

## **WEST LINDSEY DISTRICT COUNCIL**

MINUTES of the Meeting of the Governance and Audit Committee held in the Council Chamber - The Guildhall on 8 March 2022 commencing at 10.00 am.

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

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

**In Attendance:**

Tracey Bircumshaw	Assistant Director of Finance and Property Services and Section 151 Officer
Michael Norman	Auditor Mazars
Alistair Simson	Principal Auditor, Lincolnshire County Council
Emma Redwood	Assistant Director People and Democratic Services
Katie Storr	Democratic Services & Elections Team Manager
Andrew Warnes	Democratic and Civic Officer

**Apologies:** Councillor Mrs Jackie Brockway  
Councillor Christopher Darcel  
Alison Adams  
Peter Walton

**Membership:** No Members were substituted.

### **49 PUBLIC PARTICIPATION PERIOD**

There was no public participation.

### **50 MINUTES OF PREVIOUS MEETING**

**RESOLVED** that the Minutes of the previous Meeting of the Governance and Audit Committee held on 11 January 2022 be approved and signed as a correct record.

### **51 MEMBERS DECLARATIONS OF INTEREST**

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

## **52 MATTERS ARISING SCHEDULE**

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

## **53 INTERNAL AUDIT DRAFT ANNUAL PLAN REPORT 2022/23**

Members considered the Internal Audit Draft Annual Plan Report for 2022/2023 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.

The Plan had been developed taking a risk-based approach and had been developed in conjunction with Management and their assessment of risks. The report included the level of resources, and the costs of providing assurance through delivery of the Plan. Noting the flexibility within the Plan, in order to respond to changing circumstances, the main focus for Internal Audit during 2022/23 was detailed on pages 2 and 3 of the report and these areas were summarised to the Committee.

Appendix A outlined the various audits to be undertaken within each area and Appendix B contained those areas which had not been included in the Plan but which may be considered for inclusion.

The increase in fees was highlighted, with Members noting that the fee had increased from £295 to £350 per day for internal audits, following a review by Assurance Lincolnshire. The previous rate had been in place for 5 years and the review had balanced cost, whilst ensuring the service remained competitive and provided good value for money.

The Principal Auditor concluded his presentation highlighting and summarising the remaining appendices, which included:

- Appendix C - the Cyclical audits, and due diligence work;
- Appendix D - the Head of Internal Audit's opinion;
- Appendix E - the working protocols;
- Appendix F - the Quality Assurance Framework, and;
- Appendix G - the three-year plan for ICT Audit work.

Debate ensued and Members asked a number of questions of the Officer, particularly in relation to the increased fee (an 18% rise), the reason for the sharp increase and the timing of the Equality and Diversity Audit. It was also suggested that Lincolnshire Assurance could have benchmarked more regularly, avoiding a single large increase.

In responding, the Principal Auditor reiterated the reasons for the rise, this being an increase in on costs and salaries, but informed Members that no profit was made by Internal Audit. Regular benchmarking would be undertaken going forward, noting the point raised. Regarding the Equality and Diversity audit, this was to be reviewed in the 2022/23 year, and subsequently audited.

Having been moved and seconded on being put to the vote 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.

#### **54 AUDITOR'S ANNUAL REPORT (YEAR ENDED 31 MARCH 2021)**

Members considered the Auditor's Annual Report, which presented to those charged with governance, the work undertaken by Mazars (the Council's External Auditor) for the year ended 31 March 2021.

The External Auditor introduced the report and provided Members with brief context as to the reports purpose, highlighting the key headlines as follows:

- There was an unqualified audit opinion on the 2020/21 Statement of Accounts.
- No significant weaknesses in Value for Money arrangements had been identified and no recommendations had arisen from the work done.
- No questions or objections had been received by the Auditors under the Local Government and Accountability Act 2014, in respect of the Council's financial statements

Members were advised that the report confirmed the information given at the most recent meeting of the Committee, in that Mazars had given an unqualified audit opinion in November 2021, and there were no further points to bring to the Committee's attention.

The wider responsibilities of complying with HM Government's accounts reporting requirements, and the obligatory aspects to submitting information was also highlighted to the Committee. The Value for Money for arrangements were assessed looking at three key points:

- Financial Stability;
- Governance, and;
- Improving efficiency and effectiveness.

Section 3 of the report provided further commentary. In concluding his presentation, the External Auditor re-iterated no significant weaknesses had been identified through the work and there were no arising recommendations for the Council to address.

Debate ensued and in response to concerns regarding the delay in issuing certification of completion, External Audit advised that its issuing was a procedural matter, and as such the auditing of the accounts was considered completed. Members were advised that no local authorities had had their certificates issued, noting that the delay had arisen due to instructions having not been received from the National Audit Office confirming the requirements, in relation to the Council's whole of government accounts.

Additional context was provided by the Section 151 Officer who indicated to-date West Lindsey had not received the whole of government account return. Notification had been received in February indicating its arrival was imminent, but this had not materialised to-date.

In responding to further comments, the External Auditor gave further assurance that this was a similar situation nationwide, with the only impact being that the certification for

2021/22 could not be issued until certification for 2020/21 had been received. However, the Auditor had no concerns arising from the Audit work.

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

**RESOLVED** that the content of this report be accepted

## **55 EXTERNAL AUDIT STRATEGY MEMORANDUM (PLAN) 2021/22**

Members considered the External Audit Strategy Memorandum (Plan) for 2021/22. In presenting the report the Audit approach as detailed on page 10 of the report 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, Minimum Revenue Provision (MRP), and Group Accounts. Members were advised further information could found on pages 12 to 19 of the report.

The materiality levels applied, fees for the audit and value for money statement were briefly summarised to Members.

The External Auditor advised Members that the report focussed on changes in financial systems. Mazars were engaged with IT audit colleagues to support governance and project management arrangements, which included substantive testing around the transfer of balances.

The audit completion deadline had again been extended from 31 July to 30 November 2022. In concluding his report, the External Auditor indicated, in extending the deadline, it had been acknowledged that a number of significant changes were in motion at West Lindsey, including team changes, implementation of a new financial system and the pending appointment of a new Section 151 Officer.

Debate ensued and in response to concerns raised about the level of fees, the Auditor advised that fee levels were approved by Public Sector Audit Appointments Ltd., and reiterated that fees for the Council's 2021 audit would not exceed £8000. Members learnt that the trigger for an increase included identifying an item that would signify any issues and potential weaknesses in the accounts.

In responding to comments on the formatting and accessibility of the reports, Members were informed that the feedback would be passed to relevant officers, and future reports could be tweaked.

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

**RESOLVED** that the External Audit Strategy Memorandum (Plan) for 2021/22 be accepted.

## **56    CLOSEDOWN MATTERS 2021/22**

Members considered the Closedown Matters report for 2021/22, in order to review and accept the accounting policies, actuary assumptions and materiality levels that were used for the preparation of the 2021/22 accounts.

The report's consideration also included explanation of the process of the External Audit in the Statement of Accounts and approach to the Value for Money audit for 2021/22.

The Audit and Accounts Regulations 2015 required Local Authorities to produce and publish their Statement of Accounts by 31 July, which changed for both 2020/21 and 2021/22 from 31 May previously, and an Audited Statement of Accounts by 30 November annually, changed in 2021/22 from 31 July previously.

Members were advised that no changes to accounting policies had been made since the production of the 2020/21 financial statements. External Audit had set a materiality level for the Council of £990,000 for 2020/21 and amounts less than £30,000 were considered trivial, i.e. not significant.

An assessment of the risks associated with closing the Councils accounts and producing the Financial Statements was undertaken and the risk assessment was attached at Appendix 3 of the report. After applying the planned mitigation, the majority of risks were low risk (green) with only two risks identified as being high (red), both relating to the Council's subsidiary companies.

Debate ensued and Members asked a number of questions of the Section 151 Officer and the External Auditor. In responding to questions on materiality, Members were advised the formula applied was an auditing standard, using an appropriate benchmark, such as pension funds. Members heard that factors such as organisational changes and financial systems could reduce the level of materiality.

In response to questions regarding deficit risks in the pension fund, Members were advised of the assumptions used in the Actuary's triannual review. Regarding the pension fund, the Officer advised increased contributions were needed to spread the risk and repayment over the current 20-year period. Members were informed that a 1% increase in the employer's contribution rate had been factored in going forward, with around one million pounds per annum paid to reduce the deficit, subject to liability increases. These risks were reviewed annually by the Council, with risk reserves being a consideration given to future projects in the budgetary process.

In response to a question about risks for external companies, Members were advised that for externally administered organisations, including the Dransfield administered Market Street Renewal Ltd., work was done to ensure the relevant material was submitted in order to close the accounts.

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

### **RESOLVED that:**

- (a) the proposed Accounting Policies (included at Appendix 1) be approved;
- (b) the pension assumptions (as included at Appendix 2) had been considered and commented on;

- (c) the risk assessment (at Appendix 3) had been considered and commented on;
- (d) the proposed materiality levels as included at section 5 be approved;
- (e) the key closedown dates at Section 7 had been considered and commented on; and
- (f) the main accounting changes for 2021/22 and onwards, as shown at section 3 of the report be accepted.

## **57 WORKPLAN**

The Chairman advised that further reports would be populated in coming weeks.

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

The meeting concluded at 10.45 am.

Chairman