



**MINUTES**  
**OF THE MEETING OF THE**  
**CORPORATE GOVERNANCE GROUP**  
**THURSDAY, 7 FEBRUARY 2019**

Held at 7.00 pm in the Council Chamber Area B, Rushcliffe Arena, Rugby Road,  
West Bridgford

**PRESENT:**

Councillors K Beardsall (Chairman), A Brown, B Cooper, R Hetherington,  
N Lawrence, A MacInnes, F Purdue-Horan and R Walker

**OFFICERS IN ATTENDANCE:**

P Linfield	Executive Manager - Finance and Corporate Services
S Whittaker	Financial Services Manager
T Coop	Constitutional Services Officer
D Hoose	Mazars - Partner
A Pipes	Mazars - Manager
A Ali	RSM - Internal Audit

**APOLOGIES:**

Councillors G Davidson

**25 Declarations of Interest**

There were no declarations of interest.

**26 Minutes of the meeting held on 29 November 2018**

The minutes of the meeting held on 29 November, were approved as a correct record and signed by the Chairman.

**27 Internal Audit Progress Report - Quarter 3 2018/19**

Mr Ali – Internal Audit – RSM provided the Internal Audit Progress Report for Quarter 3. It is the third progress report for the financial year 2018/19 and shows the current position on the audit programme, along with any significant recommendations with regards to the audits completed during this period.

Mr Ali provided information on four assignments that had been completed since the last meeting of Corporate Governance Group: Markets, Contract Management – Garages and Fleet, Community Facilities and Contract Management – Car Parking.

- All four audits had returned findings of Substantial Assurance.

- The Markets audit resulted in one medium priority recommendation and one low priority recommendation – both of which had been agreed and appropriate measures will be taken.
- The community Facilities audit resulted in three low priority recommendations and management action had been agreed.

It was **RESOLVED** that the internal Audit Progress Report – Quarter 3 be noted.

## 28 External Audit Strategy 2019

Mr Hoose – Mazars provided a report that summarised Mazars approach to external audit activity with regard to the final accounts process and their approach to value for money work in relation to the financial year 2018/19.

The report provided a detailed approach that Mazars will use when auditing the 2018/19 Statement of Accounts and specified the work they will undertake, when they anticipate completing the work, and how they will liaise with Council officers. The report also detailed the key risks with regards to the year-end accounts and the Council achieving value for money.

These include:

- The Completeness and accuracy regarding the Council's valuation of property, plant and equipment;
- The Local Government Pension Scheme and the risk that the data is inaccurate and the impact of these inaccuracies on the financial account;
- The level of various provisions are reasonable, including bad debt provision, Business Rates appeals and Minimum Revenue Provision are reasonable;
- Financial resilience – both potential changes to local government funding and continued delivery of future savings to secure long term financial and operational sustainability remains challenging and therefore poses a risk to financial resilience; and
- The appropriateness of commercialisation decisions.

Members considered the report and asked specific questions regarding fraud, and whether Mazars would be able to provide advice and support in the instance of fraud within the Council.

Mr Hoose directed members to the Engagement and Responsibilities Summary in the Appendix to the report advising that:

*'As part of our audit procedures in relation to fraud we are required to enquire of those charged with governance as to their knowledge of instances of fraud, the risk of fraud and their views on management controls that mitigate the fraud risks.'*

Members also requested that Group members continue to be given adequate

training and information when making financial decisions.

The Executive Manager – Finance and Corporate Services advised that a training programme is provided for Councillors throughout the year which incorporates financial training such as that provided by Arlingclose the Council's treasury advisors.

It was **RESOLVED** that the External Audit Strategy be approved.

## 29 **Internal Audit Strategy 2019 - 2022**

Mr Ali – Internal Audit - RSM provided the Internal Audit Strategy for 2019-22, which was approved by the Group at its meeting on 10 May 2018 and is based on discussions with officers and the Chairman of the Corporate Governance Group. He continued to advise members that the Internal Audit team examine the underlying risks facing the Council and update the strategy and the resultant audit plan with senior officers on an annual basis. He added that there are four questions to assist Members in their consideration of the audit plan. These are:

- 1) Is the Corporate Governance Group satisfied that sufficient assurances are being received within the annual plan (as set out at appendix A of the strategy) to monitor the council's risk profile effectively?
- 2) Does the strategy for the internal audit (as set out in appendix B of the strategy) cover the Council's key risks as they are recognised by the Corporate Governance Group?
- 3) Are the areas selected for coverage this coming year appropriate?
- 4) Is the Corporate Governance Group content that the standards within the charter (as set out in Appendix C of the Strategy) are appropriate to monitor the performance of internal audit?

On the assumption that Members believe the four questions are positively answered then the level of resource should be adequate. RSM have been challenged to continue to provide value for money with their audit fee and Mr Ali confirmed that the audit fee for 2019/20 is £48,750 (excluding VAT).

Members considered the report and asked specific questions in respect of Asset Investment and why this was marked as advisory and will not be audited again until 2021/22. The Executive Manager – Finance and corporate Governance advised that there were new CIPFA guidelines and external auditors are also involved in auditing Asset Investment. Mr Ali added that the Audit Strategy is subject to changes if the group wished to look at Asset investment before 2021/22. Mr Ali to feedback views on whether changes to the audit Plan were necessary given the risk profile of asset investment.

Members thanked Mr Ali for a comprehensive report, but questioned the fee for 2019/20 and whether this was considered value for money. The Executive Manager – Finance and Corporate Services responded by explaining the fee was necessary. Local Authorities are having to respond to national financial challenges and Council's are having to do things differently in an increasingly risky environment.

It was **RESOLVED** that the Internal audit Strategy and Audit Plan for 2019/22 be approved.

### 30 **Capital and Investment Strategy 2019/20**

The Service Manager – Finance provided the Capital and Investment Strategy 2019/20 report, which focused on traditional treasury activity and the Council's commercial property investments.

The Service Manager – Finance advised the Group that the Local government Act 2003 requires the council to comply with the CIPFA Prudential Code for Capital Finance in Local authorities when Carrying out capital and treasury management activities. Adding that the objectives of the CIPFA Prudential code is to ensure that capital investment plans are affordable, prudent and sustainable and that treasury management decisions are taken in accordance with the treasury management strategy.

The Service Manager – Finance referred to Appendix A, attached to the report, which provided the Group with information on the:

- Capital Prudential Indicators
- Minimum Revenue Provision Policy (MRP)
- Treasury Management Strategy
- Commercial Investments

She added that the Capital Prudential Indicators and Treasury Management Strategy give both a position statement and details of the future position of the Council's Capital, Commercial Investment and Treasury plans, and confirmed the documents comply with best professional practice and as such are recommended for approval by Full Council.

The Service Manager – Finance confirmed that the report identifies the risks relating to interest rates, use of counterparties for investments and the returns from commercial investments, particularly in light of prevailing uncertainty with BREXIT and global financial markets.

Members considered the report and asked specific questions. In respect of underspends on Capital Budgets - why are these so excessive?

The Executive Manager – Finance and Corporate Services advised the Group that Capital Investment is fraught with risk and that there are good reasons why there are the underspends. He added that delays in completion on some of the Council's larger projects, for example the Depot can lead to an under spend. A change in the environment for property investments and a requirement to invest more in the Borough has meant a planned slowdown in asset investments (the largest 2018/19 underspend).

Members questioned how often the Capital Programme is reviewed, and whether there is a mix of discussion with the management team and the auditors. Mr Hoose – External Auditor assured the Group that as the Council's auditors, regular checks were carried out and they were comfortable with the Council's investments.

Members raised their concerns and questioned the underlying need for the Council to borrow as projected in the Capital Expenditure and Financing section. The Executive Manager – Finance and Corporate Services advised that the £25m is the maximum the Council could borrow in the short term and effectively acts as a back-stop should the Council need to borrow.

It was **RESOLVED** that the Group approve the following for Full Council on 7 March 2019.

- a) The Capital Strategy and Prudential Indicators and Limits for 2019/20 to 2023/24 in Appendix A (paragraphs 5 to 13) of the report.
- b) The Minimum Revenue Provision (MRP) Statement in Appendix A (paragraph 19) which sets out the Council's policy on MRP.
- c) The treasury Management Strategy 2019/20 to 2023/24 and the Treasury Indicators in Appendix A (paragraphs 20 to 63) of the report.
- d) The commercial Investments Indicators and Limits for 2019/20 to 2023/24 in appendix A (paragraphs 64 to 77).

### 31 **Revenue and Capital Budget Monitoring - Quarter 3 2018/19**

The Service Manager – Finance provided the Revenue and Capital Budget Monitoring 2018/19 for quarter 3 which summarised the budget position for revenue and capital as at 31 December 2018, with a recommendation for referral to Cabinet on 12 February 2019.

The Service Manager – Finance informed the Group that the financial position has moved from a relatively small adverse variance to a more favourable variance of £1.01m. This is due to three one off items of income:

- Additional income from planning applications (£275k)
- Improved position on business rates as a result of a renewable energy assets (£255k)
- The Nottinghamshire Business Rates Pool had an uncommitted surplus for 2017/18 which were shared proportionately according to the pool contribution (£127k)

The overall position of £1.007m favourable variance represents a -9.63% variation against the Council's net expenditure.

The Service Manager – Finance explained that as a result of the one off items of income, the amount transferred to reserves is £2.09m which is £313k more than the original budget. She added that this is to be used to mitigate future deficits and the impact of future risks associated with changes to the retention of Business Rates and Fairer Funding expected in 2020/21.

The Service Manger – Finance added that the Capital Programme shows a planned underspend of £12.698m due to the 'slow down' in asset investment due to risk in the property market and also the decision to no longer build a

replacement Depot. She added that the overall position may still change in the final quarter of 2018/19 as managers continue to drive cost savings, and raise income, against existing budgets.

It was **RESOLVED** that report be referred to Cabinet for approval noting:

- a) The projected revenue position for the year with a -9.63% variance (1.007m) in revenue position and;
- b) The capital underspend of £12.698m as a result of capital scheme re-phasing and projected savings

### 32 **Certification of Grants and Return Annual Report 2017/18**

The Executive Manager – Finance and Corporate Services provided the Certification of Grants and Return Annual Report 2017/18, which summarises the work undertaken by KPMG during 2018/19 in relation to grants and returns for the financial year 2017/18.

The audit conducted by KPMG provided in a separate Appendix to the report, summarised the results of the audit of the Housing Benefit Subsidy Claim 2017/18 and the resultant costs of the audit. The audit identified no significant issues or errors and KPMG certified the claim without amendment.

It was **RESOLVED** that the Group note the report.

### 33 **Work Programme**

It was **RESOLVED** that the work programme, as detailed below be approved.

#### **9 May 2019**

- Internal Audit Progress Report 2018/19
- Internal Audit Annual Report 2018/19
- IT Progress Report
- Risk Management Progress Report
- Annual Governance Statement
- Work Programme

## **ACTION SHEET**

Corporate Governance Group – 7 February 2019

Minute Number	Action	Officer Responsible
28	Training is provided around current CIPFA guidelines to enable Members to have clear information regarding risks and rewards when making decisions.	Executive Manager – Finance and Corporate Services
29	RSM to provide a note on views whether Asset Investment needs to be more regularly considered in the Audit Programme.	Executive Manager – Finance and Corporate Services

The meeting closed at 8.24 pm.

CHAIRMAN