

# Governance Scrutiny Group

## Chair's Foreword

This annual report summarises the main work undertaken by the Governance Scrutiny Group 2022/23 focusing on the impact of scrutiny. The Governance Scrutiny Group scrutinises and approves the Council's finances, approach to risk, as well as other corporate issues. I am pleased to report that despite another challenging year, the Governance Scrutiny Group have proceeded as planned and all items programmed for 2022/23 were considered.

The Group has explored the Council's responsibilities in lined with the Council's priorities within the Corporate Strategy, which include:

- Reviewing the outcomes of both internal and external audit investigations to ensure the Council is compliant with legislation and best practice;
- Monitoring the Annual Governance Statement to ensure compliance with the Council's Code of Corporate Governance
- Scrutinising and approving the Statement of Accounts
- Reports on the Council as a 'Going Concern'
- Considering the Council's Risk Management Framework annually to ensure current risks are being monitored, and effective controls and mitigating actions are in place
- Considering regular reports on Asset and Investment Management to ensure prudent use of Council resources is being made to fulfil the objectives of the Investment Strategy and Annual Capital Programme
- Monitoring the operation of the Council's constitution to ensure that it is being upheld and to recommend to Council any necessary fundamental changes.

Councillor Davinder Virdi  
Chair Governance Scrutiny Group



Councillor Davinder Virdi  
Chair



Councillor Penny Gowland  
Vice-Chair

## What we are responsible for?

The Governance Scrutiny Group's responsibilities include:

- **Statement of Accounts** To examine the outturn and statement of accounts resulting in its approval.
- **Annual Governance Statement** To consider the annual report on applying the Council's system of internal control. This statement ultimately comprises a key element of the Council's Statement of Accounts.
- **Capital and Investment Management** To consider the annual and interim reports on capital and investment management activity. Ensuring that practice has complied with the approved Asset Management Strategy, making recommendations to Cabinet or Full Council as appropriate. Including changes to the Treasury and Capital Codes of Practice, which includes how we account for Commercial Investments and reporting on the position concerning both treasury and commercial investments.
- **Protecting against fraud** To consider the annual report on fraud and irregularities in order to make an informed judgement on the corporate governance and internal control statements, making recommendations to Cabinet on improvements. To consider any matters arising as a result of irregularity referred to it by Cabinet.
- **Internal Audit** To consider periodic reports on the more significant findings of internal audit in order to make an informed judgement on corporate governance and internal control statements, making recommendations to Cabinet on improvements.
- **Risk Management** To consider periodic reports on controls over key risk areas as identified in the risk register in support of making an informed judgement on the corporate governance and internal control statements, making recommendations to Cabinet on improvements.

## Our work this year

During this year, the Group considered many service areas and issues within its scrutiny role, particularly:

- Internal Audit, including quarterly Progress Reports, Annual Report, and Strategy
- Risk Management
- Going Concern Assessment
- Capital and Investment Strategy
- Approval of the Statement of Accounts
- Streetwise Annual Report
- Capital and Investment Strategy Outturn 2021/22
- Capital and Investment quarterly updates
- Draft Risk Management Strategy 2023-26
- Annual Fraud Report
- Annual Audit Letter
- Annual Audit Completion Report
- External Audit Annual Plan 2021/22
- Annual Governance Statement 2021/22
- Revision of the Council's Constitution.

## **Internal Audit, including quarterly Progress Reports, Annual Report, and Strategy**

The Governance Scrutiny Group considered the Council’s internal audit executed by BDO the Council’s Internal Auditors. Mr Dulay from BDO attended each meeting to present the quarterly Progress Report and at the meeting in June 2022 he presented the Internal Audit Annual report for 2021/22.

Across all four meetings the Group debated:

### **June 2022**

- Section 106 developer contributions and issues around collecting monies
- The KPI target of householder planning applications completed within the statutory time scales
- The Audit for homelessness and temporary accommodation and how the Council collects information and the impact this has on the homeless person and how quickly it takes the Council to house somebody
- Councillors register of interest reviews and processes

### **1 November 2022**

- Risk Management summary of the audits progress
- Project Management including the Council’s Project Management Framework 2012 and the methodology for reporting through scrutiny and Cabinet
- Environment Audit

### **24 November 2022**

- IT Asset Management and the Council’s process for reviewing software licenses requiring a more proactive approach to alert where more or fewer licenses were required.
- Health and Wellbeing including the main causes for staff sickness and absence and HR support and services in managing absenteeism.

### **23 February 2023**

- The main financial systems which concluded that any recommendations raised by the auditor had been actioned and controls put in place

At the meeting in February Mr Dulay from BDO the Council’s Internal auditors presented the Internal Audit Strategy 2023-2026 which focused on the planned audits due to take place in year one of the new cycle of audits.

<b>The Group agreed to:</b>	<b>Progress Update – September 2023:</b>
Approve the quarterly Internal Audit Progress reports	Management take audit findings and recommendations onboard as a scope for improvements within the Council’s systems and processes. Follow up on agreed management actions take place throughout the year.
Approve the Internal Audit Strategy and Plan for 2023-2026 and the Internal Audit Charter contained within the Internal Audit Strategy Plan	

## Risk Management

The Governance Scrutiny Group considered the Council's Risk Register in November 2022 and February 2023. The Service Manager – Corporate Services updated the Group about the Council's risk management activities as well as changes to risks in the Council's risk register. The Group debated:

- New risks and those for which the risk rating had been reduced
- Risks relating to travellers and business rates
- Taxi Licensing Fees and the disparity with other authorities
- Loss of income in relation to Planning Income.

The Group agreed to:	Progress Update – September 2023:
Considered and made recommendations on the risks that had a red alert status	Feedback from the Group has been relayed to the Council's Risk Management Group

## Going Concern Assessment

At its meeting in November 2022, the Director – Finance and Corporate Services presented the Council's Going Concern status. The Group were advised that as a requirement of the Code of Practise on Local Authority Accounting the Statement of Accounts are prepared with the assumption that the Council will continue to operate within the current and anticipated resources available. The main factors that underpin the going concern assessment were discussed as follows:

- The Council's current 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

The Group agreed to:	Progress Update – September 2023:
Approve the outcome of the assessment made of Rushcliffe Borough Council's status as a 'Going Concern' for the purpose of the Statement of Accounts	The Council's position is monitored throughout the year with the 2023/23 assessment due to be seen by the Group in September 2023

## Capital and Investment Strategy Quarterly Updates

The quarterly updates are presented by the Service Manager – Finance and provide the Governance Scrutiny Group a summary of the Council's capital and investment activities during the year and in line with the Council's Capital and Investment Strategy 2022/23. The Group were asked to consider the Council's commercial investment activity as it embraces the new CIPFA Code ensuring there is both transparency and scrutiny in terms of treasury and investment decision making.

At its meeting on 1 November 2022, the Group commented on the economic forecast in respect of high inflation and a potential recession and the impact on the Council's cash balances and interest rates on long term investments.

At its meeting on 24 November 2022, the Group discussed CIL and Section106 monies and the policies and procedures in place as to what they could be spent on and whether it is released in a timely manner to deliver projects in the community. The Group also discussed the Council's rental income and the underspend on registered housing providers.

At its meeting on 3 February 2023, the Finance Business Partner presented the Capital and Investment Strategy Q3 report. The Group commented on the inflationary pressures and rising interests and were encouraged to see the council was in a positive position. The Group discussed ethical investments as a preferred choice but accepted that Officers were guided by Link the Council's Treasury Advisors in relation to investments.

The Group agreed to:	Progress Update – September 2023:
Note the Capital and Investment Strategy quarterly updates provided at each of its meetings during 2022/23	Capital and Investment training was provided in January 2022 and in June 2023 as part of the Councillor induction programme

### **Capital and Investment Strategy 2023-2024 to 2027-2028**

At the meeting in February 2023 the Finance and Business Partner presented the Group with the Council's Capital and Investment Strategy 2023/24 to 2027/28 which focused on traditional treasury activity and the Council's commercial property investments in light of CIPFA's updated Prudential and Treasury Management Codes. The Group discussed the Treasury Training and members expressed their greater understanding of the Council's Capital and Investment Strategy.

The Group agreed to:	Progress Update – September 2023:
Note and approve the Council's Capital and Investment Strategy for 2023/24 to 2027/28 including the Capital Prudential Indicators and limits, the Minimum Revenue Provision Statement, the Treasury Management Strategy and Treasury Indicators and the Commercial Investment Indicators and limits for 2023/24 to 2027/28	Capital and Investment training was provided in January 2022 and in June 2023 as part of the Councillor induction programme.  Further training to be delivered by the Treasury Advisors is planned for Autumn 2023

## Capital and Investment Strategy Outturn 2021/22

In June 2022 the Group were presented the Capital and Investment Strategy Outturn which summarised transactions undertaken during the 2-21/22 financial year reporting against the Council's Capital and Investment Strategy 2021/22-2025/26.

The Group discussed inflation and the Council's solutions for encouraging economic growth and noted the Bingham Hub and Crematorium developments supporting this. The Group were also encouraged by the Freeport proposals and its potential of creating jobs and improved infrastructure.

The Group agreed to:	Progress Update – September 2023:
Approve the Capital and Investment Strategy Outturn position 2021/22 and agreed to more regular reporting of treasury management activities and increased in-depth training for officers and Councillors	Quarterly Capital and Investment Strategy updates are reported at each Governance Scrutiny Group meeting. Capital and Investment training was delivered in January 2022 and June 2023 as part of the Councillor Induction Programme

## Approval of the Statement of Accounts

At its meeting in February 2023 the Director – Finance and Corporate Services presented the Council's statutory Statement of Accounts for the financial year 2021/22, which had been delayed due to issues out of the Council's and Auditors control. It was noted that a more detailed Budget report would be presented at Full council in March 2023.

The Group agreed to:	Progress Update – September 2023:
Approve the Statement of Accounts for 2021/22, including the Annual Governance Statement	At the Governance Scrutiny Group Meeting in July 2023 the Group were advised that there would be a delay in reporting the Statement of Accounts for 2022/23. This is expected to be reported to the Group in November 2023.

## Streetwise Annual Report

In November 2022 Mr Emmerson, Company Secretary, Streetwise Environmental presented the annual reports for Streetwise Environmental Ltd and Streetwise Trading Ltd, wholly owned companies of Rushcliffe Enterprises Ltd 2021/22. The Group discussed the future of Streetwise in reflection of the loss of the Managing Director and the impact of the Covid-19. The Group also discussed the original business plan and how this reflects the council's Corporate Priorities including, social impact, environment impact and carbon management.

The Group agreed to:	Progress Update – September 2023:
Approve the Streetwise Annual Report and provided comments to Cabinet for future scrutiny reviews	Streetwise has successfully transferred back within the Council’s control and would form part of the Transformation Programme going forward and would therefore be looked at through the Council’s budget and performance reports at Corporate Overview Group. Streetwise has been added to the Corporate Risk Register as an opportunity risk.

### Draft Risk Management Strategy 2023-26

In February 2023, the Group reviewed a draft Risk Management Strategy for 2023 to 2026. This Strategy would replace the existing one which was due to expire in April 2023. The new draft took account of the outcome of the recent Risk Management Audit and training from the Council’s Insurance Provider Zurich.

The Group discussed the changes had been made to the Strategy including:

- More comprehensive introduction and explanation of the RBC Risk Management process
- Reference to the recent training from Zurich Insurance and BDO audit
- Reference to Pentana, the Council’s performance monitoring system which includes a risk management module
- Information about the monitoring and review process of both risks and the Risk Management Strategy
- Alterations to the roles and responsibilities section to reflect the internal management restructure of 2021.

The Group agreed to:	Progress Update – September 2023:
Approved the Risk Management Strategy for 2023-2026	The Risk Management Strategy is published and operational. The Governance Scrutiny Group will receive reports against the new Strategy in 2023/24.

### Annual Fraud Report

In June 2022, Mr Dulay from BDO the Council’s Internal Auditor presented the Council’s Annual Fraud report, which summarised the incidence of fraud and fraud prevention activities undertaken by the Council during 2021/22. The Group were provided an overview of fraud related issues that had arisen at the Council during 2021/22. These included:

- Preventing and Detecting Fraud
- Whistleblowing Policy

- National Fraud Initiative (NFI)
- Council Tax Single Person Discount
- Internal investigations
- Internal Audit – Covid -19 Grant Assurance
- Fraud Awareness Training and Counter Fraud Staff Survey.

The Group agreed to:	Progress Update – September 2023:
Approve the Annual Fraud Report for 2021/22, including the approval for further fraud awareness training in 2022/23	The Annual Fraud Report 2022/23 (29 June 2023) recommended a Fraud Risk Assessment, this is planned for this financial year.

### Annual Audit Letter

In June 2022, Mr Hoose from Mazars the Council's External Auditors presented the Annual Audit Letter including the Council's Value for Money arrangements. The Group scrutinised the significant increase in audit fees and the benefit of the additional work as a result of the Code of Audit Practise and Value for Money reporting.

The Group agreed to:	Progress Update – September 2023:
Approve the Annual Audit Letter and Value for Money arrangements	The deadline for signing off the 2022/23 Statement of Accounts has reverted back to 30 September, although this may yet be extended. Due to audit resources and national backlog the audit is unlikely to be concluded by this deadline.

### Annual Audit Completion Report

In February 2023 Mr Hoose from Mazars the Council's external auditors presented the Audit Completion Report and Management Representation Letter which provided the key conclusions in the audit process for 2021/22. The Group discussed some of the key risks that were highlighted including:

- Pension Scheme valuation
- Minor disclosure amendments and misstatements where management controls had been put in place
- Delays in signing off the Statement of Accounts due to gaining assurance from the Pension Fund Adjustment
- A PPA which was required in relation to a deferred capital receipt in the 2020/21 accounts.



The Group agreed to:	Progress Update – September 2023:
Note and approve the Audit Completion report and approve the Management Representation Letter	There remain national issues with Pension Fund variations and audit resources which could delay the signing off of the accounts.
Receive a follow up letter from Mazars in relation to the significant matters that are outstanding	The Annual Audit Letter was taken to the Group on 29 June 2023

### External Audit Annual Plan 2021/22

In June 2022 Mr Hoose from Mazars the Council's External Auditors presented the External Audit Plan which summarised the Council's approach to external audit activity in relation to the financial year 2021/22. In the debate that followed the Group questioned the level of officer expertise when valuing property and whether the reporting cycle to Governance Scrutiny Group was adequate.

The Group agreed to:	Progress Update – September 2023:
Approve the External Audit Plan	Nothing to update

### Annual Governance Statement 2021/22

At its meeting in June 2022 the Group were presented the Council's Annual Governance Statement which reflects the requirements of the updated CIPFA/SOLACE principles within the Local Government Code. The Group asked specific questions relating to; Employee National Living Wage and the impact on Council costs, compliance in respect of current significant governance issues effecting Council performance and the Council's leisure provision and the delays experienced with the Bingham Arena on the Council's revenue.

The Group agreed to:	Progress Update – September 2023:
Approve the annual Governance Statement 2021/22 and any actions for the forthcoming year	Nothing to update

### Revision of the Council's Constitution

At its meeting in June 2022 the Group were asked to consider and recommend for adoption by Council revisions to the Council's Constitution, including amendments to responsibilities for scrutiny, amendments to the remuneration of the Chief Executive and additional Terms of Reference for Governance Scrutiny to include a Review of 'Going Concern'.

The Group agreed to:	Progress Update – September 2023:
Approve the recommendations for adoption by Council, including the additional amendments in Part 3 of the Constitution as proposed by the Group	The revisions and amendments in Part 3 of the constitution were approved by Full council at its meeting on 7 July 2022.

### **Member Panels**

The Group did not establish any Member Panels this year.

### **Call-ins**

The Group did not discuss any call-ins this year.

### **Looking forward to the year ahead**

The Governance Scrutiny Group is looking forward to developing a comprehensive work programme for the year ahead.