

PUBLIC

MINUTES of a meeting of the **AUDIT COMMITTEE** held on Friday, 5 August 2022 in the Council Chamber, County Hall, Matlock, Derbyshire.

PRESENT

Councillor G Musson (in the Chair)

Councillors R Parkinson, N Atkin, N Gourlay, R Mihaly and J Nelson.

Officers present: Dianne Downs (Assistant Director of Finance (Audit)), Paul Stone (Assistant Director of Finance), Philip Spencer, Eleanor Scriven and Paul Peat.

26/22 TO RECEIVE DECLARATIONS OF INTEREST (IF ANY)

There were no declarations of interest.

27/22 TO CONFIRM THE MINUTES OF THE MEETING HELD ON 22 MARCH 2022

The minutes of the meeting held on 22 March 2022 were confirmed as a correct record.

28/22 PRE-AUDIT STATEMENT OF ACCOUNTS 2021-22

The Committee were presented with the pre-audit Statement of Accounts 2021-22. The Council had published the certified pre-audit accounts on 17 June 2022, before the statutory deadline and had submitted them to the Council's external auditor, Mazars, on the same day. A copy of the pre-audit Statement of Accounts was appended to the report at Appendix Two.

The public inspection period had commenced on 20 June 2022 and concluded on 29 July 2022. No queries had been received.

Eleanor Scriven, Finance Manager, went through the detail of the pre-audited accounts with the Members and responded to their questions and points requiring clarification. Members were recommended to refer to the narrative report contained in the Accounts as this provided an ideal summary and overview.

The final audited Statement of Accounts 2021-22 would be published as soon as the audit had been formally concluded and the external opinions

issued. The approved Statement of Accounts would be reported to full Council in February 2023.

RESOLVED:

That the Audit Committee notes the content of the pre-audit Statement of Accounts 2021-22 prior to the approval of the post-audit accounts at an Audit Committee meeting later in the year (yet to be scheduled).

29/22 STRATEGIC RISK REGISTER (2022-23 QUARTER 1)

The Strategic Risk Register was presented along with an update on the corporate risk management strategy for 2021-2024. The report covered updates to the Council's Strategic Risk Register up to the end of Quarter 1 (30 June 2022).

Since the register was updated, the Council had been subject to a significant cyber-attack. The attack was quickly identified, and steps were taken to contain any potential damage. Forensic analysis had been conducted, supported by Microsoft's Detection and Response Team (DART). The Information Commissioner was informed immediately about the attack in view of the potential loss of data. However, at this time there was no evidence that any data had been compromised.

Work continued to improve the cyber-resilience of the Council's systems to meet the standards and recommendations of the National Cyber Security Council (NCSC). At this time the Council was self-insuring against cyber-risk as insurance market requirements were now far more stringent. Discussions were ongoing with the Council's insurance brokers to ensure that commercial insurance cover was resumed at the earliest opportunity once new requirements had been met.

A summary of risks currently on the strategic risks register was shown in Table 1 of the report. The full register was shown at Appendix 2 to the report, with updates since 2021-22 Q4 highlighted in purple text.

In general, good progress had been made in implementing the new corporate risk management strategy. An outline implementation plan for the strategy had been included with the paper presented to the committee at its meeting on 20 July 2021. A copy of this, together with notes on progress, was attached at Appendix 3.

Risk management training and awareness sessions had been held for all departmental management teams, and a few directorate and divisional teams. More structured discussions about risk were now taking place in management and operational teams. Work on producing online training

and guidance material, including APEX, had been delayed but had now commenced. Other work would take place during 2022-23 to strengthen risk assessment as part of corporate planning, led by the strategy and policy team.

It was also proposed to introduce a few interim changes to the corporate risk management strategy, pending a fuller review in the autumn. This reflected feedback received as work had progressed on APEX. The proposed changes were detailed in Appendix 4 to the report.

RESOLVED:

That the Audit Committee:

- a) Notes the work in hand to improve cyber-resilience and to secure commercial cyber insurance;
- b) Reviews the Strategic Risk Register, noting the most severe risks to the Council and changes in scores since the last report;
- c) Notes the progress with implementing the corporate risk management strategy; and
- d) Agrees the proposed interim updates to the corporate risk management strategy for recommendation and approval by Cabinet.

30/22 ADDITIONAL EXTERNAL AUDIT FEES 2020-21

The Council's external auditor had written to the Council setting out, and requesting agreement of, additional fees in respect of its audit work on the Council's 2020-21 Statement of Accounts, following completion of the audit.

Additional fees for the 2020-21 audit of the Council's Statement of Accounts were £0.032m for the Council. This had comprised additional work in the following areas:

- Value for money commentary- £0.014m
- Property, plant and equipment valuation - £0.005m
- Accounting estimates - £0.005m
- Increased regulatory challenge - £0.004m
- Pension valuation - £0.003m
- Covid-19 additional work – £0.001m

In calculating the additional fees, the external auditor had considered the impact of the good work by the Council's team in working closely

with them to complete the audit and the good standard of working papers provided.

Additional fees in respect of the external auditor's work on its audit of the 2020-21 Pension Fund Statement of Accounts had been reported to Audit Committee at its meeting on 22 June 2021. These additional fees of £0.006m related to enhanced procedures on unquoted investments in response to increased regulatory expectations.

RESOLVED:

That the Audit Committee notes:

- a) The details of a letter from the Council's external auditor setting out and requesting agreement of additional fees in respect of its audit work on the Council's 2020-21 Statement of Accounts; and
- b) The agreement of the Council's Interim Executive Director of Corporate Services & Transformation, as Section 151 Officer, to the request for additional fees in respect of the external auditor's work on the Council's and Pension Fund's 2020-21 Statement of Accounts.

31/22

REVIEW OF THE EFFECTIVENESS OF THE SYSTEM OF INTERNAL CONTROL

In order to provide members with the necessary assurances around the effectiveness of the system of internal control it was appropriate to consider and reflect on the work of the Audit Committee, the assurances received from internal and external audit and evidence from the statement of accounts. It was appropriate to refer members to the following:

- Maintenance and review of the Council's Constitution.
- The Annual Governance Statement which would be considered at this meeting.
- The work of internal auditors culminating in the Annual Audit Report from the Assistant Director of Finance (Audit) presented to this meeting.
- The evidence of compliance with International Auditing Standards attached to the report as an appendix.

- The detail contained within the Strategic Risk Register which had been regularly presented to members.
- The standard and quality of the certified pre-audit Statement of Accounts 2021-22 and the transparency illustrated by the disclosures made and the opportunity given to the Committee to discuss its contents.
- The development and implementation of the annual revenue and capital budgets.
- The Anti-Fraud and Corruption Strategy, Whistleblowing Confidential Reporting Code and Anti-Money Laundering Policy.
- The Council's spending against budget, reserves and achievement of budget reductions were monitored on a regular basis and reported to both management, portfolio holders, Cabinet, Audit Committee and Council.
- Reviews of service delivery had been planned and were underway across the Council.
- The Council's compliance with the principles of the Financial Management Code which had been reported to members.
- Effective employment policies and procedures supported by an effective Human Resources function.
- ICT policies and procedures for email, internet, social media and other computer use.
- Supporting financial policies including Treasury Management Strategy, Capital Strategy, Reserves Policy and Corporate Charging Policy.

As members would be aware, a review of the Audit Services Unit had been undertaken by C.Co, part of the Chartered Institute of Public Finance & Accountancy (reported to Committee on 10 December 2019). The Public Sector Internal Audit Standards required an external review to be conducted at least once every five years. C.Co had provided a positive view of the Unit's effectiveness and compliance with the PSIAS. Additionally, the External Auditor had continued to use the work of Internal Audit to inform their assessment of the Council's significant

risks.

RESOLVED:

That the Audit Committee considered the information provided in the report as evidence of the effective operation of the internal control system.

32/22 AUDIT SERVICES ANNUAL REPORT 2021-22

Members were informed of the Annual Report for 2021-22 and the Head of Internal Audit opinion on the adequacy of the County Council's arrangements for governance, risk management and control.

The Annual Report covered the year to 31 March 2022 and highlighted achievement against the 2021-22 Audit Plan, which had been approved by the Audit Committee on 23 March 2021.

The Report was designed to offer the Audit Committee a timely, independent and objective assessment of the Council's arrangements. It provided outcomes of Audit activity relating to the County Council's operations during the year and recorded key issues that had been identified within the year and actions arising from their work.

Staffing resource issues and the response to, and recovery from, the pandemic had continued to impact on the work of Audit Services during 2021-22. National restrictions had remained in place for part of the year, and the ongoing pressure on the Council's staff had reduced opportunities to undertake some Audit activities agreed within the 2021-22 Audit Plan. Audit Services had focused on areas of greatest priority and reviews that could be delivered without impacting significantly on departmental staff resources. Audit Services had achieved 89% delivery of planned audit days.

The overall opinion of the Head of Audit and the Audit Services assessment of adequacy and effectiveness of the Council's arrangements during 2021-22 was of a "Qualified Assurance" level. This opinion reflected on the adequacy and effectiveness of the internal control framework, risk management and governance procedures within the County Council. Whilst the arrangements had generally found to be satisfactory, some enhancements had been recommended for senior management to action and improve the control framework. The opinion for 2021-22 was however, delivered with some caveats. This reflected:

- The appointment of the Head of Audit mid-way through the

- financial year covered by the report.
- On-going impacts of the pandemic across the organisation and audit staffing resource pressures; resulting in delays to some planned audit work
- An absence of assurance mapping and fraud risk assessments prior to the appointment of the Head of Audit.
- The Head of Audit's annual self-assessment of conformance with PSIAS had identified that whilst there was significant conformity with PSIAS, there were a small number of areas that required attention.

The Head of Audit was satisfied that there were no matters identified in the work by Audit Services which would cause the External Auditor to consider any qualification of the Council's Statement of Accounts.

RESOLVED:

That the Audit Committee notes:

- a) The detailed Annual Audit Report for 2021-22 and overall assurance opinion;
- b) The outcomes of the Audit work completed; and
- c) The performance of the Audit Services Unit during this period.

33/22 REGULATION OF INVESTIGATORY POWERS ACT (RIPA)

Members were provided with an update on the use of Council's statutory powers provided for under the Regulation of Investigatory Powers Act (RIPA) 2000 as amended by the Investigatory Powers Act (IPA) 2016.

The Council's Audit Committee had last received a RIPA update report in February 2022. This latest report covered the period from 1 January 2022 to 30 June 2022 and set out details of the applications that had been made. No applications had been received in this period in relation to directed surveillance and there had been no non-RIPA applications received either, during this period.

In February 2022 the Committee had noted that the Council's RIPA policy was over-due for refresh and that work on this was scheduled later this year. This would follow the release of updated Codes of Practice by the UK Government Home Office, due early 2022, about use of overt investigatory powers and application of RIPA legislation. By 29 June 2022, the updated Code of Practice still had not been

released by the Home Office, and there was no information on the Home Office website to confirm the revised publication date.

One application had been made in this period in respect of access to communications data. This request had been submitted by Trading Standards to assist with a live investigation that they were leading.

It was still intended that a review of the Council's RIPA Policy would be undertaken when updated information about publication of the revised Home Office guidance had been received. This would be followed by training for appropriate officers, and further awareness work to remind officers about RIPA.

RESOLVED:

That the Audit Committee noted that:

- a) in the period 1 January 2022 to 30 June 2022 one application relating to Communications data had been made under the Council's powers relating to RIPA;
- b) it was intended to review the Council's RIPA Policy following publication of revised Home Office guidance; and
- c) training and awareness activity would be programmed following the RIPA Policy refresh.

34/22 EXCLUSION OF THE PUBLIC

To move that under Section 100(a)(4) of the Local Government Act 1972 the public be excluded from the meeting for the following item of business on the grounds that in view of the nature of the business, that if members of the public were present exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 would be disclosed to them and the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

35/22 TO RECEIVE DECLARATIONS OF INTEREST (IF ANY)

There were no declarations of interest.

36/22 TO CONFIRM THE EXEMPT MINUTES OF THE MEETING HELD ON 22 MARCH 2022

The exempt minutes of the meeting held on 22 March 2022 were confirmed as a correct record.

The meeting finished at 3.55 pm