

**AUDIT & CORPORATE GOVERNANCE SCRUTINY COMMITTEE****MINUTES OF MEETING HELD ON 21 APRIL 2016****I N D E X**

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## **AUDIT & CORPORATE GOVERNANCE SCRUTINY COMMITTEE**

### **MINUTES OF MEETING HELD ON 21 APRIL 2016**

#### **Present:**

	Councillor D Skinner .....	(Chair)
	Councillor Mrs C A Smith .....	(Vice Chair)
Councillor	G Butler	Councillor G Hopkinson
"	G Morley	" M E Thacker

#### **Also Present:**

Mrs D Cairns – Senior Governance Officer  
Mrs D Clarke – Assistant Director - Finance, Revenues and Benefits  
Mr T Crawley – KPMG  
Mr B Mason – Executive Director – Operations  
Mrs J Williams – Internal Audit Consortium Manager

#### **765 Apologies for Absence**

Apologies for absence had been received from Councillors B Barnes, S J Ellis, A Garrett.

#### **766 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 and in any item on the agenda and to withdraw from the meeting at the appropriate time.

Councillor G Hopkinson declared a non-significant other interest in agenda item 5(a) as one of the companies contracted by the council was a client of the company he was employed by. As the interest was a non-significant other interest, Councillor Hopkinson was entitled to remain in the meeting and take part in the discussion of this item.

#### **767 Minutes of the Last Meetings**

**RESOLVED** - That the minutes of the meeting of the Audit and Corporate Governance Scrutiny Committee held on 4 February 2016 be approved as a correct record and signed by the Chair.

#### **768 KPMG Local Government Budget Survey**

The Committee consider a report of the Council's External Auditor, KPMG, which set out the result of a survey completed by KPMG's local government clients on key aspects of budget setting and budget monitoring.

The purpose of the report was to provide information that could be considered when the Council approaches budget setting and monitoring and to provide a fresh look when addressing financial challenges.

The Committee noted that the report would be included on a Member Involvement half day to allow Members to further consider the financial information. This was to assist members in managing the Council at a time of significant challenge and to fully explore the range of savings opportunities identified by KPMG as having being utilised at other Councils.

The proposed slides for the Member Involvement half day session were attached to the report.

Councillor Thacker advised that the Conservative group members would not be attending this training session due to their policy on training and development.

RESOLVED: That the Committee notes the report from the Council's External Auditors, KPMG, in respect of the local government budget survey.

(Executive Director - Operations)

**769 KPMG External Audit Plan 2015/2016**

The Committee considered the report of the Council's External Auditor, KPMG, which set out the Audit Plan for 2015/2016.

The External Audit Plan for 2015/2016 included the following:

- Background and statutory responsibilities
- Financial statement audit considering materiality, significant risks and other areas of audit focus
- Value for money arrangements
- Audit team, reporting and communication and fees

RESOLVED -That the Committee notes the KPMG External Audit Plan 2015/2016 as attached to the report.

**770 KPMG External Audit Progress Report and Technical Update**

The Committee considered a report of the Council's External Auditors, KPMG, which included an Audit Progress report and Technical Update.

The Progress Report provided an overview of the work undertaken in delivering KPMG's responsibilities as External Auditor's in relation to the consideration of the Council's financial statements and value for money arrangements.

The report also highlighted a number of technical issues which are currently having an impact in local government.

The Committee discussed the approach to the audit of the Council's value for money arrangements and queried whether any work done by the Council's Scrutiny Committees considering value for money would be considered by KPMG. The Committee were advised that the External Auditors would not normally look at a particular scheme as they consider the arrangements and structure for decision making when considering the value for money conclusion. It was noted that the minutes of the Scrutiny Committees were considered by the Internal Audit team who would raise any issues of concern with the External Auditors. The Committee were also reminded that members of the public as well as Councillors can report any issues or areas of concern to the external auditors at any time, while members of the Audit and Corporate Governance Scrutiny Committee can raise issues through this Committee.

**RESOLVED:** That the Committee notes the External Audit Progress Report and Technical Update.

**771 Internal Audit Consortium – Consultants and Agency Staff**

The Committee considered the report of the Internal Audit Consortium which provided details of expenditure on agency staff for 2014/2015 and 2015/2016 up to the end of December 2015.

The table of information also provided brief management comments setting out what the expenditure related to.

The Committee were advised that with the exception of Planning all of the expenditure on agency staff was funded from the savings from vacancies which the agency staff were needed to cover. In respect of Planning costs were partially funded from an increase above the budgeted level of Planning applications which resulted in increased fee levels and increased workload. Officers were of the view that agency staff were only utilised where it was appropriate to protect the level of services to local residents.

The Committee noted that in a number of departments the use of agency staff had reduced, however, they considered there was still room for further improvement.

The Committee requested further information on how the use of agency staff would be reduced and plans for the recruitment of permanent staff within the Planning, Housing Benefit and Streetscene teams.

RESOLVED: That the Committee

1. Notes the report providing details of expenditure on agency staff.
2. Requests further information in relation to the Planning, Housing Benefit and Streetscene teams on the plans to reduce agency staff and recruit permanent employees.

(Executive Director - Operations)

**772 Internal Audit Plan 2016/17**

The Committee considered the report of the Internal Audit Consortium detailing the Council's Internal Audit Plan 2016/2017. A copy of the Internal Audit Plan was attached to the report.

The Committee were advised that the Internal Audit Plan included the same total number of days as the previous year at 486.

The preparation of the Internal Audit Plan took into account a number of factors including:

- Organisational objectives and priorities
- Local and national issues and risks
- An update of the Internal Audit Risk Assessment exercise covering financial control and other procedures subject to audit
- The Council's fraud risk register (which was attached to the report)

The Committee were also advised that in addition to the Internal Audit Plan a further issue had been raised which would be considered as a contingency special investigation during the year. This would be to ensure all hackney carriage and private hire vehicle drivers had the requisite disclosure and barring service checks held by the licensing service.

RESOLVED: That the Internal Audit Plan 2016/2017 be approved.

(Executive Director Operations)

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

The Committee considered the report of the Internal Audit Consortium detailing progress made by the Internal Audit team during the period 23 January 2016 to 8 April 2016 in relation to the 2015/2016 Internal Audit Plan. The report included a summary of the Internal Audit reports issued during this period.

During the period Internal Audit had issued five reports, four with a good assessment and one with an unsatisfactory result which related to the collection of Section 106 monies linked to planning developments.

The Committee had been provided with a copy of the Internal Audit report on the Section 106 agreements that received an unsatisfactory conclusion along with the corresponding management response and action plan. The Committee noted that Audit would be reviewing this area again in 2016/2017 although the time allocated to this work had decreased by one day. The Committee were advised that some areas of this process were acceptable, however, Audit would be closely reviewing the implementation of the Action Plan to ensure improvement in the areas of concern.

The Committee expressed its concern with the outcome of this report and requested that the Assistant Director Planning provide a progress report on the implementation of the Action Plan to the Committee meeting in July 2016 (moved from June 2016) and that he attend the meeting in September 2016 to provide a further report and to answer the Committee's questions.

*Councillor Skinner left the meeting at 3.13pm and Councillor Mrs C A Smith took the Chair.*

**RESOLVED:** That the Committee

1. Notes the report on the Summary of Progress on the Annual Internal Audit Plan 2015/2016.
2. Requests that the Assistant Director Planning and Environmental Health provide a progress report in July 2016 and attend the Committee in September 2016 to discuss the implementation of the Action Plan in relation to the unsatisfactory audit report on the Section 106 Agreements.

(Assistant Director Planning)

**774 Internal Audit Consortium – External Review of Internal Audit**

The Committee considered the report of the Internal Audit Consortium which sought to consult members on the format of the external review of internal audit that was required by the Public Sector Internal Audit Standards (PSIAS).

The PSIAS require that an external assessment should be carried out at least once every 5 years by a qualified independent assessor or team. The first external assessment needed to be completed by 2018.

The report therefore sought authorisation for the Internal Audit Consortium Manager to proceed with a procurement process to secure an external assessor to undertake

the exercise. It was proposed that this exercise be carried out jointly across the authorities within the Internal Audit Consortium.

**RESOLVED:**

1. That the Committee agrees to the procurement exercise for an external provider to undertake an independent validation of the self assessment of internal audit that had been undertaken by the Internal Audit Consortium Manager.
2. That the Committee agrees the procurement exercise be undertaken on behalf of the Internal Audit Consortium partner members and also Derbyshire Dales District Council.
3. That the Internal Audit Consortium Manager and the Section 151 Officer be granted delegated authority to agree a specification and to assess the external provider quotations based on cost and quality and to appoint an external provider to undertake the assessment.

(Internal Audit Consortium Manager /  
Section 151 Officer)

*Councillor Skinner returned to the meeting at 3.20pm and resumed the Chair.*

**775 Revised Final Accounts Closedown Timetable**

The Committee considered Report No ADFRB/01/15-16 of the Assistant Director – Finance, Revenues and Benefits which informed the Committee of the upcoming legislative changes to the final accounts timetable that would be imposed upon all local authorities from the 2017/2018 accounts process. The report also outlined the steps that the Council would undertake to ensure that the revised dates for preparing the Statement of Accounts would be achieved.

The Committee were advised that the deadline for the publication of the draft Statement of Accounts would be moved from 30 June to 31 May. The Council proposed to work to this timetable in 2016/2017 in order to identify any areas, issues or obstacles that could prevent the Council from achieving the deadline in order to eliminate them for the following year.

In order to achieve this deadline it was recommended that the draft Statement of Accounts would need to be approved by the Executive Director Operations rather than being submitted to the Audit and Corporate Governance Scrutiny Committee. The audited Statement of Accounts for the 2015/2016 financial year would still be submitted to this Committee in September for the 2015/2016 financial year but it was envisaged that as the external auditors move towards achieving the deadline of 31 July for the final audited Statement of Accounts that this would be reported to the Committee at its July meeting in future years.

The Committee were advised that the accountancy team considered that the revised shorter timescales would be achievable, although it was noted that adverse

external factor beyond the Council's control could also have an impact. It was noted that the completion of the accounts to a shorter timescale would free up resources at a later stage for work on the budget setting process and the meeting of financial targets.

RESOLVED: That the Committee notes the changes to the final accounts timetable and agrees to support financial services in achieving the new deadlines.

(Assistant Director – Finance, Revenues and Benefits)

**776 Risk Management Update, Partnership Working and Strategic Risk Register**

The Committee considered report No EDO/22/15-16/BM of the Executive Director Operations which advised members of the strategic Risk Register considered by Cabinet at its meeting on 9 March 2016.

The Committee considered the strategic risks as outlined within the report. The Committee were advised that at the latest round of quarterly management meetings considering updates to the risk register the issue of the impact of the European Union Referendum was considered as an emerging risk. The next report with a risk management update would likely include this issue.

RESOLVED: That the Committee notes the report on the Risk Management Update, Partnership working and Strategic Risk Register which was considered by Cabinet at its meeting of 9 March 2016.

(Executive Director – Operations)

**777 Key Issues of Financial Governance**

The Committee considered the report of the Executive Director Operations which advised the Committee of key issues of financial governance.

The report included an action plan covering the most significant issues raised by external and internal audit, other inspections and other matters which would significantly impact upon the Council's financial governance arrangements. These included:

- The need to achieve a balanced budget over the period of the Medium Term Financial Plan
- Minimising the risk of a reduction in financial balances
- Management of our key partnership arrangements
- Maintaining the quality of performance monitoring within the Council
- Setting appropriate targets for the recovery of arrears and monitoring recovery procedures
- Monitoring the impact of new legislation
- Ensuring that internal controls are maintained

The position in respect of debtors at the end of the final quarter 2015/2016 was attached to the report. The Committee requested further information on the situation regarding housing benefit issues including over payments. It was noted that an issue related to housing benefit had been identified in the KPMG Annual Report on grant claims and returns although this did not relate to overpayments.

RESOLVED: That the Committee notes the report and Action Plan in respect of Key Issues of Financial Governance.

(Executive Director Operations)

**778 Committee Work Programme 2016/2017**

The Committee considered the report of the Executive Director Operations which provided the proposed work programme for the Committee for 2016/2017.

The proposed work programme enabled members to consider whether the proposed agenda items were appropriate and served to meet the objectives of the Committee, in relation to the Council's Constitution, Chartered Institute of Public Finance and Accountancy guidance on the role of the Audit Committee and established good practice.

It was agreed that the meeting scheduled in June 2016 be moved to July 2016 with the exact date to be confirmed.

The Committee's work programme 2016/2017 would be included in the work programmes report of the other Scrutiny Committees to be reported to Cabinet early in the next municipal year. The Committee indicated its support for the content of the draft work programme subject to the following amendments:

- A further report on the use of agency staff in relation to the Planning, Housing Benefit and Streetscene teams which was requested for the meeting in July 2016.
- That a progress report on the Section 106 agreements be added to the agenda for the meeting in July 2016 and the Assistant Director Planning be requested to attend the meeting in September 2016.

RESOLVED: That the Committee approved its work programme 2016/2017 as attached to the report subject to the amendments as outlined above.

Executive Director Operations

**779 Asset Management Strategy and Plan 2015 – 2018: Non Housing Property and Land**

The Committee considered the report of the Executive Director Operations which provided the Committee with a copy of the Asset Management Strategy and Plan 2015 – 2018: Non Housing Property and Land which was approved by Cabinet at its meeting on 10 February 2016.

The Committee had previously requested details of all of the Council's land assets which were included in an appendix to the Strategy attached to the report. The Committee noted that the report listed the Council offices at Saltergate in the list of assets, however, this site had now been disposed of.

RESOLVED: That the Committee notes the asset Management Strategy and Plan 2015 – 2018: Non Housing Property and Land.

**780 Urgent Business Public Session**

The Committee was advised that there was no urgent business to be considered in the public session of this meeting.