

Governance Scrutiny Group

Chairman's Foreword

This brief foreword looks back on an unprecedented year for the Governance Scrutiny Group in 2019/20. It has been a very difficult and challenging time over the past few months, with the outbreak of Covid-19 and the subsequent lockdown, which has had a severe impact on the national economy and the Council's finances. Before the Covid-19 pandemic, the Council was already facing uncertainty with on-going national financial austerity; however, I am pleased to report that due to the dedication of both the staff and Councillors, and because of prudent financial management over many years, the Council has managed exceptionally well to deal with this crisis. Although it should be noted that there are still difficult, uncertain times ahead and the Council's financial resilience going forward will be severely tested, it is encouraging to know that the Council has the appropriate governance arrangements in place to support this task.

The scrutiny process is vital to challenge and influence how the Council makes decisions to ensure a high service quality and in these unprecedented times, it is even more vital to ensure resilience. This report demonstrates the variety of areas, which the Governance Scrutiny Group has scrutinised over the past year, and the actions taken to ensure the probity and soundness of the Council's decision making. Over the past year, the group has judiciously and robustly scrutinised the Council's finances, approach to risk, as well as other corporate issues.

Going forward we all look forward to building upon the work of the Governance Scrutiny Group, particularly in these challenging times, when there is still so much uncertainty going forward.

Councillor Francis Purdue-Horan
Chairman Governance Scrutiny Group



Councillor Francis Purdue-Horan
Chairman



Councillor Jenny Walker
Vice Chairman

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.
- **External Audit** To review the Annual Plan for the year and receive both the 'Report to those charged with Governance' and the Annual Audit letter.
- **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 Progress Reports 2019/20, Annual Report 2019/20 and Strategy 2020 – 2023;
- External Audit Strategy 2019/20;
- Capital and Investment Strategy Outturn 2019/20;
- Annual Governance Statement 2019/20;
- External Auditors Report to Those Charged with Governance 2018/19;

- Approval of the Statement of Accounts 2018/19;
- Annual Fraud Report for 2018/19
- Annual Audit Letter;
- Risk Management Progress Reports;
- Treasury Management Update;
- Treasury Management Strategy; and
- Asset Management Plan.

Internal Audit

Internal Audit Progress Reports 2019/20

The Group received and noted three progress reports throughout the year, prepared by the Council's internal Auditors, RSM. Mr Chris Williams, Head of Internal Audit and Mr Amjad Ali, Senior Manager at RSM attended the meetings to update the Group.

At its meeting on 17 September 2019, the first report provided information on the current position of the audit programme, and the Group noted that six assignments had been completed. In respect of the audit findings, five substantive audits had returned findings of Substantive Assurance.

At its meeting on 3 December 2019, the Group noted that six assignments had been completed. In respect of the audit findings, out of the six substantive audits, four had returned findings of Substantive Assurance resulting in a number of low-level recommendations where management was agreed.

At its meeting on 6 February 2020, the Group noted that another assignment had been completed.

Internal Audit Annual Report 2019/20

Mr Amjad Ali, Senior Manager at RSM, the Council's internal auditors, attended the meeting on 30 July 2020, and presented the Council's Internal Audit Annual Report 2019/20 for noting by the Group. This was the last report for the financial year and RSM concluded that the Council had an adequate and effective framework for risk management, governance and internal control. The Group noted that of the 15 audits, 13 had resulted in a green 'Substantial Assurance' rating and two with an amber 'Reasonable Assurance' rating. In addition, 40 management actions had been identified, including six 'Medium Priority' and 34 'Low Priority', where management actions had been agreed in all cases.

Internal Audit Strategy 2020 to 2023

Mr Gurpreet Dulay, Senior Manager, BDO, the Council's new internal auditors, attended the meeting on 6 February 2020, and presented the Council's three-year Internal Audit Strategy 2020 to 2023. The Audit Plan had been developed with regards to the Council's corporate objectives, risk profile and assurances framework, as well as other factors affecting the Council in the year ahead, including changes

within the public sector. Members of the Group welcomed and approved the adoption and implementation of the Strategy and Audit Plan.

External Audit Strategy 2019/20

Mr David Hoose – Partner, Mazars, the Council’s external auditors, attended the meeting on 6 February 2020, and presented a report to the Group that summarised Mazars approach to external audit activity concerning the final accounts process and their approach to value for money work in relation to the financial year 2019/20. The report also detailed the four key areas of risks concerning the year-end accounts and the Council achieving value for money. Those included:

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

Members of the Group welcomed and approved the External Audit Strategy.

External Auditors Report to Those Charged with Governance 2018/19

At the meeting on 23 July 2019, the Executive Manager – Finance and Corporate Services presented the Group with the External Auditor’s Report to those Charged with Governance for 2018/19. The report provided a summary of the key findings arising from the audit of the Council’s financial statements for the year ending 31 March 2019, as well an assessment of the Council’s arrangements to secure value for money in its use of resources. It was noted that the Council continued to maintain a good quality Statement of Accounts and supporting working papers and that no significant issues had been identified during the audit.

Members of the Group were pleased to note that the Council ensured the delivery of value for money and that the appropriate processes and procedures were in place to ensure both resilience and commercialisation.

Approval of the Statement of Accounts 2018/19

At its meeting on 23 July 2019, the Statement of Accounts for 2018/19, along with the draft Management Representation letter were presented and approved by the Group in advance of being presented to Full Council.

Annual Fraud Report

Members of the Group received the Annual Fraud report at the meeting on 23 July 2019.

At its meeting on 23 July 2019, Mr Chris Williams, Head of Internal Audit at RSM, the Council’s internal auditors, presented the Annual Fraud Report, which provided an overview of general and specific fraud related issues that had arisen at the Council during 2018/19.

It was noted, that in carrying out its functions and responsibilities, the Council was firmly committed to dealing with fraud or corruption from inside and outside the organisation. Mr Williams advised the Group that the Council did not have a dedicated fraud prevention resource; however, it was the responsibility of managers as part of the internal control environment to identify fraud and if required, request RSM to investigate any allegations of fraud. Mr Williams informed the Group that during 2018/19 there had been no fraudulent activities detected, but there had been a number of errors found in Housing Benefit awards and Council Tax single person discounts. The Executive Manager – Finance and Corporate Services advised that of the 350 matches reviewed by the Council, 18 had been identified for further investigation.

Members of the Group noted the Annual Fraud Report for 2018/19.

Annual Audit Letter

At its meeting on 17 September 2019, members of the Group received and noted the Annual Audit Letter, which concluded that no significant issues had arisen during the 2018/19 financial year.

Risk Management Progress Reports

Members of the Group received two Risk Management Progress reports at the meetings on 23 July and 17 September 2019.

At its meeting on 23 July 2019, the Group received and noted the Risk Management Progress Report, which provided a summary of the Council's Risk Registers that had changed. Members were advised that at that time there were 32 corporate risks and 26 operational risks within the register and that those risks could fluctuate throughout the year, as active risk management was undertaken.

The Executive Manager for Finance and Corporate Services outlined the risks that had changed following the review process and explained the role of the risk matrix and how it affected how risks were scored. The Group noted that some risks that were added to the register could result from external factors and events that occurred outside of the Council's control.

At its meeting on 17 September 2019, the Group received the Risk Management Progress Report, which provided a summary of the Council's Risk Registers that have changed and work related to the Council's Emergency Planning and Business Continuity functions, including a Brexit update. Members were advised that at that time there were 33 corporate risks and 26 operational risks within the register and that those risks could fluctuate throughout the year, as active risk management was undertaken.

The Executive Manager for Finance and Corporate Services outlined the risks that had changed following the review process and advised that weekly planning meetings for Brexit were taking place. In respect of Emergency Planning, the Business Continuity Plan was being reviewed as part of a three-year cycle.

The Group questioned the need for additional information to be provided on who was responsible for the mitigation of risk and the quantification of risk and the financial impact to the Council and the Executive Manager for Finance and Corporate Services suggested that a more detailed explanation for red rated risks could be added where any changes had occurred.

Members of the Group noted the Risk Management Progress report and endorsed the work of the Emergency Planning Officer and the Local Resilience Forum.

Treasury Management Update

At its meeting on 3 December 2019, members of the Group received and noted a mid-year report detailing the Council's capital and investment activities from April to September 2019. The Group was advised of the ongoing uncertainty over the growth of the UK economy and the impact that was having. The Group noted that all investments had been made in accordance with the Council's Treasury Management Strategy.

Treasury Management Strategy

At its meeting on 6 February 2020, members of the Group received a report detailing the Council's Capital and Investment Strategy for 2020 to 2025 and focused on both traditional treasury activity and the Council's commercial property investments. The report highlighted the Council's Treasury Management Strategy, which included:

- 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; and
- Any local treasury issues.

Following consideration of the report, the 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 and
- The Commercial Investments Indicators and Limits for 2020/21 to 2024/25.

Constitution

Members of the Group received and approved an update report on amendments to the Constitution at the meeting on 3 December 2019.

Asset Management Plan

At its meeting on 3 December 2019, members of the Group received and noted a report outlining the Council's Asset Management Strategy in supporting the Council's corporate aims and objectives. The Strategy sought to align the asset portfolio with the needs of the organisation. Sitting under the Strategy was the Asset Management Plan, which set out the detail of how the Council managed its land and building assets over a five-year period.

Members of the Group asked specific questions in relation to corporate priorities and requested that future reports contain additional financial details and completion rates in the Action Plan.

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 Group will continue to help review and shape policy; ensuring improvements are implemented by developing a challenging work programme.