

AUDIT AND CORPORATE GOVERNANCE SCRUTINY COMMITTEE

MINUTES OF MEETING HELD ON 26 JULY 2018

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AUDIT AND CORPORATE GOVERNANCE SCRUTINY COMMITTEE

MINUTES OF MEETING HELD ON 26 JULY 2018

Present:

Councillor G Morley(in the Chair)

Councillor B Barnes
“ G Butler
“ S J Ellis

Councillor A Garrett
“ C A Smith
“ M E Thacker MBE

Also Present:

- D Clarke - Joint Head of Finance and Resources & Section 151 Officer
- D Cairns - Senior Governance Officer
- J Williams - Internal Audit Consortium Manager
- A Bashir - Improvement Officer for Minute Number 150
- K Apps - Housing Strategy and Growth Manager for Minute Number 150
- T Crawley - KPMG
- K Scott - KPMG

141 Apologies for Absence

Apologies for absence had been received from Councillors G Butler and D Skinner.

142 Declarations of Interest

Members were requested to declare the existence and nature of any disclosable pecuniary interests and/or other interests, not already on their register of interests, in any item on the agenda and to withdraw from the meeting at the appropriate time.

There were no interests declared at the meeting.

143 Minutes of Last Meeting

RESOLVED – That the Minutes of the meeting of the Audit and Corporate Governance Scrutiny Committee held on 17 May 2018 be approved as a correct record and signed by the Chair.

144 Report of Those Charged with Governance (Internal Standard and Auditing (ISA 260))

The Committee considered the report of the Council’s External Auditors KPMG which provided the Committee with a copy of the ISA 260 report provided by the auditors in respect of the 2017/18 financial year and sought approval of the Committee Letter of Representation to be provided by the Council to KPMG.

Tony Crawley of KPMG presented the External Audit Report which gave details of the audit of the Council's accounts in respect of the 2017/18 financial year. The ISA 260 report covered headline issues, financial statements, value for money arrangements, key issues and recommendations, follow up of previous year's recommendations, audit differences, accounts payable and audit independence. The audit had identified no material misstatements and the accounts had been completed by the end of May 2018, in line with the new statutory deadline. It was reported that the authority had continued to maintain a good financial reporting process and a high standard of quality in the production of the financial statements. The finance team were thanked for dealing efficiently with audit queries.

The Audit had identified a number of significant risks from the assessment of the financial statements. These included valuation of Property, Plant and Equipment (PPE) and pensions liabilities. On both issues it was concluded that the valuations or assumptions were reasonable and there were no issues to note.

The Committee were informed at the meeting that the work with the Derbyshire County Council pensions' team had concluded. Cllr M E Thacker MBE queried whether the District's audit would consider pensions further in future years in line with the Derbyshire County Council triannual review of pensions and questioned the level of involvement the Committee would have in assessing the assumptions of risk relating to pensions liability. It was agreed that a report on the matter would be brought to a future meeting of the Audit and Corporate Governance Scrutiny Committee in either November or January and a pension's officer from Derbyshire County Council would be invited to attend.

Additional areas of audit focus included the fast closure of accounts in line with the statutory deadline, the departure of the former executive directors and a review of Northwood Group Limited. The closure of the accounts had met the deadline and no significant concerns were identified during the review on the departure of the directors although some feedback and recommendations were given. The Chair queried the auditor's conclusion and was advised that the auditor's responsibility was not to assess whether all aspects of the matter were good or bad but was limited to their reporting powers under the code.

In relation to Northwood Group Limited, the auditors were satisfied with the establishment of the company and the arrangements in place for 2017/18 however further legal and tax advice on the ongoing operation of the company was recommended.

The auditors were required to consider management override of controls and fraudulent revenue recognition and reported that there were no concerns arising from these reviews.

The auditors reported that they anticipated issuing an unqualified audit opinion on the authority's financial statements by 31 July 2018 and an unqualified value for money opinion. The auditors also advised that the annual governance statement complied with the guidance issued by CIPFA/SOLACE and that they had concluded that the authority had made proper arrangements to secure economy, efficiency and effectively in its use of resources.

The Committee were advised that there continued to be uncertainty surrounding business rates as future retention pilots included provision for 75% retention rather than 100% in the current pilot and the Council would have to reapply for future pilot schemes if it determined that it would be beneficial to the Council to enter one. As these risks were largely outside of the council's control it was noted that the council could only model possible scenarios in order to prepare for them.

It was noted that this was the last audit to be carried out by KPMG and Mazars would be undertaking future audits. The Committee thanked KPMG for their service over the 6 years that this had been provided.

RESOLVED:-

- (1) The Audit and Corporate Governance Scrutiny Committee notes the report from KPMG, the Council's External Auditors.
- (2) That the Audit and Corporate Governance Scrutiny Committee approve the Letter of Representation as attached to the report and authorise the Chair of the Committee and the Chief Financial Officer to sign the letter of behalf of the Council.

145 Change of Order of the Agenda.

The Chair, with the consent of the meeting, agreed that the order of the agenda be amended to bring Item 7a NEDDC Statement of Accounts 2017/18 forward to the next item.

RESOLVED – That the order of the agenda be amended to that set out within these minutes.

146 NEDDC Statement of Accounts 2017/18

The Head of Finance and Resources and Section 151 Officer presented the report which gave details of the audited statement of accounts for 2017/18. It was recommended that delegated powers be given to the Chief Financial Officer, following consultation with the Chair or Vice Chair of the Committee, to agree any final changes to the Statement of Accounts for 2017/18 as required and agreed with the External Auditors, KPMG.

Cllr M E Thacker MBE queried the Council's investment policy, interest rates and the exclusion of the use of foreign banks. He suggested that the Council could increase its return on investments without significantly increasing risk. The Head of Finance and Resources and Section 151 Officer advised that the Council had used different institutions than in previous years however it remained the policy not to use foreign banks due to the risk involved.

Cllr M E Thacker MBE proposed that this issue be looked at again and considered further by the Audit and Corporate Governance Scrutiny Committee. It was suggested that the Council's treasury advisor Arling Close could be invited to the next meeting to enable consideration of the Council's Investment Strategy.

The Committee discussed that the Council had to recognise its responsibility as custodians of public money, but that in order to do so it was important to seek the highest returns within an acceptable level of risk.

RESOLVED:-

- (1) That the Audit and Corporate Governance Scrutiny Committee approve the Auditor's Statement of Accounts in respect of 2017/18
- (2) That delegated powers are granted to the Chief Financial Officer in consultation with the Chair or Vice Chair of the Committee to agree any changes which may be necessary in order to ensure the finalisation of the external audit currently being concluded by the Council's External Auditors KPMG to ensure the completion of accounts by the 31 July 2018
- (3) That a review of the Council's Investment Strategy be added to the agenda of the next meeting.

147 Internal Audit Charter

The Committee considered a report of the Internal Audit Consortium Manager on a review of the Internal Audit Charter.

The Public Sector Internal Audit Standard (PSIAS) which took effect from 1 April 2013 required that the purpose, authority and responsibility of internal audit must be formally defined in an internal audit charter.

The Council's Charter was previously agreed by the Committee in May 2016 and it was recommended that no updates were required as only minor wording changes had been made to PSIAS.

RESOLVED – that

- (1) The outcome of the review of the Internal Audit Charter be noted.
- (2) The Internal Audit Charter be agreed
- (3) The agreed Internal Charter be reviewed in 2 years' time or sooner in the event of any significant changes being made to the Public Sector Internal Audit Standard.

148 Summary of Progress on the Annual Internal Audit Plan 2018/19

The Committee considered the report of the Internal Audit Consortium Manager detailing progress made by the Internal Audit Team in respect of the 2018/19 Internal Audit Plan. The report included a summary of the Internal Audit Reports that had been issued.

During this period Internal Audit had issued 6 reports: 4 had concluded that reasonable assurance was provided and 2 were substantial assurance.

The Committee were advised that no issues relating to fraud had arisen.

The report also detailed the audits that were in progress.

RESOLVED - That the Committee note the Internal Audit Progress report.

149 Committee Work Programme 2018/19

The Audit and Corporate Governance Scrutiny Committee considered its work programme for 2018/19.

The Audit and Corporate Governance Scrutiny Committee considered a range of financial and governance issues on a regular basis. Given the number of matters that were examined by the Committee it was appropriate that an annual work programme continued to be in place. The programme would form part of the report on the Scrutiny Committee Work Programme for 2018/19. The proposed work programme was attached to the report as an appendix.

It was recognised that the work plan at this stage was an indicative one to which matters could be added or removed as appropriate. The draft work programme also enabled members to give structured consideration as to whether they consider the agenda items to be appropriate and to assist them to meet the objectives of the Committee.

The Committee had agreed under the previous items to include additional reports on pension liability and investment policies to future meetings and the work programme would be amended on this basis.

The Committee were also advised that the Council's new auditors may provide different reports at different points in the year than anticipated and the work programme would be updated to reflect this as necessary.

RESOLVED – That the Audit and Corporate Governance Scrutiny Committee notes the Committee's Work Programme for 2018/19, noting the amendments as already agreed.

150 Corporate Plan Targets Performance Updates – April to June 2018 (Q1 – 2018/19)

The Committee considered the Corporate Plan Targets Performance Update Report which contained the performance outturn as at 30 June 2018. Out of the 56 targets in total, 37 were on track, 16 had been achieved (4 in this period and 12 previously), 1 had been flagged as an alert and 2 previously withdrawn.

The report detailed the target flagged as an alert, C13 which related to the increase in membership of the Chesterfield and North East Derbyshire Credit Union. Members discussed that the Credit Union provides a valuable service that it was important the Council supports and suggested that the service could be more widely promoted. One suggestion was the link of the Credit Union with schools to promote young people and children taking up savings. It was noted that the Credit Union was looking for more volunteers for a project along these lines. The comments of Members would be reported back to the lead officer in relation to this target.

The Committee were advised that target HO4 had been achieved which related to the delivery of a child focussed health intervention programme to all key stage 2 year groups in order to tackle childhood obesity. It was commented that although this target was marked as being achieved childhood obesity remained an unresolved issue. Measurement of delivery of the intervention programme was insufficient to monitor the problem. The Improvement Officer would pass these comments on to the lead officer for this target.

The Committee also discussed the issue of mental health service provision within schools and the new requirement for schools to appoint a specific member of staff as a mental health champion. However it was noted that there was a lack of support or training for those carrying out this role. It was suggested that this could be a service the District could provide, although members discussed that this would more appropriately fall within the remit of the County Council.

The Housing Strategy and Growth Manager provided the Committee with an update on the Corporate Plan Targets G12 and G14 relating to empty properties and the private sector leasing scheme. The work being undertaken included a recent successful landlord event and continuing promotion and communication with long term empty property owners and landlords to engage with the projects offered by the Council. Other innovative schemes were being developed including a trial with a utility company to provide surveying services and funding for any renovation works that may be required. The Council had also proposed a direct delivery model to purchase empty properties using 1-4-1 receipts funding which would either be delivered by Rykneld Homes Limited or another registered provider.

The Committee discussed how the current initiatives may be more likely to succeed in bringing empty properties back into use than previously given the failure in meeting this target in previous years. The Housing Strategy and Growth Manager advised the Committee that previous work had relied on partners which proved challenging and there had been slow take up and interest from landlords and property owners. The Council was developing direct delivery models and being more proactive with the support offered through the various schemes and was also using both incentive driven approaches and enforcement options.

An enforced sales procedure had been approved by Cabinet and the Empty Property Officer was exploring potential cases that would be targeted for enforcement action.

The Committee also discussed the sustainable tenancy project which targeted young people under the age of 35 who had a previous failed tenancy and offered low level support to assist them in sustaining a new tenancy including providing household budget management and support in looking for work.

The Housing Strategy and Growth Manager also informed Members of the supported housing project being delivered by the County Council procured provider Adullum Homes, and how the Council could work in partnership with them. Members discussed the issue of individuals being released from prison and having lost their tenancy due to their time in custody. The Housing Strategy and Growth Manager informed members that a prison release protocol was being developed by the Housing Options Team.

It was agreed that the Housing Strategy and Growth Manager be invited to a future meeting to provide a further update later in the year.

RESOLVED:

- (1) That progress against the Corporate Plan 2015/19 targets be noted
- (2) That the Housing Strategy and Growth Manager be invited to a future meeting to provide a further update on Corporate Plan targets G12 and G13.

151 Medium Term Financial Plan – Financial Outturn 2017/18

The Committee considered a report of the Head of Finance and Resources and Section 151 Officer in relation to the Councils financial outturn for 2017/18 financial year, which was considered by Cabinet on 6 June 2018.

The report provided information on the outturn position in respect of the following:

- General Fund Revenue Account
- Housing Revenue Account
- Capital Investment Programme
- Treasury Management Activities

In relation to the General Fund, during the previous financial year the Council had managed its budget effectively, securing a favourable financial outturn. In particular the Council successfully met its financial savings target of £0.363m and was able to make a contribution of £1.040m to the Invest to Save reserve.

The Housing Revenue Account continued to operate within the parameters set by the 30 year business plan and the Medium Term Financial Plan.

The Capital Programme saw good progress on approved schemes during 2017/18 financial year. There were however a number of schemes which were in progress and this required that the associated expenditure and funding be carried forward into the 2018/19 financial year.

The Council had operated in line with its agreed Treasury Management Strategy during the 2017/18 financial year.

It was noted that this report had already been to Cabinet and provided factual information to Cabinet on the outturn position following the end of the financial year.

Cllr M E Thacker MBE stated his disagreement that this report had been to Cabinet prior to coming to this Committee and that he did not support the budget. He also queried why temporary investments had been made in other councils and was informed by the Head of Finance and Resources and Section 151 Officer that doing so achieved better rates of return than keeping the money in financial institutions. The Council relied on its broker's advice in determining the amount of money to loan and over what period, which was also driven by the amounts of money requested by the councils in question.

RESOLVED – That the Audit and Corporate Governance Scrutiny Committee notes the report on the Council's financial outturn for 2017/18.

152 Budget Monitoring, Quarter 1 –April – June 2018

The Head of Finance and Resources and Section 151 Officer presented the report which gave a summary of the budget monitoring for the first quarter of 2018/19. The report summarised the financial position of the Council following the first quarter's budget monitoring exercise for the General Fund, the Housing Revenue Account, Capital Programme and Treasury Management Activity.

The Committee were advised that the level of business rates income remained uncertain and the future of potential retention pilot schemes was also unknown as noted under an earlier item.

The Transformation Programme continued to be developed as options were explored. The new Head of Partnerships and Transformation had been appointed and was likely to commence in this post by the end of August.

RESOLVED – That the Audit and Corporate Governance Scrutiny Committee note the report concerning the Council's budget monitoring for Quarter 1 for 2018/19.

153 Urgent Business – Public Session

There was no urgent business to be considered in the public session of this meeting.