

PUBLIC

MINUTES of a meeting of **AUDIT COMMITTEE** held on Tuesday, 21 March 2023 in the Council Chamber, County Hall, Matlock,.

PRESENT

Councillor G Musson (in the Chair)

Councillors R Parkinson, R Mihaly and J Nelson.

Apologies for absence were submitted for Councillors N Atkin and N Gourlay.

Officers present: D Ashcroft, H Coates, T Kearsey, J Lakin, J O'Sullivan, P Spencer and P Stone.

13/23 TO RECEIVE DECLARATIONS OF INTEREST (IF ANY)

There were no declarations of interest.

14/23 TO CONFIRM THE MINUTES OF THE MEETING HELD ON 31 JANUARY 2023

The minutes of the meeting held on 31 January 2023 were confirmed as a correct record.

15/23 TO CONSIDER THE REPORTS OF THE EXTERNAL AUDITORS:

16/23 UPDATED AUDIT COMPLETION REPORT 2021/22

Mark SurrIDGE from Mazars attended the meeting to present their final Audit Completion Report for the year ended 31 March 2022.

The completion of the Audit had been delayed due to the national Infrastructure Accounting matter which had been brought to the Committee's attention in previous reports. The report confirmed that a small number of changes had been agreed to the disclosures within the financial statements that had been approved at the Committee meeting on 29 November 2022, to comply with the requirements of the updated Code and the amended Regulations.

The final remaining closure steps would now be completed and it was anticipated that Mazars would issue an unqualified opinion, without modification, on the financial statements. It was also anticipated that there were no significant weaknesses in arrangements to report, in relation to the arrangements that the Council had in place to secure

economy, efficiency and effectiveness in its use of resources.

On behalf of the Committee, the Chairman thanked Mr Surridge for his report and reassurance.

RESOLVED that the report be noted.

17/23 **AUDIT PLANNING UPDATE 2022/23**

Mark Surridge from Mazars presented the Audit Planning Update for 2022-23. The planning work for the 2022-23 audit year was in progress. They were liaising with the finance team and completing their normal procedures plus the enhanced procedures required this year by ISA315. This work would continue through March and April and it was expected that the final Audit Strategy Memorandum would be presented to the Committee at the June 2023 meeting.

RESOLVED to note the report.

18/23 **AUDIT PROGRESS REPORT - DERBYSHIRE PENSION FUND**

John Pressley from Mazars presented a report which set out the progress on the Pension Fund audits for 2021-22 and 2022-23.

The work on the 2021-22 audit was complete apart from final checks on the version of accounts that they would be giving their opinion on. Mazars anticipated issuing an unqualified opinion without modification, on the financial statements. It was also anticipated concluding that the Pension Fund financial statements within the Pension Fund's Annual Report were consistent with the Pension Fund financial statements within the Council's Statement of Accounts.

Work had commenced on their planning work for the 2022-23 audit year and an initial provisional timetable for the work on the financial statements was set out in the report.

On behalf of the Committee, the Chairman thanked Mr Pressley for his report.

RESOLVED to note the report.

19/23 **UPDATE ON 2021-22 EXTERNAL AUDIT INTERNAL CONTROL RECOMMENDATIONS**

The Committee was provided with an update of the actions that had been taken in response to the internal control recommendations outlined

in the external auditor's Audit Findings Progress and Completion Report for 2021-22.

A summary and progress update in respect of the 2021-22 internal control recommendation was provided as follows:

Controls in place with regard to journals posting – Three members of staff below Grade 10, which was the expected cut-off grade to be able to post journals, were identified as posting journals. The Council had confirmed that these staff members were experienced and knowledgeable of the specific operational area and that this was a considered and permitted exception. The Council had since reduced the number of staff below Grade 10 permitted to post journals in respect of this operational area from three to two (both Grade 9) and this would continue to be monitored.

Further, the Council's Journal Policy did not mention a specific staff Grade below which journals should not be posted, rather it stated that the ability to enter and adjust postings would be limited to a small number of individuals, with an appropriate access level for their grade. The Council had reviewed and strengthened its procedures and had communicated this to all finance staff. A detailed update on the actions taken was attached at Appendix 2 to the report.

RESOLVED that the Committee notes the actions taken in response to the recommendations outlined in the external auditor's Audit Findings Progress and Completion Reports for 2021-22.

20/23 **ACCOUNTING POLICIES**

CIPFA LASAAC had issued an Update to the Code and Specifications for Future Codes for Infrastructure Assets, which included from 1 April 2021 to 31 March 2025, a temporary relief not to report gross cost and accumulated depreciation for Infrastructure Assets. Included in the guidance in the CIPFA Bulletin issued on 11 January 2023, was the recommendation that an authority's accounting policies clearly set out how the authority was accounting for Infrastructure Assets.

Thought was being given as to what amendments would be required to the Council's 2021-22 and 2022-23 Accounting Policies, having considered these changes to the Code, the new statutory instrument, and the updated guidance.

In April 2022, CIPFA LASAAC had announced its formal decision to defer the implementation of IFRS 16 until 1 April 2024 (and therefore in the 2024-25 Code). However, both the 2022-23 and the 2023-24 Codes

would allow for adoption as of 1 April 2022 or 1 April 2023, respectively. Implementation of IFRS 16 would require specialist software and the upgrade to SAP S/4 HANA was scheduled to be implemented later in the year.

The updated 2022-23 Accounting Policies were attached at Appendix Two to the report and any further proposed amendments would be reported to the Committee in due course. Appendix Three included the proposed 2023-24 Accounting Policies. No changes had been made to the 2022-23 Accounting Policies. Additional technical guidance was likely to be received and it was possible that this would also impact on the 2023-24 Accounting Policies.

RESOLVED that the Committee:

- a) Notes that changes may be required to the Accounting Policies for 2021-22 and subsequent years in respect of Infrastructure Assets;
- b) Approves the changes outline in the report in relation to the Accounting Policies for 2022-23; and
- c) Approves the changes outlined in the report in relation to the Accounting Policies for 2023-24.

21/23

**PERFORMANCE MONITORING AND BUDGET
MONITORING/FORECAST OUTTURN 2022-23 AS AT QUARTER 3
(31 DECEMBER 2022)**

Members were provided with an update of the Council Plan performance and Revenue Budget/forecast outturn for 2022-23, as at 31 December 2022 (Quarter 3).

The Performance Summary set out the progress the Council was making on delivering the Council Plan with a focus on the achievement of the Council Plan priorities. The Revenue Budget Position and Financial Summary provided an overview of the Council's overall budget position and forecast outturn.

A summary of each of the individual portfolio performances and outturn positions, including Traded Services for 2022-23 was detailed in Appendices 4 to 12 of the report.

The Committee was informed that, whilst the Council had sufficient reserves it could deploy to meet the anticipated funding shortfalls in 2022-23 and 2023-24, this would significantly impact on any future funding available to support the Council's planned improvements, to support any further delays to certain savings plans and would require additional general reserves to be set aside in order to ensure that the

balance of general reserves remained at a prudent risk-assessed level. It also meant that a similar level of support in 2024-25 would not be possible.

RESOLVED that the Committee:

- a) Notes the update of Council Plan performance and the Revenue Budget position/forecast outturn for 2022-23 as at 31 December 2022 (Quarter 3); and
- b) Notes the position on General and Earmarked Reserves.

22/23 PERFORMANCE AND BUDGET MONITORING/FORECAST OUTTURN ARRANGEMENTS

Members were provided with details of the latest arrangements for performance and budget monitoring/forecast outturn.

To ensure that the arrangements remained robust, reporting requirements and timescales were set out in the Performance and Budget Monitoring Policy, a copy of which was attached at Appendix 2 to the report. The Policy had been widely distributed to departmental Finance and Performance Managers.

Following a review of the Policy in March 2023, the following changes had been made:

- The schedule of meeting dates between the departmental Senior Finance Business Partners and the Director of Finance & ICT had been updated.
- The timetable for reporting the monitoring position to Cabinet and Cabinet Member portfolios had been updated.
- The report format now included the requirements to disclose significant items of one-off expenditure. This was in addition to the need to disclose significant items of one-off income, which was already a requirement.
- The report format now included the requirement to report the forecast cost of service pressures and compare these with budget allocations. This would enable pressures to be closely scrutinised; there was an expectation that where costs were not as high as estimated, the budget would be clawed back from departments to help the Council support and maintain a balanced budget.
- Minor updates to the report format Sections 5 to 8.
- The Recommendations and Reason for Recommendations sections, in the report format, have been rationalised.

It had been necessary during 2020-21 to 2022-23 to adapt the pro-forma

reporting format to appropriately capture and present the additional costs and funding associated with the Council's and the Government's response to the Covid-19 pandemic. Similar adjustments were not expected to be required in 2023-24; however, any necessary changes to the format would be agreed by the Director of Finance & ICT.

RESOLVED that the Committee notes the details of current performance and budget monitoring arrangements.

23/23 **TAX STRATEGY**

Following a review of the Council's Tax Strategy in January 2023, the following changes had been made:

- Background section updated – update to the organisations in which the Council was involved to include reference to the East Midlands devolution deal and clarification that the Derbyshire Pension Fund was part of the Council's VAT registration group.
- Relationship with tax authorities updated – update on the HMRC full VAT review that was currently underway but had yet to be concluded.

The Tax Strategy was attached at Appendix 2 to the report.

RESOLVED that the Committee notes that a review and update of the Tax Strategy had taken place.

24/23 **ANTI-MONEY LAUNDERING POLICY**

The Council's Anti-Money Laundering Policy had last been presented to the Committee at its meeting on 7 December 2021, following a review in November 2021.

Following a further review of the Policy in February 2023, the following changes had been made:

- Updates to replace Money Laundering Reporting Officer (MLRO) Peter Handford with Mark Kenyon, the Council's new Director of Finance & ICT (S151 Officer), from 3 April 2023.
- Updates to reference the introduction of Money Laundering and Terrorist Financing (Amendment) (No.2) Regulations 2022.

RESOLVED that the Committee notes that a review of the Anti-Money Laundering Policy has taken place and approves the amended Policy at

Appendix 2 to the report.

25/23 **ANNUAL INTERNAL AUDIT PLAN 2023-24**

The proposed Internal Audit Plan for 2023-24 was presented to Members for consideration and approval.

As part of the Corporate Services and Transformation departmental savings targets for 2023-24, two Auditor positions had been deleted from the establishment, which had impacted the overall available days this year by 435 days. This would be a challenge for the Unit to ensure that key assurance and compliance work was delivered and the impact this would have on the 2023-24 Plan would be closely monitored. The revised Audit staffing structure enabled the deployment of 2,337 Audit days in 2023-24 and updates would be provided to Members on available resources as part of regular reporting on the achievement of the Audit Services Plan throughout the year.

The Audit Services Plan was attached at Appendix 2 to the report and detailed Audit Services' coverage across corporate activities and in departments. The Plan identified the perceived level of risk and the expected outcomes of Audit work.

RESOLVED that the Committee:

- a) Endorse the approach taken to create the proposed draft Internal Audit Plan for 2023-24;
- b) Note that the Plan may be subject to amendment in response to emerging risks; and
- c) Subject to these comments, approve the draft Audit Services Plan which was attached at Appendix 2 to the report.

26/23 **CORPORATE RISK MANAGEMENT UPDATE (2022-23 QUARTER 3)**

The Committee received an update on current risk management issues and were asked to review the Council's strategic risk register. This report covered updates to the register up to the end of Quarter 3 (31 December 2022).

Substantial work was continuing to improve the cyber-resilience of Council ICT systems to meet more stringent cyber insurance market requirements. In the meantime, the Council was currently self-insuring against cyber-risk.

A summary of risks on the current strategic risk register was shown in Table 1 of the report and the full register was shown at Appendix 2 of the

report, with the Q3 update for each risk highlighted.

RESOLVED that the Committee notes the report.

27/23 **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.

28/23 **OVERVIEW OF CORPORATE SERVICES AND TRANSFORMATION RISKS**

RESOLVED that the Committee notes the recommendation in the not for publication report.

The meeting finished at 4.24 pm