

**MINUTES  
OF THE MEETING OF THE  
GOVERNANCE SCRUTINY GROUP  
THURSDAY, 24 JUNE 2021**

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

**PRESENT:**

Councillors D Viridi (Chairman), B Gray (Vice-Chairman), R Adair, L Healy,  
D Mason, K Shaw and J Stockwood

**ALSO IN ATTENDANCE:**

G Dulay	BDO
D Hoose	Mazars

**OFFICERS IN ATTENDANCE:**

P Linfield	Director of Finance and Corporate Services
H Tambini	Democratic Services Manager
S Whittaker	Service Manager - Finance

**APOLOGIES:**

Councillors K Beardsall, L Howitt and D Simms

The Chairman passed on the Group's thanks to the outgoing Chairman, Councillor Francis Purdue-Horan and thanked him for his commitment and excellent leadership to the Group.

The Chairman also advised that he had agreed to amend the order of two agenda items, Item 9 (Update on the Redmond Review of Public Sector Audit) would now be considered before Item 8 (Annual Governance Review), as given the links to both internal and external audit, it would allow the Council's external colleagues the opportunity to comment on Item 9.

**1 Declarations of Interest**

There were no declarations of interest.

**2 Minutes of the meeting held on 4 February 2021**

The minutes of the meeting held on 4 February 2021, were declared a true record and signed by the Chairman.

**3 External Audit Annual Plan**

Mr David Hoose, from Mazars, the Council's external auditor presented the External Audit Annual Plan, which summarised Mazars' approach to external audit activity with regards to the final accounts process and to value for money work in relation to the 2020/21 financial year.

Mr Hoose referred to the changes that had taken place in respect of Mazar's audit approach in relation to the key risks and audit judgements highlighted in section 4 of the report and confirmed that there was little change from last year. The Group was asked to note that a significant risk had been identified regarding the Covid-19 grants received by the Council, and given the complexity and new funding streams, those areas would be carefully monitored and accounted for. The Group also noted the significant change in approach to the monitoring and reporting of value for money for this year, with a more detailed reporting regime to the Council.

Members of the Group noted that the risks identified were similar to those identified in previous years; however, reference was made to the 60% increase in fees costs highlighted in the report and questioned if the uncertainty disclosures and costs would reduce as the Covid pandemic receded. The question of risks related to pensions was also raised and officers were asked if anything could ever be done to mitigate those risks, given that they appeared the same each year.

Mr Hoose advised that in respect of pensions, this remained a challenge and it was unlikely to change, unless there was a change in regulations.

The Director – Finance and Corporate Services advised that there was uncertainty in respect of fees, due to Covid, and a national consultation was currently underway. It was hoped that fees would not increase anymore, as the increase had been significant, and that had been due in part to changes in audit standards that had led to additional work for the auditors. It was acknowledged that it was important to ensure value for money from the auditors and the Group noted that the Council and Mazars would continue to work together to ensure that fees were kept to a minimum, audits were as efficient as possible, whilst noting the additional workloads and pressures being placed on the auditors, as outlined in the report.

The Chairman referred to the trivial threshold for errors and asked if it had varied much over recent years, and Mr Hoose advised that they had remained consistent.

It was **RESOLVED** that the External Audit Annual Plan be accepted.

#### 4 **Internal Audit Progress Report**

Mr Gurpreet Dulay, from BDO, the Council's internal auditor presented the Internal Audit Progress Report, which summarised the progress made against the annual Internal Audit programme, together with any significant recommendations with regard to the audits completed during this period.

Mr Dulay confirmed that four reports from the 2020/21 Internal Audit Annual Plan covering: Pest and Dog Control; Recruitment and Retention; Covid-19 Grants Assurance; and Cyber Security had been completed, details of which were highlighted in the Appendix to the report. The Group was advised that the report summarised the opinions that had been given, which were very positive, with each being given either a Moderate or Substantial rating. Mr

Dulay advised that in respect of Pest and Dog Control and Recruitment and Retention, a few areas for improvement had been noted, details of which were highlighted in the Appendix. The Group noted that work on the current year was progressing well, and timings to bring reports to future Governance Scrutiny Group meetings were set out in the report.

Members noted that 2,833 cyber risks had been identified and questioned if that was an appropriate figure for the size of the organisation. Members also noted that the report had confirmed that all the management actions had been agreed; however, it would be helpful to know if all the concerns had been addressed.

Mr Dulay responded by advising that although that number of cyber risks had been identified, it was not an unreasonably high number to have, and the Council had an extremely high completion rate of 98.62% against those actions. In respect of the management actions agreed, Mr Dulay confirmed that those actions would be completed and then BDO would follow up on those.

In conclusion, the Chairman referred to the challenging situation that the team had faced during Covid and congratulated them on completing the audit in time.

It was **RESOLVED** that the Internal Audit Progress Report for 2020/21 be noted.

## 5 Internal Audit Annual Report

Mr Gurpreet Dulay, from BDO, the Council's internal auditor presented the Internal Audit Annual Report, which summarised the work undertaken during the course of 2020/21, and the management actions arising from the audits, together with the annual opinion of the Head of Internal Audit.

Mr Dulay advised that this was the last report for the financial year and BDO was required to provide an annual opinion and it had concluded that the Council had a moderately sound system of internal assurance (with Moderate being the second highest rating) and the Group was advised that no local authority this year had received the highest Substantial rating and was a positive outcome. The Group noted that of the nine audits, five had resulted in a green 'Substantial Assurance' rating, three with an amber 'Reasonable Assurance' rating, and one, the Annual Fraud Report was not classified in the same way. In addition, 27 management actions had been identified, including 12 'Medium Priority' and 15 'Low Priority', where management actions had been agreed in all cases. Mr Dulay also emphasised that this was the first year that BDO had undertaken this audit and had used different scoping to predecessors; however, the Group was advised that there were no significant changes compared to previous audits.

The Director – Finance and Corporate Services stated that this was a very positive report, particularly given the extremely challenging year and the need to maintain services and manage risks.

The Chairman referred to the Covid 19 Grants Assurance and questioned the test sample size of 20 grant payments out of the 1,660 total number of payments made, and sought reassurance that the testing had been robust, as the report highlighted that there was no absolute assurance on the remaining grants.

Mr Dulay advised that although the sample size appeared small, a wider review of specific parameters had been undertaken to identify any indicators of fraud. The Group noted that a key part of the sample testing was to look to see if the Council had key arrangements in place, which it did, and it had been concluded that from the samples taken, no concerns had been raised and substantial assurance was provided.

Members asked that in respect of the overall opinion for the year, were the individual audits weighted?

Mr Dulay confirmed that no weighting was applied; however, for any fundamentally key service, such as a main financial system, a judgement would be made as to its overall importance and the Director – Finance and Corporate Services confirmed that there was an implicit scoring system, as some systems and services were monitored more frequently than others.

It was **RESOLVED** that the Internal Audit Annual Report 2020/21 be noted.

## 6 **Annual Fraud Report**

Mr Gurpreet Dulay, from BDO, the Council's internal auditor presented the Annual Fraud Report, which provided an overview of general and specific fraud related issues that had arisen at the Council during 2020/21.

Mr Dulay advised that there had been no allegations of fraud and no whistleblowing concerns reported during 2020/21. The Group was advised that as part of the Internal Audit Plan for 2020/21, BDO had undertaken an audit assurance over claims relating to the Small Business Grant Fund, and the audit had identified no potential fraud concerns. Mr Dulay referred to the National Fraud Initiative exercise, which was undertaken every two years, with one related to Council Tax Single Person Discount, and the results of that exercise were highlighted in the report. The Group noted that staff had recently undertaken fraud awareness training, and had been asked to complete a survey, the results of which were very encouraging.

Members raised a concern that there was no information available from the Department of Work and Pensions (DWP) regarding potential Housing Benefit fraud and asked if the Group could be updated when any data was received.

The Director – Finance and Corporate Services advised that due to Covid, the DWP was extremely busy and it was hoped that information would be available for this report next year.

Members referred to the greatest areas of perceived fraud risk highlighted in the report related to procurement and Council Tax Single Person Discount and noted that there was little reference in the report to procurement risk and

sought reassurance that this was being appropriately monitored.

Mr Dulay confirmed that this was a national issue and in 2021/22, Internal Audit would be undertaking a full review programme as part of the forthcoming audit programme.

The Chairman noted the positive completion rate and responses received to the staff survey, details of which were highlighted in the report, and was reassured that this highlighted the level of overall staff awareness regarding fraud detection.

It was **RESOLVED** that the Annual Fraud Report for 2020/21 be noted.

## 7 **Update on the Redmond Review of Public Sector Audit**

The Director – Finance and Corporate Services presented the Redmond Review of Public Sector Audit Report, providing an update on the recommendations arising from the Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting.

The Director – Finance and Corporate Services advised the Group that although the report contained constructive comments, it was quite critical in particular regarding the lack of coherence in local audit and governance arrangements, and the Group noted that 40% of audits had not been completed by the deadline for 2018/19, and that figure had increased significantly in the following year. The importance of having effective audit arrangements in place was emphasised and the Director – Finance and Corporate Services outlined the key recommendations in the Redmond Review, together with the responses by the Ministry for Housing, Communities and Local Government, details of which were highlighted in the Council's report.

The Group was advised that following on from this Review, the Council was recommending that the possibility of appointing at least one, suitably qualified, independent member to sit on the Governance Scrutiny Group to offer support and a fresh perspective should be considered.

Mr David Hoose advised that the appointment of independent members was an emerging issue, which a number of local authorities had adopted, and if a suitable person was appointed, it was considered that they could add value.

Mr Gurpreet Dulay agreed that such an appointment could be beneficial, as it provided a fresh perspective and insight; whilst the challenges of ensuring that the role and responsibility of any independent member was clearly defined and agreed at the outset was essential.

The Director – Finance and Corporate Services confirmed that any person being considered for the role would have to be suitably qualified, and any candidates would have to pass the Council's robust recruitment and interview process.

Members considered both the advantages and disadvantages of such an

appointment, and the majority of the Group agreed that given that the Council already received excellent advice from both its internal and external auditors and officers, and that members of the Group were appropriately trained to undertake their duties, at the current time it would be inappropriate to consider such an appointment.

It was **RESOLVED** that the recommendations arising from the Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting be noted.

## 8 **Annual Governance Statement**

The Service Manager – Finance presented the Annual Governance Statement 2020/21 and referred to the key headlines contained in the Statement, details of which were outlined in the appendix to the report.

The Group was advised that that in accordance with the Accounts and Audit Regulations 2015, the Council was required to publish the Annual Governance Statement alongside the Council's Statement of Accounts, and by reviewing the Statement, the Group would be scrutinising the Council's governance arrangements.

The Chairman referred to the significant governance issues related to Covid and the challenges faced by the Council and also referred to the decommissioning of the Ratcliffe on Soar power station site and sought reassurance regarding risk management and litigation. The Chairman referred to the considerable Business Rates paid by the power station and asked for an update on how the loss of that revenue could impact on the Council's reserves.

The Service Manager – Finance confirmed that the forecasts remained the same and the Council was working with its partners to identify how the Development Corporation and Freeport would impact on the Business Rates to ensure that the Council's finances were not detrimentally effected.

The Chairman was pleased to note that the budget deficit, which had originally been forecast as £2.63m, was now forecast at £1.5m.

The Chairman referred to the self-assessment undertaken by the Council's S151 Officer and sought clarification as to whether or not it would be subject to additional scrutiny.

The Director – Finance and Corporate Services advised that the Council's Internal Auditors, BDO would be reviewing the marking of the self-assessment to ensure surety.

It was **RESOLVED** that the Annual Governance Statement 2020/21, which incorporates actions for the forthcoming year be approved.

## 9 **Revisions to the Council's Constitution**

The Monitoring Officer presented a report outlining revisions to the Council's

Constitution and summarised the main amendments being proposed, details of which were highlighted in the report. The Group was asked to consider those proposed revisions and recommend them for adoption by Council.

It was **RESOLVED** that the proposed revisions to the Constitution be recommended for adoption by Council.

## 10 **Work Programme**

The Director – Finance and Corporate Services presented the report, which detailed the proposed Governance Scrutiny Group Work Programme for 2021/22. The Group was advised that the Statement of Accounts, currently scheduled for the meeting on 25 November 2021, would need to be considered at the meeting on 23 September 2021 instead.

It was **RESOLVED** that the Work Programme detailed below be approved by the Governance Scrutiny Group:

### **23 September 2021**

- Internal Audit Progress Report
- Treasury Management Outturn
- Asset and Investment Management Outturn 2020/21
- Statement of Accounts
- Risk Management
- Streetwise Annual Report
- Going Concern Report
- Work Programme

### **25 November 2021**

- Internal Audit Progress Report
- Treasury and Asset Investments – 6 month update
- Work Programme

### **3 February 2022**

- Internal Audit Progress Report
- Internal Audit Strategy
- External Audit Annual Plan
- Annual Audit Letter
- Risk Management
- Treasury and Investments Strategy – Update
- Work Programme

### **19 May 2022**

- Internal Audit Progress Report
- Internal Audit Annual Report

- Annual Governance Statement
- Constitution Update
- Work Programme

The meeting closed at 8.43 pm.

CHAIRMAN