GOVERNANCE AND AUDIT COMMITTEE

Date: 30 January 2019
Venue: East Northamptonshire House, Cedar Drive, Thrapston
Time: 7.30pm

Present: Councillors: Peter Wathen (Chairman)
Alex Smith (Vice-Chairman)
Rosalie Beattie
Dorothy Maxwell
Sylvia Hobbs

External attendees:
Rachel Ashley-Caunt (Head of Internal Audit)

386. **APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillor Robin Underwood.

387. **MINUTES**

The minutes of the meetings held on 28 November and 5 December 2018 were approved and signed by the Chairman.

388. **DECLARATIONS OF INTEREST**

No declarations of interest were made.

389. **QUESTIONS UNDER COUNCIL PROCEDURE RULE 10.3**

No questions were submitted under Procedure Rule 10.3.

390. **INTERNAL AUDIT – PROGRESS AND PERFORMANCE**

The Head of Internal Audit presented a report on the progress made on the delivery of the Internal Audit Plan for 2018/19 and associated measures of performance.

Reports had been issued for seven assignments and fieldwork was underway or in planning stages for a number of further assignments. No areas of significant risk or control weaknesses had been identified in the work completed to date. Since the last meeting of the Committee, one report from the Audit Plan had been finalised on Budgetary Control. No areas of significant weakness had been identified in the report and five recommendations had been made with four already completed.

Internal Audit actively monitored the implementation of recommendations arising from audit reports and since the last meeting of the Committee two actions had been completed, which left three medium priority actions outstanding.
During discussion on the item, it was noted that the current forecast outturn position for 2018/19 was £122k overspent. Officers explained that this was due to a number of pressures, particularly revenues and benefits overpayments and ICT Service staffing issues, however there were underspends in other service areas to off-set this. The position was improving and the next finance report was expected to show a significant reduction in the overspend.

RESOLVED:

To note the progress and performance of the Internal Audit Service and the key findings from audits delivered during the period.

(Reason: To review the performance of Internal Audit against the agreed plan and any key findings regarding the council’s risk management and control arrangements in accordance with the Public Sector Internal Audit Standards.)

391. UPDATES TO PART 4.3 OF THE CONSTITUTION

The Monitoring Officer presented a report which proposed amendments to Part 4.3 (Budget and Policy Framework Procedure Rules) of the Constitution to enable flexible controls on the use of earmarked reserves.

Earmarked reserves were currently allocated and approved by Full Council as part of the budget process, with any necessary and appropriate transfers from those reserves made at year end as part of the close down process. It was now proposed to make a number of changes to Part 4.3 of the Constitution to enable quarterly transfers to enable better monitoring of the use of reserves during the year.

Other more minor updates had also been proposed including the addition of the Deputy Chief Finance Officer to the Chief Finance Officer in relation to the Scheme of Virement following an Internal Audit recommendation.

R.21 RESOLVED TO RECOMMEND TO FULL COUNCIL:

That the following changes (text marked text is to be deleted and text is to be inserted) to Part 4.3 of the Constitution be approved:

Framework – Paragraph 2.9. The Chief Finance Officer is responsible for maintaining a continuous review of these financial regulations and submitting any proposed additions or changes necessary to the Policy and Resources Committee. The Committee will consider any via a report to the Governance and Audit Committee, which will by the Chief Finance Officer and make appropriate recommendations to (full) Council.

Urgency procedure – Paragraph 3.69. Items greater than £25,000 but less than £100,000 can be approved by from the Chief Finance Officer (or Deputy Chief Finance Officer in their absence) after consultation with can be approved by the Chair of Finance and Performance Sub Committee or Chair of Policy and Resources Committee (or in their absence their deputies). A report outlining the details of the request and background of the decision will be submitted to the next Finance and Performance Sub Committee and Policy and Resources Committee. (Reason: Individual councillors cannot make decisions.)
Reserves – Paragraph 4.31. The number, type and level of earmarked reserves will be reviewed at least annually to take into account the risks faced by the council. The level of ear-marked reserves will then be approved by full Council annually as part of the budget setting process. Use of earmarked reserves up to £100,000 per quarter per reserve, including authorisation of expenditure, will be approved on a quarterly basis by the Chief Finance Officer (or Deputy Chief Finance Officer in their absence) after consultation with the Chair of Policy and Resources Committee or the Chair of Finance and Performance Sub Committee. (Reason: to bring parity with virement and urgency procedures).

Reserves – Para 4.32 Delivering the Corporate Plan Reserve and the Projects and other Investment Opportunities Reserve provide the investment the council requires to deliver transformation projects. The use of these reserves will be on strict criteria linked to a business case and will require sign off by the Chief Finance Officer and Finance Sub Committee. (Reason: these Reserves will become obsolete as we move towards the creation of Unitary Councils).

Scheme of Virement – Section 5 - Paragraph 5.10. The Scheme of Virement is intended to enable the Policy and Resources Committee, Chief Finance Officer, chief officers and their staff to manage budgets with a degree of flexibility within the overall policy framework determined by (full) Council, and therefore to optimise the use of resources. Please note that where decision making authority is given to the Chief Finance Officer, the Deputy Chief Finance Officer may exercise the same authority in the absence of the Chief Finance Officer. (Reason: to provide continuity in the case of absence as recommended in an Internal Audit recommendation as part of the Budgetary Management Internal Audit).

(Reason: To ensure that the Constitution continues to provide appropriate guidance on Council decision making).

392. **RISK UPDATE**

The Executive Director (Resources and Commercial) gave a verbal update on risk and the Council’s Risk Register.

The following emerging and evolving risks had now been added to the Risk Register:

- Local Government Reorganisation and Unitary
- Brexit

Local Government Reorganisation was seen as a risk as there was, as yet, no formal approval from the Secretary of State. There was likely to be a number of risks and implications for the Council around providing services and staffing once a decision has been made.

Brexit was considered as a risk although the impact on the Council was not yet known. It was likely that there would be a potential short term impact, regardless of which Brexit option was finally agreed. A number of emergency planning sessions had taken place in the county to consider the possible impacts. Both risks were being actively monitored by CMT.

A detailed update on the two new areas of risk would be provided at the next meeting.
During discussion on the item, officers confirmed that the majority of any impacts from Brexit could affect all local authorities. The direct.gov.uk website had a number of papers covering the impacts on local government. In response to a question about NCC’s Stabilisation Plan, officers explained that if the Stabilisation Plan was delivered then that would help with a stable financial position moving into unitary arrangements. However the new unitaries would still face a number of challenges due to the impact of demand on services, particularly children and adult’s services and the funding position. How those services would work in a two council environment was not yet known and the Commissioners at NCC would likely have a view on future service delivery.

RESOLVED:

That the verbal update be noted.

Chairman