, no significant overspend was projected. In a related query about inflationary

concerns, the Section 151 Officer explained that though electricity was the primary concern, the larger buying arrangement with ESPO and provisions in the 2022/23 budget placated significant inflation-related concerns. There was no forecast of substantial overspend.

There were, as always, concerns about the Pension Fund deficit and Committee sought indication as to whether inflation was helpful or unhelpful in reducing the deficit. Members were advised that at the latest tri-annual review the Council's position in terms of the value of assets and liabilities was that the increase to the scheme, in terms of the payment the Council had to make, was lower than expected. Due to a move from a final salary pension scheme to an average salary pension scheme, whilst the liabilities remained high, it was anticipated that the adversity of that situation would reduce over time, as more people in the scheme were based on average salary rather than final salary. It was stressed that any reduction in the fund (amount owned) could not be used in budgeting due to the re-evaluation process.

It was also noted the likelihood of the deficit having to be repaid all at the same time was highly unlikely. Due to the points raised regarding pensions, the liability and the uncertainty they created on a Council's budgets, it was suggested the Committee's comments and concerns be raised with Council's representative on the Lincolnshire County Council's (LCC) Pensions Board.

Noting the decrease in monies received from the Council companies, Members sought indication as to whether that should be cause for concern, but were advised that the decrease in 21/22, was really following quite a significant increase during 20/21, during Covid. The Committee heard the benefits this arrangement had afforded. Noting the increase in temporary staffing and that this primarily related to refuse drivers delivering the waste contract, Members enquired as to whether this was due to the Purple lidded bin roll out. It had been suggested LCC was to fund the project and Members enquired as to what costs had been borne by West Lindsey. Officers undertook to find the detail.

In responding to further questions, Members were assured that the decrease in the creditors and debtors in the cash flow statement was due to the timing of receiving grant money, meaning money was moved forward to pay it out in time for schemes, such as the Energy Rebate Scheme, Covid Grants, Business Rate Relief This resulted in cash flow swings larger than expected but it was anticipated the large swings would reduce through 23/24.

It was confirmed the increases in heritage assets were due to re-evaluations as opposed to new assets being on the register.

Near the end of the debate, the Monitoring Officer clarified that a portion of the Annual Governance Statement, which focused on the areas for improvement had been excluded from the version attached to the Statement of Accounts. The statement agreed by the Committee in July 2022 remained the same namely: -

“Governance Risks – Areas for Improvement during 2022-23 (year ahead)

Whilst we are satisfied with the effectiveness of the corporate governance arrangements and systems of internal control, as part of our continued efforts to improve governance the following issues have been identified for improvement as part of the 2021-22 Annual Governance Statement process. An action plan will be implemented to ensure activity takes

place to bring about the improvements.

- Loss of key staff – ensure that processes are fully documented, succession plans in place where appropriate, identify activities which are overly reliant on one individual
- Financial settlement – continue to update the MTFs as we gain greater certainty on the level of funding for future years
- Preparing for all out elections in May 2023 – ensure robust election planning and deliver an effective member induction plan
- New finance system – ensure it is effective and compliant
- Continue the review of corporate procurement procedures (carried forward from last year). The Council historically has bought in services from Lincolnshire Procurement but due to recruitment issues they can only provide a limited service
- Continue the implementation of CIPFA FM Code requirements.”

This section would be included in the published accounts.

RESOLVED that: -

- (a) having reviewed the Statement of Accounts, Committee confirmed that there were no concerns arising from the Financial Statements that need to be brought to the attention of the Council.
- (b) the Statement of Accounts for 2021/22 and their certification by the Chairman of the Committee be approved; and
- (c) the Section 151 Officer and the Chairman of this Committee be permitted to certify the letter of representation to the Auditor, Mazars, on completion of the audit.

36 REVIEW OF WHISTLEBLOWING ACTIVITY

Members considered a report which provided a review of whistleblowing activity by the Monitoring Officer for the 2021/22 year.

The policy was reviewed by the Governance and Audit Committee in 2021 with recommendations made for the Joint Staff Consultative Committee to consider. The reviewed policy was presented to the Corporate Policy and Resources Committee in April 2022 and was agreed for adoption.

There had been 5 referrals made to the Whistleblowing helpline in the period April 2021 to March 2022. 1 referral was made in April 2022 which fell outside of this reports period but was been included for information.

4 referrals were passed to the DWP

1 referral was made regarding planning permission and was passed to the service as a planning query

1 was made by a fraud investigator from Crawley Borough council to locate a person suspected of committing social housing fraud (this was the April 2022 case)

There had been no incidents of whistleblowing raised internally within the Council. It was still vitally important that the Authority maintained and continued to publicise the reporting mechanisms and Officers outlined the various mediums by which such promotion was undertaken. The Counter Fraud Team were the gatekeeper for all whistleblowing referrals for the District Council. The policy continued to be communicated to staff and was included in the quarterly corporate.

Debate ensued, and Members questioned the value of the service. The Monitoring Officer explained the services and reporting comes through all related activity, with its cost forming part of the package of internal audit work, such as counter fraud investigations, and that the results in the report were from the whistleblowing helpline. Regarding the value for money, it was considered essential for staff, residents, and contractors to be able to raise whistleblowing concerns externally to the organisation and this was provided by the Partnership.

In responding to further queries, Members heard the service formed part of the Corporate Induction, with the Policy advertised further to the Wider Management Team. It also formed part of the consideration of the 2023/24 Council's work. The Monitoring Officer referenced further outreach, such as the Parish Newsletter and broader publication schemes was possible.

In the concluding part of the debate, the Monitoring Officer clarified that whistleblowing could be considered in the next year's audit plan.

RESOLVED that: -

- (a) the contents of the report be noted; and
- (b) the Committee continue to receive annual reports in relation to policy implementation and incidents.

37 WORKPLAN

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

The meeting concluded at 11.24 am

Chairman