

## WEST LINDSEY DISTRICT COUNCIL

MINUTES of the Meeting of the Governance and Audit Committee held in the Council Chamber - The Guildhall on 14 January 2020 commencing at 2.00 pm.

**Present:** Councillor John McNeill (Chairman)

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

**In Attendance:**

Alan Robinson	Monitoring Officer
James O'Shaughnessy	Corporate Policy Manager & Deputy Monitoring Officer
Emma Bee	Audit Manager, Internal Audit
Caroline Capon	Corporate Finance Team Leader
Mark Dalton	Auditor Mazars
Michael Norman	Auditor Mazars
Matthew Waller	Internal Audit
James Welbourn	Democratic and Civic Officer

**Apologies:** Councillor Mrs Jackie Brockway

**Membership:** Councillor Jessie Milne substituted for Councillor Jackie Brockway

### 30 PUBLIC PARTICIPATION PERIOD

There was no public participation.

### 31 MINUTES OF PREVIOUS MEETING

The minutes of the meeting held on 15 October 2019 were approved as a correct record.

### 32 MEMBERS DECLARATIONS OF INTEREST

There were no declarations of interests.

### 33 MATTERS ARISING SCHEDULE

The outstanding matters arising were outlined by the Democratic and Civic Officer, and were duly noted by the Committee.

### **34 CERTIFICATION OF GRANTS 2018/19**

Members considered a report on the housing benefit subsidy claim audit for 2018/19 from the External Auditor, Mazars.

A full review had been carried out, and no further errors had been found outside of the £147.80 overpayment.

Officers were congratulated for their work over the year. It was considered to be a small error in a large overall budget.

#### **RESOLVED to:**

- 1) Accept the contents of the report;
- 2) Agree to accept this report through the West Lindsey Members' Bulletin in future. It will return to the Governance and Audit Committee if there are errors to report which are higher than triviality (£26,000) as detailed annually by the Authority's External Auditors, Mazars.

### **35 DRAFT TREASURY MANAGEMENT STRATEGY, MINIMUM REVENUE PROVISION (MRP) POLICY AND DRAFT CAPITAL INVESTMENT STRATEGY**

Members considered a report on the Draft Treasury Management Strategy, Minimum Revenue Provision Policy, Prudential Indicators and the Capital Investment Strategy.

The Corporate Finance Team Leader introduced the report, and highlighted the following points:

- Incorporated into the report was the latest guidance from the Chartered Institute for Finance and Accountancy (CIPFA) and the Ministry for Housing, Communities and Local Government;
- The Treasury Management Strategy looked at the borrowing strategy, which ensured consideration was given to the affordability and sustainability for the repayment of debt.

Also looked at was the Annual Investment Strategy, which aimed to provide security on investments, whilst considering liquidity, cashflow requirements and yield. All were considered alongside the Authority's risk appetite;

- The General Fund Balance was estimated to be at £3.862 million by the end of 2022/23;
- External debt by 2022/23 was estimated to be just over £44 million, with borrowing at £7 million. Gross debt was estimated at just over £55 million;

- The Minimum Revenue Provision Policy (MRP) had deviated from the guidelines. This policy determined how prudential borrowing was repaid on an annual basis.

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

- In 2019/20 the revenue implication for the capital programme was a negative figure impacting on Council Tax. In 2020/21 investments were largely infrastructure based; all of these planned infrastructure investments had limited income generating schemes. As a result, the capital programme was increased;
- £7 million remained in the capital programme, to be financed from borrowing. Anticipated borrowing by the end of 2022/23 was £44 million; however the absolute limit would be £55 million;
- It was very tough to accurately forecast cashflow due to uncertain elements, such as government grants.

**RESOLVED** to:

- 1) Accept the Treasury Management Strategy, Prudential Indicators and Minimum Revenue Provision Policy 2020/21, and **recommend them to Full Council**;
- 2) Note that the Capital Investment Strategy had been reviewed in conjunction with the Treasury Management Strategy.

### **36 EXTERNAL AUDIT STRATEGY MEMORANDUM (PLAN) FOR 2019/20**

Members considered a report on the 2019/20 External Audit Strategy, presented by the External Auditors to West Lindsey District Council, Mazars.

Mike Norman and Mark Dalton from Mazars introduced this item, and highlighted the following sections of the report:

- The report described the approach taken by the external audit and highlighted the work proposed to be undertaken, along with the audit risks;
- The fees for the external audit were in line with the scale fees set by the Public Sector Audit Appointments (PSAA). These fees were continually reviewed, with regard given to additional work required by the regulators around the valuation of property, plant and equipment, and the pensions liability;
- The report highlighted the independence and objectivity of the external audit team;
- There had been no changes to the scope of the audit from the previous year, and it continued to be carried out under the Code of Practice on Local Authority Accounting.

This would be the last year under the current Code of Practice, which was currently under review by the National Audit Office (NAO);

- The timescale for the external audit remained broadly the same as previous years. The planning stage had been completed, with an interim visit scheduled for early February.

The bulk of the substantive testing would take place in June and July. West Lindsey District Council (WLDC) had a requirement to produce draft accounts by the end of May, with final publication by the end of July;

- The two standard inherent, significant audit risks across all organisations were:
  - Management override and controls – management at various levels within an organisation were in a unique position to perpetrate fraud because of their ability to manipulate accounting records;
  - Fraudulent revenue recognition – this risk was more of an issue for the private sector. Across local government, these risks were not as prevalent; it was hoped that this risk could be rebutted at the Audit's planning stage;
- The two main areas of significant audit risk for WLDC remained:
  - Valuation of property, plant and equipment;
  - Valuation of net defined benefit liability;
- The 'concept of materiality' was built into the normal, standard approach to the audit. At this stage, materiality levels were broadly similar to those set for last year. One area of judgment was the 'concept of performance materiality';
- Broadly the risk profile was similar to that seen last year. The June and July period will be busy' however the team will endeavour to deliver the work by that point;
- The 2018/19 audit delivery across the country was patchy; non-delivery of the audit was around 40%. There were still two ongoing audits within Lincolnshire. Regulators across the sector were mindful of this.

Following this introduction, Members asked questions of the External Auditors. Further information was provided:

- If issues arose which led to the audit being delayed, WLDC would still have to publish their accounts at the end of July. However, these accounts would be classed as 'unaudited';
- If issues emerged during the audit process which required further work (issues could include technical problems, or incorrectly presented information), then a fee variation could be triggered. If the error was the fault of the External Auditors, then the responsibility of the fix would rest with them;
- WLDC were in a good position this year to have the full, audited accounts signed off by the end of July;

- The external auditors flagged up that WLDC had departed from guidance that had said that the Commercial Investment Strategy should be subject to the Minimum Revenue Provision Policy. However, for the previous year and the current year this departure from guidance was not expected to have a material impact on financial statements;
- The movement away from the Minimum Revenue Provision Policy had led to the Valuation Volatility Reserve being set up. This was continuously reviewed; the maintenance of this approach was an agreement with both Governance and Audit Committee and Full Council.

**RESOLVED** to approve the External Audit Strategy Memorandum Plan for 2019/20.

### **37 ANNUAL GOVERNANCE STATEMENT 2018/19 ACTION PLAN UPDATE**

Members considered the progress with the Annual Governance Statement 2018/19 Action Plan.

This report detailed progress against the action plan, which had been agreed in July 2019. The four issues that had been identified for development were:

1. Risk Management – assessing the Authority’s overall ‘risk appetite’ and undertaking a review of strategic risks;
2. Peer Review – hold a peer review to set improvement targets through a third party;
3. Governance Review – work on the findings of the Governance Review carried out by Internal Audit;
4. Member Induction and Training – induct new and returning Councillors and implement the Member Development Training Plan.

Two of these actions (Risk Management; Member Induction and Training) had been completed.

The Peer Review would commence in the week beginning 20 January; all of the preparation for this had been completed.

The Governance Review related to a report from the Head of Internal Audit on the ethics and culture of the Authority. The action plan was being worked through, was on track and had a completion date of 31 July 2020.

Following this introduction, Members asked questions of the Corporate Policy Manager. Further information was provided:

- There were around 18 individual actions as part of the Governance Review. Some could be solved quickly; however others would require amendments to the Constitution. The actions covered a range of issues such as Human Resources, the Constitution, and adherence to the 2018 CIPFA code. There was a planned follow-up by Internal Audit due for the end of January;

- The Peer Review had been requested by WLDC; best practice would be that this was undertaken approximately every five years. This was overdue, as it was last carried out around ten years ago. It contained a body of peers drawn from demographically similar Councils.

The review would look at a number of areas, such as:

- Leadership;
- Finances;
- Governance;

Issues had been identified by WLDC and officers could point peer reviewers towards areas of help needed. The review will be conducted over two and a half days, resulting in a report which would be discussed with the Leader of the Council, senior Members and the internal Management Team. The report would highlight areas of improvement and things to consider.

External parties will talk to the peers on certain matters.

It was **RESOLVED** that Members were assured that the current position of the Annual Governance Statement Action Plan for 2018/19 will result in the completion of all relevant actions by July 2020.

### **38 COMBINED ASSURANCE REPORT 2019/20**

Members considered the Authority's Combined Assurance report for 2019/20.

The following points were highlighted by the Corporate Policy Manager:

- This report would normally be tabled during the March meeting, but was ready earlier for this year;
- The Combined Assurance report was an annual exercise undertaken by partners from Internal Audit. It was a record of assurance measured against critical activities, IT, key projects and partnerships and others. After speaking to the relevant managers, a level of assurance was given to different work strands.

There were 119 different areas across the report; 72% of activities in the report were performing well (green assurance), 25% of areas in the report were in need of attention (amber), and 3% were not performing well (red);

- There were four items listed as 'red'; none of these related to front-facing transactional services. These four items were:
  - Strategic capacity – changes at Executive Director level;
  - Agri food sector – the project cannot currently proceed due to landowner restrictions;
  - Educational attainment – inability to raise local levels;
  - ICT Security and Information Governance – the arrangements were ineffective;
- All of the 'amber' risks detailed in the report were known to management. It would need to be ensured that sufficient actions were taken to address these risks;

- The conclusion from partners at Internal Audit and WLDC management was that the findings were positive, and the governance framework was acting well.

**RESOLVED** to:

- 1) Be assured that the findings illustrate that the Council's governance framework was operating effectively;
- 2) Approve the report.

### **39 DRAFT INTERNAL AUDIT QUARTER 3 PROGRESS REPORT 2019/20**

Members considered a report giving an update on progress by the Audit partner against the 2019/20 annual programmes agreed by the Governance and Audit Committee in March 2019.

Assurance Lincolnshire, the Internal Auditors outlined their report, highlighting the following points:

- Financial resilience had received high assurance; this was a key control. This area had become more prominent following the issues that Northamptonshire County Council had experienced. This area will continue to be monitored;
- CIPFA had updated their financial management code for UK local authorities; this was designed to support good practice in financial management;
- There were three reports at the draft stage of an audit; these would all be large pieces of work:
  - Vulnerable Communities;
  - ICT – Members' Devices;
  - Corporate Plan and Golden Thread.
- 66% of the yearly plan had been completed at this stage. All of the work in the plan had been started, aside from two audits which would be taken at quarter 4 of the year;
- There were no outstanding actions from the previous quarter.

**RESOLVED** to note the update.

### **40 WORKPLAN**

The workplan for 2019/20 and beyond was noted.

The meeting concluded at 3.03 pm.

Chairman