

PUBLIC

MINUTES of a meeting of **AUDIT COMMITTEE** held on Tuesday, 29 November 2022 at the Council Chamber, County Hall, Matlock.

PRESENT

Councillor G Musson (in the Chair)

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

Officers present: D Downs, P Handford, T Kearsey, P Peat and P Spencer (representing Derbyshire County Council); M Nolan and J Pressley (representing Mazars).

46/22 TO RECEIVE DECLARATIONS OF INTEREST (IF ANY)

There were no declarations of interest.

47/22 TO CONFIRM THE MINUTES OF THE MEETING HELD ON 20 SEPTEMBER 2022

The minutes of the meeting held on 20 September 2022 were confirmed as a correct record.

48/22 PERFORMANCE MONITORING AND REVENUE OUTTURN 2021-22 (FROM 20 SEPTEMBER 2022)

RESOLVED:

That the Committee notes:

- a) The Council Plan performance and the revenue outturn position for 2021-22;
- b) The position on General and Earmarked Reserves;
- c) The allocation of underspend amounts and commitments to Portfolios as set out in the report;
- d) The release of all the sum of £14.000m held in the earmarked reserve as a contingency against potential funding losses during the Covid-19 recovery period as set out in the report;
- e) The allocation, from the release of earmarked reserves and from underspends, of £10.000m to the Budget Management Earmarked Reserve, £10.000m to a reserve for inflation risks, £5.251m to a reserve for business rates risks and £4.000m to a reserve for cyber security as set out in the report; and
- f) Contributions from the Finance & ICT budget of £0.010m to an

earmarked reserve to support the modernisation of the ICT Traded Services team and £0.200m to provide temporary agency resources for the Operations team as detailed in the report.

49/22 FINANCIAL MANAGEMENT CODE (FROM 20 SEPTEMBER 2022)

RESOLVED:

That the Committee notes progress against the requirements of the Financial Management Code.

50/22 CORPORATE RISK MANAGEMENT UPDATE (2022-23 QUARTER 2)

This report covered updates to the council's strategic risk register up to the end of Quarter 2 (30 September 2022). The council's current operating environment remained volatile. The corporate management team was keeping under review a range of significant uncertainties which could potentially affect the council's work over the winter period and into 2023-24. These uncertainties included:

- The ongoing impact of the Russian invasion of Ukraine on energy supply, global supply chain costs and cyber-security.
- Recent national political instability affecting the financial markets and policy making in areas affecting local authorities.
- High levels of national debt with consequent pressure on public funding and the likely need for savings measures.
- A highly competitive labour market.
- Increasing industrial action.
- Increasing rates of infection with Covid-19, and a serious threat of this combining with other viruses over the winter.

A summary of the risks on the current strategic risk register was provided and the full register was shown at Appendix 2 to the report.

Members were informed that work to implement the APEX corporate risk database had been delayed due to an unforeseen absence of critical staff in the APEX team working on the technical aspects of this project. However, it was envisaged that this situation would be resolved by the end of March 2023.

The Director of Finance & ICT confirmed that the Council continued to self-insure against cyber risk and setting aside this money had provided the Authority with assurance.

Members enquired what risks were posed by the current cost of living crisis and the recent local government pay award and what measures

were in place to mitigate these. The Director of Finance & ICT reported that the Council was in a good financial position and the generous autumn settlement from the Government had allowed the pay award pressures and the current rise in inflation to be addressed.

RESOLVED:

That the Committee notes the report.

51/22 STATEMENT OF ACCOUNTS 2021-22

At the Audit Committee meeting on 5 August 2022, a detailed presentation, followed by a question and answer session had taken place to explain the Statement of Accounts in more details and to respond to any particular queries that Members had.

The external audit had been substantially completed but had not yet been concluded. The Council would publish notices of delay in publishing its audited 2021-22 Statement of Accounts on 30 November 2022, primarily due to the pending outcome of a recent DLUHC consultation on accounting for infrastructure assets, which was not expected to be reported until late December 2022. This was an issue that applied to all local authorities with highways responsibility, so was not unique to Derbyshire County Council. The proposals, if approved, would apply to all open accounts and this could lead to additional changes to the Statement of Accounts 2021-22. Should there be significant changes, these accounts would be reported back to the Committee for final approval. The final audited accounts would be published as soon as the audit had formally concluded, and the external audit opinions had been issued.

RESOLVED:

That the Audit Committee:

- a) approves the Statement of Accounts 2021-22, subject to any further non-significant changes being delegated to the Council's Section 151 Officer for approval, in consultation with the Audit Committee Chairman should clarification be required; and
- b) approves the Annual Governance Statement within the Statement of Accounts 2021-22.

52/22 ASSESSMENT OF GOING CONCERN STATUS

The main factors which underpinned a going concern assessment were the:

- Council's current financial position
- Council's projected financial position
- Council's governance arrangements
- Regulatory and control environment applicable to the Council as a local authority.

Having regard to the Council's arrangements and such factors as highlighted in the report, the Director of Finance & ICT as Section 151 Officer had concluded that Derbyshire County Council remained a going concern and that it was appropriate that the Council's Statement of Accounts for 2021-22 had been prepared on this basis.

RESOLVED:

That the Audit Committee notes this formal assessment of the Council's status as a 'going concern' and the conclusion that it is an appropriate basis for preparing the Council's Statement of Accounts 2021-22.

53/22 APPOINTMENT OF EXTERNAL AUDITOR

(Mike Norman and John Pressley from Mazars, left the meeting during the consideration of this item)

On 3 October 2022, Public Sector Audit Appointments (PSAA) had written to inform the Council of the outcome of its procurement to let audit contracts from 2023-24. Mazars had been successful in winning a contract in the procurement, and on 17 October 2022, PSAA wrote to inform the Council that it was proposing to appoint them as the auditor of Derbyshire County Council and the Derbyshire Pension Fund for five years from 2023-24.

RESOLVED:

That the Audit Committee notes the proposed appointment by Public Sector Audit Appointments (PSAA) of Mazars, as the external auditor of Derbyshire County Council and the Derbyshire Pension Fund for five years from 2023-23, and the Council's acceptance of the proposed appointment.

54/22 AUDIT SERVICES UNIT – PROGRESS AGAINST AUDIT PLAN 2022-23

Members were informed of the progress against the approved Audit

Services Plan for 2022-23 as at 31 October 2022.

Other than elements of the operational reviews of the ICT service, the Unit had been progressing well with the delivery of the 2022-23 Audit Plan. Recently several meetings had been held with senior management to discuss the gaps in assurance within the elements of the Council's ICT operational procedures that would need to be addressed prior to 31 March 2023.

The Assistant Director of Finance (Audit) provided Members with an update on the current staffing situation and the continuing issues with recruitment. On a more positive note it was reported that:

- A Principal Auditor had returned to work on a reduced working week following their period of maternity leave.
- Another member of the team had successfully completed their Internal Audit Practitioner apprenticeship; and
- Early benefits were being seen with the combined Audit, Insurance and Risk Team including the sharing of best practice and information.

An updated publication from CIPFA had been received on Audit Committee practical guidance for local authorities and police. The publication was designed to support the audit committee in their role for good governance of the authority. The publication had been circulated to all members of the Audit Committee, and a workshop session would be arranged to support the Committee's review of its effectiveness.

At 31 October 2022, a total of 1,573 productive days had been delivered against the pro-rata target of 1,617 days (total planned days for 2022-23 was 2,772).

RESOLVED:

That the Audit Committee notes:

- a) The performance of the Audit Services Unit during this period; and
- b) Note the content of the CIPFA guidance and the requirement to complete a workshop session.

55/22 TO CONSIDER THE REPORT(S) OF THE EXTERNAL AUDITOR

Mike Norman and John Pressley from Mazars attended the meeting to present the Audit Findings Progress Report for Derbyshire County Council and the Audit Completion Report for the Derbyshire Pension

Fund for the year ended 31 March 2022.

It was reported that there were no significant issues and it was expected that unqualified audit opinions would be issued together when the infrastructure asset outcome had been announced.

On behalf of the Committee, the Chairman thanked Mr Norman and Mr Pressley for their attendance and reassurance.

RESOLVED:

That the Audit Committee notes the reports of the external auditor.

56/22 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.

57/22 TO RECEIVE DECLARATIONS OF INTEREST (IF ANY)

There were no declarations of interest.

58/22 TO CONFIRM THE EXEMPT MINUTES OF THE MEETING HELD ON 20 SEPTEMBER 2022

The exempt minutes of the meeting held on 20 September 2022 were confirmed as a correct record.

59/22 OVERVIEW OF PLACE RISKS

RESOLVED:

That the Committee notes the recommendation in the not for publication report.

The meeting finished at 4.20 pm