

WEST LINDSEY DISTRICT COUNCIL

MINUTES of the Meeting of the Governance and Audit Committee held in the Virtual - MS Teams on 9 March 2021 commencing at 2.00 pm.

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
Peter Walton

In Attendance:
Alan Robinson Director of Corporate Services and Monitoring Officer
Emma Bee Audit Manager
Tracey Bircumshaw Assistant Director of Finance and Property Services and
Section 151 Officer
Caroline Capon Corporate Finance Team Leader
Mark Dalton
Michael Norman Auditor Mazars
James O'Shaughnessy Corporate Policy Manager & Deputy Monitoring Officer
Ele Snow Democratic and Civic Officer
Katie Storr Senior Democratic & Civic Officer
James Welbourn Democratic and Civic Officer

Apologies:

Membership:

52 PUBLIC PARTICIPATION PERIOD

There was no public participation.

53 MINUTES OF PREVIOUS MEETING

The minutes of the meeting held on 12 January 2021 were approved as a correct record.

54 MEMBERS DECLARATIONS OF INTEREST

There were no declarations of interests.

55 MATTERS ARISING SCHEDULE

The matters arising schedule was noted.

56 ADDITION TO THE CIVIC HONOURS SCHEME - ADOPTION BY THE DISTRICT

Members considered a report introducing a process, as part of the Civic Honours Policy, by which the Council may grant Instruments of Adoption.

The Council did not previously have a policy allowing a 'freedom' to be converted into an 'adoption', although it did have a policy under which Civic Honours could be granted.

The report set out the difference between these two terms, and also set out the fundamental requirements for a parade.

Given that the processes around freedoms and adoptions were similar, it was requested that the Council always granted a freedom in the first instance.

The report was moved and seconded, and following a vote it was unanimously **RESOLVED** to:

- (1) Approve the summary, criteria and the instrument of adoption process as attached at Appendix 1 of the report for inclusion in the Civic Honours Policy.
- (2) Grant delegated authority to the Chief Executive, in consultation with the Chairman of the Council, to convert the awarding of a Freedom to the awarding of an Instrument of Adoption, should the recipient make such a request. A requirement of the delegation being that all Members are notified within 5 days of the decision being made.

57 ACCOUNTS CLOSEDOWN 2020/21 ACCOUNTING MATTERS

Members considered a report asking for a review of, and approval of accounting policies, actuary assumptions and materiality levels that will be used in the preparation of the 2020/2021 accounts.

Note: Peter Walton joined during this item.

Also outlined was the process of the External Audit of the Statement of Accounts and the approach to the Value for Money audit 2020/2021.

The following pieces of information were highlighted:

- Local authorities were required to publish an audited Statement of Accounts by the end of September; however there may be further changes to statutory deadlines in the coming months;
- The National Audit Office had introduced a new code of practice. There were a number of changes to financial and reporting requirements;
- There had been a change to the fee charged by Mazars, the external auditors. This fee had increased to £42,000, but the Government had apportioned extra funding to

meet increased audit fee requirements;

- There had been minimal changes to the Chartered Institute of Public Finance and Accountancy (CIPFA) code of practice, and no changes to accounting policies;
- The pension fund had had a change of actuary, which had resulted in a change of assumptions. There were no known proposals that could impact on these assumptions;
- The materiality level set by External Auditors was £900,000, and the triviality, or insignificance level was set at £27,000.

Members then provided comments on the report, and asked questions of officers. Further information was provided:

- Auditors were faced with extra work on property, plant and equipment and pensions. They also have a new audit code; these and other reasons resulted in the increased fee in their services;
- The Council was provided with detailed explanations of pensions forecasting, and the Council's triennial report took this into account. The Council's pension fund was pooled, so whilst investments were held as one fund, West Lindsey's investments were protected in a separate scheme;
- Certain criteria needed to be satisfied before assets could be labelled as 'assets held for sale', and they must be externally marketed. If priorities changed for the Council, then assets could be changed back to 'non-current';
- The Council used elements of Community Infrastructure Levy (CIL) contributions for capital schemes, and those contributions were detailed in the capital programme. The amounts were collected on a regular basis until they could be paid over to other organisations;
- The materiality level set by the External Auditors was typically calculated by using a figure of 2% of gross expenditure;
- IFRS 16 introduced significant changes in the treatment of leases for financial reporting purposes. However, it had been delayed and would not be applicable until 1st April 2021. Leases would need to come onto the Council's balance sheet;
- Any changes in the political or economic environment would be taken into consideration;
- There had previously not been any trading on the property fund due to uncertainty, but this had now been re-opened. Economic certainty was returning, but uncertainty remained a risk to the accounts;
- Property valuations were actively challenged. Due to mitigations in place, the risk around these valuations had reduced from a 9 to a 6. The professionalism of outside

individuals were relied on to inform valuations;

- There were strong policies in place to mitigate risks around the economy, and in particular these mitigations would be looked at through the Medium Term Financial Plan.

Investment had been gained from the investment portfolio, and the balance sheet around property, plant and equipment had performed well.

The recommendations within the report were moved, seconded and it was **RESOLVED** to:

- (1) Approve the proposed accounting policies, including at Appendix 1 of the report;
- (2) Be satisfied that the pension assumptions, risk assessment and key closedown dates had been scrutinised;
- (3) Approve the proposed materiality levels as included at section 5 of the report;
- (4) Accept the main accounting changes for 2020/2021 and onwards as shown at section 3 of the report.

58 EXTERNAL AUDIT STRATEGY MEMORANDUM (PLAN) 2020/21

Members considered the 2020-2021 External Audit Strategy from the External Auditors, Mazars.

As an introduction, Mazars highlighted the planned fees for the audit, including the additional fees. The independence and objectivity of the audit approach was confirmed within the report. It was expected that the audit would be complete by the end of September 2021; in addition, it was likely that the audit would be carried out remotely as it was in 2020. Further information was highlighted as below:

- Significant audit risks were detailed at section 4 of the report; the enhanced risks were the same as in previous years. There had been one non-audit piece of work carried out by Mazars for West Lindsey District Council on housing benefit subsidies. Mazars were satisfied that this work did not represent a conflict of interest for them;
- The new Annual Auditor's Report replaced its previous iteration, the Annual Audit Letter;
- There was a new code of practice for 2021. One of the main changes related to Value for Money (VfM) work. Also under the new code of practice there would be a disappearance on a binary conclusion, which would previously have been a 'qualified' or 'unqualified' opinion. This would be replaced by a narrative commentary which could cover financial sustainability, good governance and effectiveness. This new narrative would require more input from internal management and Mazars;
- It was now required that weaknesses be reported as soon as they were identified rather than waiting for the end of the audit cycle.

Members then asked questions of the External Auditors. Further information was highlighted:

- The 25% additional grant funding from government was offered with the aim of recognising the upward pressure on audit fees. This 25% extra funding was a general fund based on assumptions;
- The information would be presented in a different way as the code of audit practice was refreshed every five years and led to updated guidance for auditors. This refresh was an opportunity to enable and encourage findings in auditors' work;
- In the long-term auditors could qualify their opinion on the group accounts if they felt that there were assets, liabilities or other elements of turnover which weren't fairly reflected. However, before this stage were reached there would be discussions with internal management on any issues with single entity accounts, as well as a second stage of reporting to the Governance and Audit Committee.

The policy around Minimum Revenue Provision (MRP), and the transactions between the Council and the staffing agency would be examples of variations from audit guidance, but were fully transparent, and taken on an annual basis.

The report was moved, seconded, and following a vote it was **RESOLVED** to approve the External Audit Strategy Memorandum Plan for 2020/2021.

59 COMBINED ASSURANCE REPORT 2020/21

Members considered the Council's Combined Assurance Report for 2020/2021.

The following points from the report were highlighted:

- When compared to the findings from previous years in relation to risks and projects the impact of Covid had been realised. Resources within the Council had been diverted and work had had to be re-prioritised to make sure that staff were there to help the vulnerable, and also to make sure that businesses didn't suffer;
- Over previous years functions that the Council's performed have, on average been at around 75% 'green', that is to say they have been performing well. This year it had dropped to 54%. The key for officers was to make sure that this dip to 54% was not systemic, and was a direct result of the impact of Covid-19. A close eye would be kept on those services that have seen a big impact from Covid-19;
- If this report was seen alongside Progress and Delivery reports considered by other committees it was evident that performance had remained at a high level.

Members asked questions of officers present. Further information was provided:

- The delivery of street cleansing had been superb, and waste services were praised during the Budget consultation. However, street cleansing was rated as 'amber' as Covid-19 had impacted this. If there were further illnesses within the team they would come under further strain;
- A succession plan had been put in place for the Data Protection Officer as the previous post-holder had retired;
- Where teams have been working from home in some cases they had been reassigned to other duties and this would impact on their day job. When business as usual was returned to it was hoped that the dip in assurance would be reversed;
- There had been two staff surveys since staff started working permanently from home. The results had been generally positive, whilst acknowledging there were difficulties with the home working situation. Management Team were pleased by the efforts staff were putting in;
- A Covid Recovery Group were looking into how office use would return. It was expected that it would be into the summer or autumn before staff levels in the office were to return to what had been previously seen;
- No causal links between departments had been identified at this stage that resulted in the overall drop in assurance.

The recommendations were moved, seconded, and following a vote it was unanimously **RESOLVED** to:

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

60 INTERNAL AUDIT DRAFT ANNUAL PLAN REPORT 2021/2022

Members considered the Internal Audit Draft Annual Plan Report for 2021/2022 based on assurance mapping and risk assessments across the Council's critical services.

The following points were highlighted by Assurance Lincolnshire:

- Planning processes behind the draft plan were outlined within the report, and assurances were drawn together from a number of different sources;
- All work was carried out in line with Public Sector internal audit standards. It was not possible to look at all areas of work so there was a focus on areas of highest risk. Any postponed work had been pushed into next year's planning;
- Council management had been assisted with Housing Benefit subsidy testing.

Members then asked questions of Assurance Lincolnshire. Further information was

provided:

- In general governance processes at the Council worked well, and this wasn't just down to one individual. If staff move on there are a number of checks and balances, such as statutory officers, internal audit, and external audit;
- There was a follow up audit on culture and ethics this year that received full assurance;
- More detailed work had taken place on the ICT audit risk and assurance. Cyber security was a huge risk.

The ICT plan was flexible, and work takes place with management throughout the year so any changes within ICT can be addressed. Where possible, the ICT plan would be combined with North Kesteven District Council as the two ICT departments were linked;

- In the worst case scenario where all IT failed, there were several spare copies of the Council's disaster recovery plan.

The report was moved, seconded, and following a vote it was unanimously **RESOLVED** to:

- (1) Approve the contents of the report and be assured that the plan provides robust coverage of the Council's critical areas and services;
- (2) Note the content of the report related to the ICT Audit Plan.

61 INTERNAL AUDIT QUARTER 4 2020/2021 REPORT

Members considered an update of progress by Assurance Lincolnshire against the 2020/2021 annual programmes agreed by the Governance and Audit committee in March 2020, and amended in June 2020.

The highlights of the report were:

- The Crematorium and the Customer Relationship Management (CRM) system audits were to be awarded substantial assurance;
- Additional work had taken place on Housing Benefit 40+ testing;
- Substantial assurances on homelessness and strategic risk related to education and skills had been achieved.

The recommendation was moved, seconded, and following a vote it was **RESOLVED** that the contents of the report had been considered.

62 WORKPLAN

The workplan was noted.

Governance and Audit Committee- 9 March 2021
Subject to Call-in. Call-in will expire at 5pm on

The meeting concluded at 3.52 pm.

Chairman