

PUBLIC

MINUTES of a meeting of the **AUDIT COMMITTEE** held on 20 June 2019 at County Hall, Matlock

PRESENT

Councillor K S Athwal (in the Chair)

Councillors N Barker, S Brittain, L M Chilton, A Griffiths and P Murray

Officers in attendance – D Ashcroft, P Handford and E Scriven (representing Derbyshire County Council) and J Pressley (representing Mazars)

Declarations of Interest

Councillor K S Athwal declared a personal interest in Minute No.20/19 as a Director of Derbyshire Developments Limited.

Councillor P Murray declared a personal interest in Minute No.20/19 relating to property issues as the Cabinet Support Member for Corporate Services.

19/19 **MINUTES RESOLVED** that the minutes of the meeting held on 27 March 2019 be confirmed as a correct record and signed by the Chairman.

20/19 **STATEMENT OF ACCOUNTS 2018-19** The Accounts and Audit Regulations 2015 required the Director of Finance & ICT to certify the pre-audit Statement of Accounts by 31 May and the Audit Committee to approve the post-audit version before 31 July. An Audit Committee was planned for 23 July 2019 which would give Members a further opportunity to ask questions on the accounts as part of the post-audit approval process. This meeting had been arranged to provide Members with an early sight of the accounts and the opportunity for them to ask questions and clarify any issues they had, prior to the Accounts being presented at the meeting in July.

A copy of the pre-audit Statement of Accounts was appended to the report at Appendix One.

The Council had submitted the pre-audited Statement of Accounts to Mazars, the external auditor on 31 May 2019.

Under the Local Audit and Accountability Act 2014 (Sections 25 to 28) and the Accounts and Audit Regulations 2015 (Regulations 10, 14 and 15), the Council's accounts for the year ended 31 March 2019 and certain related documents (comprising books, deeds, contracts, bills, vouchers and receipts)

had been made available for public inspection from 1 June 2019 to 12 July 2019, Monday to Friday.

To date, one query had been received, in relation to two grants awarded under the Community Priorities Programme (CPP). The enquirer had visited the Council to inspect CPP Cabinet papers and grant application forms and was interested in the grant approval and assurance process.

To date, one adjustment had been made to the core financial statements presented in the pre-audit Statement of Accounts. Estimation of the Council's net liability to pay pensions depended on several complex judgements relating to: the discount rate used, the rate at which salaries were projected to increase, changes in retirement ages, mortality rates, pending cases which could affect the level of future benefits and expected returns on Pension Fund investments. The Council had engaged Hymans Robertson LLP as its Consulting Actuary (Actuary) to provide expert advice about the assumptions to be applied to the Derbyshire Pension Fund (Fund). The effect of changes in these estimates on the net pension liability of the Council were reviewed on an ongoing basis.

In April 2019, the Actuary provided the Council, as a participating employer in the Fund, a report of the Council's share of the Fund's assets and liabilities, for inclusion in the pre-audit Statement of Accounts. In accordance with standard practice, the Fund's asset values in this report were based on asset returns at 31 March 2019, projected by the Actuary from the position at December 2018. The Council understood that the actuary used very broad categories of assets when projecting asset returns which did not always match the Fund's specific allocations. Furthermore, given the high level of uncertainty this year about the implications of Britain leaving the European Union and its impact on investment returns, once actual year-end investment returns for the Derbyshire Pension Fund had been received from the Fund's external performance evaluation provider, the Council had requested an updated report from Actuary. The value of the Council's share of Fund assets decreased in the second report by £31.662m, which was in excess of Mazars' 'performance materiality' and so the Council had adjusted for the amount in the post-audit Statement of Accounts.

The external audit was currently underway. During audit discussions, Mazars has informed the Council that one of the four actuaries of public sector bodies was including allowances in its assessment of pension fund liabilities for two cases, 'the McCloud judgement' and 'GMP equalisation' and another was including an allowance for GMP equalisation only. Mr Handford informed the Committee of the possible implications of these issues and highlighted the impact they could have on the finalised Accounts. It would not be known whether an adjustment to the Council's accounts would be required for these cases until the Council had received the third Actuary's report confirming its assessment of additional liabilities and a comparison was made to Mazars'

performance materiality. The situation would be a lot clearer by the end of the following week.

Mr Handford provided an update on the issues surrounding the New Waste Treatment Facility in Sinfin, Derby.

Approval of the post-audit Statement of Accounts would be sought at the Audit Committee meeting on 23 July 2019. Should further adjustments be identified during the course of the continuing external audit, these would be included in the report presented at that meeting. The approved Statement of Accounts would be reported to full Council in September. The Pension Fund Accounts would be reported to the Pensions and Investment Committee in August.

Mr Handford introduced Eleanor Scriven, Finance Manager, who then went through the detail of the accounts with the Members and responded to their questions, challenges 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.

RESOLVED that (1) the Committee note the adjustment and potential adjustment in respect of the Council's share of Fund employer net liabilities, prior to approval of the post-audit accounts at the Audit Committee meeting on 23 July 2019; and (2) the Committee express their thanks to all officers and Eleanor Scriven in particular, for her detailed explanation and clarification on questions posed by Members.