

## **AUDIT AND CORPORATE GOVERNANCE SCRUTINY COMMITTEE**

### **MINUTES OF MEETING HELD ON 2 FEBRUARY 2017**

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## **AUDIT AND CORPORATE GOVERNANCE SCRUTINY COMMITTEE**

### **MINUTES OF MEETING HELD ON 2 FEBRUARY 2017**

#### **Present:**

Councillor D Skinner ..... (Chair)

Councillor B Barnes

“ G Butler

“ S J Ellis

Councillor A Garrett

“ Mrs C A Smith

“ M E Thacker

#### **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

#### **Also present representative from:**

KPMG – K Meats

Arlingclose Limited – Cecilie Booth – Client Director

#### **455 Apologies for Absence**

Apologies for absence had been received from Councillor G Morley and Councillor G Hopkinson.

#### **456 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.

#### **457 Minutes of Last Meeting**

RESOLVED – That the Minutes of the meeting of the Audit and Corporate Governance Scrutiny Committee held on 24 November 2016 be approved as a correct record and signed by the Chair.

#### **458 NEDDC – Annual Report on Grants and Returns 2015/16**

The Audit and Corporate Governance Scrutiny Committee considered the Annual Report on Grants and Returns for 2015/16 prepared by KPMG for consideration by Members of the Council.

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From the work carried out by KPMG two recommendations were made and an Action Plan agreed.

RESOLVED – That the Audit and Corporate Governance Scrutiny Committee considers and notes the attached report from the Council's External Auditors, KPMG in respect of the Annual Report on Grants and Returns 2015/16.

(Executive Director – Operations)

**459 NEDDC – Technical Update January 2017**

The Audit and Corporate Governance Scrutiny Committee considered the External Audit Technical Update which had been prepared by KPMG for consideration by the Audit Committee. The Committee were advised that the 2015/16 Audit was now complete. As part of KPMG's planning process a Risk Management assessment would be undertaken in relation to the Value for Money conclusion for 2016/17. KPMG would be discussing the approach with key officers of the authority and the results of this work would be reported in the External Audit Plan 2016/17.

The Committee were advised of the '@gov' digital magazine which was a government focused magazine hosted on KPMG.com. Fresh content was added to the '@gov' magazine on a monthly basis with printable digest versions produced twice annually. Each edition examined a new theme the first one of which was 'Transforming Government in the age of Technology'. The magazine could be downloaded as a pdf from KPMG.com/atgov. Any Member wishing to be added to the mailing list could register through contacting Tony Crawley at KPMG.

The Committee were advised that Jayne Dethick, the Chief Accountant at North East Derbyshire, had attended one of the Chief Accountant training events currently being led by KPMG's Regional Local Government Audit teams.

RESOLVED – That the Audit and Corporate Governance Scrutiny Committee considers and notes the attached reports from the Council's External Auditors KPMG in respect of the Technical Update.

(Executive Director – Operations)

**460 Review of the Treasury Management Strategy**

The Committee considered a presentation by Cecilie Booth from Arlingclose Limited on Treasury Management for Elected Members. The purpose of the presentation was to outline the framework and enable an evaluation of the effectiveness of the Council's current arrangements. The presentation covered:

- Legislation and guidance
- Role of Elected Members
- Risk and Reward
  - Security, liquidity and yield
- External context
  - Financial market conditions
  - Interest rate forecast

- Bank regulation
- Local context
  - Investment and debt – current and forecast
  - Comparison with other local authorities
- Options for the future

Members of the Committee discussed options on investing and also on lifting the restrictions on the treasury management on only investing money in UK banks. The Committee requested that Arlingclose provide a summary of investment instruments to the Committee.

**RESOLVED**

- (1) That the Audit and Corporate Governance Scrutiny Committee note the presentation on Treasury Management for Elected Members.
- (2) Arlingclose provide a summary of investment instruments to the Committee.  
(Arlingclose Ltd)

**461 Medium Term Financial Plan 2017/18 to 2020/21**

The Audit and Corporate Governance Scrutiny Committee considered the Medium Term Financial Plan 2017/18 to 2020/21 prior to the report being taken to Cabinet and full Council. The purpose of the report was to update Members of the Committee to ensure they are informed of the Council's position as set out in the Medium Term Financial Plan 2017/18 to 2020/21 and any comments expressed by the Committee would be taken into account in the report or reported verbally to Cabinet.

The report presented the following budgets and financial plans to consider:

- The General Fund Revenue Account
- The Housing Revenue Account (HRA)
- The Capital Programme

All of the above accounts were detailed and would be considered and agreed on an individual basis. However, it was important that Members gave appropriate consideration to the Council's overall financial position which encompassed both the three individual accounts as outlined in the report together with the range of services provided to local residents. The Executive Director – Operations advised that the Rykneld Board Members were likely not to vote on Sections 2 and 3 of the report but would vote on the General Fund. The Committee were advised that there were no changes in the structures or services of the Council, but that any changes proposed at a later stage would be brought to the Committee in a separate report. The Committee were also advised that the level of Council Tax will be decided at the next Council meeting. Councillor M E Thacker expressed a disappointment with the rate of the Council Tax being outlined at an illustrative level of 2.8% as he felt this could be unaffordable for residents.

RESOLVED – That the Audit and Corporate Governance Scrutiny Committee note the report and make any comments that they believed to be appropriate with regards to the attached report which would be taken to Cabinet on 15 February 2017.

(Executive Director – Operations)

**462 External Review of Internal Audit**

The Audit and Corporate Governance Scrutiny Committee considered a report of the External Review of Internal Audit. The purpose of the report was to inform Members of the results of the External Review of Internal Audit that had took place at the beginning of October 2016.

The Public Sector Internal Audit Standards (PSIAS) required that an external assessment of Internal Audit should be carried out at least once every five years by a qualified independent assessor or team. The first external assessments needed to be completed by April 2018.

The report concluded that the Internal Audit Consortium complied with the requirements of the Public Sector Internal Audit Standards. This meant that Members could have confidence in the service provided by the Audit team. It acknowledged that the Audit team had significant experience and a range of qualifications allowing a robust Internal Audit Standard to be maintained and delivered. The Internal Audit Consortium Manager advised that she was happy with the results with the required standards exceeding in some areas. An Action Plan was currently being implemented and a further report would be brought back in June 2017.

RESOLVED - That the Audit and Corporate Governance Scrutiny Committee:

- (1) Note the results of the external review of Internal Audit.
- (2) That the Action Plan that had been put in place to address the recommendations arising out of the review be approved.

(Internal Audit Consortium Manager)

**463 Proposed new system of Internal Audit Consortium opinion Classifications**

The Audit and Corporate Governance Scrutiny Committee considered a report outlining the proposed new system of Internal Audit Consortium opinion classifications. The purpose of the report was to advise Members of the revised system of classification for internal audit opinions to be issued as a conclusion for each report issued. The current Internal Audit report classifications had been utilised since the commencement of the consortium. Whilst the present system of classification was tried and tested current best practice was to focus more on the level of assurance that could be given with regard to the area being audited. This linked more closely with the Annual Governance Statement. The external reviewer of Internal Audit had also recommended considering to moving towards providing levels of assurance linked to risk rather than retaining the current classifications. The new proposed classifications were as follows:

Green: Substantial Assurance  
Yellow: Reasonable Assurance  
Orange: Limited Assurance  
Red: Inadequate Assurance

The new system of classification would be used on all internal audit reports issued and in the summary/annual reports brought to this Committee from April 2017.

RESOLVED – The revised Internal Audit report opinion classifications be introduced from the commencement of 2017/18 internal audit plan year.

(Internal Audit Consortium Manager)

**464 Summary of Progress on the Annual Internal Audit Plan 2016/17**

The Audit and Corporate Governance Scrutiny Committee considered a report on the Internal Audit Consortium – Summary of Progress on the Annual Internal Audit Plan 2016/17. The purpose of the report was to present for Members information on progress made by the Audit Consortium during the period 10 September 2016 to 6 January 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 the Head of Internal Audit Consortium (HIAC) or his/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 all the reports issued covering the period 10 September 2016 to 6 January 2017 for audits included in the 2016/17 consortium internal audit plan. Reports were issued as drafts with five working days being allowed for the submission of any factual changes after which the report were designated as a final report. Fifteen working days were allowed for the return of the implementation plan. The appendix showed for each report a summary of the overall audit opinion of the audit and the number of recommendations made/agreed were a full response had been received. The appendix also showed the numbers of recommendations analysed between high, medium and low priority. Members had been provided with a copy of the use of social media report that received a marginal conclusion. The Committee were advised that guidance on social media had now been issued to all staff.

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

(Internal Audit Consortium Manager)

**465 Corporate Plan Targets Performance Update – October to December 2016 (Q3 – 2016/17)**

The Committee considered the Corporate Plan Target Performance update for October to December 2016. The purpose of the report was to report the quarter 3 outcomes for the Corporate Plan 2015/2019 targets. Out of the 55 targets 43 (78%) were on track, 7 (13%) had been achieved (2 this time and 5 previously) and 5 (9%) had been flagged as an alert.

**RESOLVED** – That the Audit and Corporate Governance Scrutiny Committee note the progress against the Corporate Plan 2015/2019 targets.

(Assistant Director – Customer Service and Improvement)

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

The Audit and Corporate Governance Scrutiny Committee considered a report concerning the Strategic Risk Register which would be considered by Cabinet at its meeting on 15 February 2017. The purpose of the report was to update Members concerning risk management, partnership working and the strategic risk register. Any comments expressed by the Audit and Corporate Governance Scrutiny Committee would be taken into account in developing both the Councils risk management reports and wider risk management arrangements. The Executive Director – Operations advised the Committee that there had been minor amendments only to the Risk Register from the previous version.

**RESOLVED** – That the Audit and Corporate Governance Scrutiny Committee note the report and make any comments that they believe to be appropriate with regards to the attached report which would be taken to Cabinet at its meeting 15 February 2017.

(Executive Director – Operations)

**467 Key Issues of Financial Governance**

The Audit and Corporate Governance Scrutiny Committee considered a report on the Key Issues of Financial Governance. The purpose of the report was to update Members on the progress on addressing the key issues of financial governance.

For the Committee to consider the progress made in addressing key issues of financial governance an Action Plan was provided to Members for information. At previous meetings the Committee had considered the two communications from the Council's External Auditors, KPMG. These were the Annual Audit Letter 2015/2016 together with the report To Those Charged with Governance ISA260 reported to the September 2016 meeting of the Committee. These two documents constituted the most recent external assessment of the Councils arrangements.

The key messages of those reports concerned firstly the Statement of Accounts where the External Auditors were able to issue an unqualified audit opinion on the Statement of Accounts by 30 September 2016. Secondly, the Auditors had

concluded that the authority had made proper arrangements to secure economy of efficiency and effectiveness in its use of resources.

While the overall conclusion clearly represent a satisfactory outcome the reports also set out a limited number of areas where improvements were required and help clarify where the Council needed to focus efforts to ensure that existing standards were maintained. Against the background of a very positive assessment of the 2015/2016 Statement of Accounts the main objective was that of maintaining current standards. Given the reputational impact of a critical audit report and the additional costs that would be incurred for operating arrangements which did not meet the Auditors requirements it was clearly important that the Council maintained its current high standards in that area.

Members of the Committee considered the Action Plan concerning the Key Issues of Financial Governance.

The Assistant Director – Finance, Revenues and Benefits advised the Committee that sundry debtors were higher than this time last year and were still increasing, however the debt profile on the whole was reasonable. It was advised that the figures included amounts outstanding from debtors raised by North East Derbyshire to Bolsover District Council as part of the Strategic Alliance arrangements. Councillor S J Ellis requested that in future a breakdown of the sundry debtor figures be provided which detailed those debts in respect of Strategic Alliance transactions.

**RESOLVED** – That the Audit and Corporate Governance Scrutiny Committee notes the up dated Action Plan and the reported progress to date.

(Executive Director – Operations)

**468 Urgent Business – Public Session**

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