

Time Commenced: 10.00am  
Time Ended: 11:58am

## **AUDIT AND GOVERNANCE COMMITTEE**

### **30 November 2022**

Present: Councillor Jennings  
Councillors Care, Carr, Hezelgrave and Dhindsa  
Co-opted Member Philip Sunderland

In attendance: Richard Boneham – Head of Internal Audit  
Simon Riley – Strategic Director of Corporate Resources  
Hannah McDonald – Group Auditor  
Alex Hough – Head of Democracy  
Nigel Brien – Head of Traffic & Transportation  
Robert Shoebridge – Group Manager - Traffic and Transportation  
Priya Makwana – Trainee Auditor  
Polly Wilkinson – Trainee Auditor  
Jacob Hand – Auditor

### **40/22 Apologies for Absence**

Apologies for absence were received for Councillor West, Councillor A Holmes, Jayne Sowerby-Warrington, Tracey Thomas, Hassan Rohimun and Stuart Green.

### **41/22 Late Items**

The Chair introduced a late item on Treasury Management Mid-Year Report 2022/23. It was noted that this item could not have been published with five clear working days' notice as Council Cabinet had not seen a draft copy of the report. It was noted that it was necessary for the Committee to consider the Treasury Management Mid-Year Report 2022/23 at this meeting as the next Audit and Governance Committee meeting would not take place until 2023.

### **42/22 Declarations of Interest**

Philip Sunderland declared an interest in item 46/22 – Appointment of Independent Persons to the Audit and Governance Committee and announced that he would leave the room during consideration of that item.

### **43/22 Minutes of the meeting held on 5 October 2022**

The minutes of the meeting held on 5 October 2022 were agreed as a correct record subject to an amendment on page 2, minute number 30/22 " Statement of Accounts 2020/21" to " Statement of Accounts 2021/22".

## 44/22      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.

It was noted that information on the outstanding Forest for the Future recommendation would be shared with Committee members. A councillor commented that the trees would be planted in Alvaston park. A councillor informed the Committee that funding for this project had come from Environmental Services revenue.

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

## 45/22      Audit and Governance Committee – Updated Work Programme 2022-23

The Committee received a report of the Chair which provided details of the Audit and Governance Committee – Updated Work Programme 2022-23.

It was noted that the revised work programme reflected all changes agreed with the Chair of Audit and Governance Committee and any additional items agreed at the Committee meeting on 5th October 2022.

A councillor asked for the Chair and Democratic Services to discuss whether an extra meeting could be held if necessary.

**Resolved to agree the latest version of the work programme for the Committee attached in Appendix 1.**

## 46/22      Appointment of Independent Persons to the Audit and Governance Committee

Philip Sunderland left the room.

The Committee received a report on the Appointment of Independent Persons to the Audit and Governance Committee. This report was presented by the Head of Democracy and Head of Internal Audit.

It was noted that having independent members on Local Authority Audit Committees had proven to add value and enhance the reputation of the Committee from a good governance and independence perspective for those Councils who had adopted this approach. It was noted that this practice was also encouraged by the Chartered Institute of Public Finance and Accountancy (CIPFA) as the main accountancy body for local government.

It was reported that at its meeting on 15th June 2022, the Committee considered a report of the Strategic Director of Corporate Resources which sought the agreement of the Committee to ask Council to approve the appointment of two independent members to the Audit and Governance Committee for a four-year term. The Committee discussed the possibility of broadening the pool of independent members by advertising for people who may be interested and staggering the terms of office to ensure continuity. It was reported that it was resolved to delegate authority to the Chair to investigate the potential for advertising for independent members to ensure that they were represented on the Committee and to bring a report back to a future meeting of the Committee.

It was reported that demand for independent Audit Committee members was set to increase in the coming months. The Redmond Review in 2020 recommended that “consideration being given to the appointment of at least one independent member, suitably qualified, to the Audit Committee”. CIPFA had been advocating the inclusion of co-opted members on Audit Committees for several years.

It was noted that the Chair had an initial meeting with the Head of Democracy and the Head of Internal Audit on 14th July 2022 to discuss the options open to the Council for the future provision of independent members for this Committee. It was agreed that any decisions would take account of the latest guidance to be provided by the Chartered Institute of Public Finance and Accountancy (CIPFA) in its publication on Audit Committees due to be published in October 2022. The Chair also wanted to assess whether the level of remuneration currently paid by the Council to the co-opted members was in-line with what other local authorities were paying.

The Committee noted that there were two co-opted/independent members, Philip Sunderland and Stuart Green, since May 2018. It was reported that the co-option of independent members had brought additional knowledge and expertise to the Committee and also reinforced its political neutrality and independence.

It was noted that it was being proposed that the annual allowance paid to Independent Members of the Audit and Governance Committee was increased from the current rate of £500 per annum and pro-rated to 10 per cent of the Basic Allowance paid to councillors. Based on the current Basic Allowance of £11,523 per year, this would amount to £1,152.30 per annum.

It was reported that before setting a scheme of allowances, Council must have regard to the recommendations of its Independent Remuneration Panel (IRP). The Chair of the IRP, Mr Narinder Sharma, had been consulted on the proposals to alter the allowance payable to Independent Members and was in support of the recommendations.

A councillor asked whether the two appointments could be staggered to ensure consistency. It was agreed that this would be added as a recommendation.

A councillor asked whether an expectation of attendance clause could be included in the contract of Independent Members. The Head of Democracy agreed to include this in the application process.

### **Resolved**

- 1. to seek applications for two Independent Members of the Audit and Governance Committee to four-year terms of office.**
- 2. to recommend to Council an increase in the allowance payable to Independent Members of the Audit and Governance and Standards Committees to 10 per cent of the Basic Allowance payable to councillors.**
- 3. to recommend that the two Independent Members' appointments are staggered.**

Philip Sunderland returned to the room.

## **47/22 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 1st September 2022 to 31st October 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.

It was noted that the progress report contained details of the recently completed audit review of the Council's system of pre-employment checks. Members of the Committee noted that management had opted to "risk accept" a recommendation on the checking of declared qualifications by the candidates. Given issues a number of years ago around an incident of an employee declaring "fake qualifications", the Head of Internal Audit sought a fuller explanation of the reasoning behind the decision. It was noted that the report had been finalised on the grounds that all qualifications that were an essential requirement of the job were checked and that relevant staff had been trained in recognising fraudulent and/or counterfeit documents which should mean that any such documents were identified and properly followed up. It was reported that the Committee was being asked to consider the response from management and to decide whether it was comfortable with the decision taken.

Members of the Committee recommended that some sampling should be done to check declared qualifications by the candidates. It was agreed that an update on this would be brought to the next meeting.

It was reported that at its meeting on 5 October 2022, the Committee made the decision to call in officers in respect of the following audit areas to seek assurance on the progress with the implementation of recommendations:

- CCTV – Members were concerned at the length of time it was taking to implement recommendations.
- Neighbourhood Boards – Members wanted an update from officers on progress with implementation of the recommendations but were also wanting officers to provide an update to Committee on Neighbourhood Board meetings.
- Fixed Assets – Members expressed concern at the lack of updates being provided on progress with implementing the recommendations. Members had previously called in this audit due to lack of responses to the draft audit report.

It was noted that the progress report also contained an update for Committee on CMAP's progress with the actions identified in its Quality Assurance and Improvement Plan (QAIP).

It was reported that all of the car park recommendations for the CCTV audit had been completed and that this had been accepted by the auditor. It was noted that the Director of Public Protection and Streetpride was working with the Director of Digital and Customer Services to determine who would be responsible for storing CCTV footage. It was noted that the servers recommendation was still

outstanding.

It was noted that officers were unable to attend the meeting to provide an update on Neighbourhood Boards. It was noted that these officers would attend the Committee's next meeting.

It was noted that officers were unable to attend the meeting to provide an update on Fixed Assets. It was noted that a document providing an update on the recommendations of this audit had been circulated with members. It was reported that this document would be shared with the auditor for Fixed Assets and that an update would be provided at the next meeting.

**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 "risk accepted" response to a recommendation in the Pre-employment Checks audit review. The Committee decided it was comfortable with the decision taken by management, providing that sampling was conducted.**
- 4. to review the progress being made by management in respect of the implementation of internal audit recommendations.**

## **48/22 Internal Audit Plan 2022/23 - Quarter 4**

The Committee received a report of the Strategic Director of Corporate Resources on Internal Audit Plan 2022/23 - Quarter 4. This report was presented by the Head of Internal Audit.

The Committee noted that the appendix to the report outlined those areas that the Head of Internal Audit had earmarked for audit review in Quarters 1-3 of the 2023/24 financial year. 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 the potential areas for the 2023/24 audits, the Head of Internal Audit had:

- Reviewed internal audit's work in Quarters 1 to 3 of 2022/23.
- 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.
- 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 for the opportunity to reduce costs to be included in the Streetlights PFI audit. The Head of Internal Audit agreed to pass this on to the auditor.

**Resolved to consider and approve the Internal Audit Plan for Quarter 4 of 2022/23 at Appendix 1.**

## 49/22 Central Midlands Audit Partnership – External Quality Assessment

The Committee received a report of the Strategic Director of Corporate Resources on Central Midlands Audit Partnership – External Quality Assessment. This report was presented by the Head of Internal Audit.

It was reported that the overall assessment was that CMAP “Generally Conforms with the Public Sector Internal Audit Standards”. It was noted that the report also stated that CMAP compared favourably with peer groups in both local government and the private sector. It was reported that CMAP came out as “best in class” position in terms of all the EQA reviews that BRS has done within local government. Feedback to the CMAP Operational Group was that CMAP was an established team that was well regarded by clients.

The Committee noted that good practice identified during the review included:

- An Internal Audit Charter setting out the role and responsibilities of Internal Audit guides delivery and establishes the basis upon which the Head of Internal Audit’s Annual Opinion will be based.
- The service has developed a documented internal audit methodology and supporting templates that delivers a consistent service.
- Consistent supervisory processes ensure that a standard approach delivers a robust assurance report.
- Routine reporting informs clients and the Audit Committee regarding progress regarding completion of the internal audit plan, findings and the follow up of recommendations.
- Self-assessment identifies areas in which future development will be beneficial and is based upon the development of job descriptions, performance appraisals, the establishment of a training matrix and client feedback.

It was reported that areas for consideration from the review included:

- Increasing integration of the use by internal audit of risk-based techniques with the risk appetite of each client particularly in terms of planning at a

strategic and engagement level would be mutually beneficial, the degree to which this is possible is hampered by the variable maturity of client risk management processes.

- Developing a clear alignment through the working papers for each assignment to focus on agreed management objectives and the associated significant risks and relevant key controls will assist in the provision of a transparent assurance opinion in the final audit report.
- Consideration should be given to the revision of the basis for expressing internal audit recommendations and opinions in line with risk impact definitions recognised by each client within its Risk Management Policy rather than rely on those of a generic nature.
- Formalise Quality Assurance Improvement Programme processes.

The Committee noted that the CMAP Leadership team were in the process of evaluating the points for consideration that BRS made. It was noted that the Standards best reflected an internal audit service of an individual entity and that CMAP had taken the decision when it was formed to use a uniform approach to internal auditing across the partnership. It was reported that some of the suggested recommendations would require a tailored approach for individual partners to reflect the differences in risk management, governance, terminology etc. It was noted that using each Partners risk impact definitions when expressing audit recommendations and opinions would require a different set of working papers and reporting for each Partner. It was reported that CMAP believed that changes of this nature may reduce the benefits that Partners received from the efficiencies achieved through a standardised approach, particularly as CMAP staff were not dedicated to one partner and tended to work across the Partnership.

A member of the Committee asked whether CMAP were able to tailor audits to suit different organisations. It was noted that there was flexibility and that CMAP were happy to take different approaches for each organisation.

**Resolved to welcome the findings of the external quality assessment.**

## 50/22 Counter Fraud Update

The Committee received a report of the Strategic Director of Corporate Resources on Counter Fraud Update.

It was noted that the Cabinet Office had launched the 2022/23 NFI exercise. It was reported that to meet the timetable requirements, data was extracted as at 30th September and submitted by the deadline of 18th November 2022. It was noted that matches were due to be released on 26th January 2023.

The Committee noted that there had been significant issues with the quality of data received from services for the 2022/23 exercise. It was reported that the



Cabinet Office reserved the option to issue a fine where participants failed to comply with NFI data submission requirements. As a result, CMAP had been required to devote a substantial amount of time to try and cleanse the data files and align them with the NFI data specifications.

It was reported that examples of data issues encountered included:

- Duplicate records.
- Missing data considered mandatory for the NFI exercise (e.g. the date of birth in Housing Waiting List data, surnames in the Council Tax Reduction Scheme data).
- Errors in data entry (trailing zeros, misspellings, inclusion of punctuation characters).
- Bank account numbers incorrect (9 characters instead of the expected 8).
- National Insurance numbers in an incorrect format.
- Details that have clearly been recorded in the wrong field (e.g. vehicle details recorded in payroll home telephone number field).
- Inconsistencies in how data is recorded (particularly for address information).
- Taxi licences issued for 3 years to three applicants that were over 70 years old. The system should only issue an annual permit once an individual reaches 70.
- Contradictory evidence held in different files used by a service.

It was noted that these issues were not solely an NFI data quality problem but reflected on the quality of the day-to-day data used by services and indicated potential system weaknesses. It was reported that this was a concern from an information governance angle as it was a General Data Protection Regulation (GDPR) breach if the organisation maintained inaccurate information.

It was noted that it had been reported to a previous meeting that the Cabinet Office were consulting on extending NFI data matching to new purposes:

- to assist in the prevention and detection of crime (other than fraud);
- to assist in the apprehension and prosecution of offenders;
- to assist in prevention and detection of errors and inaccuracies; and
- to assist in the recovery of debt owing to public bodies.

The Committee noted that the result of the consultation had now been published and the majority of public and private sector organisations that responded largely supported the extension of the NFI to some or all of the four purposes. The majority of individuals and special interest groups raised concerns, and generally opposed extension without sufficient safeguards. It was noted that the Cabinet Office had taken the decision not to extend the NFI to new purposes and that fraud would remain the focus of the exercise at this time.

It was noted that the Council were carrying out the following activities to detect and investigate fraud:

- 8 Derby Homes properties recovered (e.g. illegal sub-letting, breach of tenancy) and 2 Right to Buy applications withdrawn following intervention of the fraud team.
- £643,337.84 savings delivered, consisting of £118,485.49 recoverable savings and £524,852.35 value for money savings. Value for money (VFM) savings includes preventing unnecessary expenditure and loss of future income (Appendix 1).
- Continuing to provide intelligence to support Modern Slavery and Organised Crime Groups and to support the Rogue Landlord Initiative.
- Completing post payment assurance checks for the Covid 19 Business Support Grants.
- Undertaking checks for the Household Support Fund scheme.
- Checking and undertaking enquiries arising from NFI data matching.
- Continuing to provide a Single Point of Contact (SPOC) service to the Department for Work and Pensions (DWP) and undertaking joint investigations

A councillor asked whether empty homes were being checked to ensure that council tax discounts were not being claimed fraudulently. It was noted that financial penalties were issued where cases of council tax fraud were discovered. It was noted that colleagues regularly checked empty properties.

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

## 51/22 Treasury Management Mid-Year Report 2022/23

The Committee received a late item on Treasury Management Mid-Year Report 2022/23.

It was reported that in accordance with CIPFA Code of Practice for Treasury Management in Public Services (the “CIPFA TM Code”), it was considered good Treasury Management practice for members to note the progress and monitor performance at least twice a year.

It was noted that in order to demonstrate good governance, Council needed to note the treasury management position twice a year. It was good practice to provide assurance to the Audit and Governance Committee that this has been prepared.

It was noted that the Treasury Management update for Council included:

- Summary of the Financial Markets to date in 2022/23

- Forecast Outturn 2022/23 including Qtr.2 update.
- Borrowing Activity
- Deposits, and
- Prudential Indicators

It was recommended that the Audit and Governance Committee noted that the treasury management activity mid-year position statement had been prepared for Council. It was also recommended that the Audit and Governance Committee noted the content of the report covered the requirements of the CIPFA code of practice.

A councillor asked for the data in table 7 to be put into a graph and then placed in the context of the Council's borrowing profile and when liabilities and investments ended.

A councillor asked why the Council had transferred debts. It was noted that these were as a result on loans that were taken out before Derby City Council became a unitary authority.

It was noted that Thurrock loan would be repaid in January 2023.

A councillor asked whether residents were able to create council tax payment plans that allowed them to spread their payments out across 12 months. It was noted that residents did have the opportunity to do this.

It was reported that over the next 12-18 months the Council would need to borrow money and would no longer be a net investor.

**Resolved:**

- 1. to note the treasury management activity mid-year position statement has been prepared for Council.**
- 2. to note the content of the report covers the requirements of the CIPFA code of practice.**

MINUTES END