

## WEST LINDSEY DISTRICT COUNCIL

MINUTES of a Meeting of the Governance and Audit Committee held in the Council Chamber at the Guildhall, Gainsborough on Tuesday 20 June 2017, commencing at 6.00 pm.

**Present:** Councillor Giles McNeill (Chairman)  
Councillor Jackie Brockway (Vice-Chairman)

Councillor Sheila Bibb

Councillor John McNeill  
Councillor Angela White

Andrew Morriss (Independent Co-opted Member)  
Peter Walton (Independent Co-opted Member)

**In Attendance:**

Ian Knowles  
Alan Robinson

Director of Resources and S151 Officer  
Strategic Lead – Business and Democratic Support and  
Monitoring Officer

Tracey Bircumshaw  
James O’Shaughnessy  
Katie Coughlan  
Jana Randle

Financial Services Manager  
Business Improvement and Corporate Governance Team Manager  
Governance and Civic Officer  
Governance and Civic Officer

**Also In Attendance:**

Lucy Pledge

Head of Internal Audit – Lincolnshire County Council

**Apologies**

Councillor David Bond  
Alison Adams (Independent Co-opted Member)

**Membership:**

No substitutes were appointed for the meeting.

## 5 PUBLIC PARTICIPATION

There was no public participation.

## 6 MINUTES

(a) Meeting of the Governance and Audit Committee held on 18 April 2017.

**RESOLVED** that the Minutes of the meeting of the Governance and Audit Committee held on 18 April 2017 be approved and signed as a correct record.

- (b) Meeting of Governance and Audit Committee on 8 May 2017 (at the conclusion of Annual Council).

**RESOLVED** that the Minutes of the meeting of the Governance and Audit Committee held on 8 May 2017 be approved and signed as a correct record.

## **7 MEMBERS' DECLARATIONS OF INTEREST**

There were no declarations of interest made at this stage of the meeting.

## **8 MATTERS ARISING SCHEDULE SETTING OUT CURRENT POSITION OF PREVIOUSLY AGREED ACTIONS AS AT 12 June 2017.**

Members gave consideration to the Matters Arising Schedule which set out the current position of all previously agreed actions as at 12 June 2017.

With regard to the black action entitled "length/style of committee papers", Officers confirmed that a meeting had taken place in which the suggestion for shortening reports and looking at the current style of reports was discussed.

Members and Independent Members initially felt that the reports were too long but after the issue was explored in more depth, they were satisfied that the current length and style was satisfactory and necessary for effective scrutiny and to meet the Governance requirements.

Members further commented that the style of the reports was continually improving, especially due to a better use of tabulations, graphics and various tools available in Excel, and that executive summaries were also proving extremely useful.

**RESOLVED** that progress on the Matters Arising Schedule as set out in report be received and noted.

## **9 PRESENTATION – AGS REFRESHER TRAINING**

A short presentation was given by the Business Improvement and Corporate Governance Team Manager regarding the purpose of the Annual Governance Statement (AGS refresher training).

During the training Members received information on:

- What is governance?
- Governance Principles
- Governance Framework

- Annual Governance Statement (Purpose, Style, Content)
- Annual Governance Statement Action Plan, and
- Bad Governance

followed by an opportunity to raise questions.

Members discussed the content of the presentation commenting on a number of issues relating to the bad governance examples mentioned in the presentation, referring to unrealistic targets being set in the situations presented.

The need for setting achievable targets for employees and the need to ensure accurate reporting of staff experiences was then highlighted to aid correct decision-making.

## **10 INTERNAL AUDIT ANNUAL REPORT**

Consideration was given to this report which presented to Members the Head of Internal Audit's opinion on the adequacy of the Council's governance, risk and control environment and the delivery of the Internal Audit Plan for 2016/17.

The report aimed to present a summary of the audit work undertaken over the past year. The overall adequacy of and effectiveness of the governance framework and internal control system, as well as the extent to which the Council can rely on it, was assessed. The report informed how the plan was discharged and shown the overall outcomes of the work undertaken. Attention was drawn to issues relevant to the Annual Governance Statement.

It showed that the internal audit service continued to work well with the Governance and Audit Committee and Management to help the council maintain effective governance, risk and control processes.

The Internal Auditor summarised the purpose of the Annual Internal Audit Report, which is to meet the Head of Internal Audit annual reporting requirements set out in the Public Sector Internal Audit Statement (PSIAS) and the Accounts and Audit Regulations 2015.

It was highlighted that the content of the report informed the development of the Council's Annual Governance Statement 2016/17.

The Internal Auditor had shown how standards were being adhered to and how opinions in the four areas listed at Figure 1 of the report - Governance, Risk, Internal Control and Financial Control - were captured and evidenced, highlighting a number of paragraphs – namely:

- para 30 which talks about maintaining resilience and capacity and Information Governance,
- para 33 relating to Restrictions on Scope/Changes to plan – showing a significant reduction of coverage by 20% and
- para 35 which shows how the issues relating to s. 33 were addressed by working together with the Director of Resources, having scheduled all audits for 2017/18.

- para 37 – showing that there has not been any impairment to the audit function,
- para 43 – a ‘health check’ on the Council’s counter fraud arrangements showing that the Council has a ‘zero tolerance’ to fraud with strong policies in place; and
- para 44 – showing how the Internal Audit’s performance is measured against a range of indicators.

The Internal Auditor advised that the outcome of the quality assurance was that the council was performing well overall but also mentioned a key improvement area around the delivery of the audit schedule and the clearance of reports which will continue to be worked on.

Debate ensued and Members commented that it was a positive report but warned against complacency. Members highlighted paragraph 25 which showed an instance where procurement processes had not been fully complied with in relation to the recruitment and contract management of a consultant. This was to be followed up in more depth in the internal audit plan for 2017/18 to ensure that the issue was not systematic but a one of error.

Questions were raised in relation to Appendix 2 - Outstanding Recommendations relating to ICT infrastructure. In responding, the Director of Resources assured Members that this was being looked at and the figure relating to the one outstanding item relating to ICT infrastructure should be down to zero by Christmas. The outstanding item related to ICT strategy which was being developed. It was further stated that the Council was quite well placed in comparison to many other authorities – including larger unitary authorities, in particular in the way we were approaching our digital strategy and ICT strategy and understanding the interdependency of the two.

Members questioned how wide the involvement of staff was during the annual survey in relation to Governance arrangements and how workloads, stress and resilience were being addressed. In responding, the Internal Auditor and the Business Improvement and Corporate Governance Team Manager advised on methods used for the assessments highlighting the CIPFA document and the Quality Assurance Framework diagram. It was confirmed that feedback was sought from both staff and management. The Internal Auditor further advised that in relation to resilience, the annual staff survey highlighted the need for management development – balancing operational delivery with management responsibilities. Officers also advised that resilience and capacity would be appearing on the Action Plan this year to ensure improvements.

In light of the comments expressed during the debate it was: -

**RESOLVED that**

- (a) the contents of the report be received and noted and no further action be taken at this time, and
- (b) the Annual Report be further considered when scrutinising the a Annual Governance Statement.

## **11 DRAFT ANNUAL GOVERNANCE STATEMENT (AGS) 2016/17**

The above report was presented to Members to provide feedback on the draft AGS to feed into the final statement to be submitted for approval at the July meeting of the Governance and Audit Committee.

It was stated that the AGS was a formal statement under the Accounts and Audit (England) Regulations 2011, which detailed the Council's governance arrangements and issues for the previous year as an annual report of governance. It included a summary of the Governance Framework and identified areas where further action was required to achieve full assurance. The sources for developing the AGS were listed at point 2 of the report and the seven principles of good governance, which the Framework followed, were set out at point 3 of the report. Point 4 showed that the draft version of the AGS was available for review at Appendix one.

'Issues Deemed Closed' were listed at point 5 of the report.

In relation to 5.1 VI – Selective Licensing, Members expressed concerns that there was still a lot going on and that the 'Selective Licensing' should therefore remain in the AGS for monitoring and further scrutiny. Officers proposed that it may not be necessary to keep the items open for a whole year if the relevant issues were addressed before, proposing that a six months period may be sufficient.

Under 'Issues to be Addressed' a number of items for consideration were listed at point 6. Item 6.1 was highlighted due to significant changes to the DPA linked to the European General Data Protection Regulation coming into force in May 2018. An Action Plan and a Project Plan was in place to ensure compliance.

Item 6.1.4 Value for Money was highlighted stressing the need for appropriate improvement plans and benchmarking to create value for money culture.

Under item 6.1.7 – Development Management, the Chairman talked about a Member led audit of Planning querying whether it ought to be added to the AGS due to a number of planning queries having been received in relation to how it operates. Officers felt that this was possibly a duplication but Members wished to add this item for extra scrutiny.

In relation to point 5.1 I – Strategic and Spatial Planning, Members posed a question whether this would be influenced by the current national instabilities and also why Nottinghamshire authorities were singled out for co-operation in this area and whether we were looking elsewhere in the country as well.

In response to the first question, Officers felt that the current local plans should be followed until such time as any new regulations or guidance came out as an alternative and that the current instabilities should not have any major impact on the processes in place at this time.

In relation to the question as to why Nottinghamshire was chosen in particular, Officers confirmed that the main reasons were geographical, focusing on Lincolnshire and Nottinghamshire authorities.

A further two questions were then raised in relation to point 6.1.2 – Political Governance - standards of behaviour, specifically why this had been included as standards of behaviour were high, and in relation to 6.1.4 - Value for Money section, enquiring when those reviews were done previously.

In response to the Political arrangements query, Officers highlighted the newly adopted Code of Conduct agreed at the Annual Council, advising that training would need to be delivered to embed the new Conduct Code.

In relation to the Value for Money question, Officers advised that the Council's processes were assessed both internally and externally looking at not only performance and finances as before but also at outcomes. The three dimensional approach was being tested with a number of pilots taking place at this time. The learning obtained from the pilots would then be rolled out over the next 12 months across the council with the focus being not only on saving money but also assessing the impact of saving money and ensuring outcomes.

The Director of Resources explained that all the different mechanisms and techniques used across the authority had been put together in the Value for Money Handbook – starting from budget processes, business planning through to business case development, through to procurement - to ensure that all those techniques were known and understood by team managers and applied in an appropriate way ensuring value for money as well as high performance. This approach ensured even better value for money than before and a better evidence base for it.

Members asked whether any issues had been considered but subsequently not included in this report. Officers responded that there were some other areas which went in front of the GCLT as possibilities, for example, the homelessness reduction bill, and that it was a corporate decision as to what was worthy of being included on the plan.

It was mentioned that page 56 of the report listed a number of items by which this review had been conducted.

Members further enquired whether the 'closed items' were ever re-tested, for example, a year later.

*Councillor Bibb left the meeting at this point (7.15pm).*

Officers responded that any issues in relation to the above would still be monitored and any issues would be picked up within the general governance infrastructure.

A member proposed that it may be useful to include a list of all items which were considered in any future reports.

On the basis of the above discussion it was:

**RESOLVED** that

(a) Selective Licensing be carried over onto the AGS Action Plan 16/17 in order that Prosperous Communities Committee could receive and consider an evaluation report on the scheme (expected in September 2017), and

(b) Development Management be included again on the AGS Action Plan 16/17 in order that Members could consider the findings of the Internal Audit report due in July 2017 and monitor progress against agreed actions to meet the recommendations made within the report.

## **12 MEMBER TRAINING UPDATE/MEMBER DEVELOPMENT**

This regular report was presented to Members to set out progress to date and proposals for the future of Member Development to enable elected Members to perform effectively in their roles and to develop to meet future challenges as well as help achieve the Council's aims and strategic objectives.

A flexible approach to the delivery of learning and development was to be adopted wherever possible to include on-line development for both generic and bespoke topics. Statistics were to be produced to monitor participation and completion of courses. Evaluations were to be carried out to help define future development objectives. Training sessions were to be open to all elected and lay Members and levels of attendance at all training events were to be shared with group leaders.

A number of additional training needs were identified which were to be considered for a possible inclusion into the existing training program. The areas mentioned were understanding of the local government procurement process, regeneration and economic development, training on overview and scrutiny, media and social media training and presentation skills. It was proposed that some joint training could be arranged together with the LCC Members to make the training more cost effective.

In relation to the overview and scrutiny management training, a Member recommended contacting the LCC's Scrutineer of the Year award winner. The Member also enquired whether a skills and hobby audit would be useful to carry out to uncover any hidden skills and talents for use within the Council context.

In responding, Officers advised that a similar survey had been done in the past but the take up was very limited and the amount of time could not be justified at the time but this could be re-looked at under the Political Governance section of the report.

Members felt that this could be more valuable in 2019 at the start of the term.

An annual survey of competence being in place was mentioned by Members however Officers outlined the limitations and obstacles this could result in.

In relation to section 5 - Overall Management and Monitoring of the Plan, Members enquired how this report helped Members fulfil all the obligations, in particular, in relation to items 6 and 9. The Monitoring Officer proposed to test this against the outcomes next year.

In relation to section 5 point 9, Members raised a query in relation to how it could be ensured that Members benefited from the training querying a possibility of an assessment to indicate whether the Members learnt anything from the experience.

It was clarified that the Members attendance at training was monitored and a report was produced showing numbers but not names of attendees.

The chairman stated that he would like to see the list of training attended.

Members commented that the recent training was of a higher standard than previously.

In relation to the proposed competence testing of Members, Officers felt that the quality of training could be seen and judged from the robustness of the questions Members asked and from their effective decision-making.

It was also mentioned that the online training modules were now developed and ready for testing and some quantitative data would be recorded as part of this training.

Independent members raised a point that it appeared that sometimes people who needed the training most did not attend and vice versa and commented that there appeared to be a lack of sanctions for non-attendance. The issue of how the training is 'sold' to Members was raised as it was felt that sometimes admitting that Members needed training was seen as a bad thing and it needed to be clearly pointed out to Members how the training would benefit them to encourage attendance.

Officers explained that Member training was a matter of group conduct and there was little Officers could do accept where training was mandatory to enable Members to sit on relevant committees.

**RESOLVED** that:

- (a) the previously agreed Development Plan be noted;
- (b) the development undertaken in the previous year be noted;
- (c) the development programmed for the coming year be noted;
- (d) the progress and implementation be reviewed on an annual basis;
- (e) the list of suggested training areas be further considered for inclusion within the plan.

### **13 UNAUDITED STATEMENT OF ACCOUNTS 2016/2017**

Consideration was given to the Unaudited Statement of Accounts 2016/17 which had been prepared under the International Financial Reporting Standards based Code of Practice on Local Authority Accounting (the Code).



The Committee was presented with the Unaudited Statement of Accounts, which was issued to the Auditor, KPMG on 31 May 2017, for consideration and review, a month earlier than the statutory deadline of 30 June 2017.

The Statutory deadline for the publication of the unaudited Statement of Accounts 2017/18 was being brought forward to 31 May 2018, and the Audited statements to 31 July 2018 (currently 30 September). The Finance team therefore had worked hard over the past few months to achieve this target deadline for the 2016/17 closedown process which had been achieved, providing assurance that the future statutory deadline could be met.

The Audited Statement of Accounts was due to be presented to the Committee for approval on 14 September 2017 after the audit process. Any changes resulting from the External Auditor (KPMG) Audit process, would be highlighted in the September report.

The Statement of Accounts and all supporting documentation would be available for inspection by the electorate from 3 July 2017 to 11 August 2017 by appointment.

The Expenditure Funding Analysis showed a surplus of £0.610m as detailed in section 2.1 of the report which reconciled in the figure declared in the Corporate Policy and Resources.

The Comprehensive Income and Expenditure Statement (CIES) was mentioned which showed the accounting cost in the year of providing services in accordance with generally accepted accounting practices. The deficit on the Provision of Services totalled £1.134m reconciled through the EFA with the declared surplus of £610,000.

The Cash Flow Statement showed the overall decrease in cash over the year of £1.763m (decrease of £1.075m 2015/16) and showed where this was derived from within the activities within the authority.

The Balance Sheets set out the assets and liabilities of the Council as of the 31 March 2017. The balance sheet showed net assets of just over 4 million pounds which took into account the net pensions liability which was deemed a really positive place to be. The total assets exceeded 43 million, showing we were in a strong position.

The Collection Fund Statement was then highlighted explaining that as a collection authority we collected all council tax and business rates on behalf of other councils as well as ourselves and that this was the account that we took those funds into and showed the distribution from that account. This was reconciled on an annual basis and there was a surplus, it would be reallocated at the end of each year.

Members congratulated Officers on achieving the 31 May target.

*Councillor Angela White left the meeting at this point (7:50pm).*

Members then asked what the three things were, which were giving the Officers the biggest concern or disappointment.

*The Committee was suspended for a few moments to ensure the meeting was still quorate after Councillor White's departure. The meeting re-started once this was confirmed.*

Officers responded to the above query stating that one worry was the pension liability which moved from one year to the next and which needed to be kept under review. The other aspect was that the Council had hoped to have acquired investment properties during 16/17 which continued to be of concern. Another aspect was the level of commercial income that was being built into our financial statements as Officers could not yet be confident that these would be delivered.

Members wanted clarification whether net cash was in line with the budget, enquiring whether it was better or worse.

Officers advised that the Cash Flow statement showed the overall cash in and out of the organisation. Looking at the Balance Sheet at cash and cash equivalents, the figure was just over 7 million at the end of March. It was confirmed that under treasure management rules we did not breach any of our limits that we set ourselves. Overall our investments were 19 million and that compared to the 22 million we had as useable reserve at the bottom of the balance sheet.

Clarification was sought by Members in relation to the Collection Fund Account as there appeared to be quite a disparity in 2015/16 and 2016/17 Provision for Appeals.

In responding, Officers advised that at the end of last year's year end we had a significant number of speculative appeals. We had about 6 million pounds worth of appeals come in the last 4 weeks of the previous year so we built up the provision in 2015/16 and the analysis of the appeals provision for the year end of this year had shown that we had kept it at that same level so no further contribution was needed to that provision.

A further query was raised in relation to VAT on postages which related to an ongoing court case. It was confirmed that this was yet to be resolved.

**RESOLVED** that having discussed the Unaudited Statement of Accounts its content be approved and referred to the S151 Officer as recommended.

## **14 WORK PLAN**

Members considered their work plan for the remaining meetings during the ensuing civic year.

**RESOLVED** that the work plan as at 12 June 2017 be noted.

Members of the Committee discussed the preferred start time for future committee meetings and agreed on a 2.00pm start for their next scheduled meeting and all

subsequent meetings. The proposed change was to be actioned once room availability was confirmed.

The meeting concluded at 8.00 pm.

Chairman