

MINUTES
OF THE MEETING OF THE
GOVERNANCE SCRUTINY GROUP
TUESDAY, 24 NOVEMBER 2020
Held at 7.00 pm in the

PRESENT:

Councillors F Purdue-Horan (Chairman), J Walker (Vice-Chairman), R Adair, G Dickman, L Howitt, D Simms, J Stockwood and D Virdi

ALSO IN ATTENDANCE:

G Dulay
D Hoose

Senior Manager - BDO
Mazars LLP

OFFICERS IN ATTENDANCE:

L Ashmore
P Linfield

Executive Manager - Transformation
Executive Manager - Finance and
Corporate Services
Financial Services Manager
Democratic Services Officer

S Whittaker
T Coop

APOLOGIES:

Councillors K Shaw

47 Declarations of Interest

There were no declarations of interest reported.

48 Minutes of the meeting held on 29 September 2020

The Minutes of the meeting held on 29 September were approved by the Group.

49 Internal Audit Progress Report

Gurpreet Dulay, Senior Manager at BDO, the Council's Auditors provided an update and summary of the Internal Audit Progress Report. The report provides the progress made against the 2020/21 internal audit plan and summarises the work completed, together with the audit assessment and any recommendations raised.

Mr Dulay advised the Group that due to Covid-19, some of the planned audits had not taken place as early as had been planned, but is now making good progress in the delivery of the 2020/21 audit plan.

The following audit reports were presented to the Group:

- **Events, Social Media and Communications**

Impact on annual opinion is positive. As a result of testing, one medium priority finding and five low priority findings were identified. The medium priority finding related to the lack of information regarding objectives and key performance indicators for social media and the monitoring and reporting against these.

- **Main Financial Systems**

Impact on annual opinion is positive. As a result of testing, three low priority findings were identified and management actions were agreed in respect of these findings.

- **Licensing**

The fieldwork on this audit was incomplete and Mr Dulay advised that this would be reported at the next Governance Scrutiny Group.

Mr Dulay informed the Group that a review had been completed to follow up on the progress made to implement the previously agreed management actions raised by RSM, BDO's internal audit predecessor. There were 33 legacy management actions to consider in this review, which comprised of 4 medium and 29 low. Overall 27 of the 33 recommendations have been implemented or superseded, the others are in progress. The opinion of BDO is that Rushcliffe Borough Council has demonstrated good progress in implementing the agreed management actions.

Members asked specific questions in respect of Business Grants relating to Covid-19, and whether there had been any fraudulent applications identified. Mr Dulay advised the Group that a Fraud Risk Assessment Audit is featured in the Audit Plan, a start date is to be confirmed with management. The executive Manager – Finance and Corporate services added that Risk Assessment training had been provided in September for Councillor's and in particular members of Governance Scrutiny.

In looking ahead and taking into account the delays due to Covid-19, Members asked what assurances BDO could provide to ensure the progression and delivery of the Audit Plan. Mr Dulay explained that additional resources are allocated at set dates within the programme.

It was **RESOLVED** that Governance Scrutiny Group noted the final progress report 2020/21 provided in Appendix A of the report.

50 **Statement of Accounts**

David Hoose, from Mazars presented the Council's statutory Statement of Accounts for the Financial Year 2019/20, provided in Appendix A, along with the Management Representation letter in Appendix C, which were attached to the report for the Group to consider. Mr Hoose advised the Group that there are particular issues linked with Covid-19 which may result in the Statement of Accounts being altered after this Governance Scrutiny Group meeting, or a

delay in the final audit report. This is due to delays in the outcome of the pension fund audit, which feeds into all Nottinghamshire authorities accounts with Nottinghamshire County Council being the accountable body.

Mr Hoose continued to outline the status of the audit, which is substantially complete at the time of issuing this report. The Statement of Accounts 2019/20 provided as Appendix B was included as a separate document for the Group to consider. His includes the Council's Annual Governance Statement which in line with best practise has been agreed with the Leader and Chief Executive and was approved by Governance Scrutiny Group on 30 July 2020. Mr Hoose reported minor changes largely updating some of the values linked to the impact of Covid-19.

Mr Hoose explained that the closure of accounts process has been more complex this year, particularly with the impact on resources as a result of Covid-19 and advised that the deadline for the certification of the accounts has been extended.

Mr Hoose advised that there had been an increase to the level of review work undertaken on the defined benefit pensions and at the time of writing the Pension Fund auditor had not yet finalised their conclusion and that the Management Representation Letter and accounts may need to be updated. The Chair, Cllr Purdue-Horan requested the Groups approval that should there be the need to make any amendments or disclosures that this be delegated to the Chair (or Vice Chair of Governance Scrutiny in his absence) and the S151 Officer. The Group were asked to note that there was a risk that the final auditors report would not be approved by 30 November 2020.

In concluding Mr Hoose informed the Group that the Council provided value for money and had proper arrangements in place to ensure it took informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local residents.

Councillor Moore – Cabinet Portfolio Holder for Finance added that finance officers had worked incredibly hard under very exceptional circumstances.

Members raised specific questions relating to an unadjusted misstatement in respect of Covid-19 funding and requested an explanation. The Financial Services Manager explained that this was in relation to the first tranche of Covid-19 funding that although expected on 1 April 2020 was actually received on 31 March 2020. The Council's rationale for not reflecting the income in the 2019/20 accounts is that the impact of Covid-19 has been far more significant in 2020/21.

Members asked a specific question in respect of the audit fees increase due to additional work and involved additional testing. The Executive Manager – Finance and Corporate Services advised that he would be writing separately to the Public Sector Audit Appointments (PSAA) and Mazars the Council's auditors regarding his concerns raised during the audit, particularly over what is considered to be excessive sample testing.

It was **RESOLVED** that:

a) The findings of Mazars Audit Completion Report (Appendix A) be approved

prior to the approval of the Statement of Accounts

- b) The Group approve the Statement of Accounts for 2019/20 including the Annual Governance Statement (Appendix B) subject to the outcome of the Nottinghamshire County Council Pension Fund audit.
- c) The Group approve the Management Representation letter (Appendix C) subject to the outcome of the Nottinghamshire County Council Pension Fund audit
- d) The Group approve that the Chair of Governance Scrutiny Group and S151 officer have delegated authority for the final approval of the Statement of Accounts for 2019/20 and approve any changes to the Management Representation letter, subject to a satisfactory outcome of the Nottinghamshire County Council Pension Fund audit, (notifying members of the Governance Scrutiny Group of any significant issues if required).

51 Treasury and Asset Investments - 6 Month Update

The Financial Services Manager provided a summary of the Council's capital and investment activities for the period 1 April to 30 September 2020. The Financial Services Manager advised the Group that Covid-19 has caused huge economic decline in the UK and across the world. The Bank of England's base is currently set at 0.1%. Economic growth fell by a record 20% in April 2020, the UK's unemployment rate stood at 3.9% in the second quarter of 2020 and warnings from the Bank of England predict this could rise to 7.5% by the end of the year.

In respect of Investment Income and in order to maintain returns and mitigate risks, the Financial Services Manager advised that the Council has continued to diversify its investment mix, by placing deposits in short term liquid investments, for example; Money Market funds, Call Accounts, CCLA Property Fund, UK Local Authorities and other Diversified Funds. This was demonstrated in a table, which listed the Council's investments as at 30 September 2020, totalling £40.173 million.

The Financial Service Manager continued, explaining that the Council is currently reviewing the Money Market Fund (MMF) with a view to maximising returns on the call accounts, and is proactively looking to maximise its rate of return. In addition, the Financial Services Manager informed the Group that the Council's diversified funds that had fallen by £1.238m at 31 March 2020, had recovered by £500k by 30 September 2020 and reiterated that these investments are held long term and it is anticipated that these values will recover over time.

In respect of Capital Expenditure and in light of the impact of Covid-19 the programme was reviewed, and re-phasing of £18.465million has been requested together with the removal of £3.828million, the unallocated balance of Asset Investment Strategy provision, this will be referred to Council on 3 December 2020. These adjustments will give a revised Capital Programme of £16.078million for 2020/21, resulting in an estimated underspend of £1.556million.

The Executive Manager – Transformation advised the Group that the Council had identified specific sums for its Asset Investment Strategy within the Capital Programme. Of the £8.382million balance at the start of the year, £4.554m was committed to two acquisitions of Business Units at Unit 1 Edwalton Business Park completed on 9 July and Unit 3 Edwalton Business Park, completed on 13 October. Details of the investment appraisals were provided for the Group to consider. The Executive Manager – Finance and Corporate Services commented, this report demonstrated both good governance and transparency with regards to its commercial decision making.

Councillor Moore – Cabinet Portfolio Holder for Finance added that the new acquisitions were an excellent purchase in an established location within the Borough, indications support strong demand for offices in this locality.

The Executive Manager – Finance and Corporate Services and the Chair, Councillor Purdue-Horan reminded Councillors about the Treasury Management Training Session on 9 December 2020.

It was **RESOLVED** that the Group notes the Capital and Investment Strategy update position at 30 September 2020.

52 **Work Programme**

The Group considered its Work Programme.

The Executive Manager – Finance and Corporate Services advised the Group that the Redmond Review would be carried forward to the meeting scheduled on 18 May 2021.

4 February 2021

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

18 May 2021

- Internal Audit Progress Report
- Internal Audit Annual Report
- Annual Governance Statement
- Redmond Review Update
- Work Programme

The meeting closed at 7.50 pm.

CHAIRMAN