

PUBLIC

**MINUTES** of a meeting of the **AUDIT COMMITTEE** held on 4 February 2020 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, J Lakin, P Spencer and L Wild (representing Derbyshire County Council) and J Pressley (representing Mazars)

Apologies for absence were received on behalf of C Hardman (Derbyshire County Council) and M Surridge (Mazars)

**1/20** **MINUTES RESOLVED** that the minutes of the meeting held on 10 December 2019 be confirmed as a correct record and signed by the Chairman.

**2/20** **BUDGET MONITORING 2019-20 (AS AT 31 OCTOBER 2019)** A report was presented which summarised the controllable budget position by Cabinet Member portfolio as at 31 October 2019. This report had been considered at Cabinet and would be considered at Council in accordance with the Budget Monitoring Policy and Financial Regulations.

The projected outturn compared to controllable budget was presented and the Director of Finance and ICT provided a summary of the individual portfolio positions. This included the one-off funding to support the Highways, Transport and Infrastructure and Young People portfolios. It also allowed for the transfer of £5.000m additional Business Rates Relief Grant into an Earmarked Reserve as approved at the meeting of Cabinet on 21 November 2019.

A Council portfolio overspend of £0.583m was forecast, after the use of £3.382m of Earmarked Reserves to support the Highways, Transport and Infrastructure and Young People portfolios

It was reported that the Risk Management Budget was forecast to underspend by £4.535m. This included a virement of £5.000m of budget from the Adult Care portfolio. In 2019-20 a contingency amount of £1.000m was budgeted for burdens associated with complying with the new General Data Protection Regulations (GDPR). To date, £0.316m of this funding had been awarded to departments. Further awards in the remainder of the financial year were anticipated and additional costs required to comply with GDPR were

anticipated to be incurred in 2020-21, therefore, it was proposed to establish an earmarked reserve for £0.684m to carry forward any residual balance of this funding.

It was highlighted that a forecast of the Council's General Reserve balance for the period 2019-20 to 2023-24 was detailed in Appendix 5 to the report. The forecast showed that the level of General Reserve was expected to be between 2% to 9% of the Council's Net Budget Requirement in the medium term. The majority of chief financial officers considered that 3% to 5% of a council's net spending was a prudent level of risk based reserves. Mr Pressley from Mazars, the Authority's External Auditor was satisfied with this level of reserves and the position represented value for money.

Members asked the Director of Finance and ICT of the impact the incidents at Toddbrook Reservoir and the recent flooding had had on the budget and General Reserves. With regard to Toddbrook Reservoir, the bulk of the cost had been picked up by Defra, and the cost to the Authority was mainly down to staffing which had been funded from General Reserves.

The floods had caused significant damage to structures and local services and the estimated cost for this was £20m, however, the Council had requested funding from central government and a response to this request was still awaited.

The Director of Finance and ICT would provide Members with details of grants that were still indicated in the reserves but had not yet been taken up.

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

(2) note the establishment of a GDPR Compliance Earmarked Reserve and a contribution of £0.684m from the Contingency budget into this reserve.

**3/20**      **AUDIT SERVICES UNIT – PROGRESS AGAINST AUDIT PLAN 2019-20** At the meeting of the Audit Committee held on 27 March 2019, Members approved the Audit Plan for 2019-20 which incorporated the outcome of discussions with individual Executive Directors and Directors. In accordance with the Audit Committee's Terms of Reference this report updated Members on progress against the Plan for the nine months to 29 December 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 shown in Appendix 2.

Members were informed of the latest position regarding staffing within the Unit. Following recent recruitment exercises, two Auditors had now been appointed. Unfortunately, whilst an offer had been made and accepted for the

Senior Auditor post the applicant had subsequently withdrawn. The post of Audit Apprentice was currently advertised on the Council's website and had so far had a reasonable response. The Unit's levels of sickness absence had been higher than estimated and staff attendance continued to be managed in accordance with the Council's Policy; however this situation had had an impact on available days to deliver the Audit Plan.

Members wished to congratulate Audit Services on the recent appointments to the Unit and looked forward to the prospect of more productive days as a result.

The Audit Committee was aware that the ongoing lack of resources would impact on the delivery of the current Audit Plan. This situation would continue to be monitored but it was clear that a number of planned projects would not be delivered and would need to be reconsidered during the formulation of the Audit Plan for 2020-21.

Members were provided with an update on the days worked. It was agreed that in future the figures would be presented pro rata, to reflect the work undertaken during the nine month period.

At the last meeting, Members were presented with the findings of the external review which had been undertaken by C.Co. A report would be presented to the next meeting of the Committee identifying the Unit's response to those areas identified as advisory opportunities to enhance the internal audit service.

**RESOLVED** to note the information on progress to date against the approved 2019-20 Audit Plan.

**4/20**      **REGULATION OF INVESTIGATORY POWERS ACT (RIPA)**  
**UPDATE** Members were provided with an update on the use of the Council's statutory powers provided for under the Regulation of Investigatory Powers Act (RIPA) 2000 as amended by the Investigatory Powers Act (IPA) 2016.

It was reported that during the period from 1 February 2019 to 31 December 2019, no applications had been made in respect of access to communications data and no applications had been received in relation to directed surveillance.

Although there had not been any applications for the use of the Council's powers under RIPA in 2019, the Authority's RIPA Policy had not been updated for a number of years and consequently it would be prudent to instigate such a review. Therefore, it was intended that a review of the Council's RIPA Policy was undertaken, working in conjunction with the Director of Legal and Democratic Services.

**RESOLVED** to note that (1) in the period 1 February 2019 to 31 December 2019 no applications were made under the Council's powers relating to RIPA; and

(2) it was intended to review the RIPA Policy in conjunction with the Director of Legal and Democratic Services.

**5/20**        **MEETING DATES AND AGENDA ITEMS FOR 2020-21** The proposed dates and potential agenda items for 2020-21 were presented for Members' consideration. The items were based on the existing business of the Committee and the proposed dates were as follows:-

23 June 2020  
21 July 2020  
22 September 2020  
8 December 2020  
2 February 2021  
23 March 2021

**RESOLVED** that Members agree the proposed programme for 2020-21.

**6/20**        **EXTERNAL AUDIT PROGRESS REPORT** John Pressley from Mazars attended the meeting to present the Audit Progress Report. Mr Pressley provided the Committee with the assurance that their work was on track and at this stage, there were no matters arising which were required to be reported. The key highlights were as follows:-

- There had been good engagement from the Council's finance team. Planning meetings had been held with senior managers to inform of risk assessments and to update on the understanding of the current priorities and challenges facing the Council. These included a useful discussion on the Council's planned approach on the valuation of land and buildings, ensuring both the Council and the external auditors were clear on the key challenges, issues and audit requirements;
- Undertaken their on-site interim audit work in January 2020 and the work was currently under review;
- It was expected that the Value for Money risk assessment would be focused on the Council's arrangements for sustainable resource deployment;
- On completion of the Engagement Quality Control Reviewer's (EQCR) review, the Audit Strategy Memorandums would be brought to the Audit Committee in March for consideration. The risk assessment process would continue throughout the year;
- The timetable of work was presented for Members' information;
- The key areas of focus for the 2019-20 audits were highlighted.

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

**RESOLVED** to note the report.

**7/20**        **TRAINING** The Director of Finance and ICT informed Members that it was the intention to resurrect meetings of the Audit Forum. The Forum would include members from audit committees throughout Derbyshire and had proved a useful arena for the exchange of information in the past.

Discussions were also taking place with KPMG and Mazars in relation to organising training sessions and seminars for elected members. Further information would be provided in due course.

The Chairman thanked everyone for their attendance and contribution.