

Time Commenced: 10.00am  
Time Ended: 12.18am

## **AUDIT AND GOVERNANCE COMMITTEE**

### **27 July 2022**

Present: Councillor West (Chair)  
Councillors Care, Dhindsa, Hezelgrave, Roulstone, A  
Holmes and Jennings  
Co-opted Members Philip Sunderland

In attendance: Richard Boneham – Head of Internal Audit  
Alison Parkin – Director of Financial Services  
Martin Shipley – Group Auditor  
Hannah McDonald – Group Auditor  
Pete Shillcock – Group Accountant – Corporate Finance  
Sarah Walker – Head of Strategy and Performance  
Linda Spiby – Head of Procurement  
Andy Brammall – Director of Digital and Customer Services

### **12/22 Apologies for Absence**

Apologies for absence were received for Stuart Green and Councillor Carr.

### **13/22 Late Items**

There were no late items.

### **14/22 Declarations of Interest**

There were no declarations of interest.

### **15/22 Minutes of the meeting held on 15 June 2022**

The minutes of the meeting held on 15 June 2022 were agreed as a correct record.

### **16/22 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 Governance Committee resolved: to agree that a Resolution Tracking report be included in future agendas of the Audit and Governance Committee.

Outstanding resolutions and actions were attached at Appendices 1 and 2 of the report. Any completed resolutions and actions would be removed after the meeting.

Councillors expressed their disappointment that the Forest for the Future item was not on the agenda for this meeting.

**Resolved to note the outstanding resolutions and actions at Appendices 1 and 2 of the report.**

## **17/22 Final Statement of Accounts 2020/21 – verbal update**

The Committee received an update from the Group Accountant – Corporate Finance on the Final Statement of Accounts 2020/21.

It was noted that the main issue was infrastructure assets and that this was a national issue. It was reported that the Council were waiting on CIPFA guidance before progress could be made on this issue. It was noted that with regards to the pensions adjustment, the error had been corrected and updated papers had been sent to EY.

It was noted that the 21-22 accounts were now complete and would go live on the Council's website on 1 August.

It was reported that consideration of any developments with the waste treatment centre that may impact on previous disclosures made in the 20-21 financial statement, had been added to the list. It was reported that the Group Accountant – Corporate Finance would discuss with directors whether they had any further disclosures to make. A councillor commented that the Audit and Governance Committee needed to be kept up to date with this situation.

The Head of Internal Audit informed the Committee that they would provide Committee members with a briefing on the audit work they had undertaken on the waste treatment centre. The Head of Internal Audit agreed to discuss any legal requirements with the Monitoring Officer and to provide clarification to Committee members.

The Committee agreed to write to EY with the dates for future meetings and to express the Committee's disappointment at their non-attendance and delays. The Committee also agreed to request that EY provide a written update on the statement of accounts.

The Committee agreed to write to the LGA, CIPFA and Highways England encouraging them to resolve issues relating to highways infrastructure assets.

**Resolved:**

- 1. to note the update.**
- 2. to write to EY with the dates for future meetings and to express the Committee's disappointment at their non-attendance and delays.**
- 3. to request that EY provide a written update on the statement of accounts.**
- 4. to write to the LGA, CIPFA and Highways England encouraging them to resolve issues relating to highways infrastructure assets.**

## **18/22 CIPFA Financial Management Code**

The Committee received a report of the Strategic Director of Corporate Resources on CIPFA Financial Management Code. This report was presented by the Group Accountant – Corporate Finance.

It was noted that the Chartered Institute of Public Finance and Accountancy (CIPFA) published The Financial Management Code (FM Code) in October 2019 and that the first full year of compliance was 2021-22.

The Committee noted that the FM Code required authorities to demonstrate that the processes they had in place satisfied the principles of good financial management, which was an essential part of ensuring that public sector finances were sustainable.

It was reported that the FM Code identified risks to financial sustainability and introduced a framework of assurance. This framework was built on existing successful practices and set explicit standards of financial management.

It was reported that complying with the standards set out in the FM Code was the collective responsibility of elected members, the chief finance officer and their professional colleagues in the leadership team. Complying with the FM Code would help strengthen the framework that surrounds financial decision making.

The Committee noted that the FM Code built on elements of other CIPFA codes, such as The Prudential Code for Capital Finance, the Treasury Management in the Public Sector Code of Practice and the Code of Practice on Local Authority Accounting in the United Kingdom.

It was reported that the FM Code established an approach based on six principles of good financial management:

1. Organisational Leadership Demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture.

2. Accountability Based on medium term financial planning, driving the annual budget process, supported by effective risk management, quality supporting data and whole life costs.
3. Transparency At the core of financial management, using consistent, meaningful and understandable data, reported frequently, with evidence of periodic officer action and elected member decision making.
4. Professional Standards Promoted by the leadership team, with adherence evidenced.
5. Assurance Recognised as an effective tool, mainstreamed into financial management, including political scrutiny and the results of both external audit, internal audit and inspection.
6. Long-Term Sustainability At the heart of all local services' financial management processes, evidenced by the prudent use of public resources.

A Committee member asked whether the FPR review was planned for a specific date. It was noted that this review would take place in 2022-23.

A councillor suggested that councils should work together to share ideas on best practice. The Director of Financial Services thanked the councillor for this suggestion.

A councillor commented that they were aware of examples of where statutory organisations were not as engaged with the better together programme as they should be. The councillor asked what could be done to resolve this. It was noted that the Director of Financial Services would investigate how the Committee could consider the commissioning aspects of the better together programme. The Head of Strategy and Performance added that an update could be provided at the March 2023 meeting.

The Group Accountant – Corporate Finance agreed to provide Committee members with a link to the final accounts.

### **Resolved to note the contents of the report**

## **19/22 Internal Audit Progress Report**

The Committee received a report of Strategic Director of Corporate Resources which provided the Committee with the Internal Audit Progress Report. This report was presented by the Head of Internal Audit,

It was noted that the progress report attached at Appendix 1 provided the Committee with an overview of the output from Internal Audit assurance work for the period from 10th March 2022 to 30th June 2022. It was reported 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. The work of Internal Audit supported the Committee in providing this assurance.

It was noted that an internal audit plan 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 Chair asked whether any officers needed to be invited to attend a future Committee meeting. The Head of Internal Audit agreed to look into this and report back to the Chair.

A councillor commented that the title of the Climate Change – Road Side Air Quality audit needed to be changed. The Head of Internal Audit agreed to change this.

**Resolved:**

- 1. to note the progress being made by Internal Audit on its work in 2022/23 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.**

## **20/22 Counter Fraud Annual Report 2021/22**

The Committee received a report of the Strategic Director of Corporate Resources on Counter Fraud Annual Report 2021/22. This report was presented by the Head of Internal Audit.

It was noted that fraud was a significant risk to the public sector and that financial loss due to fraud could reduce a council's ability to support public services and could cause reputational damage.

The Committee noted that the Annual Report attached at Appendix 1 outlined the counter fraud work undertaken around the key elements of the Council's current counter fraud framework. It was noted that the Head of Internal Audit had a counter fraud contingency set aside in the internal audit plan for 2022/23 and intended to use some of the time to continue to review the fraud risk to the Council's activities and the adequacy of the Council's Counter Fraud framework. It was reported that the Head of Legal Services and the Head of Revenues, Benefits and Exchequer Services would be consulted on the aspects of their work that supports this framework.

A Committee member suggested that cases of fraud should be publicised to

deter people from attempting to commit fraud. It was noted that the Council did publicise these cases where appropriate.

**Resolved to note the report.**

## 21/22      2021/22 year-end risk assurance report

The Committee received a report of the Director of Policy, Insight and Communications on 2021/22 year-end risk assurance report. This report was presented by the Head of Strategy and Performance.

It was reported that in January 2022, the Audit and Governance Committee considered the mid-year risk assurance report for 2021/22. It was noted that key highlights noted in the mid-year review of risk assurance included:

- strengthened alignment between Internal Audit and Strategy and Performance, to make sure that assurance activities on risk controls are coordinated and targeted;
- the development of an Accountabilities Framework, led by Organisational Development (OD), that aligns to roles and responsibilities within the Strategy;
- the implementation of a Project Management Platform to inform a wider oversight of programme and project risks by Strategy and Performance and senior leaders, aiding more consistent review, challenge and project risk escalation;
- strengthened risk identification through the introduction of more standard items for consideration by the Corporate Risk Management Group (e.g. risk indicators and the emerging risk log);
- refreshed risk registers / templates to address Internal Audit recommendations and to improve processes, reducing manual intervention and allowing easier access to historical risk controls;
- hosting risk appetite workshops with Directors and Heads of Service, with insight gathered through survey activities, which will inform the development of Derby's risk appetite statements; and
- the completion of seven deep-dive risk reviews, in addition to the work of Internal Audit.

A councillor commented that the terminology relating to Covid-19 in Appendix 1 needed to be revisited with a view from Public Health and HR. The councillor also questioned whether mitigations were in place for this risk. It was noted that scoping work would take place to ensure that these risks were appropriately defined and mitigated. It was noted that an update on this would be provided at the January 2023 meeting.

A councillor commented that the risk for the long-term waste management contract had not come down and asked whether anything could be done to

reduce this risk. It was noted a risk surgery was hosted in July 2022, and that appropriate new actions and controls are added to risks where possible. It was noted that whilst mitigations were having an impact, the complexity of these risks meant that they remained high. It was suggested that the risk owner for long-term waste management would be able to provide an update on this risk.

A councillor asked whether details on new actions and controls were available to view. It was noted that the strategic and directorate risk registers were available on MiDerby. The Head of Strategy and Performance agreed to provide Committee members with the links to view these registers.

The Committee agreed to request that the risk owner for the waste treatment plant provided a written update to the Committee.

A councillor asked whether the Committee could receive a briefing on the management systems and processes risk. It was noted that a deep dive into this risk had recently been undertaken and that it had now been broken down into two separate risks. It was noted that a further update would be provided during discussions on item 15 on the agenda.

A councillor asked whether there was an appreciation of risk and the need to highlight risk at all levels of the organisation or whether training was needed for colleagues. It was noted that risk training had been held in March 2023 and had been very successful. It was reported that further training would be offered to colleagues.

**Resolved:**

- 1. to note the progress made from the mid-year position on assurance assessments for each stage of the risk management process, presented in paragraph 4.4.**
- 2. to note the latest assurance overview completed on risks within the strategic risk register, Appendix 1, and the subsequent recommendations for targeted risk assurance activities during 2022/23 (paragraphs 4.8 and 4.9).**
- 3. to request that the risk owner for the waste treatment plant provides a written update to the Committee.**

## **22/22 Minute Extract from Council Cabinet - Inspection of Local Authority Children's Services**

It was noted that the Committee had a responsibility to consider reports from external regulators (e.g. OFSTED, Care Quality Commission, Local Government Ombudsman) that impacted on the Committee's areas of responsibility.

The Committee received a minute extract from Council Cabinet on Inspection

of Local Authority Children's Services.

It was noted that a supporting action plan was being completed and would be returned to OFSTED.

**Resolved to note the minute extract.**

## 23/22      Annual Report and Review of Performance 2021/22

The Committee received a report of the Chief Executive which provided an update on the Annual Report and Review of Performance 2021/22. This report was presented by the Head of Strategy and Performance.

It was noted that in February 2021, Cabinet approved the 2021/22 Recovery Plan, which aligned to the Council Plan 2019 - 2023 and replaced the Council's annual Council Delivery Plan. The content of the Recovery Plan subsequently formed the basis of the Council's performance monitoring framework for 2021/22.

It was reported that the Annual Report and supporting Annual Review of Performance both outline the progress that the Council had made over the last 12-months. They could be read with the Council's quarterly performance reports, which showed the progress that we made throughout the year.

The Committee noted that there was no statutory duty to publish an Annual Report however it was good practice to report to the Council's residents, businesses and key stakeholders on its progress, and how the Council has used its resources (in line with the Best Value duty). Each council had a statutory duty to publish a summary of their financial information, in an accessible way, and Derby City Council met this duty by including this information within its Annual Report.

It was reported that year-end reporting was an opportunity to reflect on the previous year and draw lessons to inform future practice, and as such was an important element of good governance.

A councillor highlighted that the report stated that 97% of families were supported to improved outcomes through our early help services. The councillor commented that the report wasn't clear which families these were. The Head of Strategy and Performance asked members of the Committee to contact them with any comments on the report.

The Chair asked for the report to be amended to reflect Cabinet Member's titles from the 2021-22 municipal year.



**Resolved to note the Annual Report and Annual Review of Performance.**

## **24/22      Contract Waivers for the period 1 January 2022 to 30 June 2022**

The Committee received a report of the Director of Legal, Procurement and Democratic Services which outlined Contract Waivers for the period 1 January 2022 to 30 June 2022. This report was presented by the Head of Procurement and Contracting.

It was noted that during this period there were 86 waivers, 78 of which were considered to be unavoidable.

It was reported that this compared with 27 waivers that were considered by Audit and Governance Committee on 23 March 2022 for the period 1 October 2021 to 31 December 2021. It was noted that of that 27, 19 were considered to be unavoidable.

It was reported that all avoidable waivers over £10,000 were reported at appendix 1 of the report. It was noted that each waiver was signed off by the relevant Director stating that they agreed with the recommendation.

It was noted that a waiver was required if the relevant process outlined in the Council's Contract Procedure Rules for awarding a contract could not be followed.

The Committee noted that of the unavoidable waivers, none were unavoidable due to Covid-19.

A councillor commented that there were risks in situations where the Council relied on other organisations to renew contracts such as with the dementia support waiver.

A councillor questioned whether waivers were needed for trees bought for the Forest for Change project. It was noted that the Council did not have a contract for buying trees and therefore a waiver was necessary.

The chair questioned whether the Procurement Team had the necessary staff. It was noted that by 1 September six members of the Team would have left, and that a recruitment drive was now taking place to replace these colleagues.

**Resolved to note the contents of the report and the quarterly comparison of the total number of waivers being reported.**

## 25/22      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.**

## 26/22      Information Governance Update

The Committee received an exempt report of the Director of Digital & Customer Management on Information Governance Update.

The report provided an update to the Committee on the Council's statutory compliance with Information Governance Laws for the financial year of 2021-2022.

**Resolved to accept the recommendation at paragraph 2.1 of the report.**

MINUTES END