

**MINUTES  
OF THE MEETING OF THE  
GOVERNANCE SCRUTINY GROUP  
THURSDAY, 6 FEBRUARY 2020**

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

**PRESENT:**

Councillors F Purdue-Horan (Chairman), J Walker (Vice-Chairman),  
J Stockwood, D Viridi and P Gowland (Substitute)

**ALSO IN ATTENDANCE:**

C Williams	Head of Internal Audit – RSM
D Hoose	Partner – Mazars
G Dulay	Senior Manager - BDO

**OFFICERS IN ATTENDANCE:**

L Ashmore	Executive Manager - Transformation
P Linfield	Executive Manager - Finance and Corporate Services
S Whittaker	Financial Services Manager
T Coop	Democratic Services Officer

**APOLOGIES:**

Councillors B Gray and K Shaw

**ABSENT:**

Councillors R Adair, R Hetherington and D Simms

**22 Declarations of Interest**

There were no declarations of interest reported.

**23 Minutes of the Meeting held on 3 December 2019**

The Minutes of the meeting held on 3 December were approved as a true record and signed by the Chairman.

**24 Internal Audit Progress Report**

Mr Chris Williams, Head of Internal audit at RSM, the Councils internal auditors attended the meeting to present the Internal Audit Report Quarter 4, for the financial year 2019/20. The report highlighted the completion of one assignments on Enforcement – Statutory Nuisance. In terms of the audit findings Mr Williams reported a Substantial Assurance resulting in one low priority management action being identified and this was agreed by

management.

Mr Williams advised the Group that the final report for 2019/20 and the remaining four assignments: Property Leases/Rent, Follow Up, Garden Waste and Main Accounting would be completed by the end of February.

It was **RESOLVED** that the group notes the progress made against the Internal Audit Programme.

## 25 **External Audit Strategy**

Peter Linfield informed the Group that the agenda had been published before the Cabinet agenda was approved, and advised that some changes have been made to section 5. Value for Money. The amended page was circulated to the Group prior to the meeting and the appendices have been amended and republished to the website.

Mr David Hoose, Partner, Mazars – the Council's External Auditors presented a report that summarised their 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 2019/20. The report detailed the four areas of significant risk, these include:

- Management override controls
- Valuation of property, plant and equipment
- Defined benefit liability valuation (Pensions)
- Fraudulent revenue recognition

Mr Hoose explained that significant risk is an identified and assessed risk of material misstatement that in the auditor's judgement requires special consideration. The audit process provides detail on the identified risks and the auditors testing approach with respect to the significant risks. In addition, Mr Hoose advised the Group that should the auditor change the view of risk or approach to address the identified risks during the course of the audit this would be reported to the governance scrutiny Group.

It was **RESOLVED** that the Group accept the External Audit Strategy.

## 26 **Internal Audit Strategy**

The Executive Manager - Finance and Corporate Services advised the Group that the Internal Audit contract was due for renewal 2019/20 and a procurement exercise was undertaken in conjunction with Gedling Borough Council. The Council's current auditors, RSM, were unsuccessful and the contract was awarded to BDO who scored highly against all cost and quality indicators.

Mr Gurpreet Dulay, Senior Manager, BDO, the Council's new internal auditors addressed the Group and presented a report that focused on the Council's three-year Internal Audit Strategy 2020 to 2023. Mr Dulay informed the Group that following discussions with senior officers of the Council ten audits are planned for 2020/21 covering a number of the Council's key processes and

systems. These include:

- Budget Management and Reporting
- Licensing
- Markets
- Pest and Dog Control

There will also be a follow-up audit of recommendations made in previous years but not implemented to ensure that audit recommendations are being complied with by officers.

To assist with their consideration of the audit plan the Group were asked the following questions:

- Is the Group satisfied that sufficient assurances are being received within the annual plan to monitor the Council's risk profile effectively?
- Does the strategy for internal audit cover the Council's key risks as they are recognised by the group?
- Are the areas selected for review this coming year appropriate?
- Is the Group content that the standards within the charter (provided in the appendix with the report) are appropriate to monitor the performance of internal audit?

The Group asked specific questions in relation to the plan and whether there were additional areas highlighted for targeting not covered in previous years and whether there are risk ratings that could be quantified for the Group to benchmark and compare with other similar authorities.

Mr Dulay explained that some reviews were not included and provided the example Building Control, as this was completed recently by the previous internal audit done by RSM, adding that BDO would conduct follow up audits where areas of concern have been highlighted. In respect of benchmarking Mr Dulay advised the Group that this would be provided in the audit opinions that BDO will provide in their reports.

The Executive Manager - Finance and Corporate Services advised that BDO had demonstrated an innovative approach to the Audit Programme, adding that the plan was not fixed, and is likely to change as challenges arise. The Executive Manager – Finance and Corporate Services added that a report on Risk Management Strategy is to be presented at the next meeting of Governance Scrutiny in May 2020.

It was **RESOLVED** that the Group approve the Internal Audit Strategy and Audit Plan for 2020 to 2023.

## 27 Treasury Management Strategy

The Financial Services Manager presented the report of the Executive Manager – Finance and Corporate Services for the Council's Treasury

Management Strategy, which provided the group with details of the Capital and Investment Strategy for 2020/21 to 2024/25 focusing on both traditional treasury activity and the Council's commercial property investments.

The Financial Services Manager explained that the CIPFA Treasury management Code defines treasury management activities as:

*'The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks'.*

The code also covers non-cash investments such as investments in property and subsidiaries or loans that support service outcomes.

In addition, and in the appendices supporting the report, the Financial Service Manager highlighted the Council's Treasury Management Strategy which covers:

- The current economic climate and prospects for interest rates;
- The Council's debt and investment projections;
- The limits and prudence of future debt levels;
- The affordability impact of the capital programme;
- The Council's borrowing and investments linked to the environment, human rights and social agenda;
- Specific limits on treasury activities;
- Any local treasury issues.

In respect of commercial investments, The Financial Services Manager explained that CIPFA's definition of treasury management activities covers all financial assets as well as other non-financial assets which the Council holds primarily for financial returns. The Financial Services Manager advised that all investments require an investment management and risk management framework which is defined in the Council's Asset Investment Strategy (AIS) within the Capital Programme.

The Capital Prudential Indicators and Treasury Management Strategy provide the position statement and details of the future position of the Council's Capital, Commercial Investment and Treasury plans. A summary of the Council's current Commercial Investments was provided as appendices to support the report.

Councillor Stockwood questioned the Council's Minimum Revenue Provision Policy and why the Council has chosen Option 3 within the CLG guidance regulations, 'Asset Life Method', referring to the capital receipts assumptions and Section 106 investments. The Executive Manager – Finance and Corporate Services explained that this option was agreed by Governance Scrutiny and is generally the option most local authorities use, adding that targets are difficult to achieve on monetary earned investments and priority is given to security and liquidity.

Councillor Stockwood also questioned the changes in the Net Book Value of the Investment Property Assets (Appendix ii) and the change between years. The executive Manager – finance and Corporate Services stated he would provide an explanation once he had analysed the figures.

Councillor Virdi asked a specific question in respect of Capital Financing Requirement (CFR), and why these balances were increasing significantly. The Executive Manger – Finance and Corporate Services explained that as the Capital Programme increases so will the Council's borrowing, and provided examples in Bingham Leisure Centre and the Crematorium.

It was **RESOLVED** that the Governance Scrutiny Group endorsed the following for approval by Council on 6 March 2020.

- The Capital Strategy and Prudential Indicators and Limits for 2020/21 to 2024/25.
- The Minimum Revenue Provision (MRP) Statement.
- The Treasury Management Strategy 2020/21 to 2024/25 and the Treasury Indicators.
- The Commercial Investments Indicators and Limits for 220/21 to 2024/25.

## 28 Work Programme

Councillor Gowland joined the meeting.

The Group considered its Work Programme.

### 13 May 2020

- Internal Audit Progress Report
- Internal Audit annual Report
- Risk Management Strategy 2020/21 to 2023/24
- Annual Asset and Investment Strategy Report
- Annual Governance Statement
- Work Programme

### Actions – Governance Scrutiny Group 6 February 2020

Minute No	Action	Officer Responsible
27	Members requested an explanation for the changes in the Net Book Value of Investment Property Assets and the change between the years	Executive Manager – Finance and Corporate Services