

AUDIT AND CORPORATE GOVERNANCE SCRUTINY COMMITTEE

MINUTES OF MEETING HELD ON 24 SEPTEMBER 2015

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AUDIT AND CORPORATE GOVERNANCE SCRUTINY COMMITTEE

MINUTES OF MEETING HELD ON 24 SEPTEMBER 2015

Present:

Councillor Mrs C A Smith (Vice Chair in the Chair)

Councillor B Barnes
“ S J Ellis

Councillor G Butler
“ A Garrett

Also Present:

Mr B Mason – Executive Director – Operations
Ms D Clarke – Assistant Director – Finance, Revenues and Benefits
Mr M Kane – Governance Manager
Ms J Williams – Interim Head of Internal Audit
Ms S Sunderland – KPMG (the Council's External Auditor)
Mr L Towers – KPMG (the Council's External Auditor)

302 Apologies for Absence

Apologies for absence had been received from Councillors G Griffin-Chappel, G Morley, D Skinner and M E Thacker.

303 Declarations of Interests

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.

304 Minutes of Last Meeting

RESOLVED - That the minutes of the meeting of the Audit and Corporate Governance Scrutiny Committee held on 25 June 2015 be approved as a correct record and signed by the Chair.

305 Report to those charged with governance (International Standard on Auditing (ISA 260) 2014/2015)

The Committee considered a report of KPMG, the Council's External Auditor, which presented the ISA260 report for 2014/2015 and sought approval of the letter of representation provided by the Council to the external auditors.

The report represented a good outcome from the audit for the Council with no material adjustments required in the accounts. External audit were able to give an unqualified opinion on both the accounts and in respect of value for money. Two areas of risk had been flagged up relating to changes in the Council's bank account and financial ledger but these had been effectively managed during the course of the year. There remained

a clear ongoing need to make financial savings while risks around proposed land sales and strategic regeneration sites were outlined .

There was a need to ensure the Council did not over stretch itself on debt repayments and that it kept a close watch on the impact of reduced rental income upon the Housing Revenue Account . The Council would need to work with its strategic housing partner, Rykneld Homes Limited, to assess the likely impact of rent reductions on development plans.

The external auditors report commented upon whether the arrangements with regard to the Council's change in Chief Executive Officer in 2014/15 represented value for money. It was considered that this process could have been managed more effectively. In response, the Committee was advised that the Council's former Chief Executive had been resolving an operational issue about which he had a detailed understanding, which could not easily have been transferred to other officers..

The Section 151 Officer placed on record his thanks to KPMG for the report and particularly to Ms S Sunderland and Mr L Towers who were both leaving KPMG in the near future. They had worked with the Council for several years and the Committee was in agreement with the view that they had both made positive contributions to improving the financial management of the Council.

RESOLVED - That:

- (1) The Committee note the ISA260 for the Authority 2014/2015 as produced by KPMG, the Council's external auditors.
- (2) The Committee notes that the following recommendations within the report had been agreed by management:
 - (a) A full, detailed payroll reconciliation be completed on at least a quarterly basis going forward and especially at the year end.
 - (b) Additional procedures be put in place to ensure that all journals input were subject to separate authorisation procedures.
- (3) The Committee approve the letter of representation attached as Appendix 2 of the report and authorise the Vice Chair of the Committee and the Chief Financial Officer to sign the letter on behalf of the Council.

(Vice Chair of Committee /
Chief Financial Officer)

306 Statement of Accounts 2014/2015 including Annual Governance Statement

The Committee considered report EDO/8/15-16/BM of the Executive Director – Operations which sought approval of the Audited Statement of Accounts for 2014/2015 as attached to the report.

Committee was advised that the work undertaken by the external audit team on the accounts had not required the Council to make any amendments in respect of the overall outturn position on the General Fund Revenue Account, Housing Revenue Account or on the Capital Programme. A copy of the Audited Statement of Accounts for

2014/2015 was attached as Appendix 1 to the report. There was one minor accounting change to the Statement of Accounts at page 104 which was agreed.

The Council's Statement of Accounts reflected the Accounting Statements approved by Rykneld Homes Board which were incorporated within the Council's group of accounts. It was noted that should any required changes be identified prior to 30th September 2015 that these could be agreed by the Council's Chief Financial Officer following consultation with the Chair or Vice Chair of the Committee. Any such changes would need the agreement of the Council's external auditors and should such changes be made they would be reported back to the next meeting of this Committee.

RESOLVED - That:

- (1) The Committee approve the Audited Statement of Accounts in respect of 2014/2015 as attached to the report, subject to the agreed amendment on page 104.
- (2) Delegated powers be granted to the Chief Financial Officer following consultation with the Chair or Vice Chair of the Committee to agree any change 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 the accounts by 30 September 2015.

(Chief Financial Officer)

307 Internal Audit Consortium – Summary of Progress on the Annual Internal Audit Plan 2015/2016

The Committee considered a report of the Internal Audit Consortium which presented a summary of internal audit reports issued in the period 6 June to 11 September 2015 in accordance with the 2015/16 Annual Audit Plan.

Attached as an appendix to the report was a summary of the audit reports issued during the period. Details of the procedures followed for audit were also set out in the covering report.

During the period Internal Audit had issued four reports with a good assessment, three with a satisfactory assessment and two marginal reports. The two marginal reports were presented under separate cover to Members. They related to Health and Safety and Recruitment and Selection. Measures being taken to address the reports were reported to Committee. The Committee requested that a progress update on recommendations arising from the Health and Safety audit be reported to all future meetings of the Audit Committee until the issues identified were resolved.

Work in progress included audits on Housing Benefits, Commercial Waste and Cash and Bank.

RESOLVED: That:

- (1) The report giving a summary of progress on the Annual Internal Audit Plan 2015/16 be noted.

- (2) An update on recommendations arising from the Health and Safety Audit be reported to all future meetings of the Committee until the issues identified are resolved.

(Chief Financial Officer)

308 Internal Audit Charter

The Committee considered a report of the Internal Audit Consortium which sought approval of the results of a review of the Internal Audit Charter.

A requirement for an Internal Audit Charter arose from the Public Sector Internal Audit Standards (PSIAS) which took effect on 1 April 2013. The current Charter was approved by Members in September 2013 and was subject to a review every two years to ensure it was up to date. There had been no major update or revision to the PSIAS since the 2013 version, however, two minor changes had been made with reference to the Accounts and Audit Regulations and a paragraph added in respect of ethics.

It was felt that the Charter adequately covered the issues set out in PSIAS and took into account the arrangements for the Internal Audit Consortium set out in the Consortium Agreement. It therefore remained a current document which complied with the relevant requirement.

RESOLVED – That:

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

(Internal Audit Consortium/Executive Director – Operations)

309 Delivering Good Governance in Local Government

The Committee considered Report No ADGMO/19/15-16/SS of the Assistant Director – Governance and Monitoring Officer which presented the revised draft framework for *Good Governance in Local Government* which had been developed by CIPFA and SOLACE. The document had been revised taking into account recent changes in the culture of local government.

The document was actively used by the Council in the preparation of its Annual Governance Statement and front facing Local Code of Corporate Governance. The Annual Governance Statement is a key element of the Statement of Accounts which assesses the Authorities compliance with the key principles, behaviours and outcomes relating to good governance.

The consultation document sought answers to 11 questions with draft responses given in the report. The report had previously been considered by the Council's Scrutiny Committee.

RESOLVED – That the responses given to the draft consultation questions on the *Delivering Good Governance in Local Government* be agreed as the basis of the Council's response noted.

(Assistant Director – Governance and Monitoring Officer)

310 Financial Outturn 2014/2015 including impact on the Medium Term Financial Plan 2015/2016 onwards

The Committee considered Report EDO/9/15/16/BM of the Executive Director - Operations which presented the Financial Outturn 2014/2015 including its impact on the Medium Term Financial Plan 2015/2016 onwards which was considered by Cabinet on 8 July 2015.

The year had seen a General Fund under-spend of £1.286m which had been transferred into the Invest to Save Reserve. An amount of £259,000 had been put into the General Fund Balance which now amounted to £1.8m. This under-spend had arisen due to a combination of factors including increases in National Non Domestic Rate income, increases in Housing Benefit and other grant, improved planning fees together with under-spends on certain budget heads.

The outturn on the Housing Revenue Account was £0.371m better than anticipated meaning that Housing Revenue Account reserves were increased to £2.798m.

A total of £30.250m was invested on capital schemes during the year.

RESOLVED - That the Committee notes the report on the Financial Outturn 2014/2015 including the impact on the Medium Term Financial Plan 2015/2016 onwards.

(Chief Financial Officer)

311 Risk Management Update, Partnership Working and Strategic Risk Register

The Committee considered report EDO/10/15-16/BM of the Executive Director - Operations which advised Members of the Strategic Risk Register considered by Cabinet on 5 August 2015.

The Committee considered the Strategic Risks as outlined within the report. When considering the risk around ensuring that the Council continued to deliver high quality services a concern was raised that many members of the public were still not aware that the Council had moved its main offices from Saltergate to Mill Lane, Wingerworth. Members enquired as to the possibility of signage on the A61 directing people to the Council Offices. Officers agreed to look into the issue.

RESOLVED - That the Committee notes the report on the Risk Management Update, Partnership Working and Strategic Risk Register which was taken to Cabinet on 5 August 2015.

(Executive Director - Operations)

312 Budget Monitoring – Quarter 1: April to June 2015

The Committee considered report EDO/11/15-16/BM of the Executive Director – Operations which presented a summary of the budget monitoring for the first quarter

2015/16 (April to June 2015) as presented to Cabinet at its meeting on 2 September 2015.

Officers had continued the integrated approach to budget monitoring in the first quarter of 2015/16 with Performance, Risk and Finance being considered at directorate management meetings during July 2015.

In respect of the General Fund, the original savings target for the financial year 2015/16 was £0.500m. The current budget now showed that the savings target had been reduced to one of £0.268m.. On the basis of progress to date Officers were of the view that the Council should be in a position to balance the budget by the end of the year.

In respect of the Housing Revenue Account, there was no significant income or expenditure variances to report. Dwelling rents were performing better than expected and the Housing Revenue Account had also benefitted from favourable interest charges. It was anticipated that the interest saving of £0.050m identified in the first quarter could be projected forward for the year resulting in a saving to the Housing Revenue Account of £0.200m.

In respect of the Capital Programme, the approved Capital Programme for 2015/16 stood at £24.809m. The Capital Programme profiled budget for quarter one was £6.572m and actual spend and known commitments totalled £5.420m, which was £1.152m below budget. The main area of under-spend related to Decent Homes, however, discussions with officers at Rykneld Homes confirmed they were comfortable with the progress to-date and were confident that they were in a position to ensure full delivery of the planned work for the year.

RESOLVED – That the Committee notes the report concerning the Council's budget monitoring for quarter 1 2015/16 that was reported to Cabinet on 2 September 2015.

(Executive Director – Operations)

313 Key Issues of Financial Governance

The Committee considered report EDO/12/15-16/BM of the Executive Director – Operations which advised the Committee of the key issues of financial governance.

This was a standing item on agendas for the Committee and covered the most significant issues raised by external and internal audit, other inspections and other matters that would significantly impact upon the Council's financial governance arrangements.

Earlier in the meeting, the Committee had considered the ISA260 report from the Council's external auditors, KPMG, where an unqualified audit opinion was given on the Statement of Accounts. The auditors had also concluded that the authority had made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Given that this was the first year the accounts were provided from a new financial ledger together with a change in banks and without a Chief Accountant being in position the production of a robust set of accounts was a significant achievement.

Two issues had been identified in the ISA260 in respect of payroll reconciliation and journal authorisation. These recommendations had been agreed by management with the journal authorisation to be actioned with immediate effect. The more detailed

recommendation of payroll to the general ledger at a detailed level would be undertaken at the end of September 2015 and be maintained on a quarterly basis.

While the Council had continued to achieve its in year savings targets, the Medium Term Financial Plan identified savings requirements on the General Fund of £1.349m in respect of 2016/17 with a further requirement of £0.850m in the year after. Alongside continuing challenging savings, the Council was part way through a programme of property rationalisation while it was seeking to work with a variety of partners to secure the regeneration of the Coalite site. These projects would require careful management if they were to secure the potential benefits for both the District's financial position and the ongoing regeneration of the wider District. In addition, the external auditors report noted that the proposed changes concerning rent levels and social housing would have a detrimental impact on the financial sustainability of the Housing Revenue Account which would need to be addressed.

A previous report on the agenda also noted that at the half way stage in the year the Council had already received three internal audit reports where internal controls operating in a particular service area had been assessed as marginal. Given that no marginal reports were received in 2014/2015 this was a clear indication that work was needed to continue to maintain standards of internal control.

Finally, the report set out the position with regard to outstanding debt. The position was discussed at some length and the Committee agreed that further consideration needed to be given concerning how to secure an improvement in the position in respect of overpaid housing benefits.,

Members briefly received an update from the Chief Financial Officer on progress with regards to the sale of the Saltergate site.

RESOLVED – That the report and Action Plan in respect of key issues of financial governance be noted.

(Executive Director – Operations)

314 Chairs Urgent Business

There were no items of urgent business to consider at this meeting.