

PUBLIC

**MINUTES** of a meeting of the **AUDIT COMMITTEE** held on 24 September 2019 at County Hall, Matlock

**PRESENT**

Councillor K S Athwal (in the Chair)

Councillors S Brittain, L M Chilton, J A Coyle (substitute Member), A Griffiths and S Swann (substitute Member)

Officers in attendance – D Ashcroft, C Hardman and P Handford (representing Derbyshire County Council), J Pressley and M Surridge (representing Mazars)

Apologies for absence were received on behalf of Councillors N Barker and P Murray

**Declarations of Interest**

Councillor K S Athwal disclosed a personal interest in Minute No.29/19 as he was a Director of Derbyshire Developments Limited.

**27/19** **MINUTES RESOLVED** that the minutes of the meeting held on 23 July 2019 be confirmed as a correct record and signed by the Chairman.

**28/19** **STRATEGIC RISK REVIEW** Members were presented with the latest update to the Strategic Risk Register. The Council undertook regular review of risks and the latest detailed assessment of the highest ranking risks formed the Council's Strategic Risk Register which was attached at Appendix 3 to the report. As agreed previously, the report has been changed so that only those risks that had changed were detailed in Appendix 1. New risks were detailed in Appendix 2.

It was reported that Corporate Management Team had attended a workshop on 25 June 2018 to assist them in identifying the key strategic risks that could impact on the Council's ability to meet their objectives. The Risk and Insurance Manager was advised at that time that a further workshop was planned at a further date to enable them to consider the risk appetite and key strategic risks in greater detail.

The Risk Strategy had been re-written to reflect the Council Plan and the need to include opportunity risks within the Strategy. This had been circulated and Councillor Foster had requested that an implementation plan be included.

The Strategy incorporating the Implementation plan was due to be put to Councillor Foster in October 2019.

It was vital that risk management policies and procedures supported the Council Plan and its ambitions. The management of risk must be a key part of the Council's delivery of service to assist in the delivery of these plans. Service Plans should adequately reflect the risks facing services and the management of those risks, as the Five Year Financial Plan does.

A project had been set up with input from all departmental Risk Champions to develop a risk reporting mechanism, it is envisaged that a system for reporting risks on the Council's EDRM system will be in operation in by the end of 2019. This system will link to the performance management system, APEX to give a real-time overview on the risks that the Council faces at a Strategic and Departmental level. It was envisaged that the system could also be used for project and procurement risks if required to ensure that all risks were recorded in one central repository allowing a global overview of all risks to the Council.

It had been acknowledged that a number of departments had to update their business continuity plans to reflect their current methods of working. The effect upon the business of this could potentially be extreme and lead to delays in providing services and have an impact on income generation. As this high risk had been flagged at the Risk Group, the Risk Champions were currently reviewing the plans that were in place and what departments needed plans or needed to review the plans that had been written to ensure that we could continue to deliver services should any emergency situation arise.

As part preparations for exiting the EU on 31 October 2019, workshops would be held across all departments in the forthcoming weeks to identify the key business areas that would be required to be maintained in the event of possible shortages in certain areas. This should provide the Council with some resilience in order to protect services for our vulnerable residents.

The risk of transporting Children and Vulnerable Adults was appearing on ETE, Children's and Adult's risk register, scored between 20-25 dependent upon the department.

The Risk and Insurance Manager, together with Health and Safety and Transport had been holding a number of workshops to fully consider the risks that were posed and to identify any means of further mitigating these significant risks and increasing costs to the Council.

As background, the Council outsourced this provision to individual companies from small taxi companies to larger providers; however this

presented a logistical and now safeguarding issue, details of which, were provided.

The review had been completed and a larger piece of work identified to cover a number of different work streams to identify a potential solution to the risks posed. A number of Strategic Risks were on the horizon that may require a long term approach and consideration, and the Risk and Insurance Manager felt that further discussion was given to both risks and opportunities that presented from:

- Climate Change
- The Internet of Things
- Artificial Intelligence

**RESOLVED** that the report be noted.

**29/19**      **ANNUAL AUDIT LETTERS 2018-19** The Council's external auditor, Mazars, was required to present an Annual Audit Letter to Members and officers of the Council. The letter described the scope of the audit work for the financial year and reported on matters of significance arising from that work. It was a summary of its conclusions and provided an external assessment of the Council's overall financial position.

The letter was a means by which the appointed auditor fulfilled its statutory requirements, which were derived from the Audit Commission Act 1998 and the Audit Commission's Code of Audit Practice. The external auditor was required to provide an opinion on the Council's financial statements and a conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

The issuing of the letter, along with an audit certificate, marked the end of the audit process for 2018-19. The Council had published on its website that the audit had been concluded in accordance with the Accounts and Audit Regulations 2015. The letters issued for the Council and the Pension Fund were attached at Appendix 1A and Appendix 1B to the report. The details contained within the letter had been reported to the Audit Committee previously.

**RESOLVED** to note the details of the Annual Audit Letters 2018-19

**30/19**      **TREASURY MANAGEMENT ANNUAL REPORT 2018-19**The treasury risk management at the Council was conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code) which required the Council to approve a Treasury Management Strategy before the start of each financial year and, as a minimum, a semi-annual and annual treasury outturn report. This report fulfilled the Council's obligation under the CIPFA Code to produce a Treasury Management Annual Report.

The Council's Treasury Management Strategy for 2018-19 was approved by Council on 7 February 2018, as part of the Prudential Code for Capital Finance, Capital Programme Approvals and Treasury Management Strategy Report. The Council had borrowed and invested substantial sums of money and was therefore potentially exposed to financial risks, including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk was therefore central to the Council's Treasury Management Strategy.

**RESOLVED** to note the Treasury Management Annual Report 2018-19 and note the Council's compliance with the prudential indicators set by Council for 2018-19, in accordance with the terms of the Treasury Management in the Public Services: Code of Practice and Cross-Sectorial Guidance Notes 2017.

**31/19**      **BUDGET MONITORING 2019-20 (AS AT 30 JUNE 2019)** The report summarised the controllable budget position by Cabinet Member Portfolio as at 30 June 2019. Further reports would be considered at Cabinet and Council in accordance with the Budget Monitoring Policy and Financial Regulations.

The projected outturn compared to controllable budget was summarised. This included the use of one-off funding to support the Highways, Transport and Infrastructure portfolio. A summary of the individual portfolio positions was detailed with adult care predicting the largest underspend of £4.628m. The Young People portfolio was predicted the largest overspend that could be as high as £4.000m to £6.000m depending on the continued trend in the rate of placements for children in care.

A Council portfolio underspend of £2.515m was forecast, after the use of £2.622m of Earmarked Reserves to support the Highways, Transport and Infrastructure portfolio. Any underspends in 2019-20 would be used to manage the budget in 2020-21.

**RESOLVED** to (1) note the 2019-20 budget monitoring position as at 30 June 2019; and

(2) note the virement of £5.000m base budget from Adult Care to the Risk Management budget approved by Cabinet.

**32/19**      **CAPITAL BUDGET MONITORING TO MONTH 3 2019-20** The report reflected those schemes that were currently under way and have had previous Cabinet approval. Each scheme had a nominated budget holder who was responsible for ensuring the scheme stayed within budget, and who had verified the projected spend against their allocated schemes. The report

contained some schemes that were open at 1 April 2019 but had been completed and closed in year.

The current budget for open schemes was approximately £673m, with the latest monitoring showing a forecast overspend over the life of the projects of £0.018m. The position statement by department was attached.

A summary of the individual portfolio positions was detailed with Children's Services having the highest amount with 648 open schemes with a budget value of £189.872m.

**RESOLVED** to note the current position on the monitoring of Capital schemes.

**33/19      AUDIT SERVICES UNIT – PROGRESS AGAINST AUDIT PLAN 2019-20**

At the meeting of this Committee held on 27 March 2019 Members approved the Audit Plan for 2019-20 which had been formulated from the risk assessment drawn from a wide range of sources including the Council Plan, the Council's strategic risk register, Departmental risk registers, service plans and meetings with Executive Directors and Directors. These meetings included the Executive Director for Commissioning, Communities and Policy (Head of Paid Service), Director of Finance & ICT (Section 151 Officer) and Director of Legal and Democratic Services (Monitoring Officer).

In accordance with the Audit Committee's Terms of Reference this report updated Members on progress against the Plan for the five months to 31 August 2019 and represented work undertaken during that period which was detailed in Appendix 1. An analysis of the priority criteria for Audit recommendations and assurance levels was provided in Appendix 2.

As previously reported, most recently in the last Audit Services Annual Report, the Unit's staffing resources continued to be under considerable pressure. Although, two Senior Auditor posts had now been filled, recruitment exercises were currently underway to fill one Auditor and one Trainee Auditor posts.

**RESOLVED** to note the information on progress to date against the approved Audit plan.

**34/19      AUDIT CHARTER** At the meeting of this Committee held on 19 March 2013 Members were made aware of the implementation of the PSIAS and the need, as part of this implementation, to formally approve an Audit Charter. The Charter was subsequently revised and reported to the Audit Committee at its meeting on 26 September 2018 and had now been subject to further revision.

The Audit Charter drew together existing practice and formalised procedures which were already embedded in the Council's governance framework (eg the provisions of Financial Regulations and Standing Orders relating to Contracts, the Anti Fraud and Anti Corruption Strategy, Fraud Response Plan, the requirements of the Confidential Reporting Code (Whistleblowing Policy) etc.) into a single reference document which embodied those requirements specified in the PSIAS.

The Charter was reviewed by the Assistant Director of Finance (Audit) in consultation with the Head of Paid Service, other appropriate officers and the Audit Committee to ensure it continued to reflect the requirements of the regulatory framework and key legislation on which it was based. The revised Charter was attached at Appendix 1 to the report.

The PSIAS required that the Audit Charter was approved by Cabinet and the purpose of this report was to allow the Audit Committee, acting in its role as "those charged with governance", to review and endorse the revised Charter prior to its formal recommendation for approval as Council policy.

**RESOLVED** to consider the content of the revised Audit Charter and recommend to Cabinet its approval as Council policy.

**35/19      ROLE OF THE HEAD OF INTERNAL AUDIT IN PUBLIC SERVICE ORGANISATIONS** The Audit Committee had been informed of the publication of the Cipfa Statement on the Role of the Head of Internal Audit in Public Service Organisations at its meeting on 10 July 2012. Cipfa had recently revised the Statement which was attached to the report as Appendix 1. This document together with the Public Sector Internal Audit Standards (PSIAS) provided comprehensive guidance regarding the requirements for an effective internal audit service.

The Statement confirmed that the Head of Internal Audit (HIA) occupied a critical position in any organisation, helping it to achieve its objectives by evaluating the effectiveness of governance, risk management and internal control arrangements and playing a key role in promoting good corporate governance. The aim of the Statement was to set out the role of the HIA and to help ensure organisations engaged with and supported the role effectively.

The five principles relating to the role of the HIA were:-

- objectively assessing the adequacy and effectiveness of governance and management of risks, giving an evidence-based opinion on all aspects of governance, risk management and control;
- championing best practice in governance and commenting on responses to emerging risks and proposed developments;
- being a senior manager with regular and open engagement across the

organisation, particularly with the leadership team and with the audit committee;

- lead and direct an internal audit service that was resourced appropriately, sufficiently and effectively;
- being professionally qualified and suitably experienced.

**RESOLVED** to note the update of the Cipfa Statement on the Role of the Head of Internal Audit in Public Service Organisations and recommend to Cabinet its approval as Council policy.

**36/19      LOCAL                      GOVERNMENT                      GOVERNANCE                      AND**  
**ACCOUNTABILITY**

The Comptroller and Auditor General produced his report on 14 January 2019 and noted that while elements of the local governance arrangements were locally defined, core components were set out in a statutory framework of legal duties and financial controls overseen by the Ministry of Housing, Communities & Local Government (the Department). He stated that good governance meant that proper arrangements were in place to ensure that an authority's intended objectives were achieved. Key elements of the statutory framework which ensured that authorities remained financially stable included:-

- a statutory requirement for a balanced annual budget;
- a statutory requirement for there to be a chief finance officer (section 151 officer) to advise on the robustness of estimates and the adequacy of reserves, which members must consider as they took the budget decision;
- a statutory process (section 114 notice) by which the section 151 officer could cause the council to pause and reconsider spending decisions or budgets;
- legal requirements for councils to have a sound system of internal control, proper arrangements for managing their financial affairs and to have their statement of accounts and arrangements for value for money subject to external audit annually.

The report examined whether local governance arrangements provided local taxpayers and Parliament with assurance that local authority spending achieved value for money and that authorities were financially stable. The report made several recommendations addressed to the Department in order that it could be assured that an effective local governance system was in place.

**RESOLVED** to note the content of this report and recent developments regarding local authority governance and accountability.

