

PUBLIC

MINUTES of a meeting of the **AUDIT COMMITTEE** held on 10 December 2019 at County Hall, Matlock

PRESENT

Councillor K S Athwal (in the Chair)

Councillors L M Chilton, A Griffiths and P Murray

Officers in attendance – P Handford, C Hardman, P Spencer and L Wild (representing Derbyshire County Council) and A Davidson and J Pressley (representing Mazars)

Also in attendance was I Kirby from C.Co.

Apologies for absence were received on behalf of Councillors N Barker and S Brittain

37/19 **MINUTES RESOLVED** that the minutes of the meeting held on 24 September 2019 be confirmed as a correct record and signed by the Chairman.

38/19 **BUDGET MONITORING 2019-20 (AS AT 31 AUGUST 2019)** A report was presented which summarised the controllable budget position by Cabinet Member portfolio as at 31 August 2019. In addition to this report, 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 presented and this included the use of one-off funding to support the Highways, Transport and Infrastructure and Young People portfolios. The Director of Finance and ICT provided a summary of the individual portfolio positions.

The Debt Charges budget was projected to underspend by £0.563m. This was based on forecast interest payments, anticipated Capital Financing Requirement (CFR), a Minimum Revenue Provision (MRP) of 2.5% in keeping with the policy reported to Cabinet on 22 November 2016 and a £4.500m one-off reduction in the Council's Capital Adjustment Account Reserve. This reduction was made on the basis that the amounts set aside to repay debt over the last ten years were well in excess of what was required to ensure the Council could repay its debts. An £8.000m one-off reduction for 2019-20 was reported to Council on 7 February 2018, however it was now proposed to delay some of the one-off reductions in 2019-20 and 2020-21 until 2021-22, in order to smooth the profile of the budget savings required in those years.

The Risk Management Budget was forecast to underspend by £9.366m. This included an additional £5.117m of Business Rates Relief grant funding and a virement of £5.000m of budget from the Adult Care portfolio. It was proposed to use £5.000m of additional Business Rate Relief funding to establish a Business Rates Relief Earmarked Reserve, the purpose of which would be subject to further consideration by Members.

RESOLVED to (1) note the 2019-20 budget monitoring position as at 31 August 2019;

(2) note the revision to the profile of the one-off reductions to the Capital Adjustment Account Reserve from 2019-20 to 2021-22; and

(3) note the establishment of a Business Rates Relief Earmarked Reserve and a contribution of £5.000m from additional Business Rates Relief Grant into this reserve, the purpose of which would be subject to further consideration by Members.

39/19 **ANTI-MONEY LAUNDERING POLICY** The Council's Anti-Money Laundering Policy was most recently presented to the Audit Committee at its meeting on 13 December 2018, following a review of the Policy in November 2018. Following a further review of the Policy in November 2019, the following changes had been made:-

- Reference to UK legislation and regulations on money laundering had been changed to refer to The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017, as amended by the Money Laundering and Terrorist Financing (Miscellaneous Amendments) Regulations 2018, which came into force on 10 January 2019. No changes were required to the Council's Anti-Money Laundering Policy, other than to update the legislation reference.
- Inclusion of new requirement for Money Laundering Reporting Officers to log instances where they had been consulted and they had concluded the acceptance of the cash was appropriate.
- The post of one deputy Money Laundering Reporting Officer had been changed, after recruitment to the new post of Assistant Director of Finance (Financial Management) and removal of the post of Finance Manager (Financial Management and Exchequer).

The Policy, which took account of the Council's exposure to money laundering, along with guidance notes and supporting documentation, was attached in the Appendix to the report.

RESOLVED to note that a review and update of the Anti-Money Laundering Policy had taken place.

40/19 **AUDIT SERVICES UNIT – PROGRESS AGAINST AUDIT PLAN**
2019-20 Members were informed of progress against the approved Audit Plan for 2019-20 as at 31 October 2019.

At the meeting of this Committee held on 27 March 2019 Members approved the Audit Plan for 2019-20 which had been formulated from our 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, Directors and the Director of Finance & ICT.

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

Specific reference was made to the current staffing situation and a number of operational matters.

At the last meeting Members were informed that the Chartered Institute of Public Finance and Accountancy's consultancy service, C.Co, had been selected to undertake the external review of Audit Services. This review had now been completed and a separate report providing more detail would follow this item.

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

41/19 **EXTERNAL REVIEW OF AUDIT SERVICES** The Public Sector Internal Audit Standards (PSIAS) required that external assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. The last review was undertaken by PricewaterhouseCoopers and the result was reported to the Audit Committee on 25 March 2014.

Following a procurement process the Chartered Institute of Public Finance and Accountancy's (Cipfa) consultancy service (C.Co) had been selected to undertake the external assessment. This assessment was carried out on the basis of a self-assessment with independent external validation. Following the assessment, Audit Services were judged as compliant with the PSIAS overall and in each of the four areas of focus assessed.

Mr Ian Kirby, C.Co Programme Director, attended the meeting to present the report arising from the review. The report was attached as Appendix 1 to the report.

On behalf of the Committee, the Chairman wished to congratulate Mr Hardman and his team for the excellent outcome of the review.

RESOLVED to note the completion of the external assessment undertaken by C.Co and that Audit Services were judged compliant with the PSIAS overall and in each of the four areas of focus assessed.

42/19 ANNUAL REVIEW OF THE COUNTY COUNCIL'S REGULATORY FRAMEWORK Members were updated on the continued effectiveness of the Council's Constitution, Financial Regulations and Standing Orders relating to Contracts, Anti-Fraud and Anti-Corruption Strategy, Fraud Response Plan, Confidential Reporting Code and Codes of Conduct for Members and Employees.

Members had previously decided that officers should provide an annual report on:

- the continued relevance of these documents;
- the extent of any noted non-compliance with the requirements detailed which had been disclosed during the year;
- the need for any potential review or amendment of their contents; and
- those measures taken to ensure that the requirements contained within these regulations were made known to staff.

It had been identified that there was a need to strengthen the role and raise the profile of the Council's Governance Group which took the lead on such arrangements. Consequently a report was presented to Corporate Management Team on 3 September 2019 proposing how this could be achieved along with the proposed Terms of Reference for the Group, which were attached at Appendix 1 to the report. The Governance Group would be supported by a working group to progress issues considered by the Group.

The previous Director of Legal and Democratic Services had undertaken a significant review and refresh of the Constitution which was approved by Council on 15 May 2019. Similarly Financial Regulations and Standing Orders relating to Contracts had been reviewed, refreshed and approved by Council on 6 February 2019.

The Anti-Fraud and Anti-Corruption Strategy, Fraud Response Plan, Confidential Reporting Code and Codes of Conduct for Members and Employees required review, which would be undertaken as part of the work scheduled for the Governance Group.

Any revisions to the Code of Conduct for Members was the responsibility of Council, oversight of the Confidential Reporting Code was the responsibility of the Governance, Standards and Ethics Committee, whilst the Code of Conduct for Employees was the responsibility of the Appointments and Conditions of Service Committee.

These key documents underpinned the Council's governance framework and compliance would continue to be assessed by Audit Services as part of their work.

RESOLVED to note the current status of, and arrangements for the review of those key policies underpinning the Council's governance framework.

43/19 **NATIONAL FRAUD INITIATIVE** Members were informed of the Council's progress in scrutinising the data matches arising from participation in the National Fraud Initiative (NFI) 2018-19.

The NFI was managed by the Cabinet Office and matched electronic data within and between public and private sector organisations for the purposes of the prevention and detection of crime. Participating organisations included police authorities, local probation boards, fire and rescue authorities as well as local councils and a number of private sector bodies.

The 2018-19 NFI data matching exercise resulted in thirty-eight distinct reports being made available for investigation. The NFI exercise thus far had resulted in the investigation of £3,010 individual records culminating in the identification of 264 errors totalling £34,422.63. Analysis of the instances where investigation had resulted in a financial outcome were provided.

RESOLVED to note progress made by the Council in respect of the NFI 2018-19 exercise.