



**MINUTES
OF THE MEETING OF THE
GOVERNANCE SCRUTINY GROUP
THURSDAY, 19 SEPTEMBER 2024**

Held at 7.00 pm in the Council Chamber, Rushcliffe Arena, Rugby Road, West
Bridgford
and live streamed on Rushcliffe Borough Council's YouTube channel

PRESENT:

Councillors A Edyvean (Chair), D Polenta (Vice-Chair), T Birch, S Calvert,
H Om, N Regan, T Wells and G Wheeler

ALSO IN ATTENDANCE:

Charlotte Thomas – BDO (The Council's Internal Auditors)
Bethan Vance – Forvis Mazars (The Council's External Auditors)

OFFICERS IN ATTENDANCE:

| | |
|-------------|---|
| P Linfield | Director of Finance and Corporate Services |
| S Whittaker | Head of Finance |
| T Coop | Democratic Services Officer |

APOLOGIES:

Councillors C Thomas

10 Declarations of Interest

There were no declarations of interest.

11 Minutes of the Meeting held on 30 May 2024

The minutes of the meeting held on 30 May 2024 were approved and signed
by the Chair.

The Group noted that the Head of Finance had responded to the action from
the meeting on 30 May 2024.

The Chair advised and the Group noted the change in the order of the items to
be discussed on the agenda.

12 Internal Audit Progress Report

Ms C Thomas from BDO the Council's Internal Auditors presented the
Council's Internal audit Progress Report for quarter 1 (Appendix A), which
highlighted the completion and issuing of three reports and one advisory review
as follows:

The Budgetary Control Audit: Received a substantial rating for both Design and Effectiveness with two low level findings around the training for monitoring officers and consistency with regards to the variations in the notes provided during monitoring.

The Main Financial Systems Audit: Received a substantial rating for Design and Moderate for Effectiveness, with four low level findings around accounts receivable and payroll. With regards to accounts receivable the findings highlighted the checking and evidencing of new supplier information and the reconciliation of journals under £10k. With regards to payroll which is supported by Gedling Borough Council the findings highlighted the segregation of controls and HR having access around temporary election staff and around a one-off review and reconciliation.

The Workforce and Succession Planning Audit: Received a substantial rating for both Design and Effectiveness with two low level findings around a workforce gap analysis and an AI Strategy and a framework around identifying high performing staff.

The Group noted that management actions had been agreed for all recommendations and follow up actions from previous audits had been completed in line with the recommendations.

The Auditors also completed an advisory review of the Council's **Fraud Risk Assessment**, an advisory piece of work assessing the Council's current position against best practise. It was noted this assessment did not generate an assurance opinion.

Councillor Polenta asked a specific question relating to the separation of duty in respect of journal controls and if the process was not automated. Ms Thomas explained this was in relation to manual journals, and the Head of Finance confirmed these were not payments but movements within the General Ledger and would be identified during budget monitoring.

Councillor Regan asked whether the £10k threshold in respect of the reconciliation of journals was too high and whether the Council had anything in place to mitigate any further risk. Ms Thomas explained that generally the number of manual journals is low as most are automated and had recommended manual journals are reviewed. The Head of Finance reiterated that the risk from manual journal below £10k was low and would be picked up during budget monitoring and that going forward any new finance system would hopefully provide functionality for approval of all journals.

Councillor Birch commented on a fraud investigation at Gedling Borough Council and asked if Rushcliffe could learn anything from this. The Director – Finance and Corporate Services advised the fraud investigation at Gedling was a long-term case and explained mitigation controls are in place, but they are not a guarantee that fraud won't happen.

Councillor Calvert highlighted the high staff retention rates and job satisfaction across all critical roles which was positive.

Councillor Polenta commented on the training budget for each department and what happens to the money if these budgets are not spent. The Head of Finance advised that unspent department budgets would be moved to the Corporate Budget.

It was **RESOLVED** that the Governance Scrutiny Group considered the quarter 1 progress report for 2024/25 (Appendix A) prepared by the Council's Internal Auditor.

13 **Statement of Accounts**

The Head of Finance presented the Council's statutory Statement of Accounts for the financial year 2023/24.

The Group were advised that there had been a delay in submitting the Statement of Accounts for approval due to delays in the pension assurances with Nottinghamshire County Council, which is completely outside the Council's control.

The Head of Finance highlighted some of the key salient points from the Statement of Accounts which were summarised within the supporting information in the officers covering report.

The Group noted that there had been no significant issues with the audit process and the work undertaken by the finance team and other officers in preparing the accounts and supporting papers and managing the audit process.

The Head of Finance advised the Group that there had been a significant increase in the audit fee in comparison to previous years as a result of the inclusion of new audit requirements. The Group noted that a government grant of £18k was received to offset the increased cost of the audit.

It was **RESOLVED** that the Governance Scrutiny Group:

- a) Approve the Statement of Accounts for 2023/24 (Appendix A) including the annual Governance Statement at Section B page XXXI
- b) Delegate authority to the Director of Finance and Corporate Services to make any changes necessary resulting from the matters outstanding on the accounts and advise both the Chair of Governance Scrutiny Group and Finance Portfolio Holder accordingly, such changes to be reported to the Governance Scrutiny Group.

14 **External Audit Completion Report**

Ms Vance from Forvis Mazars the Council's External Auditors presented the Audit Completion report at Appendix A and the Management Representation Letter at Appendix B, and advised the Group that Forvis Mazars had substantially completed the audit in respect of the financial statements for the year ended 31 March 2024 along with their draft Annual Audit Report and

Value for Money conclusion.

Ms Vance advised that the matters that remained outstanding relating to Property, Plant and Equipment and Financial Instruments disclosures have been completed, the matter relating to Pensions is still outstanding with Nottinghamshire County Council but will not require modification of the Audit.

Ms Vance advised the Group that the Council's accounting policies and disclosures comply with the CIPFA Code of Practise, however the 2023/24 draft financial statements presented for audit had contained a number of accounting policies and accounting disclosures that could still be considered to be immaterial and it was recommended that for 2024/25 the Council should review its accounting policies to ensure any adjustments are transparently considered.

Ms Vance advised the audit had not encountered any significant difficulties and there had been full co-operation from officers and management. With regards to the summary of misstatements and adjustments it was noted that all but one had been corrected. The unadjusted misstatement related to a contract payment that covered two partial years and whilst the extrapolated error was £164k, the actual error was only £6k and this was not adjusted due to immateriality.

It was **RESOLVED** that the Governance Scrutiny Group:

- a) Approve the findings of Forvis Mazars Audit Completion Report (Appendix A)
- b) Approve the Management Representation Letter (Appendix B)

15 **Annual Audit Report**

Ms Vance from Forvis Mazars the Council's External Auditors presented the Draft Annual Audit Report which summarises the progress on the audit process for 2023/24 and provides the Group with commentary on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources.

Ms Vance advised the Group that the report was very positive given the continued pressures and backlog of audits across the financial sector and that no major concerns had been raised and no actions are required in relation to the report.

The Director for Finance and Corporate Services thanked Ms Vance and the external audit which he advised reflected the Council's excellent position and a good starting point when setting future budgets.

The Chair echoed the Director's comments and complimented officers on the quality of reporting and for being further ahead with completion of the audit than in the previous year.

It was **RESOLVED** that the Governance Scrutiny Group note the Receipt of the

Annual Audit Report at Appendix A.

16 **Going Concern**

The Director – Finance and Corporate Services presented the Going Concern Assessment for 2023/24 which sets out the Council's assessment by the Council's Section 151 officer of the Council's Going Concern status and the assumption that the Council, its functions and services will continue in operational existence for the foreseeable future.

The Group were asked to note the following main factors which underpin the Going Concern assessment:

- The Council's financial position
- The Council's projected financial position
- The Council's Governance arrangements
- The regulatory and control environment applicable to the Council as a local authority.

These were considered by the Group and with regards to the Council's arrangements as highlighted in the report it was concluded that the Council remains a Going Concern.

The Chair referred to the Council's recent Peer Review which highlighted that the Council should not be afraid of borrowing if required to do so in the future

It was **RESOLVED** that the Governance Scrutiny Group note the positive outcome of the assessment made of Rushcliffe Borough Council's status as a Going Concern for the purpose of the Statement of Accounts 2023/24.

17 **Risk Management Update**

The Head of Finance presented the Risk Management Progress Report which provided the Group with an update on the Council's risk activity since its last meeting in February 2024. It provided a summary of risks in the Council's Risk Registers that have either changed, been removed or new risks that have been identified as a result of management reviews.

The Group noted the Council's Risk Management Group last met on 3 September 2024.

The Head of Finance explained that work to evaluate risk descriptions to better structure wording which had been proposed by Zurich had been completed and adopted into the 2024-2025 Service Plans. Zurich had also provided training in September 2023 for members of Governance and some refresher training for risk management officers is scheduled for October 2024.

Appendix A of the report highlighted the Council's current Risk Registers containing corporate risks, operational risks and opportunity risks. In addition, the Group were advised that there are 4 new risks, and 23 risks have been removed as a result of the risk review in 2023 and ongoing service reviews.

Councillor Burch asked a specific question relating to the East Midlands Freeport and when does the Council expect to receive any business rate revenue from it and is it likely that a change in Government may affect or delay any businesses coming forward. The Director for Finance and Corporate Services advised that it was too early to identify risks in respect of Freeport Investments and advised that the Government had extended the business relief to 2035. In addition, he explained the Freeport was not moving as quickly as had been expected, highlighting there are many other factors to take into consideration, such as the economy and international issues around Ukraine and the Middle East.

Councillor Polenta commented on the national context and asked about competitive bids and future funding streams. The Director of Finance and Corporate Services explained that the Budget in October may provide a better picture of the Council's position.

The Chair commented on the closure of Ratcliffe on Soar Power station and how the loss of its business rates was out of the Council's control, adding that the Council was doing all it could to protect the development of this site by way of the Local Development Order.

It was **RESOLVED** that Governance Scrutiny Group

- a) Note the contents of the report
- b) Considered and made recommendations on risks that have red alert status

18 **Capital and Investment Strategy Update**

The Head of Finance presented the Capital and Investment Strategy update 2024/25 which summarised the capital and investment of the Council for the period 1 April to 30 June 2024. The Strategy included indicators that help ensure the Council's capital investment plans are affordable, prudent and sustainable in accordance with CIPFA's Code of Practice for Treasury Management.

In the supporting information provided within the report, the Head of Finance highlighted some of the key headings as follows:

- Economic Forecast
- Investment Income
- Capital Expenditure and Financing
- Treasury management and Prudential Indicators
- Commercial Investments

With regards to the Council's investments the Head of Finance advised the Group that the Council is assessing the options for investing in high quality UK Government Bonds, which have a lower risk of default.

In concluding the Head of Finance explained that Treasury Management continues to be fraught with difficulty as the UK economy recovers. Risk remains globally along with inflationary pressures and falling interest rates and

the ongoing international conflicts which could rise to further economic instability.

The Chair commented on the Council's portfolio and diversity of investments and how these were measured and controlled. The Chair also highlighted the Council's commercial investments and the occupancy rates being at 100%, which is an outstanding achievement.

The Chair reminded the Group about the Treasury training scheduled for 17 December 2024 and advised how this was essential for all members of Governance Scrutiny Group.

It was **RESOLVED** that Governance Scrutiny Group note the Capital and Investment Strategy update position as of 30 June 2024.

19 **Work Programme**

The Head of Finance presented the Groups Work Programme for the next two meetings and advised the Group that for the meeting in November it is proposed to consider the Redmond Review and the appointment of an Independent Member. The Group were reminded that this had been discussed at a previous meeting and it was now considered appropriate to review it again.

The Head of Finance advised the Group that before its meeting in November there would be an audit committee training session which is essential for members of Governance Scrutiny Group to attend.

It was **RESOLVED** that the Governance Scrutiny Group approve the Work Programme as follows:

28 November 2024

- Internal Audit Progress Report Q2
- Capital and Investment Strategy Update Q2
- RIPA Review
- Update on the Redmond Review of Public Sector Audit
- Work Programme

20 February 2025

- Internal Audit Progress Report Q3
- Internal Audit Strategy
- External Audit Plan (May slip to next meeting)
- Risk Management Update
- Risk Management Strategy
- Capital and Investment Strategy Update Q3
- Capital and Investment Strategy 2025/26
- Work Programme

The meeting closed at 8.15 pm.

CHAIR