

Time Commenced: 10.00am
Adjourned: 1.02pm
Reconvened: 1.06pm
Time Ended: 1.15pm

AUDIT AND ACCOUNTS COMMITTEE

27 March 2019

Present: Councillor Willoughby (Chair)
Councillors Care, Cooper, Peatfield, and West and Stuart Green
and Philip Sunderland

In attendance: Mark Allsopp – Principal Auditor
Frederico Almeida – Deputy Youth Mayor
Richard Boneham – Head of Internal Audit
Andy Brammall – Director of Digital and Customer Management
Stephen Clark – Ernst and Young LLP
Nicola Goodacre – Group Accountant (Capital)
Heather Greenan – Director of Policy and Insight
Olu Idowu – Head of Legal Service
Steven Mason – Democratic Services Officer
John Massey – Head of Benefits and Exchequer Services
Gary Morris – External Auditor
Councillor Roulstone – Cabinet Member for Finance and
Procurement
Vishal Savjani – Ernst and Young LLP
Pete Shillcock – Group Accountant
Linda Spiby – Head of Procurement and Contracting

64/18 Apologies for Absence

Apologies were received from Councillors Hudson, Hussain and Shanker.

65/18 Late Items

In accordance with Section 100(B) (4) of the Local Government Act 1972, the Chair agreed to admit the following late items on the grounds that they needed to be considered before the next meeting:

- Information Assurance Update
- Brexit Update – oral item to be added to the Corporate Improvement Plan Update

66/18 Declarations of Interest

There were no declarations of interest.

67/18 Minutes of the meeting held on 6 February 2019

The minutes of the meeting held on 6 February 2019 were agreed as a correct record.

68/18 Corporate Improvement Plan Update

The Committee received a report of the Chief Executive on Corporate Improvement Plan.

It was reported that in June 2017 the Council invited the Local Government Association (LGA) to undertake a Corporate Peer Challenge and the findings report published in December 2017 contained eleven recommendations for improvement which the Council had addressed through its Corporate Improvement Plan (CIP).

It was also reported that the LGA carried out a follow-up review in November 2018 to assess progress and the findings reflected the significant work carried out during the year, including cultural change and getting more of the basics right, which had put the Council on a more positive and stable footing.

Members noted that over the last year, Audit and Accounts Committee had received regular monitoring reports on the CIP and that the report before them presented a final summary of progress up to the end of February 2019, with 39 actions now completed and seven showing some slippage.

It was reported that recent work on a strategic diagnostic review had informed the development of new improvement priorities aligned to the Council Plan for 2019/20 onwards. It was also reported that it was proposed that the Corporate Improvement Plan be closed down and that a review of relevant actions had been carried out to ensure these would be taken forward via other planning mechanisms. Members considered the actions still in progress.

Members agreed that any CIP actions carried forward into either the Council Plan or Diagnostic Improvement Plan, should be highlighted as originating within the CIP.

Members were provided with an oral update on Brexit.

Members agreed that in the event of Brexit being enacted, mitigations should be in place in terms of employees, a smooth transition and no loss of service.

Resolved:

- 1. to note progress made in delivering the Corporate Improvement Plan;**
- 2. to approve the closure of the CIP, noting that a number of actions will be carried forward into either the Council Plan or Diagnostic Improvement Plan;**

3. **to agree that any Corporate Improvement Plan (CIP) actions carried forward into either the Council Plan or Diagnostic Improvement Plan, be highlighted as originating within the CIP; and**
4. **to agree that in the event of Brexit being enacted, mitigations should be in place in terms of employees, a smooth transition and no loss of service.**

69/18 Internal Audit Progress Report

The Committee received a report of the Strategic Director of Corporate Resources on Internal Audit Progress Report.

The progress report attached at Appendix 1 provided the Committee with an overview of the output from Internal Audit assurance work for the period 24 January 2019 to 28 February 2019.

It was reported that the internal audit plan was constructed to ensure that it delivered against the Public Sector Internal Audit Standards (PSIAS) and the requirement to produce an annual Head of Internal Audit opinion on the Council's internal control environment.

Members considered the Audit Dashboard, the progress on audit assignments, completed audit assignments and significant risk recommendations. In relation to significant risk recommendations, the Committee paid particular attention to procurement control and commercial rents.

It was noted that in relation to Commercial Rents, the appointment of an Estates manager was still outstanding. Members agreed that this should be reviewed by a different officer. Members also agreed that the relevant Director should attend the next meeting of the Audit and Accounts Committee to explain the current position on Commercial Rents.

Resolved:

1. **to note the progress being made by Internal Audit on the 2018/19 plan;**
2. **to review the control issues being raised by Internal Audit and management's response to the risks;**
3. **to review the progress being made by management in respect of the implementation of internal audit recommendations; and**
4. **to agree that the relevant Director should attend the next meeting of the Audit and Accounts Committee to explain the current position on Commercial Rents.**

70/18 Internal Audit Review – s24 Recommendation

The Committee received a report of the Strategic Director of Corporate Resources on Internal Audit Review – s24 Recommendation.

The report provided the Committee with an update on the two internal audit reports on the implementation of actions arising from the External Auditor's s24 Recommendation.

It was reported that at the meeting on 6 February 2019, Committee were presented with the outcome on further evidence provided by Accountancy on the control/risk issues raised in two internal audit reports on the implementation of the s24 Recommendation Action Plan. It was also reported that at that meeting, Committee noted the findings and the revised assurance ratings from the internal audit review of the implementation of the action plan to address the s24 Recommendation. Members noted at that meeting that there were three recommendations in the reports where no agreement had been reached between Accountancy and Internal Audit on the issues raised. Committee felt at that time that further "mediation" was required to finalise the responses to those recommendations. It was reported that this had now been completed and the outcomes were detailed as follows:

Financial Controls:

Recommendation 9. The draft 2017/18 Closedown Timetable was not comprehensive. Some expected tasks had been omitted from the plan. Internal Audit had re-categorised the risk as Low and the recommendation was now "risk accepted".

Recommendation 11. There was no single document to manage the completion of the closedown process and, although the CIPFA checklist was considered a key control document by Finance, it was only used after the statement had been produced. This was a low risk graded recommendation. Accountancy had agreed the issue and the recommendation was "risk accepted".

Capital Assets:

Recommendation 3. Capital transactions were not being processed throughout the year to ensure revaluation and recording routines were embedded. The Capital Accounting RAM system and the general ledger were reconciled only at the year-end when the general ledger was updated via journals. The original recommendation from EY was "Management should consider processing addition/disposal transactions throughout the year, and undertaking asset valuations at an earlier point to enable sufficient time for transactions to be processed and reviewed to ensure quality of financial reporting is maintained." Accountancy had provided evidence to demonstrate that this was considered. Therefore, the recommendation was now implemented.

Resolved to note that the issue of non-acceptance of 3 recommendations in the internal audit reports on the s24 Recommendation are now resolved.

71/18 Internal Audit Plan 2019/20 and Internal Audit Charter

The Committee received a report of the Strategic Director of Corporate Resources on

Internal Audit Plan 2019/20 and Internal Audit Charter.

The Committee considered the proposed Internal Audit Plan for 2019/20 and Internal Audit Charter attached at Appendix 1. It was reported that this was in accordance with the Public Sector Internal Audit Standards (PSIAS) which required that Internal Audit developed a risk-based plan to direct their work in the forthcoming financial year.

Members considered the Three Lines of Defence Model, 2019-20 Coverage of Auditable Areas by Risk Rating Category, the approach to audit planning, including the use of CMAPs bespoke risk assessment model which considered 8 measures of risk, client support work and the audit plan detail, including records management.

Members considered the Audit Charter.

Members agreed that the minutes of the last meeting of the CMAP Board should be circulated to Members of the Committee.

Resolved to approve the Internal Audit Plan for 2019/20 for implementation.

72/18 Reporting of Contract Waivers

The Committee received a report of the Interim Director of Legal, Procurement and Democratic Services and Monitoring Officer on Reporting of Contract Waivers.

The report outlined approved waivers to Audit and Accounts Committee in line with Contract Procedure Rules.

It was reported that there were a total of 78 waivers within the report covering the period 1 September 2018 to 1 March 2019 and that these were broken down by directorate.

It was also reported that out of 78 waivers, 76 were considered to be unavoidable. Members noted that this compared with 20 waivers that were considered by Audit and Accounts Committee on 19 June 2018 and 19 September 2018 for the period 1 February 2018 to 31 August 2018. It was also noted that of that 20, 7 were considered to be avoidable.

Members noted the improvements and hoped that they would continue.

Resolved:

- 1. to note the contents of the report and how there has been a marked improvement of only two avoidable waivers in this period compared to fifteen avoidable waivers in the comparable period in the previous year; and**
- 2. to note the improvements and hope that they continue.**

73/18 Certification of Claims 2017-18

The Committee received a report of the Strategic Director of Corporate Resources on Certification of Claims 2017-18.

Members noted that the report was prepared annually by the Council's external auditors to provide the Committee with a summary of certification and other assurance work conducted throughout the year by Ernst & Young.

Members considered the scope of the work, other assurance work and 2017-18 certification fees,

Resolved to note the report.

74/18 External Audit Plan 2018/19

The Committee received a report of the Strategic Director of Corporate Resources on External Audit Plan 2018/19.

The document attached at Appendix 1, provides Committee with the External Audit Plan for 2018/19 which set out how Ernst & Young intended to carry out their responsibilities as External Auditor.

Members considered an overview of the 2018/19 strategy, including the following audit risks and areas of focus:

- Risk of fraud in revenue and expenditure recognition for year end accruals and capitalisation of revenue expenditure
- Misstatements due to fraud or error
- Valuation of land and buildings
- PFI Financing
- Valuation of LGPS Liability
- Follow up of statutory written recommendations issued in June 2017
- IFRS 9 – Financial statements
- IFRS 15 – Revenue contracts with customers

Members also considered audit risks, value for money risks and audit materiality.

Members requested that the 2018/19 fees be circulated, when determined.

Resolved to approve the External Audit Plan for the 2018/19 audit.

75/18 Information Assurance Update

The Committee received a report of the Strategic Director of Corporate Resources on Information Assurance Update.

The report provided Members of the Committee with an update on information management arrangements across the Council.

It was reported that in accordance with General Data Protection Regulations (GDPR) the UK's new Data Protection Act 2018 came in to effect on 23 May 2018. It was also reported that the DPA 2018 replaced the existing Data Protection Act 1998 and that the new legislation placed greater obligations on Data Controllers and gave individuals greater control and increased rights in relation to how personal data was used.

Members noted that the Information Governance Working Group (IGWG), with representation from all services continued to progress IG improvement both across the Council and in-service. It was also noted that progress was continuing in respect of: maintenance of the information inventory, privacy notices, retention schedule and creation of the website inventory, together with addressing any emergent issues.

It was reported that in parallel to the IGWG, the Council's Data Protection Officer also chaired an information security working group and that the group was built up of information governance, IT, information and customer management colleagues. It was also reported that the core focus of the group was to provide a coordinated approach to cyber defence of the Council.

It was noted that the Council's Deputy Data Protection Officer had recently resigned from Derby in order to take up a new role, this, together with a general rise in demand for Information Governance Support from across the Council, was placing additional pressure on the IG resources until the post was successfully recruited to.

Members considered 2018/19 Performance: Requests for information under the Freedom of Information Act 2000, Environmental Information Regulations 2004 and Data Protection Act 2018. It was reported that the Council were aware of four complaints to the ICO during 2018/19 about the Council's handling of FOI/EIR.

Members considered Data Subject Rights Requests and CCTV disclosure requests.

It was reported that in relation to Information Security, from October 2018 to March 2019 six serious breaches were reported to the Information Commissioner's Office. Members requested more information on these breaches to be circulated. Members also requested more information on this type of breach in future reports. Members considered carrying out a risk surgery into Information security but wished to see the breakdown on the six serious breaches before coming to a decision.

Resolved:

- 1. to note the report; and**
- 2. to request a further Information Assurance update in September/October 2019.**

76/18 Exclusion of Press and Public

Resolved that under Section 100(A) (4) of the Local Government Act 1972, the press and public be excluded from the meeting during discussion of the following item on the grounds that it involved the likely disclosure of exempt information as defined in paragraphs 3 and 7 of Part 1 of Schedule 12A of the Act and that the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

77/18 Risk Based Verification Policy from 1 April 2019

The Committee received a report of the Strategic Director of Corporate Resources on Risk Based Verification Policy from 1 April 2019.

Resolved to approve the Council's Risk Based Verification Policy from 1 April 2019.

MINUTES END