

WEST LINDSEY DISTRICT COUNCIL

MINUTES of the Meeting of the Governance and Audit Committee held in the Council Chamber - The Guildhall on 20 July 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 Christopher Darcel
Councillor David Dobbie
Andrew Morriss
Peter Walton

In Attendance:

Tracey Bircumshaw	Assistant Director of Finance and Property Services and Section 151 Officer
James O'Shaughnessy	Head of Policy Strategy and Sustainable Environment / Deputy Monitoring Officer
Emma Redwood	Assistant Director People and Democratic Services
Lucy Pledge	Internal Audit
Amanda Hunt	
Natalie Kostiuik	Customer Experience Officer
Katie Storr	Democratic Services & Elections Team Manager (Interim)

Apologies: Alison Adams

Membership: There were no substitutes appointed for the meeting.

8 WELCOME AND THANKS

The Chairman welcomed all Members to the Meeting and highlighted the Covid secure measures which would be in place throughout the meeting.

He paid thanks to Councillors White and Grimble who, up until Council in June, had been serving Members of the Committee, for their services to the Committee.

9 PUBLIC PARTICIPATION PERIOD

There was no public participation.

10 MINUTES OF PREVIOUS MEETING

RESOLVED that the Minutes of the previous Meeting of the Governance and Audit Committee held on 15 June 2021 be approved and signed as a correct record.

11 MEMBERS DECLARATIONS OF INTEREST

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

12 MATTERS ARISING SCHEDULE

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

13 ANNUAL FRAUD REPORT 2020/21

Members considered the Annual report on identified fraud during 2020/21 and the proactive measures undertaken to counter fraud during the year and for the following year.

The report provided an overview of fraudulent activity during 2020/21, the details of which were contained in Section 3 of the report.

The report also sought to inform Members of counter-fraud activity, and to provide assurance and demonstrate that the Authority continued to have a robust counter-fraud culture and effective counter-fraud arrangements in place, ensuring fraud risks were managed effectively. Sections 4 and 6 set out proactive work undertaken this year and the planned programme of pro-active work for the year to come.

Debate ensued and Members posed a number of questions. Reference the number of fraud cases identified in West Lindsey which was much lower in comparison to both the Lincolnshire and national average, whilst this was a positive situation, Members questioned why this might be the case?

Members also noted that during the Covid period the approach to debt recovery had been more lenient and questioned whether this could be a factor in the low number of fraud cases identified.

In response Members were advised that due diligence was undertaken on all applications for monies, whether that be a benefit application or an application for grant funding. Robust internal controls were in place and high assurances had been received on all relevant audits, as such, Officers were confident that procedures were in place to identify suspected fraud cases.

The recent Business Grant scheme had identified a number of high-risk individuals and companies, all of which had been investigated on an individual basis, and reported to the National Fraud Agency where appropriate.

Members raised three areas where they considered it would be useful to have additional information in future years these being: -

- * Cyber and IT crimes, due to their high profile nature in recent times and increased reliance on IT systems and on-line working;
- * Procurement Fraud, particularly given the emergency arrangements which had been in place, seeking Assurance that all procurement undertaken on behalf of West Lindsey was in accordance with procedure; and
- * Working from home, which had the potential to open up new fraud opportunities.

In response Officers indicated they were happy to include information on those areas future reports. Assurance was also given that appropriate firewalls were in place to safeguard IT systems from cybercrime. These had proved successful to-date and continued to be monitored and updated appropriately.

Procurement procedure rules were in place and the authority worked closely with procurement Lincolnshire, in ensuring those procedures were effective. In terms of working from home all high risk systems had within them a segregation of duties. For example, a person placing an order was not permitted to authorise the same order for payment.

All audits undertaken during the pandemic relating to internal controls had received good audit assurances. Whilst noting the assurance provided in respect of systems and finance there were still concerns raised around the possibility of confidential information being disclosed as a result of home working.

Assurance was offered that all staff had been fully appraised of the risks around data disclosure. Computers were configured to lock screen within a very brief amount of time. Officers had also been provided with headsets for use within the home environment. It was however accepted that this was an area that needed to continue to be monitored.

RESOLVED that: -

- (a) the anti-fraud work undertaken during 2020/2021 and the fraudulent activity identified thereby be noted;
- (b) Members are assured that the Council's anti-fraud work has been, and will continue to be, sufficiently robust and effective; and
- (c) the proposed anti-fraud work to be undertaken during 2021/2022 be supported.

14 ANNUAL VOICE OF THE CUSTOMER REPORT 2020/21

Members consider the Annual Voice of the Customer report, which summarised customer feedback from the year 2020/21 and which analysed customer contact and demand data.

The Voice of the Customer Report not only examined customer feedback but also took into account a wider scope of customer views, expectations and opinions which had been collected from a number of customer contact channels, including, day-to-day interactions, compliments, comments and complaints received (customer feedback) and customer satisfaction survey responses. The focus being to turn these insights into actionable solutions to drive continuous improvement and deliver a better service for our customers in

line with the objectives of the Corporate Plan.

There had been a decrease in complaints overall and an increase in compliments received. A smaller number of complaints had been upheld overall. Where complaints had been upheld it had resulted in changes to processes and procedures; improvements in information provided to customers; and improvements to the online booking system.

Customer demand overall had decreased and there had been a considerable shift to online transactions given the circumstances of the past year, with the reception area remaining closed. The temporary closure of some services, such as certain waste services and the Trinity Arts Centre, for example, had resulted in a reduced number of telephone calls.

Members noted the number of variances which had been in play the past year making year on year comparison difficult. That being said Members commented on the positive position and recognised that the Council had responded well, overall, to the situation. Members also welcomed the fact that response times had only increased minimally given all the additional duties placed upon the Council during the pandemic.

Reference paragraph 2.18/19 in the report, which related to an increase in complex cases, Members questioned why this may be the case?, Whether this trend was expected to continue? And whether any mitigating actions were required.

In responding Officers advised, that complex cases primarily related to planning, one case being almost 20 years old. It had been recognised that other organisations, included time limits for complaints, including the LGO. This was something the Councils current policy did not include and as a result the Council occasionally found itself dealing with very old matters. It was therefore intended that the Policy would be reviewed and submitted to the relevant committee for approval within the next few months.

Members posed further questions, and in particular sought information regarding the waste service, noting there had been an increase in compliments but also a rise in complaints. Information was sought as to how many of these related to fly tipping as Ward members had seen an increase in the number of residents contacting them regarding this matter.

In response, the presenting Officer advised that only where the service had failed to respond to a complaint would it feature in this report, as such the total number fly-tipping service requests sat with the service. Officers undertook to provide the required data to the Councillor concerned outside of the meeting.

Again referencing the number of complex cases Members spoke of their concern and of their experiences within the wards in dealing with complaints. Some were often minor issues complicated by the approach taken by the complainants. Concerns were raised that this was now having a wider impact with examples being provided.

Officers thanked Members for acknowledging the complexities of dealing with complaints but gave assurance that policies were in place to address both vexatious complaints and vexatious contact.

Members considered it was important that time and resources were used appropriately. A member of the Standards Committee indicated that similar concerns had been raised at

their previous meeting. A number of complaints often related to a misunderstanding around roles and responsibility and it was therefore hoped in respect of standards complaints that training and information could be provided to residents and Councillors in order to manage their expectations and improve their understanding.

RESOLVED that: -

- (a) the contents of the Annual Voice of the Customer report be noted;
- (b) Members are assured that robust and effective measures are in place to improve the overall customer experience; and
- (c) the work of the Customer Experience Officer and the Councils 'right first time' approach be supported.

15 INTERNAL AUDIT ANNUAL REPORT 2020/2021

Members gave consideration to the Annual Internal Audit Report which aimed to provide a summary of the audit work undertaken over the past year. The report included an opinion on the overall adequacy of and effectiveness of the governance framework and internal control system and the extent to which the Council can rely on it; informed on how the plan was discharged and of overall outcomes of the work undertaken; and drew attention to any issues particularly relevant to the Annual Governance Statement.

Key messages highlighted to the Committee included, the Auditor's overall opinion. The opinion had been delivered in the context of Covid and the Head of Audit was pleased to advise that the Council continued to have effective governance risk and control processes.

The Council had adapted well during these unprecedented times and the report gave a positive assurance opinion across all areas. Governance, risk and financial control were performing well. Internal control was performing adequately, recognising the complex environment in which the Council had been working under and in recognition that there would always be areas of improvement. The report set out the detail and rationale behind the opinion.

In terms of the delivery plan, it had been a very challenging period, with most of the plan completed in the second half of the year. However the Auditor was pleased to report that 93% of the original plan had been delivered with the help and support of Council officers. Free and unfettered access had been granted across all areas.

Where there had been slippage, this was identified in the report, along with the actions being taken to remedy the position.

Debate ensued and Members congratulated the Council on how it had responded to the risks associated with Covid. Members also welcomed the proactive work which had been undertaken in addressing the issues raised in the previous year's AGS.

Through the course of the debate and in recognising how internal controls may be increased going forward, it was suggested that further ICT training for Members would be of

assistance. The Chairman indicated this matter would be referred to the Member Development Group in the first instance.

The Section 151 officer addressed Committee advising that as a management team they were pleased with the Audit report and its recognition of how, as an organisation, Officers had come together to continue to deliver. The Chairman and Members echoed those sentiments.

RESOLVED that

- (a) having considered the Head of Audit's Annual Report and Opinion for 2020/2021 no further actions had been identified; and
- (b) the Committee would take into account this Annual Report and the Head of Internal Audit's opinion when considering the Council's Annual Governance Statement 2020/21.

16 INTERNAL AUDIT QUARTER 1 REPORT 21/22

Members considered a report which provided an update of progress, by the Audit partner, as at 30 June 2021, against the 2021/2022 annual programmes, which had been agreed by the Audit Committee in April 2021.

During the period, two assurance audits had been completed and three audits were currently in progress, two at the draft stage. During the quarter, work had also commenced on drafting the Terms of Reference for those audits within the Plan scheduled for Quarters one and two.

The completed audits being:-

Key Controls – receiving High Assurance
Lea Fields Crematorium – receiving Substantial Assurance

Audits in draft stage were -

ICT Helpdesk – Draft report stage
Covid Business Grant – Draft report stage
Together 24 – Fieldwork

Information on each was included within both the body of the report and Appendix 3

A total of 21 agreed actions had yet to be implemented (3 High, 15 Medium and 3 low) No overdue actions were outstanding. Appendix 2 provided details of those actions where extended implementation dates had been agreed.

The Full Audit Plan was set out at Appendix 3. The matters of interest included within the report were also highlighted to the Committee.

In opening the debate, the Chairman referred to the extension of deadlines in respect of audit actions and whilst some of these extensions were entirely appropriate, caution was

expressed, in extending deadlines to avoid them being late. Referring to the amount of work that had been undertaken in recent years to ensure that audit actions were completed in a timely manner.

Referring to the information on page 82 and the importance of Officers' attitudes towards governance systems, Members praised Officers for their approach of openness and honesty, something which had been referenced in the recent Peer Review. Members were of the view that Officers were open to being scrutinized and saw the benefits of challenge. The importance of professional and courteous scrutiny was recognised and this was an area that Members should continue to receive training in.

Regarding the open and honest culture, and recognising that there had been considerable changes at senior management level and that the issue of culture was always a fragile one within any organisation during a period of change it was questioned whether this would remain. In conclusion, the Chairman referenced the information contained within the report, regarding Liverpool City Council, and some of the failings which had been identified. Reference was made to standing orders and their importance, providing the Chairman with an opportunity to remind Members that this was an area the Council had identified for review as part of its Constitutional report the previous year.

RESOLVED that having considered the content of the report, no further actions be identified.

17 DRAFT ANNUAL GOVERNANCE STATEMENT 2020/21

Consideration was given to a report which presented the draft Annual Governance Statement for 2020/21. The Committee were asked to review its content and identify any additional issues they considered should be contained in the associated action plan, prior to receiving the final document for approval at its next meeting

Ordinarily, the Authority was required to produce an Annual Governance Statement for approval by 31st July each year to accompany the Council's Statement of Accounts. Members noted the timeframe, as last year, had been extended to 30 September 2021.

Having reviewed the year; taken account of progress against the AGS 2019/20 action plan and having also considered recommendations made within various governance related reports/audits, the matters suggested for possible inclusion in the action plan were: -

- Living with Covid-19 roadmap#
 - Complete review of corporate procurement procedures#
 - Ensure compliance to meet the standards of the Financial Management Code
 - Produce a Cultural Strategy*
 - Clarify what 'social regeneration' means to the Council, what it will deliver and how to resource it*
-
- # Carried forward from the 2019/20 AGS action plan
 - Emanating from the Peer review action plan.

The draft statement and action plan have been shared with Internal Audit who had raised no

concerns.

Discussion ensued and the Chairman recognised that a number of areas had not been completed, simply, due to the additional duties placed upon the Council during the Pandemic.

Assurance was sought that the impact working remotely had on staff had been assessed. In response Officers advised that staff have been regularly surveyed, with the results being reported to the Joint Staff Consultative Committee. These results had also been shared in the Members' update. In response to further questions around the nature of the surveys, it was recognised that it was often difficult for individuals to recognise stress within themselves. Surveys had been anonymous but grouped within teams allowing trends to be identified, the results of which were shared with Assistant Directors for addressing through their relevant team managers. Further Assurance was offered that the Covid-19. Roadmap, having been identified as an action for the AGS, would mean Members would receive regular reports around the impact and mitigating actions. The Chairman questioned whether there was an action around culture giving the significant changes within the senior management team. In response Officers advised that the peer review process could be revisited in two years time. Furthermore there was an audit planned around culture and ethics, similar to that undertaken approximately 3 years ago, and as such the tracking of culture would be overseen through these pieces of work. Given the information provided the Chairman indicated he would welcome an update at a future Chairs Briefing, regarding the peer-review and whether there was any intention for a follow-up review to be completed.

RESOLVED that

- (a) having reviewed the draft Statement, no additional governance related matters be included in the draft statement; and
- (b) Having reviewed the proposed set of issues, arising during the year and intended to form the Action Plan for 2020/21, they be agreed.

18 UNAUDITED STATEMENT OF ACCOUNTS 2020-21

The Committee were presented with the Unaudited Statement of Accounts for Scrutiny. The accounts had been approved for issue by the S151 Chief Finance Officer on 1 July 2021 to the auditor, Mazars, which was prior to the statutory deadline of 31 July 2021.

The Committee was responsible for the approval of the Statement of Accounts and any material amendments of the accounts recommended by the external auditors. The Audited Statement of Accounts would therefore be presented to the Committee again on 28 September 2021 after the audit process.

Members of the Governance and Audit Committee would be provided with specific training on the Statement of Accounts to enable them to meet the requirements.

Taking information from the main Statements within the Accounts, i.e. the Income and Expenditure Account, the Movement in Reserves and the Balance Sheet, the financial performance indicators provided a view of the Council's financial stability and health.

The Council remained in a healthy position, with good levels of Usable Reserves, however the impact of the increase in the Pension Liability reflected an inability for the Authority to meet its liabilities. The pension fund was not an immediate concern, and the increased liability, was mainly due to the financial assumptions of the value of liabilities in the current economic climate.

The main elements of the Statement were detailed in Section 3 of the report and were highlighted to the Committee.

Debate ensued and reference the balance sheets, whilst acknowledging the level of reserves the Council still held, but recognising the fluctuating situation, particularly in respect of liabilities such as pension, assurance was sought that the Council had enough in reserves for future years .

In responding, Officers advised that the Council had increased its reserve from previous years. However the value of the assets was now less than that of liabilities the reasons for this was outlined to the Committee in detail. Officers were satisfied this gave the Council some level of resilience, but also the opportunity to continue to invest. The MTFP identified a balanced budget, but recognised a potential £1,000,000 shortfall within five years. Officers again provided assurance and were confident that this matter would be addressed in the ensuing years. A number of national issues were yet to be determined including business rate retention policy and the review of fairer funding across all local authorities, both of which had the potential to impact the council's finances. All assumptions within the plan had been made with the level of prudence providing further assurance.

In responding to further questions, the Section 151 officer indicated the two greatest areas of concern and unknowns with potentially significant implications were the outcome of the business rates retention and the fairer funding for local authorities. It was also unclear how long government support would be provided to support the Covid recovery. Treasury management practices of the council also allowed fluidity, allowing the council to respond if necessary.

Members questioned the scenario, should the assumptions within the report not fall within the Council's favour. The Section 151 officer outlined the potential implications, and how the MTFP allowed for these and mitigated against them, where appropriate. Reference was made to the VAT exemption limits, which HMRC determined had been breached. Officers outlined the circumstances, the calculation applied and indicated the ruling was being challenged. Officers were confident in being successful however, Members were advised that in the event the challenge was not successful approximately £740,000 would need to be paid to HMRC from the general fund.

There was some discussion as to whether the Statement of Accounts should refer to some staged targets in respect of carbon management. However given this staged target approach was not part of an agreed policy at this time, no amendments were considered appropriate at the current time.

The Committee commented that both this and the previous papers demonstrated that Officers had a handle on the processes and systems in place across the organisation and it

was suggested this is where Members should take their assurance from.

It was questioned whether the trust fund arrangement should be looked at going forward and whether this was now appropriate.

The Chairman also questioned how much of the reduction in allowances claimed by Members was as a result of the broadband allowance now being payable within the basic allowance, as opposed to savings from travel. Officers undertook to provide this information outside of the meeting.

At the request of Councillors, Officers outlined the difference between usable and non usable reserves referred to within the accounts, the latter mainly being for accounting adjustments such as differences in asset valuation.

Members were again reminded that full training would be provided prior to the meeting in September, the date of which would be circulated in due course.

RESOLVED that

- (a) having had the opportunity to review the Unaudited Statement of Accounts there are no comments from the Committee which need to be referred to the Section 151 Officer for subsequent discussion with the Council's External Auditors, Mazars;
- (b) the uncertainty around the Pension Fund Valuations which may result in amendments to the Statement of Accounts be accepted; and
- (c) the scale fee for the External Audit of the Statement of Accounts for 2020/21 be noted.

Note: Councillor Dobbie left during consideration of the above item of business at 3.16pm and was not present for the vote.

19 WORKPLAN

The Workplan as set out in the report was **NOTED** with the addition of the further item for September's meeting, a new code of Conduct for Members, following a recommendation by the Standards Sub-Committee the previous week.

The meeting concluded at 3.49 pm.

Chairman