

AUDIT AND CORPORATE GOVERNANCE SCRUTINY COMMITTEE**MINUTES OF MEETING HELD ON 18 APRIL 2019****I N D E X**

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AUDIT AND CORPORATE GOVERNANCE SCRUTINY COMMITTEE

MINUTES OF MEETING HELD ON 18 APRIL 2018

Present:

Councillor G Morley (Chair)
Councillor G Butler (Vice Chair)

Councillor B Barnes
“ M E Thacker

Councillor C A Smith

Also Present:

K Apps – Interim Joint Head of Economic Development (For Minute 723)
J Dethick – Chief Accountant and Section 151 Officer
L Hickin – Joint Strategic Director People
A Maher – Senior Governance Officer
M Norman - Mazars
S Sternberg – Joint Head of Corporate Governance and Monitoring Officer
J Williams – Internal Audit Consortium Manager

713 Apologies for Absence

Apologies for absence had been received from Councillors S Ellis, G Hopkinson and A Garrett.

714 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.

715 Minutes of Last Meeting

RESOLVED – That the Minutes of the meeting of the Audit and Corporate Governance Scrutiny Committee held on 31 January 2019 be approved as a correct record and signed by the Chair.

716 Audit Strategy Memorandum

Audit and Corporate Governance Scrutiny Committee considered the Audit Strategy Memorandum, prepared by the Council's External Auditors, Mazars, for the year ending 31 March 2019. The purpose of the Memorandum was to help explain how the company will approach its role as the Council's External Auditor, to highlight any significant audit risks and set out the 'key judgements' that will have to be made in response to these risks.

Committee discussed briefly the Memorandum and noted that there had been no changes on the original text, which had been shared with the Council. Members were told that the text mistakenly stated that the Management Fee to Mazars for their work as the Council's External Auditors had increased. In fact, it had been reduced.

RESOLVED – That Audit and Corporate Governance Scrutiny Committee notes the Audit Strategy Memorandum, prepared by the Council's External Auditors, Mazars.

717 Audit and Corporate Governance Scrutiny Committee Progress Report – March 2019

Committee considered the External Audit Progress report and Technical Update prepared by the Council's External Auditors, Mazars.

The progress report updated Members on developments since the last meeting of the Committee. During the discussion on the report, Committee was reminded that the planned interim audit had taken place in February 2019. This had gone well and had raised no specific issues requiring the Committees attention. Members welcomed this. Committee was also reminded that CIPFA had drawn up a proposed Financial Management Code for Local Government, which the Council would have the opportunity to comment on.

RESOLVED – That the Audit and Corporate Governance Scrutiny Committee note the Audit and Corporate Governance Scrutiny Committee Progress Report – March 2019 prepared by the Council's External Auditors, Mazars.

718 Internal Audit Consortium Summary of Progress on the Annual Internal Audit Plan 2018/2019

The Committee considered a report on the 2018/2019 Internal Audit Plan prepared by the Internal Audit Consortium Manager. In particular, Members heard that six reports had been issued since mid-January 2019. Four of these audit reports had received the rating of 'Substantial Assurance'. The other two were given the rating of 'Reasonable Assurance'.

Members were informed that because of vacancies during the year within the Internal Audit Consortium, there had been a slight delay in completing the 2018/19 internal audit plan. However, ground had been made up and six further reviews were now in progress. The Committee welcomed this.

Members discussed the audits which had taken place since mid-January 2019 and in particular, the audit into Sundry Debtors. Committee learnt that the scope and objectives for this review had been to ensure that invoices were raised promptly and accurately and that there were appropriate and effective debt collection procedures in place.

Committee noted that this audit had resulted in a 'Substantial Assurance' rating. Members appreciated the progress which had been made towards improving the Council's financial processes, in order to help ensure that debts are managed appropriately. They hoped that further progress could be made. Specific mention was made in this context of business tenants occupying industrial units, who run the risk of building up very large debts to the Council, unless these debts are identified at an early stage and dealt with appropriately before they escalate.

Members discussed the current audits. Committee was told about the scope and objectives of the audit review into 'fly-tipping' and how this would focus on the effectiveness of the Council's systems for reporting and recording such incidents and whether these could be improved.

Members were also told that the audit review on 'disaster recovery' was focusing on the Council's contingency arrangements, to ensure that it would continue to operate in the event that it suffered a large scale loss of its ICT systems.

RESOLVED – That the Internal Audit Consortium's summary of Progress on the Internal Audit Action Plan 2018/2019 be noted.

719 Internal Audit Plan 2019/2020

The report set out the proposed Internal Audit Plan for 2019/2020. This made it clear that the Internal Audit Consortium would allocate North East Derbyshire District Council a total of 486 audit days during the year. This is the same number of days that were allocated by the Consortium in 2018/2019. Of these, 118 audit days would be allocated to auditing the main financial systems, 104 to corporate/cross cutting issues and 97 to Rykneld Homes Limited.

Members discussed the report and considered the risk factors associated with the different business areas and processes. They queried why some reviews were classed as low or medium risks, such as leisure reviews, while others were given a high priority, such as cyber security.

The Committee recognised the need for the Consortium to allocate audit days to those areas of greatest risk. Committee made it clear that it was satisfied with the proposed Internal Audit Plan and felt that it would help to achieve the goal of focusing on the areas of greater risk.

RESOLVED – That Audit and Corporate Governance Scrutiny Committee endorses the Internal Audit Action Plan 2019/2020.

720 Annual Review of the Effectiveness of Internal Audit

The report to Committee explained that the Chief Financial Officer had carried out her annual review of the Internal Audit Service. She had concluded that the Internal Audit Section, which operates as part of the Internal Audit Consortium carries out the function competently and to a high standard. She also agreed that the Consortium offers an effective service which the Council can rely upon. This was welcomed by the Committee.

The reasons for these conclusions were set out in the report. Members were informed in this context that the Consortium had delivered at least 96% of the Internal Audit Plan 2018/2019. Only one audit review scheduled for the year had had to be deferred until 2019/2020.

The Committee was pleased with the progress that had been made and hoped that the Consortium would continue to provide its internal audit service to the Council at the current high standards.

RESOLVED – That the Audit and Corporate Governance Scrutiny Committee endorses the Chief Financial Officer’s assessment that the internal audit function is being carried out by the Internal Audit Consortium competently and to a high standard. It also endorses The Chief Financial Officer’s assessment that the Consortium provides an effective service to the Council, which can be relied upon.

721 Corporate Debt

The report to Committee summarised the Corporate Debt owed to the Council. In particular, it explained the position in terms of ‘Sundry Debtors’, over-paid Housing Benefit and Housing Revenue Accounts (HRA) total indebtedness. The report made clear that progress had been achieved towards reducing the average amount owed by Sundry Debtors, which had fallen since 2014/2015. The Committee was also informed that the average over payment of Housing Benefit had fallen over the last four years as well. In addition, there had been a reduction in average levels of HRA total indebtedness.

Members discussed the number of write offs that had to be made. It was emphasised that debts were only written off as and when it became simply not possible to recover them. Again, the point was made that debts should not be allowed to grow unchecked to the point where they become unrecoverable – and especially for people on low income or benefits. Specific concern was raised about the impact on individuals, for example who received Housing Benefit over payments and then struggle when they are required to pay back this money.

RESOLVED – That the Audit and Corporate Governance Scrutiny Committee notes the current position on the Council’s corporate debt, as at the end of April 2019.

722 Annual Governance Statement

Members were reminded that as part of its Statement of Accounts the Council was required to agree and include an 'Annual Governance Statement'. This Statement had to be in line with the Chartered Institute of Public Finance and Accountability (CIPFA)/Society of Local Authority Chief Executives and Senior Managers (SOLACE) framework, setting out the core principles of corporate governance which authorities should follow. These principles were set out in the report prepared by the Joint Head of Corporate Governance and Monitoring Officer.

Committee discussed the proposed Annual Governance Statement. Members welcomed its key conclusion that, based on the evidence, the Council has a robust system of governance and internal control in place. However, Members were told that several significant governance issues had been identified and these had been set out in the proposed statement. Specific mention was made of the financial challenges facing the Council and especially the need to make significant efficiency savings of £7.7m over the period to March 2023 in order to secure a balanced budget. Members were reminded that in response to this, the Council had developed a transformation programme, which includes measures to deliver the efficiency gains necessary to operate within its underlying level of resources and to achieve a balanced budget over the period of the Medium Term Financial Plan.

Committee then considered the Local Code of Corporate Governance, which Members were also asked to approve alongside the proposed Annual Governance Statement. Committee made it clear that it was content with the approach that had been taken and had no suggested amendments to make to the proposed Annual Governance Statement or Local Code of Corporate Governance at this time.

RESOLVED – That the Audit and Corporate Governance Scrutiny Committee endorses the draft Annual Governance Statement and the Local Code of Corporate Governance.

723 Corporate Plan Targets Performance Update – Target G12 Bringing Empty Properties Back into Use

The Acting Head of Economic Development explained to the Committee how the Council was performing against the Corporate Plan Target G12, to bring empty properties in the District back into use. As part of this, he highlighted a specific example of a complex case involving an absentee property owner, who had been able to sell their property which had now been brought back into use as a home. He also highlighted the successful work that had taken place to bring together landlords, letting agents and other organisations in order to help make it easier for owners to rent out their properties.

In addition, Members heard about the work to support young people so that they hold down tenancies and how the Council had co-operated to help bring empty properties back into use specifically targeted at meeting the needs of young people.

Finally, Committee noted that the Council had worked with E-on to develop and implement an innovative approach to bring empty properties back into use. Members heard that to date 13 properties had been brought into use, with more to follow. Committee welcomed the progress, which compared favourably to previous attempts that had been made to bring empty properties back into use.

Members discussed progress against the Corporate Plan target. There was a consensus that a lot had been achieved and that empty properties in the District were being brought back into use. Committee recognised the extensive support that the Council and others are offering to landlords, including those who may want to rent out a single property, perhaps following a bereavement, who are unsure how to do this. Members were informed how they are currently helped in order to do this in a professional way, which benefits both them and their potential tenants.

Committee was informed that the government had announced plans to abolish so called 'Section 21' no fault evictions in England. Members learnt that this challenge, which is subject to consultation, would prevent private landlords from evicting tenants at the end of their fixed term tenancies, unless they had breach the terms in ways that justified an at fault eviction.

Members learned that concern had been expressed about how if private tenancies become, in practice, open ended, then this might discourage some people from letting out their properties, for fear that they may not be able to end any tenancies that they agree to. Consequently, the proposed change might have the unintended consequence of actually reducing the number of homes to rent. Committee felt that further development on this should continue to be monitored.

724 Urgent Business

There was no urgent business to be discussed at the meeting.