

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 13 June 2023 commencing at 2.00 pm.

Present: Councillor Stephen Bunney (Chairman)
Councillor David Dobbie (Vice-Chairman)

Councillor John Barrett
Councillor Mrs Jackie Brockway
Councillor Christopher Darcel
Councillor Sabastian Hague
Councillor Jeanette McGhee
Alison Adams
Andrew Morriss

In Attendance:
Emma Foy Director of Corporate Services and Section 151
Jeanette McGarry Assistant Director People & Democratic Services
Peter Davy Financial Services Manager (Deputy Section 151 Officer)
Claire Goodenough Head of Internal Audit & Risk Management
Katie Storr Democratic Services & Elections Team Manager
Andrew Warnes Democratic and Civic Officer

Also In Attendance: Councillor Paul Key

Apologies: Councillor Mrs Angela Lawrence

Membership: No Members were substituted.

1 CHAIRMAN'S WELCOME

The Chairman welcomed Members of the Committee to the first meeting and invited everyone sitting around the table to introduce themselves.

The Chairman also paid tribute to previous Members of the Committee including his predecessor, former Chairman of the Committee, John McNeill, thanking all of them for their service over the years.

2 PUBLIC PARTICIPATION PERIOD

There was no public participation.

3 MINUTES OF PREVIOUS MEETING

RESOLVED that the Minutes of the previous Meeting of the Governance and Audit Committee held on 18 April 2023 be approved and signed as a correct record.

4 MEMBERS DECLARATIONS OF INTEREST

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

5 MATTERS ARISING SCHEDULE

Brief reference was made to the future training requirements for Committee Members, with the Chair advising this would be further discussed outside of the meeting or under the workplan item. With no further comments, the Matters Arising Schedule was duly **NOTED**.

6 MOTION TO VARY THE AGENDA

In light of to the recent change of the Committee meeting time, the Section 151 Officer was required at a previously scheduled meeting, and as such it was proposed and seconded that agenda item 7a) – Unaudited Statement of Accounts 2022/23, be the final public report considered as opposed to the Internal Audit Charter 2023/24. On being put to the vote it was: -

RESOLVED that the order of the agenda be varied as detailed above.

7 DRAFT ANNUAL GOVERNANCE STATEMENT 2022/2023

Members gave consideration to the report which presented the draft Annual Governance Statement for 2022/23. 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 meeting on 26 September 2023.

The Officer highlighted that there were no significant governance issues raised in 2022/23

Having reviewed the year; taken account of progress against the AGS 2021/22 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 set out in Section Six of the report and summarised to the Committee.

Debate ensued, and Members raised several queries about whether and how this statement differed from past documents and whether there were any significant updates. The Interim Monitoring Officer clarified that there were no substantial changes to any governance concerns, bar no permanent Monitoring Officer being in place.

Members commented on how understanding the bigger picture was often of assistance, and

those with County Council experience, referenced reports provided to Members which demonstrated investments, yields, gilts, interest rates and the like. Officers confirmed that they did receive something similar from the Council's Treasury Advisors on a monthly basis and could share that with Members. It was further suggested that national picture update information had previously been supplied by Internal Audit through its reports. Those with County Council experience concurred, indicating they received such links and reports and the Chairman undertook to look into the matter further.

Following a further period of questioning, it was clarified that KPMG would be taking next year's audit, the 2022/23 statements were the responsibility of the outgoing External Auditors, Mazars. Regarding the Local Government Association (LGA) Peer Challenge, Members learned how peers were selected noting that the LGA led and oversaw the work, focusing on objective measures through a national framework. This also included checks and balances on Peer Challenges.

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

RESOLVED that having reviewed the draft Statement, no additional governance related matters be included in the draft statement.

8 INTERNAL AUDIT DRAFT ANNUAL PLAN 2023/24

Members considered the Internal Audit Draft Annual Plan Report for 2023/2024 based on assurance mapping and risk assessments across the Council's critical services, following Members' comments at the meeting on 18 April 2023. The Head of Internal Auditor introduced the report and provided Members with brief context as to the reports purpose, highlighting the main aspects of the Annual Plan in the appendix.

The plan had been developed taking a risk-based approach and had been developed in conjunction with Management through managers requests, member requests, cyclical reviews, and areas of interest intelligence gathering such as the combined assurance work.

The report included the level of resources, and costs of providing assurance through delivery of the plan. It was confirmed the Plan had not been amended since last been seen by Committee in April 2023.

Debate ensued, and Members enquired about the working practices of the Committee and the work of Lincolnshire Audit. Members learned that Auditors, both from Lincolnshire County Council (Internal Audit) and Mazars' (External Audit), could receive unfettered access and were able to provide a supportive challenge to the Authority.

Members also received assurance that issues to be considered had been taken through by the Combined Assurance report, the Strategic Risk register, and any emerging risks within the local government sector. Members were further advised how those areas not included in the Plan had been determined.

In response to questions regarding intentions in relation to ICT cyber- security and development, Auditors clarified that their role would be to focus on the cybersecurity elements, reviewing the level of risk the Council exposed itself to, the controls and

mitigations in place to make sure that the documentation was kept safe and secure. In respect of ICT Development Plans no further detail was available yet, as to what that audit would cover. It was further advised that the role of Committee was to seek assurance, the development of Policy did not sit within the Committee's remit nor did changing a Policy because of Audit.

With no further comment, having been proposed and seconded, upon taking the vote, it was

RESOLVED that the contents of the Internal Audit Plan be agreed.

9 INTERNAL AUDIT CHARTER 2023/24

Members gave consideration to the Internal Audit Charter 2023/24, which established a set guide on the working relationship and expectations between Lincolnshire Audit and West Lindsey District Council. This followed the work commenced by the newly appointed Head of Internal Audit at Lincolnshire Audit which was to ensure standards set out by the Chartered Institute of Internal Auditors (CIIA) were being followed.

The Charter was part of the professional indemnity that covered the work between West Lindsey District Council and Lincolnshire County Council (as the provider of the Internal Audit Function), and covered the service that was expected to be delivered in relation to reporting, independence and quality oversight.

Debate ensued, and Members queried the proposed changes. The Head of Internal Audit explained that the formalisation of the wording was the most significant change proposed, with minimal content changes. The wording was focused on the CIIA guidance and was to standardise the service. In a follow-up query, Members learned that there was a clear expectation of the delivery work to be completed and it was again re-repeated that Auditor's had unfettered access.

In response to a query about the definition of appropriate parties, Members heard that this was part of the CIIA's guidance, which related to a whole host of different sectors outside the public sector. It was further explained that these must be disclosed to the Committee and placed the obligation within the Charter if required. It was explained that this was not necessary at the present moment in any of the audit work. In reply to a further query about future work, it was confirmed that the audit work for 2023/24 would commence shortly.

With no further comment, having been proposed and seconded, upon taking the vote, it was unanimously

RESOLVED that the contents of the Internal Audit Charter be agreed.

10 UNAUDITED STATEMENT OF ACCOUNTS 2022/23

The Committee were presented with the Unaudited Statement of Accounts for Scrutiny. The Accounts had been approved for issue by the S151 Officer on 31 May 2023 to the Auditor, Mazars, prior to this statutory deadline for consideration and review. These were published on 31 May 2023 and available until 12 July 2023 for public inspection.

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 statement of accounts had been prepared under the International Financial Reporting Standards based Code of Practice on Local Authority Accounting.

The Audited Statement of Accounts would therefore be presented to the Committee on 26 September 2023 after the audit process. The Unaudited Statement of Accounts for 2022/23 had been prepared under the International Financial Reporting Standards based Code of Practice on Local Authority Accounting (the Code). Members noted that extended deadlines again applied as they had the previous year, with the unaudited accounts having to be published on or before 31 May 2023. Audited accounts must be published by 30 September 2023.

In his introduction, the Financial Services Manager clarified the items in the statements which were displayed as positives were expenditure and items displayed either with a minus sign or in brackets were income. Items within the accounts that the Officer was keen to highlight were the primary statements which showed an improved balance sheet position mainly due to an improved position on the Pension fund. This was due to increased investment returns and changes to longer term assumptions.

The general fund had reduced slightly to £4.682 million (m) as planned which was still well within prudent levels. Earmarked reserves had increased slightly as the Council had achieved a budget surplus for 2022/23. The Council was still holding £3.7m of capital grants at the balance sheet date for schemes which were due to be delivered in 2023/24. The Comprehensive Income and Expenditure Statement showed an accounting surplus on services of £1.841m. This had then been reconciled to the actual budget surplus in the Expenditure and Funding Analysis found at note 7 in the accounts.

The Financial Services Manager stated the key message was that the Council had good reserve levels and a robust medium term financial strategy which together meant the Council was an ongoing concern with no material uncertainty at this stage. In concluding his assessment, the Officer placed on record his thanks to the finance team who had worked very hard during March, April and May to meet the deadline for producing the accounts.

Members of the Governance and Audit Committee would be provided with specific training on the Statement of Accounts, as required by the Constitution, prior to the relevant Committee Meeting.

Debate ensued, and Members referenced the balance sheets and made comments about the financial performance of several parts of the Council. Further assurance was requested about the reserves and contingency planning by the Authority. It was explained by the Section 151 Officer that a pay award could be agreed upon in the near future and that there were contingency plans in case of any voids of the commercial property stock. In a later enquiry concerning substantial changes to reserves year on year, the Officer explained that a supporting document would benefit the Committee when the budget setting process was in progress. This included a review of the adequacy of the reserves and projects, how they were to be spent, and the addition/removal of them from the projected income.

In explaining the effect of inflation, the Section 151 Officer explained that different inflation

rates applied to the Authority's expenditure. These included an initial 2% on the current pay award negotiations, with another 2% after that. It was later explained that this could increase further. Pension increases were set externally and therefore the Council had no control over these increases. Pensions received a 1% triage, which the contribution from the Authority was set. The council tax increase scheduled for 2024/25 was 2.99% at the maximum capped level without a referendum. Members also heard that the utility market inflationary increases were significantly higher, with 100% on electricity and gas, whilst water was set at a 6% increase. The Section 151 Officer stressed that she was happy to provide the medium-term financial strategy to Members for their information to assist with any concerns about overspending and the effect on the Authority's finances.

To provide clarity Officers advised that the forecast for pensions had been provided by Barnett Waddingham, Barnett Waddingham, being the actuary appointed by Lincolnshire County Council. Lincolnshire County Council's audit financial statements of the pension financial statements and /or the actuarial assumptions were reviewed by both the auditors of Lincolnshire County Council and also our own auditors as well, and in effect was considered twice.

Funding was also set a side to contribute to any funding gap at the next triannual valuation. In a later query on the pension contribution and arrangements made by employees, Members were advised that the Authority operated an auto-enrolment scheme, with employees tending to opt for the local government pension scheme. The Section 151 Officer explained that she was unaware of any significant cost pressures on other schemes and emphasised that she would check further.

On a query about the local industrial strategy, and the effect of operating in a water-stress county in consideration for longer-term preparation, Members learned that the Chief Executive Officer had recently attended and worked on water-related matters and that an update to Members was possible. The Section 151 Officer was keen to stress that it was about ports and the villages supporting the local community's logistical improvements.

In a query about the placement of the Authority within the national picture, the Section 151 Officer explained a new Local Government Office (OFLOG) to benchmark financial information had been created. The first report on reserves had been released, and future reports were scheduled to be shared. It was clarified that since not all Councils had published their 2022/23 account information, any such comparison at the time of debate was challenging.

In responding to a Member's observations regarding capital receipts, the changes to the Capital Receipts Reserve fluctuated yearly. This change was dependent on sold and bought assets in that specified year. Any capital receipts could only be spent on capital projects.

In answering a query about the business rates retention scheme mentioned, Members learned that the Authority and other local government authorities previously received an annual grant in the form of the Revenue Support Grant, which was paid from National non-domestic rates (NNDR) which had previously all been paid over to the government. With the reduction of Revenue Support Grant, local authorities could retain a portion of the business rates they collected. The Section 151 Officer noted that the level of Revenue Support Grant previously received greatly exceeded the current level of the business rates retention scheme. In replying to a related query about the increase in council tax collection, it was

explained that the budget setting process had a baseline of 98.02% collection rate of council tax, whilst the actual collection was 0.6% more, with a collection rate of 98.8%. This would therefore boost the budget in future years.

In response to a later Pensions query about reviewing the mortality assumptions and the possibility of younger pension enrolees losing out on due to shorter lives, it was noted that the District Council representative on the Lincolnshire County Council Pension Committee, Councillor Trevor Young, could be notified of the Committee's suggestions.

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

RESOLVED that 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.

After the vote, the Chairman wanted to record his thanks to the Section 151 Officer and the Finance team for their hard work on getting the Unaudited Statement of Accounts prepared in time.

11 WORKPLAN

The Democratic and Civic Officer informed Members that the Committee would consider the Quarter 1 Internal Audit Report at the 26 September 2023 Meeting.

The Chairman also highlighted the reports coming to the next meeting of the Committee and raised the idea of individual members assessing different reports. This would be for the Lead Members to further consider. The Chairman also noted the possibility of hosting the Statement of Accounts training shortly before the meeting of the Committee on Tuesday, 25 July 2023, to which details would be circulated.

With no further comment, the Workplan as set out in the report was **NOTED**.

The meeting concluded at 3.20 pm.

Chairman