

MINUTES of a meeting of the **AUDIT COMMITTEE** held on 22 June 2021 at County Hall, Matlock.

PRESENT

Councillor G Musson (in the Chair)

Councillors N Atkin, N Gourlay, R Mihaly, J Nelson and R Parkinson

Officers in attendance – D Ashcroft, P Handford, T Kearsey, J Lakin, J Morgan and P Spencer (representing Derbyshire County Council) and J Pressley (representing Mazars)

Declarations of Interest

There were no declarations of interest

20/21 **CHAIRMAN'S ANNOUNCEMENTS** The Chairman welcomed members to the first meeting of the Audit Committee following the recent county council elections.

21/21 **MINUTES RESOLVED** that the minutes of the meeting held on 23 March 2021 be received.

22/21 **MATTERS ARISING (Minute No.10/21) Statement of Accounts 2020-21** The Director of Finance & ICT provided Members with an update on the Statement of Accounts for 2020-21. It had been hoped that publication of the Statement of Accounts would be 30 June 2021. However, due to issues surrounding the plant, property and equipment valuations again, and the on-going Covid-19 pandemic, this had put the finance team behind schedule by 3-4 weeks. It was therefore more realistic that the pre-audit Accounts would be submitted by the end of July 2021.

23/21 **STRATEGIC RISK REGISTER REVIEW** The purpose of the report was to request the Audit Committee to review the Strategic Risk Register and to provide an update on the corporate risk management strategy for 2021-2024.

Jane Morgan, the Risk and Insurance Manager, attended the meeting to provide Members with a brief overview of risk management and the role of the Audit Committee in relation to risk and mitigations.

On behalf of the Committee, the Chairman thanked Jane Morgan for her most informative presentation.

The Strategic Risk Register was presented at Appendix 1 to the report and included those risks that may have a significant impact on the Council's ability to deliver its services and objectives. Updates to the risk register were highlighted.

At present, all risks currently scored 15 and above, putting these into the extreme high-risk category. Therefore, these were all subject to significant management action, control, evaluation or improvements and continued proactive monitoring. Work was continuing to fully assess and develop management strategies for two strategic risks. These were:

- Risk Ref: 2020/21 - *Information governance*. The scope of this risk was being widened from a largely technical focus to cover all aspects of information governance within the Council.
- Risk Ref: 2018/5 - *Failure to understand or respond adequately to new or changing legislation and regulation*. The new Director of Legal and Democratic Services was undertaking a full assessment of this risk in consultation with all Departments.

The risk scores for the following risks had been re-assessed since the last report:

- Risk Ref 2011/05 - *Failure to have adequate business continuity plans in place*. The current risk score had reduced but was still rated in the extreme high-risk category and the target risk score had increased but remained in the high-risk category.
- Risk Ref 2021/02 - *Failure to have adequate emergency response arrangements in place*. The target risk score had increased from the high to extreme high-risk category as the impact of not having arrangements in place would be very high.

Further work would be undertaken to identify any additional steps to reduce the target and current scores for these risks, focussing on measures to reduce the likelihood (probability) of these risks occurring. The scores for all other risks had remained unchanged from the last report.

The corporate guide to assessing impact and likelihood was included within Appendix 2 of the report, to assist Audit Committee Members. Members of the Committee considered the register and raised various issues and questions. The register contained the current and previous risk scores, but it was suggested that details of how the risk had changed over time would be useful. The Risk and Insurance Manager would build this information into the register to enable a trend to be visualised.

Additionally, good progress had been made in updating the corporate risk management strategy for 2021-2024. The key proposals had been reported at the last meeting and the full strategy would be brought to the next meeting with a recommendation for approval. Members were also informed that departmental risk owners would be invited to meetings of the Committee to expand on their particular area of risk.

Action was also currently underway to upgrade APEX (the Council's performance information system) over the next few weeks to record all corporate risks. This would strengthen the Council's overview of risk management and provide the basis for improved monitoring and reporting in support of the strategy, with the aim of establishing the Council amongst the best performing local authorities for risk management by 2024.

RESOLVED that the Audit Committee review the Strategic Risk Register to:

- (1) note the key risks to the Council;
- (2) note the target scores as a reflection of the aims of the Council;
- (3) note the mitigations identified to achieve the target score;
- (4) note the progress with the revised corporate risk management strategy; and
- (5) note the work underway to upgrade APEX to include data on all corporate risks in relation to planned deliverables.

24/21 **NATIONAL FRAUD INITIATIVE (NFI)** The Cabinet Office was responsible for organising and co-ordinating the NFI process to assist in the identification of public sector efficiency and reform. The NFI was a national data matching exercise that had enabled participating organisations across the United Kingdom, to prevent and detect instances of fraud and error totalling £245 million between 1 April 2018 and 4 April 2020.

Audit Services was the Council's central co-ordinator for the data matches received from the Cabinet Office and ensured that matches were investigated, which included liaising as required, with departments and other public bodies. The primary results of the Council's matching exercise had been made available for review on 28 January 2021.

The initial 2020-21 return for the Council had identified a total of 31 separate reports involving 23,005 results arising from matching with the other participating organisations' data, including Housing Benefits Claimants and

Department for Work and Pensions (DWP) deceased persons. These data matching results included data in respect of pensions, payroll, blue badge, concessionary travel and suppliers. The review of the NFI data matching reports was currently in progress and further reports would be brought to future meetings to provide Members with updates on the progress of the NFI 2020-21 process and level of identified error and fraud.

RESOLVED to note the scope of the NFI 2020-21 data matching exercise and progress made to date.

25/21 **AUDIT STRATEGY MEMORANDUM – DERBYSHIRE PENSION FUND** John Pressley from Mazars attended the meeting and presented Members with the Audit Strategy Memorandum for the Derbyshire Pension Fund for the year ending 31 March 2021. The purpose of the document was to summarise their audit approach, highlight significant audit risks and areas of key judgements.

The risk assessment for the financial statements audit had identified the following significant risks:

- Management override of controls
- Valuation of investments within level 3 of the fair value hierarchy

The management override of controls was a standard audit risk. As at 31 March 2020 the Pension Fund held investments which were not quoted on an active market with a fair value of £1.938m. As the pricing of these investment assets was subject to judgements, they may be susceptible to pricing variances due to the assumptions underlying the valuation. It was therefore considered that there was an increased risk of material misstatement. Mr Pressley outlined their plans to address this risk.

On behalf of the Committee, the Chairman wished to thank Mr Pressley for his presentation.

RESOLVED to note the Audit Strategy Memorandum for Derbyshire Pension Fund.