

AUDIT AND CORPORATE GOVERNANCE SCRUTINY COMMITTEE

MINUTES OF MEETING HELD ON 18 MAY 2017

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AUDIT AND CORPORATE GOVERNANCE SCRUTINY COMMITTEE

MINUTES OF MEETING HELD ON 18 MAY 2017

Present:

Councillor G Morley (Chair)

Councillor Mrs C A Smith (Vice Chair)
“ S J Ellis
“ M E Thacker

Councillor G Butler
“ G Hopkinson

Also Present:

D Clarke - Assistant Director – Finance and Revenues and Benefits
S Cottam - Senior Governance Officer (Acting)
B Mason - Executive Director – Operations
J Williams - Head of Internal Audit
I Spencer - Revenues and Benefits Manager

14 Apologies for Absence

Apologies for absence had been received from Councillors B Barnes, A Garrett and D Skinner.

15 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 this meeting.

16 Minutes of Last Meeting

RESOLVED – That the Minutes of the meeting of the Audit and Corporate Governance Scrutiny Committee held on 6 April 2017 be approved as a correct record and signed by the Chair.

17 Internal Audit Consortium 2016/17 Annual Report to North East Derbyshire District Council

The Committee considered a report of the Internal Audit Consortium which presented the consortiums 2016/17 Annual Report to the Council. The report presented a summary of the Internal Audit work undertaken during the year from which the opinion on the internal control environment was derived. The Consortium found that the internal controls were operating satisfactorily or well giving an overall confidence in the internal control system operating in the main financial systems.

The internal control issues arising from Audits completed in the year had been reported to the Executive Director - Operations for consideration during the preparation of the Annual Governance Statement. There had been no unsatisfactory or unsound reports issued in 2016/17. The internal control issues relating to the marginal reports issued had been reported in the Annual Governance Statement as the issues were identified.

During 2016/17 a self assessment was undertaken to review compliance with the Public Sector Internal Audit Standards. The review confirmed that there were no significant areas of non compliance.

RESOLVED – That the Internal Audit Consortium Annual Report 2016/17 be noted.

18 Internal Audit Consortium Summary of Progress on the Annual Internal Audit Plan 2016/17

The Committee considered the Internal Audit Consortium Summary of Progress on the Annual Internal Audit Plan 2016/17 which provided Members with information concerning the progress made by the consortium during the period 7 January 2017 to 28 April 2017 in relation to the completion of the 2016/17 Audit Plan. The report included a summary of the internal audit reports issued during the period and work in progress.

The 2016/17 consortium audit plan for North East Derbyshire was agreed at the Audit and Corporate Governance Scrutiny Committee on 21 April 2016. The consortium legal agreement in paragraph 9.3 required that the Head of Internal Audit Consortium or his or her nominee would report to the Audit Committee of each Council on progress made in relation to their annual audit plan. Attached as an appendix to the report was a summary of reports issued covering the period. Reports were issued as drafts with five working days being allowed for the submission of any factual changes, after which time the reports were designated as the final report. Fifteen working days were allowed for the return of the implementation plan. As previously requested Members were provided with copies of the Health and Safety and Transport reports where internal control arrangements had been assessed as marginal. The audits still in progress concerned Sickness Absence Management and Business Continuity. In respect of the audit's being reported it was confirmed that there were no issues arising relating to fraud that needed to be brought to the Committee's attention.

It should be noted that the 2017/18 plan has not initially progressed as quickly as intended due to the retirement of the Senior Auditor on 23 April 2017. However, an appointment had been made and the new Senior Auditor is due to start on 8 June 2017. The new appointee is both experienced and fully qualified.

RESOLVED – That the Audit and Corporate Governance Scrutiny Committee notes the report.

(Internal Audit Consortium Manager)

19 Exclusion of the Public

RESOLVED - That the public be excluded from the meeting during the discussion of the following items of business to avoid the disclosure to them of exempt information as defined in Part 1 of Schedule 12A to the Local Government Act 1972 (as amended by the Local Government (Access to Information)(Variation) Order 2006). [The category of exempt information is stated after each Minute].

20 Internal Audit Consortium Summary of Progress on the Annual Internal Audit Plan 2016/17 – Internal Audit Reports – Marginal Assessments

The Audit and Corporate Governance Scrutiny Committee considered three internal audit reports which had received marginal assessments at their recent audits.

The Executive Director – Operations outlined the three reports on:

- Taxi Licensing
- Transport – Central Garage
- Health and Safety

Each of the reports included an action plan which outlined the recommendations for improvement made by Internal Audit.

It was advised that the three service managers would be invited to a future committee to discuss the issues with Members.

Concerns were raised by Members over the Taxi Licensing report and it was requested that the Action Plan Schedule be taken to Licensing Committee for consideration.

RESOLVED – That:

1. The service managers for Taxi Licensing, Transport and Health and Safety be invited to a future meeting of the Audit and Corporate Governance Scrutiny Committee to discuss concerns with Members.
2. The Taxi Licensing Action Plan Schedule be taken to Licensing Committee for consideration.
3. The Committee's work programme be reworked to include Taxi Licensing at the future meeting.
4. The Audit and Corporate Governance Scrutiny Committee note the three marginal reports.

(Internal Audit Consortium Manager)

21 Readmission of the Public

RESOLVED: That the Public be readmitted to the meeting.

22 Committee Work Programme 2017/18

The Audit and Corporate Governance Scrutiny Committee considered its work programme for 2017/18.

The Audit and Corporate Governance Scrutiny Committee consider 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's work programme 2017/18. The proposed Work Programme was attached to the report as an appendix. It should be recognised that the work plan was at this stage 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 prefer the agenda items were appropriate and served to meet the objectives of the Committee.

Members of the Committee requested that the timings of the Audit and Corporate Governance Scrutiny Committee and Cabinet should be taken into consideration when putting together the work programme.

Other items considered for the work programme were:

- Is the Council receiving value for money from Rykneld Homes?

The Committee were advised that the partnership arrangements were scrutinised by Rykneld Homes Board and the reports from the Board were filtered through Cabinet.

It was suggested that the Committee could look at a certain aspect of Rykneld Homes such as why there was no agreed asset register appeared to be in place in respect of garage sites. .

The Executive Director – Operations advised that Officers would put together an initial report and the Committee could then consider whether to carry out further work on these issues.

RESOLVED – That:

1. The Audit and Corporate Governance Scrutiny Committee notes the Committee's Work Programme for 2017/18.

(Executive Director Operations)

23 Corporate Plan Targets Performance Update – January to March 2017 (Q4 – 2016/17)

The Audit and Corporate Governance Scrutiny Committee considered the Corporate Plan targets performance update for January to March 2017 (Q4 – 2016/17). The report contained the performance outturn as of 31 March 2017 and a summary of the Corporate Plan target was provided in the report.

Out of the 55 targets 39 (71%) were on track, 9 (16%) had been achieved (2 this time and 7 previously), 1 (2%) was overdue, 5 (9%) had been flagged as an ‘alert’ and 1 (2%) had been withdrawn. The information in the report was provided to keep Members informed of progress against the Corporate Plan targets noting achievements and any areas of concern.

RESOLVED – That the Audit and Corporate Governance Scrutiny Committee notes the year 2 progress against the Corporate Plan 2015/2019 targets.

(Information, Engagement and Performance Manager)

24 Annual Review of the Effectiveness of Internal Audit

The Audit and Corporate Governance Scrutiny Committee considered the Annual Review of the effectiveness of Internal Audit. The report provided the Committee with the Annual Review by the Chief Financial Officer of the effectiveness of the Council's internal audit arrangements and to consider whether the conclusion as set out within this report represented a reasonable evaluation of the position in respect of the internal audit services and its effectiveness as part of the Council's governance arrangements. The Accounts and Audit Regulations required local authorities to follow proper accounting practices and to maintain an appropriate regime of internal control. These regulations required the Council on at least an annual basis to conduct a review of the effectiveness of its internal control arrangements – including the effectiveness of Internal Audit - with this review to be considered by an appropriate Committee of the Council. Given the role of the Audit Committee in relation to financial governance and internal control issues it was appropriate that this report be brought before this Committee for consideration. These reviews had been taken for each year of the operations since the current consortium arrangements with Chesterfield and North East Derbyshire became operational on 1 April 2007.

The Chief Financial Officer in reviewing the effectiveness of the Council's internal audit service during 2016/17 was satisfied that an effective service had been provided and his overall conclusion regarding the service was as follows:

“It is in my opinion that the Council's internal audit function which is provided as a joint service between Chesterfield, Bolsover and North East Derbyshire carries out this function competently and to a high standard. The Consortium provides an effective service which I can place reliance on.”

The report also outlined the evidence which supported this judgement and the Committee were asked to consider and comment upon the reasonableness of the conclusion that had been reached.

RESOLVED:

1. That the Audit and Corporate Governance Scrutiny Committee considered and endorsed the views of the Chief Financial Officer in his assessment of the internal audit service during 2016/17 financial year which is that:

“It is in my opinion that the Council’s internal audit function which is provided as a joint service between Chesterfield, Bolsover and North East Derbyshire carries out this function competently and to a high standard. The Consortium provides an effective service which I can place reliance on.”

(Executive Director – Operations)

25 Annual Governance Statement 2016/17

The Audit and Corporate Governance Scrutiny Committee considered the Annual Governance Statement 2016/17. The purpose of the report was to seek the agreement of the Committee to the conclusions and content of the Annual Governance Statement which it was proposed to incorporate within the Council’s Statement of Accounts 2016/17. The Annual Governance Statement would also increase awareness of governance issues amongst Members and employees of the Council and more generally amongst all stakeholders. As part of its Statement of Accounts the Council had been required to include an Annual Governance Statement since the 2007/08 financial year. Preparation of the Statement needed to be undertaken in line with the Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives and Senior Managers (SOLACE) framework which set out the fundamental principles of corporate governance that needed to be addressed within the Annual Governance Statement.

The attention of the Committee was drawn in particular to the conclusion regarding the review of the effectiveness of the Council’s internal control arrangements which were set out as an appendix to the report. Given that the number of marginal audit reports had increased to five (from four in 2015/16) this continued to be a matter of concern which the Council needed to address. The Committee did, however, note that all those audits concerning the Council’s core financial systems had resulted in a satisfactory or good assessment. Given that the systems were at the core of the Council’s internal control arrangements and that the effective action was being taken to address the weaknesses identified in all other areas it seemed reasonable to continue to conclude that the Council had robust system of internal control in place.

RESOLVED:

1. That the Audit and Corporate Governance Scrutiny Committee considered the draft annual governance statement and made appropriate observations and recommendations prior to the final version being incorporated within the Council's Statement of Accounts.
2. That the Audit and Corporate Governance Scrutiny Committee approve the local Code of Corporate governance as set out in Appendix 2 to the report.
3. That the Audit and Corporate Governance Scrutiny Committee having reviewed the effectiveness of the Governance Framework were satisfied that the Council's governance and internal control arrangements were fit for purpose.
4. That the Audit and Corporate Governance Scrutiny Committee recommends that a future meeting of the Council be provided with a briefing concerning the Annual Governance Statement and the Local Code of Corporate Governance.

(Executive Director – Operations)

26 Risk Management Update, Partnership Working and Strategic Risk Register

The Audit and Corporate Governance Scrutiny Committee considered the Risk Management Update, Partnership Working and Strategic Risk Register which had been considered by Cabinet at its meeting of 10 May 2017.

The Strategic Risk Register was intended to highlight the major areas where the Council needed to manage its risks effectively. One of the key purposes of the report was to set out the risk that had been identified and to encourage both members and officers to actively consider whether the Strategic Risk Register and supporting Service Risk Registers actively covered all of the issues facing the Council.

RESOLVED: That the Audit and Corporate Governance Scrutiny Committee notes the report and makes any comments that they believe to be appropriate with regards to the attached report which had been considered by Cabinet at its meeting on 10 May 2017.

(Executive Director – Operations)

27 Key Issues of Financial Governance

The Audit and Corporate Governance Scrutiny Committee considered the Key Issues of Financial Governance report.

For the Committee to consider the progress made in addressing the identified key issues of financial governance an action plan was attached to the report as an appendix. This action plan covered the most significant issues raised by external and internal audit, other inspections, or other matters which would significantly impact upon the Council's financial governance arrangements. Given the importance of the issues that were raised to the sound governance of the Council it was appropriate that the Council should maintain an action plan to address the issues raised and that progress against this action plan should be monitored as a standing item at all the meetings of the Audit and Corporate Governance Scrutiny Committee.

RESOLVED - That the Audit and Corporate Governance Scrutiny Committee notes the report.

Executive Director – Operations)

28 Urgent Business – Public Session

Ian Spencer – Revenue and Benefits Manager was in attendance to explain the write off procedure for debts. The Committee were advised that there were different routes of recovery depending on the debt, however, the recovery processes used were very much standard ones operated by local Council's across the Country.

Key stages of the Recovery process to note were as follows:

- Day 28 of debt – a reminder letter goes out;
- After a further 28 days (56 days) a further letter is sent out to the debtor;
- After a further 14 days – next stage (decide) this was for officers to decide on the appropriate course of action (either through a phone call or an individual letter);
- After further consideration debt may be referred to a Bailiff

The Committee were advised that most people did contact the Council to make arrangements to clear the debt (this was monitored on a case by case basis).

The Committee were advised that approximately 5,000 people a year were summoned to court for non payment of Council Tax.

It was advised that all checks were carried out on prospective tenants of industrial and start up units before the signing of a tenancy and it was a condition of the tenancy that the rent would be paid by direct debit.

Members of the Committee thanked the Executive Director – Operations for his hard work and achievements over the last 11 years and wished him well for the future. The Executive Director thanked the Audit Committee for their support over the last 11 years and commented that the progress made in financial management had only been possible because of the continued support of the Audit Committee. He wished to place on records his thanks and appreciation for the support he had received from this Committee.