

MINUTES of a meeting of the **AUDIT COMMITTEE** held on 24 November 2020.

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, C Hardman, J Lakin, E Scriven and P Spencer (representing Derbyshire County Council) and J Pressley and M Surridge (representing Mazars)

Declarations of Interest

Councillor K S Athwal declared a personal interest in Minute No.39/20 as a former Director of Derbyshire Developments Limited.

36/20 **MINUTES RESOLVED** that the minutes of the meeting held on 22 September 2020 be confirmed as a correct record.

37/20 **MATTERS ARISING a (Minute No.30/20) Annual Strategic Risk Register Review** The Strategic Risk Register was due to go before CMT in October 2020 in order to allocate the identified risks to specific risk owners. This had been delayed due to the Covid-19 pandemic.

b (Minute No.31/20) Review of the Effectiveness of the System of Internal Control The Director of Finance & ICT reported that the Annual Governance Statement was due to be signed off by Emma Alexander, the Executive Director Commissioning, Communities & Policy and the Leader of the County Council and would be included in the accounts.

c (Minute No.35/20) External Audit – Update Report A paper on the Redman Review had been put before the Ministry of Housing, Communities and Local Government (MHCLG). A report would be brought to the next meeting of the Audit Committee detailing the Council's response.

38/20 **ASSESSMENT OF GOING CONCERN STATUS** (The Chairman had agreed to consider this report as an urgent item as a formal Assessment of Going Concern Status was required to allow the Statement of Accounts to be signed in accordance with the Statutory Deadline).

The purpose of this report was to provide assurances to the Committee and External Audit that the Council had the ability to continue to provide core

services and enable business continuity. The Director of Finance & ICT had considered the following factors which underpinned this assessment:

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

The Director of Finance & ICT provided the Committee with more detail of each of these factors.

The Council had set a balanced budget for 2020-21 and over the Five Year Financial Plan period in February 2020. However, since then Covid-19 had impacted significantly on the Council's activity and finances. Covid-19 posed a significant risk to the Council's financial resilience.

It was unclear how much further Government support would be provided to cover the costs resulting from the pandemic; these costs were expected to be well in excess of the support already provided. It was encouraging that a new round of Covid-19 funding had been announced on 12 October 2020, as the second wave of the pandemic was starting to escalate in severity. Although the immediate impact of losses on the collection of funds (council tax and business rates) had been eased by allowing these costs to be spread over three years instead of one, there had been no commitment to reimburse councils for these losses.

Despite these risks, the Council had sufficient reserves it could deploy in 2020-21 to meet the anticipated funding shortfall, should it be required to do so. If it were to use its reserves for this purpose, however, this would significantly impact on the funding of the Council's planned improvements, delay some savings plans and 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.

The Director of Finance & ICT responded to Members' concerns regarding the effects of Brexit and how the Council was planning for any impact on its finances. Although it was fairly unknown at this moment, it was envisaged that the impact in the first six months would be manageable.

Having regard to the Council's arrangements and such factors as highlighted in the report, the Director of Finance & ICT as Section 151 Officer concluded that Derbyshire County Council remained a going concern and that it was appropriate that the Council's Statement of Accounts for 2019-20 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 was an appropriate basis for preparing the Council's Statement of Accounts 2019-20.

39/20 **STATEMENT OF ACCOUNTS 2019-2020** At the meeting of the Audit Committee on 21 July 2020, a detailed presentation, followed by a question and answer session, had taken place to explain the Statement of Accounts in more detail and to respond to any particular queries Members had.

The Director of Finance & ICT referred to Appendix 2 of the report which highlighted the changes that had been made to the pre-audit Statement of Accounts. Covid-19 had delayed the production of the accounts and subsequently had led to a very challenging audit, however the revised publication date for audited accounts of 30 November 2020 had been met.

A copy of the audited Statement of Accounts was appended to the report at Appendix 1. The audit opinions had yet to be inserted but would be included in the Audit Completion Reports of the external auditor presented at this meeting. As reported earlier, the Annual Governance Statement would be inserted after the meeting, once it had been approved.

The International Standard on Auditing ISA 580 required the Council to provide a Management Representation Letter to the external auditors. The letter outlined the responsibilities of those charged with governance. Separate letters had been provided in respect of the Council's Statement of Accounts and the Pension Fund Accounts. These letters were still to be finalised, but drafts were included at Appendix Three and Appendix Four of the report, respectively.

The approved Statement of Accounts would be reported to full Council in February 2021. The Pension Fund Accounts would be reported to the Pensions and Investment Committee in December 2020.

The Committee was informed that there had been a decrease of £228.934m in the total pensions liability of the Council up to 31 March 2020. This followed a re-assessment by Hymans Robertson, the Fund's actuary.

The Director of Finance & ICT wished to thank the finance team, the property, plant and equipment assets team and the External Auditors for the work they had undertaken in the production of the accounts.

The Chairman reported he was very impressed with the work the team had carried out and on behalf of the Committee wished to thank the Director of Finance & ICT and his team.

RESOLVED to approve the Post-Audit Statement of Accounts for 2019-20.

40/30 **AUDIT SERVICES UNIT PROGRESS AGAINST AUDIT PLAN 2020-21** Members were informed of progress against the approved Audit Plan for 2020-21 as at 31 October 2020.

The Audit Services Unit continued to progress its approved programme of work, including those areas of additional, unplanned work which were necessary to support Senior Management facing the challenges of the pandemic, and undertaking “deep dives” into specific areas of risk in greater detail. In common with previous years some work forming part of last year’s approved Audit Services Plan had been completed and reported in the current year which was identified at Appendix 1 to the report. Audit staff routinely followed up progress against agreed recommendations as part of subsequent work in that area.

The potential impact of the coronavirus was reported to the Audit Committee at its meetings on 27 May and 22 September 2020 and these factors still remained. The impact of these restrictions on the Audit Services Plan were considered in detail and included in the last progress report to the Audit Committee.

The considerable and continuing pressures placed on the Unit’s staffing resources had been reported to the Audit Committee on a regular basis. With the exception of a vacant Senior Auditor post, which had been re-advertised on several occasions, all other posts were currently occupied. Since the last progress report to the Audit Committee the Senior Auditor post had been re-advertised and the closing date for applications was 6 December 2020.

In addition, the Unit’s levels of sickness absence continued to remain higher than estimated and at 31 October 2020 152 days had been lost through sickness absence. Whilst staff attendance continued to be managed in accordance with the Council’s Policies, this situation had an ongoing impact on available days to deliver the Audit Services Plan. Support mechanisms were in place for members of staff returning to work

Whilst current restrictions prevented school and establishment Audit visits taking place the Unit had recently developed, and implemented a programme of virtual school audits. Although this programme would not provide the same level of coverage as planned it would allow a level of assurance to be drawn on schools’ operations. Members welcomed this approach to enable the school audits to progress.

At 31 October 2020 1,480 productive days had been delivered against the pro-rata target of 1,682 days (total planned days for 2020-21 was 2,884). This included 449 days deployed on projects not specifically included in the original Audit Services Plan.

On behalf of the Committee, the Chairman thanked the Assistant Director of Finance (Audit) and his team for the work they had undertaken particularly in these difficult circumstances.

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

41/20 **EXTERNAL AUDIT – UPDATE REPORT** John Pressley and Mark SurrIDGE from Mazars attended the meeting to present their Audit Completion Report which set out the findings from their audit of Derbyshire County Council and the Pension Fund for the year ending 31 March 2020.

It was reported that they anticipated issuing an unqualified opinion on the financial statements. They anticipated concluding that the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. The significant audit risks that had been identified were highlighted.

Members raised concern that Mazars audit work may not be completed by 30 November 2020. Mr SurrIDGE informed the Committee that this was as a result of a delay in the National Audit Office issuing their Group instructions.

Mr SurrIDGE stated that this had been a most unusual year and they had reflected on the work that had been carried out and would report back on lessons learned and issues they could have done better. It was reported that not many local authorities were in a position to meet the deadline of 30 November and the Finance Team should be congratulated on producing the accounts in good time.

On behalf of the Committee, the Chairman thanked Mr Pressley and Mr SurrIDGE for their report.

RESOLVED that the report be noted.