

**MINUTES
OF THE MEETING OF THE
GOVERNANCE SCRUTINY GROUP
THURSDAY, 30 JUNE 2022**

Held at 6.00 pm in the Council Chamber, Rushcliffe Arena, Rugby Road, West
Bridgford

PRESENT:

Councillors D Viridi (Chairman), R Adair, K Beardsall, P Gowland (Vice-Chairman), L Howitt, J Stockwood, G Dickman and Mrs C Jeffreys

ALSO IN ATTENDANCE:

D Hoose – Engagement Lead, Partner Mazars
G Dulay - Senior Manager BDO
C Thomas – Senior Internal Auditor BDO

OFFICERS IN ATTENDANCE:

T Coop	Democratic Services Officer
G Dennis	Monitoring Officer
P Linfield	Director of Finance and Corporate Services
S Whittaker	Service Manager - Finance

APOLOGIES:

Councillors D Simms, Mrs M Stockwood and K Shaw

1 Declarations of Interest

There were no declarations of interest reported.

2 Minutes of the meeting held on 3 February 2022

The Minutes of the meeting held on 30 February 2022 were approved by the Group and signed by the Chairman.

At the request of the Mr Hoose, the External Auditor the Chairman agreed to change the running order of the agenda allowing item 6. Annual Audit Report and item 7. External Annual audit Plan 2021/22 to be considered first.

3 Internal Audit Annual Report 2021/22

Mr Dulay from BDO, the Council's internal auditors presented a report that summarised the work undertaken during the course of 2021/22 and the management actions arising from the audits, and also provides the annual opinion of the Head of Internal Audit required by the Public Sector Internal Audit Standards.

From the appended BDO report Mr Dulay highlighted the completion of the Internal Audit Plan for 2021/22 and advised the Group that the Council has a

substantial system of internal control, adding that substantial assurance is the highest level and that it should be noted that this is a significant achievement as this level of assurance is difficult to achieve and in particular against the backdrop of the Covid pandemic.

Mr Dulay reminded the Group that the audit for 2021/22 looked at ten internal audit reviews which had previously been reported in the quarterly progress reports, of the 10 audits:

- Four received substantial assurance on both design and effectiveness – Main Financial Systems, Housing Benefits, Homelessness and GDPR
- One received substantial assurance on design effectiveness only – Business Continuity and Disaster Recovery
- Four received moderate assurance on both design and effectiveness – Planning and S106, Corporate Governance, Health and Safety and Contract Management
- The Annual Fraud report is not classified in the same way
- There were no reports issued with limited assurance

Members asked a specific question relating to S106 developer contributions and the issues around collecting the monies. The Service Manager - Finance explained that in some cases there were clauses within the S106 as to when in the development the S106 agreement is triggered.

The Chairman highlighted the KPI that the Council was failing to meet its target of 85% of householder applications completed within the statutory time limits and was advised by Ms Thomas that the actual figure was 73%.

Members asked a specific question in respect of the audit for Homelessness and Temporary Accommodation and how the council collects its information using the data base Pentana and whether the information collected has an impact on the actual homeless person or the KPI performance reports. Mr Dulay explained the audit looks at scope of key group of individuals to identify how quickly it takes the Council to house somebody and the reporting controls that the Council has in place.

In respect of the confirmation of Councillors register of interests, Members asked whether the process could be reviewed, allowing for paper copies to be collected as well as online processes.

It was **RESOLVED** that the Governance Scrutiny Group note the Internal Audit's Annual Report 2021/22.

4 **Annual Fraud Report 2021/22**

Mr Dulay presented the Annual Fraud Report 2021/22 which summarised the incidence of fraud and fraud prevention activities undertaken by the Council during the year 2021/22.

The purpose of the report is to provide an overview of general and specific fraud related issues that have arisen at the council during 2021/22. These include:

- Preventing and Detecting Fraud
- Whistleblowing Policy
- National Fraud Initiative (NFI)
- Council Tax Single Person Discount
- Internal Investigations 2021/22
- Internal Audit – Covid-19 Grants Assurance
- Fraud Awareness Training and Counter Fraud Staff Survey

Mr Dulay highlighted a data matching exercise in respect of single person discount and the results of this exercise revealed that the number of cases investigated, and the additional council tax billed, reduced significantly compared to the previous year. Mr Dulay explained that this was due to other work pressures and resource constraints during the pandemic.

Mr Dulay also highlighted the Council's Whistleblowing Policy and the lack of specific staff awareness campaigns and has made a management recommendation in relation to staff awareness and training.

Members asked specific questions in respect of the Single Person Discount and the processes in place to identify and prevent this. Mr Dulay explained this was not unique to Rushcliffe and was a national issue. The exercise looked at the electoral roll and often residents failed to inform the Council of changes, this is recorded as not reporting but not fraudulent. The Service Manager – Finance advised the Group that the Council is planning a review in respect of single person discount later in 2022.

Members asked whether any training had been planned for the coming year and could a reporting back mechanism be considered to track the discussions raised during training. The Director – Finance and Corporate Services advised that training would be included when reporting the Annual Fraud report next year.

Members questioned the cost of chasing payments from residents found to be miss paid and what the impact of recovery has on residents already struggling with the cost of living. The Director – Finance and Corporate Services advised members that no extra resources were required to recover missed payments, it was part of an officer's job to look for fraudulent activity. In respect of recovery, the Director – Finance and Corporate Services advised that the Council is sympathetic and tries to help residents where it can.

Mr Dulay added that generally Council's operate a zero tolerance and looks at

fraud on a case by case basis which demonstrates good practice.

It was **RESOLVED** that The Governance Scrutiny Group notes the Annual Fraud Report for 2021/22 and approves the requirement for further fraud awareness training in 2022/23.

5 **Annual Audit Letter**

Mr Hoose from Mazars the Council's External Auditors presented the Annual Audit Letter including the Council's Value for Money arrangements.

The purpose of the audit is to provide reasonable assurance to users that the financial statements are free from material error in line with the financial reporting framework applicable to the Council and whether they give a true and fair view of the Council's financial position as at 31 March 2021.

The Council's accounting policies and disclosures were reviewed and concluded that they comply with the 2020/21 Code of Practice on Local Authority Accounting.

In respect of Value for Money arrangements (VFM), Mr Hoose informed the Group that the audit considers whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources, and advised the Group of the reporting criteria:

Financial sustainability - how the Council plan and manages its resources to ensure it can continue to deliver its services

Governance - How the Council ensures that it makes informed decisions and properly manages its risks

Improving economy, efficiency and effectiveness - How the Council uses information about costs and performance to improve the way it manages and delivers services.

In concluding Mr Hoose informed the Group that the audit did not identify any risks of significant weakness, or actual significant weakness in the Council's arrangements.

Members questioned the significant increase in the audit fees and what are the benefits of the new additional work as a result of the Code of Audit Practice and Value for Money (VFM) reporting. Mr Hoose explained that the additional work involved a new piece of work conducted at a more senior level, adding that a new package of changes is expected but that there is still some uncertainty around the extra reporting requirements. The Director - Finance and Corporate Services added that the Value for Money (VFM) report considered the risks associated with the Covid-19 pandemic, Brexit and cost of living, which are all issues affecting local authorities.

It was **RESOLVED** that Governance Scrutiny Group note the Annual Audit Letter

6 External Audit Annual Plan 2021/22

Mr Hoose from Mazars, the Council's External Auditors presented the External Audit Plan which summarised the Council's approach to external audit activity with regards to the final account process and the approach to value for money (VFM) work in relation to the financial year 2021/22.

Mr Hoose highlighted three significant risks concerning management override of controls, net defined benefit liability valuation, valuation of property, plant and equipment.

Mr Hoose provided the Group with an Audit Strategy Memorandum which explained the audit scope, approach and timeline and advised that he was confident that the audit would be delivered on time.

The Director - Finance and Corporate Services advised the Group that the Draft Statement of Accounts had been completed within the timescales and is available for view on the Council's website. Completed a month before the statutory deadline for publication.

Members asked a specific question in relation to the level of officer expertise when valuing property and whether the reporting cycle to Governance Scrutiny Group was adequate. The Director - Finance and Corporate Services advised that property valuations were undertaken professionally and diligently by officers. A considerable amount of officer time was spent during the audit when valuations are reviewed and no significant issues have ever arisen. Mr Hoose added that the regulatory expectations were challenging as additional information is required, however he did not anticipate any issues and confirmed that there were no significant risks.

It was **RESOLVED** that the governance Scrutiny Group accept the External Audit Plan.

7 Annual Governance Statement 2021/22

The Director – Finance and Corporate Services presented the Annual Governance Statement, which is published alongside the Council's Statement of Accounts. The Governance Statement reflects the requirements of the updated CIPFA/SOLACE "Delivering good governance in local government framework (2016)" and incorporates the seven principles within the Local Code. These were referenced in the AGS Appendix 1 attached to the report.

Members were reminded that other content, for example (section 4) 'Significant Governance Issues' will alter as new risks and opportunities arise, and the environment we operate in evolves over time. The Director – Finance and Corporate Services added that there are also additional references linked to the impact on governance from Covid-19 and the Financial Management Code which was introduced last year.

Members asked specific questions relating to the employee National Living Wage and how this will impact on costs for the Council and were officers confident that this risk was being monitored. The Director - Finance and

Corporate Services advised that this would be covered in the Budget later in the year.

Members questioned how compliance was being reported in respect of significant governance issues. The Director – Finance and Corporate Services informed the Group that performance issues form part of regular reporting to the Corporate Overview Group.

The Chairman raised a question in relation to Leisure provision and what was the current position in respect of the new leisure centre at Bingham. The Director – Finance and Corporate Services advised the Group that any delays would have an impact on income, adding that a Revenue and Capital Outturn Report is on the agenda for Cabinet on Tuesday 12 July.

It was **RESOLVED** that the Group note and approve the Annual Governance Statement 2021/22 (Appendix 1) which incorporates actions for the forthcoming year.

8 **Capital and Investment Strategy Outturn 2021/22**

The Service Manager - Finance presented the Capital and Investment Strategy Outturn which summarised the transactions undertaken during the 2021/22 financial year reporting against the Council's Capital and Investment Strategy 2021/22-2025/26. The report also provided information on the Council's commercial investment activity and summarises requirements of the new CIPFA Code.

The Service Manager - Finance referred to the Prudential Indicators Summary which detailed the impact of capital expenditure activities during the year and highlighted the increase in the investments balance due to slippage in the Capital Programme due to re-profiling of expenditure on the Bingham Hub and Crematorium and additional S106 deposits, adding that this had removed the need to externally borrow in 2021/22. The Group noted that this will be reported to Cabinet at its meeting in July.

The Service Manager - Finance highlighted the ratio of financing costs to the net revenue streams and reported that the actual costs are lower than originally estimated primarily as a result of income investments exceeding expectations and larger investment balances due to additional S106 monies and Community Infrastructure Levy (CIL).

In respect of interest rates the Service Manager – Finance advised the Group that the cash balances the Council are holding are unusually large, however, the council needs to ensure adequate liquidity for the revenue and capital activities, security for investments and to manage risks within all Treasury Management activities in line with the approved treasury strategy, therefore interest rates remain low in comparison to longer term investment options. Tables were provided in Appendix 1, detailing where the Council had placed investments and monthly returns on investments during 2021/22.

The Service Manager - Finance advised that overall, the council had successfully achieved its objectives of ensuring investments were held with relatively secure counterparties and ensuring there is sufficient liquidity to operate efficiently.

The Service Manager - Finance advised the Group that the updated Treasury Management Code requires local authorities to document a knowledge and skills schedule reflecting the need to ensure both officers and members dealing with treasury management are trained and kept up to date.

Members noted that there would be more regular reporting of treasury management activities and were pleased to see that a more in-depth training for staff and members was to be implemented. Members requested that Treasury Training should be offered to all members, so they are able to substitute on Governance Scrutiny Group.

Members asked a specific question relating to inflation and whether the Council should be considering other sustainable solutions to encourage growth and not be reliant on monetary policy. The Director – Finance and Corporate Services advised the Group that monetary policy relies on investments primarily being secure followed by liquidity and then yield, adding that the Council is supporting economic growth by way of the Bingham Hub and crematorium developments. He also referred to the Freeport which is likely to dwarf anything that has been suggested, creating jobs, improved infrastructure and HS2 which in the long term should encourage further investment.

Members were encouraged by the Treasury Management reporting and noted that the Council was in a strong position financially. The chairman thanked the finance team.

It was **RESOLVED** that the Governance Scrutiny Group approves the 2021/22 outturn position.

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.

Members asked a specific question relating to new responsibilities for scrutiny and how were these decided. The Director – Finance and Corporate Services explained that members are asked to complete a scrutiny matrix for review by the Corporate Overview Group.

Members questioned the amendment proposed for the remuneration of the Chief Executive and whether the new arrangements were an improvement and do they reflect 'best practice'. The Director – Finance and Corporate Services explained that the amendment provides more transparency for a practise that already exists. Mr Dulay from BDO the Council's internal auditors added that the changes appear to be appropriate and reasonable.

In respect of the remuneration of the Chief Executive, Members requested a minor change to the wording being inserted, to confirm the decision being taken were in relation to the existing pay scale and not changing the pay scale.

The Chairman also suggested that an additional bullet point be added to the Terms of Reference for Governance Scrutiny Group to include a Review of Going Concern.

It was **RESOLVED** that:

- a) the proposed revisions to the Constitution be recommended for adoption by Council.
- b) Including the additional amendments in Part 3 of the Constitution proposed by Governance Scrutiny Group

10 **Work Programme**

The Director – Finance and Corporate Services presented the report that detailed the proposed Governance Scrutiny Work Programme for 2022/23.

With due regard to statutory and legislation requirements the Annual Audit Report will move from the November agenda to 23 February 2023.

15 September 2022

Internal Audit Progress Report
Streetwise Annual Report 2021/22
Risk Management
Going Concern
Treasury Management Update
Work Programme

24 November 2022

Internal Audit Progress Report
Statement of Accounts
Treasury and Asset Investment – 6 Month Update
Asset Management Plan
Work Programme

23 February 2023

Internal Audit Progress Report
Annual Audit Report 2021/22
Treasury Management Update
Internal Audit Strategy Plan
Risk Management – Update
Treasury and Asset Investments Strategy
Work Programme

Proposed Training

The Group noted that training on Risk Management had been scheduled for 15 September before the Governance Scrutiny Group meeting later that evening and a walkthrough session of the key points on the Statement of Accounts is scheduled prior to the November meeting of Governance Scrutiny Group.

The Group were advised that the Internal Auditors, BDO, were looking at delivering a joint Q & A session with Gedling District Council on external and internal audit issues.

The meeting closed at 8.03 pm.

CHAIRMAN