

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

### **MINUTES OF MEETING HELD ON WEDNESDAY, 30 SEPTEMBER 2020**

#### **Present:**

Councillor Martin E Thacker MBE JP (Chair) (in the Chair)  
Councillor Stephen Clough (Vice-Chair)

Councillor William Armitage  
Councillor Gerry Morley  
Councillor Ross Shipman

Councillor Nigel Barker  
Councillor Michael Roe

#### **Also Present:**

J Dethick                                      Head of Finance and Resources, Section 151 Officer  
J Williams                                     Internal Audit Consortium Manager  
A Bryan                                        PA to Cabinet and Civic Officer

#### **AUD/ Apologies for Absence**

**1/20-**

**21** Apologies for absence had been received from Councillor P Kerry and Sarah Sternberg.

#### **AUD/ Declarations of Interest**

**2/20-**

**21** 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.

#### **AUD/ Minutes of Last Meeting**

**3/20-**

**21** RESOLVED – That the Minutes of the meeting of the Audit and Corporate Governance Scrutiny Committee held on 30 January 2020 be approved as a correct record and signed by the Chair.

#### **AUD/ Audit Strategy Memorandum**

**4/20-**

**21** M Norman, Mazars, presented the 2019/20 Audit Strategy Memorandum which had been prepared by the Council's External Auditors, Mazars, for the year ending 31 March 2020. The purpose of the Memorandum was to summarise the approach taken to the audit by the Council's External Auditor and to highlight any significant audit risks and areas of key judgements.

RESOLVED – That the Memorandum be noted.

#### **AUD/ Audit Completion Report**

**5/20-**

**21** M Norman, Mazars, presented the audit completion report in respect of the

2019/20 financial year. He stated that Mazars expected to issue an unqualified opinion on the financial statements and with regards to Value for Money they anticipated concluding that the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. M Norman also stated that the National Audit Office had not yet issued instructions regarding the audit work required for the Whole of Government Accounts (WGA) submission but he expected to issue a clean opinion. He also confirmed that no objections or questions had been received from an elector or representative about the accounting records of the Council.

The Management Representation Letter, which was attached to the Audit Completion Report at Appendix A, would be required to be signed by the Chief Financial Officer on behalf of the Council.

In response to queries from the Committee regarding considerations about Covid-19 and Brexit, M Norman stated that this audit report for 2019/20 was the final one under the current code of practice which was updated every five years. The National Audit Office had been clear that they expected the focus on financial standing, resilience and medium to long term implications of Brexit and Covid-19 to form part of the 2020/21 Value for Money consideration.

The Committee requested that benchmarking information on how other Councils were coping financially with the pandemic be included in the work plan.

**RESOLVED** – That:-

- (1) The Audit Completion Report be noted.
- (2) The Committee approves the Letter of Representation contained within the Audit Completion Report and authorised the Chief Financial Officer to sign the letter on behalf of the Council.
- (3) That benchmarking information on financial pressures be included in the work plan for the Committee.

**AUD/ Statement of Accounts 2019/20**

**6/20-  
21**

The Head of Finance and Resources presented the audited Statement of Accounts for 2019/20, which were attached to the report at Appendix 1.

The Head of Finance and Resources emphasised the Assessment of Going Concern. The concept of 'going concern' assumed that a Council's functions and services would continue in operational existence for the foreseeable future. This assumption underpinned the accounts drawn up under the Code of Practice for Local Authority Accounting and was made because local authorities carried out functions essential to the local community and were themselves revenue raising bodies. The main factors which underpinned an assessment were the Council's current financial position, projected financial position, balance sheet, cash flow, governance arrangements and regulatory and control environment application to the Council as a local authority.

The Chair of the Committee requested information on the Council's Covid-19

recovery plans and strategic risks be presented to the next meeting of the Committee.

The Head of Finance and Resources agreed to follow up on a query regarding what had happened regarding the signing of the British Sign Language (BSL) Charter and its pledges and what action had subsequently been taken.

**RESOLVED** – That:-

- (1) The audited Statement of Accounts in respect of 2019/20 be approved.
- (2) Delegated power be granted to the Chief Financial Officer, in consultation with the Chair or Vice-Chair of the Audit and Corporate Governance Scrutiny 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 completion of the Statement of Accounts by the revised statutory deadline of 30 November 2020.
- (3) The outcome of the assessment of the Council's 'going concern' status for the purpose of preparing the Statement of Accounts for 2019/20 be noted.
- (4) The Committee receive an update on the Council's Covid-19 recovery plans and strategic risks at the next meeting.

**AUD/ Corporate Debt**

**7/20-  
21**

The Head of Finance and Resources presented a report which set out a summary of the corporate debt position as at 31 August 2020. Details of the debt position with regard to sundry debtors, overpaid housing benefit and rents were attached to the report at Appendix 1.

The Head of Finance and Resources stated that this had taken on a new significance as a result of Covid-19. During the early months of the pandemic, in line with Government guidance, the Council had not taken any recovery action. Following the lifting of national restrictions and after careful consideration and consultation with colleagues across Derbyshire, the Council had now decided to commence a process of "soft" recovery through re-engagement with customers and opening up a dialogue about payment and offering support where needed rather than actively chasing arrears. The impact of this action would be carefully monitored.

The Committee discussed starting the debt recovery process and questioned the timing given the likelihood of a Covid-19 second wave. The Committee agreed with the soft approach to be taken but would not want to see any further action at this time.

**RESOLVED** – That the report concerning the Council's Corporate Debt as at 31 August 2020 be noted.

**AUD/ The Role of the Committee in Scrutiny and the Relevance of Timely Reporting**

**8/20-**

21

The Chair of the Committee presented a report to consider the Committee's scrutiny role and a new work plan to facilitate this. The Committee had statutory functions such as signing off the annual accounts, as well as undertaking the role of scrutiny. In order for this to be most effective, the Committee should have the opportunity to scrutinise reports that lie with its remit before they were considered by the Cabinet. This allowed for any comments or observations of the Committee to form part of the Cabinet's considerations.

The Chair of the Committee requested that a new framework of Committee meeting dates and a revised Work Plan be drafted and submitted to the next meeting. The Work Plan was to include implications of Covid-19, implications of Brexit including a no-deal Brexit, cost of leisure services, financial benchmarking, and risks regarding pensions.

RESOLVED – That:-

- (1) The Committee agree to realign the Work Plan and future meeting dates to meet the objectives detailed within the report.
- (2) A revised Work Plan be presented to the next meeting of the Committee.

**AUD/  
9/20-  
21**     **Medium Term Finance Plan - Revised Budgets 2020**

The Head of Finance and Resources presented a report which set out a summary of the revised budget which will be presented to Cabinet on 8 October 2020. The report set out the impact of the Covid-19 pandemic on the Councils financial position, which was considerable with £1.325m being funded from the Resilience Reserve this year.

The Committee asked for clarification regarding budget lines that appeared to have had significantly increased. The Head of Finance and Resources provided clarification on the variances raised.

The Committee also discussed Rykneld Homes Ltd and the proposed 2020/21 fee. It was proposed that a presentation by the Managing Director of Rykneld Homes on how they spent the Management Fee was added to the Committee's Work Plan.

RESOLVED – That the report concerning the Council's Medium Term Financial Plan – Revised Budgets 2020/21 be noted.

**AUD/  
9/20-  
21a**     **Annual Governance Statement**

The Head of Finance and Resources presented a report on behalf of the Head of Corporate Governance and Monitoring Officer, which sought the approval of the Committee on the Annual Governance Statement for incorporation within the Council's Statement of Accounts for 2019/20. The report also reviewed the Local Code of Corporate Governance.

The Committee discussed the draft Annual Governance Statement 2019/20. The Chair of the Committee suggested that the vocabulary regarding the role of the Audit Committee should be changed to 'scrutinising and then approving' rather than 'agreeing' with regards to the Annual Governance Statement and the Annual Statement of Accounts. Also, the accountability of the Council's income and expenditure decision making processes and their impact on the district should be added as a function of the Committee. It was also suggested that more information should be included on the Council's response to the Coronavirus Pandemic. The Committee discussed changes to the information regarding the adoption of a Local Plan within the Significant Governance Issues section.

**RESOLVED** – That:-

- (1) The draft Annual Governance Statement, as set out in Appendix 1, be noted prior to the final version being incorporated within the Council's Statement of Accounts.
- (2) The Local Code of Corporate Governance, as set out in Appendix 2, be approved.
- (3) Having reviewed the effectiveness of the Governance Framework the Council's governance and internal control arrangements be deemed fit for purpose and the Chair of the Committee be authorised to sign the memorandum, as set out in Appendix 4.

**AUD/** **Internal Audit Consortium: 2019/20 Annual Report**

**10/2**

**0-21**

The Internal Audit Consortium Manager presented the Internal Audit Consortium 2019/20 Annual Report which presented a summary of the internal audit work undertaken during 2019/20. The Internal Audit Consortium Manager stated that Covid-19 had had an impact on the timeliness of the completion of the 2019/20 internal audit plan. Whilst the majority of the plan had now been completed, some of the audits had been completed in the new financial year and some had been deferred.

**RESOLVED** – That the Internal Audit Consortium Annual Report 2019/20 be noted.

**AUD/** **Review of the Internal Audit Charter**

**11/2**

**0-21**

The Internal Audit Consortium Manager presented a report which set out the results of a review of the Internal Audit Charter. The Public Sector Audit Standards (PSIAS) required the Head of Internal Audit to periodically review the Internal Audit Charter and present it to the Committee for approval. The Internal Audit Charter was attached to the report at Appendix 1.

The report stated that the current Internal Audit Charter had been reviewed and it was felt that it was still fit for purpose and that the only update required was in respect of job titles. Previously the Charter had been reviewed every two years however, the Chartered Institute of Public Finance and Accountancy (CIPFA) were now recommending that the Charter be reviewed annually, so the next review would take place in summer 2021.

**RESOLVED** – That:-

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

**AUD/** **External Review of Internal Audit**

**12/2**

**0-21**

The Internal Audit Consortium Manager presented a report which sought to consult the Committee on the format of the external review of internal audit that was required by the Public Sector Internal Audit Standards (PSIAS). The PSIAS required that an external assessment should be carried out at least once every five years by a qualified, independent assessor or team, and the next external review was due in July 2021.

**RESOLVED** – That:-

- (1) Proceeding with the procurement of an external provider to undertake an external assessment of the Internal Audit Consortium and Derbyshire Dales District Council, be authorised.
- (2) The Internal Audit Consortium Manager and the Section 151 Officer be given delegated authority to agree the specification of the assessment, to assess quotations received based on cost and quality and to appoint an external provider to undertake the assessment.

**AUD/** **Internal Audit Consortium Summary of Progress on the Annual Internal Audit Plans 2019/20 and 2020/21**

**13/2**

**0-21**

The Internal Audit Consortium Manager presented a report which set out the progress that had been made by the Internal Audit Consortium in respect of the 2019/20 and 2020/21 Internal Audit Plans. The report included a summary of Internal Audit Reports issued since the last meeting of the Committee and there was an appendix detailing the 2020/21 Internal Audit Plan and progress made to date. The report stated that the internal audit team were currently working to the 2020/21 plan, however due to Covid-19 the whole of the plan was unlikely to be achieved. In addition, as the recovery process progressed it might be necessary to replace some areas with other areas that were deemed higher risk.

**RESOLVED** – That:-

- (1) The report be noted.
- (2) The impact of the Coronavirus on the ability to complete the current audit plan and the potential for future changes to the plan be noted.

**AUD/** **Urgent Business**

**14/2**

**0-21** There was no urgent business to be considered at this meeting.