

Time Commenced: 10.13am
Time Ended: 12.09pm

AUDIT AND GOVERNANCE COMMITTEE

6 December 2023

Present: Councillor Morgan-McGeehan (Chair)
Councillors Care, Bolton, Kus, Wilson, Sandhu, Repton and J Wright.
Co-opted Members Philip Sunderland, David Webster, Anthony Doleman and Paul Stone

In attendance: Richard Boneham – Head of Internal Audit
Alison Parkin – Director of Finance
Hannah McDonald – Group Auditor
Martin Shipley – Group Auditor
Alex Hough – Head of Democracy
Andy Brammall – Director of Digital and Customer Services
Tracey Thomas – Senior Corporate Fraud Investigator
Hassan Rohimun - EY

41/23 Apologies for Absence

Apologies for absence were received for Councillor Mulhall.

42/23 Late Items

There were none.

43/23 Declarations of Interest

There were none.

44/23 Minutes of the meeting held on 11 October 2023

The minutes of the meeting held on 11 October 2023 were agreed as a correct record.

45/23 Audit and Governance Committee – Outstanding Resolutions

The Committee received a report which stated which stated that at its meeting on 5 February 2020, the Audit and Accounts Committee resolved: to agree that a Resolution Tracking report be included in future agendas of the Audit and

Accounts Committee.

Outstanding resolutions and actions were attached at Appendix 1 of the report. Any completed resolutions and actions would be removed after the meeting.

Resolved to note the report.

46/23 Appointment to the Independent Remuneration Panel

The Committee received a report from the Director of Corporate Governance, Property and Procurement on Appointment to the Independent Remuneration Panel. This report was presented by the Head of Democracy.

It was noted that the Council maintained an Independent Remuneration Panel (IRP) that made recommendations on the allowances paid to councillors. Two vacancies had arisen on the six-member panel. Following an advert placed on the Council's website, the Council sought approval to appoint two new members and re-appoint three existing members to the IRP. It was noted that a further report would be brought to the committee once a suitable candidate for the remaining vacancy had been identified.

A member of the committee commented that there should be a limit on how long an individual could act as the Chair of the IRP. The Head of Democracy informed the Committee that a vote on the new IRP Chair would be held the next time that IRP members were recruited.

Resolved:

- 1. to appoint David Pearson and Ron Priest to the Independent Remuneration Panel for four years, expiring on the date of the Annual General Meeting in May 2027.**
- 2. to re-appoint Narinder Sharma, Trudy Hanson and Alan Larkins to the Independent Remuneration Panel for four years, also expiring on the date of the Annual General Meeting in May 2027.**
- 3. to delegate authority to the Director of Corporate Governance, Property and Procurement to re-advertise and pro-actively seek suitable candidates for the remaining vacancy on the Panel with immediate effect.**

47/23 Update from External Audit

The Committee received a verbal update from external audit on the Council's outstanding audits.

The Committee noted that there had been a proposal for a statutory deadline to be set for the end of March 2024 in order for the backlog of outstanding audits to be cleared. It was noted that there were around 920 outstanding local authority audits nationally. The Committee noted that EY were now hoping to issue qualified or disclaimed opinions for Derby City Council's outstanding audits by 31 March 2024.

The Committee noted that for the 2020-21 and 2021-22 Audits, EY had discovered that a subsidiary auditor was providing tax services to the subsidiary that they were auditing. EY had determined that the subsidiary auditor was therefore not independent and that EY needed to perform independent procedures themselves. A member of the Committee asked to be provided with financial figures for this issue. External Audit agreed to provide these figures.

A councillor asked whether measures had been put in place to avoid a similar mistake happening again in the future. It was noted that the subsidiary auditor had been hired on a consultancy basis by the subsidiary and that they were no longer working for the subsidiary. It was therefore not expected that this issue could occur again.

Resolved to note the update.

48/23 Counter Fraud Update

The Committee received a report from the Director of Finance on Counter Fraud Update. The report provided an update on the Council's counter fraud activities, including the National Fraud Initiative, being undertaken within the Council. It was noted that the work of the Council's Counter Fraud Team over the period 1st April 2023 to 31st October 2023 was outlined in the report together with a savings breakdown.

The report also provided an update for the period 1st April 2023 to 31st October 2023 on any notifications/investigations that had taken place under the following legislation:

- The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (MLR 2017).
- Bribery Act 2010.
- Public Interest Disclosure Act 1998.
- Regulation of Investigatory Powers Act 2000.

It was noted that 647 matches generated as part of the 2022/23 NFI exercise had been processed (11.3%). This had resulted in the identification of no fraud and 64 errors. It was noted that one error was due to the non-declaration of student status in a Housing Benefit and Council Tax case. £10,360.70 was currently being recovered. It was reported that the remaining 63 cases related to deceased

residents not having their Blue Badges cancelled. Although there was no direct financial saving to the Council, the Cabinet Office estimated that this would save £40,950 to reflect lost parking and congestion charge revenue based on a standard national saving of £650 per badge.

It was noted that the Counter Fraud Team consisted of 4.4 FTE. The Committee noted that some highlights of the Counter Fraud Team's work included:

- 11 Derby Homes properties recovered (e.g. illegal sub-letting, breach of tenancy), 4 Housing Applications stopped and a Right to Buy withdrawn following intervention of the fraud team.
- £1,032,230 savings delivered, consisting of £371,366 recoverable savings and £660,864 value for money savings. Value for money (VFM) savings includes preventing unnecessary expenditure and loss of future income.
- Continuing to provide intelligence to support Modern Slavery and Organised Crime Groups.
- Undertaking checks for the Homes for Ukraine scheme.
- Checking and undertaking enquiries arising from NFI data matching.
- Continuing to provide SPOC service to DWP and undertaking joint investigations.

A councillor asked whether the size of the Counter Fraud Team had been cut. It was noted that the fraud team had been reintroduced in 2016 and that staff levels had not reduced since 2016. A councillor asked when the council tax single person discretion review would take place. It was noted that this was a continuous review which took place at least once per year.

Resolved to note the actions taken and the progress being made on counter fraud activities across the Council.

49/23 Internal Audit Progress Report

The Committee received a report on the Internal Audit Progress Report. The report was presented by the Head of Internal Audit and provided the Committee with an overview of the output from Internal Audit assurance work for the period from 21 September 2023 to 20 November 2023.

It was noted that the Audit and Governance Committee was responsible for providing assurance to the Council on the effectiveness of its governance arrangements, its risk management framework and the internal control environment. It was noted that the work of Internal Audit supported the Committee in providing this assurance.

The committee noted that internal audit plans needed to take account of changes in the Council's risks and that the move to a rolling quarterly based internal audit

plan had helped to achieve a more responsive approach to changes in risk.

The Head of Internal Audit informed the Committee that a report on the progress against the 2023/24 internal audit plan was attached at Appendix 1. It was reported that the progress report also contained the latest position on the actions detailed in CMAP's Quality Assurance and Improvement Plan (QAIP).

The Committee discussed the number of delayed actions in the Place Directorate. It was agreed that services would be reminded that lack of capacity and time would not be accepted as excuses for delaying action on audits. The Director of Finance and Head of Internal Audit agreed to raise this at CLT.

The Committee agreed that going forward services who did not respond to Internal Audit would automatically be invited to attend the next Audit and Governance Committee meeting.

A councillor asked whether the SEND deadlines on page 19 of the report would be met. The Head of Internal Audit agreed to report back on this.

Resolved:

- 1. to note the progress being made by Internal Audit on its work in 2023/24 outlined in the report at Appendix 1.**
- 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.**
- 4. to agree that services who did not respond to Internal Audit would automatically be invited to attend the next Audit and Governance Committee meeting.**
- 5. to remind services that lack of capacity and time would not be accepted as excuses for delaying action on audits.**

50/23 Internal Audit Plan 2023/24 - Quarter 4

The Committee received a report on the Internal Audit Plan 2023/24 - Quarter 4 which outlined the proposals for internal audit work in Quarter 4 of 2023/24. This was in accordance with the Public Sector Internal Audit Standards (PSIAS) which required that Internal Audit develops a risk-based plan to direct their work in the forthcoming financial year.

The appendix to the report also outlined those areas that the Head of Internal Audit had earmarked for potential audit in the first three quarters of 2024/25. These were subject to change in light of new and emerging risks and issues.

It was noted that in producing the plan for Quarter 4 and potential areas for the

future quarterly internal audit plans in 2024/25, the Head of Internal Audit had:

- Reviewed internal audit's work in 2023/24 and work done to date in quarters 1 and 2 of 2023/24, together with any completed audit work in quarter 3.
- Revisited the Council's Risk Registers.
- Reviewed those areas highlighted in the previous Internal Audit Plan report as potential areas for audit work for Quarter 4 of 2023/24 and Quarters 1 and 2 of 2024/25.
- Examined which of those areas scheduled for future audit are key to the overall assurance opinion for 2023/24 in light of the reduction in audit days to meet MTFP savings (see para 4.11 for more detail re MTFP savings)
- Identified areas that have not been subjected to audit review for several years.
- Reviewed horizon scanning documents that highlighted some of the challenges and opportunities faced by the public sector.

A councillor asked whether blue badge processing would be audited. It was noted that Internal Audit had flagged this as a potential audit.

Resolved to approve the Internal Audit Plan for Quarter 4 of 2023/24 at Appendix 1.

51/23 Exclusion of Press and Public

Resolved that under Section 100(A) 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 paragraph 3 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.

52/23 Information Governance Update

The Committee considered a report which provided an update to the Committee regarding the Council's statutory compliance with Information Governance Laws and the Council's Information & Cyber Security status for Quarters One-Two of 2023-2024. The report highlighted key areas of information risk, provided the Committee with oversight as to what vulnerabilities existed and what priority measures were in place. The report also demonstrated the volume of demand on the Council's Information Governance (IG) Team, and the Council as a whole.

Resolved to note the contents of the report and to request an update is given at the June Audit & Governance Committee.

MINUTES END