

Time Commenced: 10.00am

Time Ended: 1.30pm

AUDIT AND ACCOUNTS COMMITTEE

5 February 2020

Present: Councillor Willoughby (Chair)
Councillors Bettany, Care, Dhindsa, Pattison, A Pegg,
Shanker, and West and Philip Sunderland

In attendance: Richard Boneham – Head of Internal Audit
Stephen Clark – Ernst and Young LLP
Ben Clawson-Chan – Head of Leisure
Sophie Gallagher – Principal Accountant
Heather Greenan - Director of Policy, Insight &
Communications
Alex Hough – Acting Head of Democracy
Steven Mason – Democratic Services Officer
John Massey - Head of Benefits & Exchequer Services
Toni Nash – Head of Finance Organisation and Governance
Simon Riley – Director of Financial Services
Martin Shipley – Group Auditor
Sarah Walker - Policy and Improvement Manager

37/19 Apologies for Absence

Apologies were received from Councillor McCristal.

38/19 Late Items

There were no late items.

39/19 Declarations of Interest

There were no declarations of interest.

40/19 Minutes of the meeting held on 6 November 2019

The minutes of the meeting held on 6 November 2019 were agreed as a correct record, subject to the following amendment.

That at 32/19 – Internal Audit Progress Report, the fourth resolution should read:

To agree that the audit assignment in relation to the Assembly Rooms should include financial governance.

41/19 Accounting Policies 2019/20

The Committee received a report of the Director of Financial Services on Accounting Policies 2019/20.

It was reported that the Council prepared its annual accounts in accordance with its accounting policies which were presented as part of the main Statement of Accounts document. A copy of the Council's accounting policies was included in Appendix 1 to the report.

Members noted that standard policies for all Local Authorities were provided by the Chartered Institute of Public Finance and Accountancy – CIPFA – within the Code of Practice on Local Authority Accounting in the UK 2019/20 – 'The Code'. It was also noted that the Code required the Council to determine its accounting policies with direct reference to the requirements stipulated by the Code. It was reported that there was limited opportunity to deviate from these standard policies, although there were parts of the Code which required a judgement to be made and that the Council had assessed the local conditions in order to determine the setting and adopting of its accounting policies.

It was noted that the Council was proposing to make no amendments to its Accounting Policies for 2019/20 but that the Committee still needed to consider and approve such policies.

Resolved:

- 1. to approve the accounting policies to be used in completing the 2019/20 Statement of Accounts, as set out in Appendix 1; and**
- 2. to delegate to the Director of Financial Services the power to make new accounting policies and amend existing policies, as may become necessary in the production of the accounts and during the external audit process, with any such changes being reported back to this committee.**

42/19 Treasury Management and Investment Strategy 2020/21

The Committee received a report of the Strategic Director of Corporate Resources on Treasury Management and Investment Strategy 2020/21.

The report outlined the Council's Treasury Management Strategy for the financial year 2020/21 and the Treasury Management Indicators that derived from this strategy. Members considered:

- Background and context
- The Treasury Management Strategy
- Treasury Management Indicators
- Investment Strategy (Appendix 1)

Following a discussion about the difference between financial scrutiny training for all Elected Members and audit and accounts training for members of the Committee, it was agreed that the Chair and Vice Chair should meet with the S151 officer to discuss the content of any future training.

Members discussed treasury advice received from Arlingclose, the effects of the climate change agenda on global trading positions, ethical investment, investment strategies and municipal bond agencies.

Resolved:

- 1. to note the Treasury Management Strategy for 2020/21 outlined in paragraphs 4.26 to 4.64;**
- 2. to note the Treasury Management Indicators for 2020/21 to 2022/23 in paragraph 4.65 to 4.70;**
- 3. to note the Investment Strategy for 2020/21 outlined in the report attached at Appendix 1 at paragraphs 1.11 to 1.22;**
- 4. to note the Investment Indicators for 2020/21 to 2022/23 outlined in the report attached at Appendix 1 in paragraph 1.23 to 1.30; and**
- 5. to note the Investment approach for Commercial or Social Return outlined in the report attached at Appendix 1 in paragraphs 1.7 to 1.10.**

43/19 Internal Audit Progress Report

The Committee received a report of the Director of Financial Services on Internal Audit Progress.

The progress report attached at Appendix 1 provided the Committee with an overview of the output from Internal Audit assurance work for the period 17 October 2019 to 28 January 2020.

Members received an update from the Head of Leisure on the current position in relation to the audit assignment on Catering 2019/20.

Members considered the audit assignment in relation to the Coroners Service and received an update from the Acting Head of Democracy on the current position. Members agreed that the Local Government Association should be contacted and informed that the Audit and Accounts Committee supported a national review of best practice for coroners' services. It was also agreed that in relation to the Coroners Service audit assignment, the action due date should be

changed to August 2020.

Members received an update on changes to the report since its publication. Members noted the progress being made by internal audit on the 2019/20 plan, including work brought forward from 2018/19 and reviewed the control issues being raised by internal audit and management's response to the risk.

Members noted that the audit assignment in relation to Sinfin Waste Plant/Incinerator had been postponed to 2020/21 and questioned why this had happened. The Committee agreed that the audit assignment in relation to Sinfin Waste Plant/Incinerator should be prioritised.

Members noted that the audit assignment in relation to Assembly Rooms – Contract Management was 90% complete. It was agreed that this be circulated to Members of the Committee once it had been completed. Members noted that the Assembly Rooms project was now on hold and agreed that an urgent audit investigation should be undertaken and that the Chair and Vice Chair should meet with the Head of Internal Audit to agree the scope of such an investigation. The external auditor noted that there appeared to be differences in expectations, between Members and officers, around the scope of the internal audit work.

Members agreed that an update on the Shared Lives audit should be brought to the next meeting of the Audit and Accounts Committee.

Members discussed the importance of tracking the resolutions that arose from meetings of the Audit and Accounts Committee and agreed that a Resolution Tracking report be included in future agendas of the Audit and Accounts Committee.

Resolved:

- 1. to note the progress being made by Internal Audit on the 2019/20 plan, including brought forward work from 2018/19 in the report at Appendix 1;**
- 2. to agree that the Local Government Association be contacted and informed that the Audit and Accounts Committee supports a national review of best practice for coroners' services;**
- 3. to agree that in relation to the Coroners Service audit assignment, the action due date be changed to August 2020;**
- 4. to agree that the audit assignment in relation to Sinfin Waste Plant/Incinerator should be prioritised;**
- 5. to agree that the audit assignment in relation to Assembly Rooms – Contract Management be circulated to Members of the Audit and Accounts Committee, once it is completed;**
- 6. to agree that as the Assembly Rooms Project has now been put on hold, an urgent audit investigation should be undertaken and that the**

- Chair and Vice Chair should meet with the Head of Internal Audit to agree the scope of such an investigation;**
- 7. to agree that an update on the Shared Lives audit be brought to the next meeting of the Audit and Accounts Committee; and**
 - 8. to agree that a Resolution Tracking report be included in future agendas of the Audit and Accounts Committee.**

The Chair left the room and Councillor West took the Chair.

44/19 Appointments to the Independent Remuneration Panel

The Committee received a report of the Strategic Director of Corporate resources on Appointments to the Independent Person Remuneration Panel.

It was reported that the Council undertook an exercise to refresh the membership of its Independent Remuneration Panel (IRP) in the 2016/17 municipal year. It was also reported that this was the panel responsible for making recommendations on the allowances paid to councillors.

Members noted that six members were appointed in March 2017 to a four year term, expiring on 21 March 2021 and that the panel had been made up of three senior representatives from the public, private and voluntary sectors, and three representatives with experience as independent members of the Councils' school admission and exclusion appeals panels.

It was reported that the members of the IRP were:

- Freda Daniel (School Appeals Panellist)
- Derek Heal (School Appeals Panellist)
- Sue Holmes (Community Action Derby Board Member)
- Scott Knowles (Chief Executive of East Midlands Chamber)
- Selwyn Lound (School Appeals Panellist)
- Narinder Sharma (Chief Executive of Derbyshire Carers Association)

It was noted that the report sought approval for three new appointments to the IRP, following the passing of Derek Heal in 2018 and the recent retirement of both Freda Daniel and Selwyn Lound. It was recommended that Mark Booton, Trudy Hanson and Alan Larkins be appointed to the IRP in their place. Biographical information was provided in the report.

Councillor Willoughby returned to the room and took the Chair.

It was agreed that the two recently retired members of the Independent Remuneration Panel be written to and thanked for their work on it.

Resolved:

- 1. to note the biographical details contained within the report of those individuals recommended for appointment to the Independent Remuneration Panel;**
- 2. to appoint the following persons to the Independent Remuneration Panel, with immediate effect and expiring on 21 March 2021:**
 - **Mark Booton**
 - **Trudy Hanson**
 - **Alan Larkins; and**
- 3. to agree that the two recently retired members of the Independent Remuneration Panel be written to and thanked for their work on it.**

45/19 Risk Management Monitoring Report for the Period to 31 December 2019

The Committee received a report of the Acting Chief Executive on Risk Management Monitoring for the Period to 31 December 2019.

The report presented an updated Strategic Risk Register, for the period ending 31 December 2019, alongside an update on the Council's proposed next steps for the review of its risk management arrangements.

It was reported that there were a total of thirteen risks in the Strategic Risk Register, as at end of quarter 3 and that the changes made from the position reported to Audit and Accounts at the end of quarter 2 (September 2019), were presented in paragraphs 4.3 and 4.5. It was also reported that of the risks contained within the register, five (38%) were currently judged to be 'significant risks', which was an improved position from that reported at the end of September 2019, when 58% or 7 of the 12 strategic risks were assessed as 'significant'.

Members noted that it was provisionally agreed at the last Audit and Accounts Committee that two surgeries would take place, subject to Q3 monitoring, for the risks on 'Sinfin Waste Plant' and 'CYP – Demand Management' and that both risks had been re-assessed and re-defined over the last quarter. The Committee agreed that risk surgeries should be organised for SR10 – Managing demands in statutory social care services and SR14 – Sinfin Waste Plant – Adverse outcome to estimated fair value determination.

It was reported that a review of the Council's Risk Management Strategy, Handbook and supporting risk registers had commenced, with input from the Council's Corporate Risk Management Group and Zurich, the Council's Risk Management Consultants. It was noted that the review would be on-going to the end of March 2020. Members agreed that the Risk Management Strategy and

Handbook should be circulated to the Audit and Accounts Committee in good time and that comments be fed back at the next meeting.

Members discussed risk appetite and agreed that a Risk Appetite report be brought to a future meeting of the Audit and Accounts Committee.

Resolved:

- 1. to agree that risk surgeries be organised for SR10 – Managing demands in statutory social care services and SR14 – Sinfin Waste Plant – Adverse outcome to estimated fair value determination;**
- 2. to note the progress made to date on the review of the Risk Management Strategy and to agree that the Risk Management Strategy and Handbook be circulated to the Audit and Accounts Committee in good time and that comments be fed back at the next meeting; and**
- 3. to agree that a Risk Appetite report be brought to a future meeting of the Audit and Accounts Committee.**

46/19 Audit and Accounts Committee – Self Assessment 2019/20

The Committee received a report of the Director of Financial Services on Audit and Accounts Committee – Self Assessment 2019/20.

It was reported that a well-functioning Audit Committee was regarded as key to helping its organisation to achieve good corporate governance. It was also reported that an Audit Committee should regularly assess its own performance – and the adequacy of its terms of reference, work plans, forums of discussion and communication – with a view to highlighting skills and/or knowledge gaps and identifying areas in which the committee and its processes might be more effective.

Members reviewed the action plan from the 2017/18 self-assessment (Appendix 1) and identified any actions which were still relevant.

It was noted that Members should complete the self-assessment questionnaire (Appendix 2) and the effectiveness self-assessment tool (Appendix 3) and it was agreed that a workshop should be organised to consider the outcomes.

Following a discussion on training for Members of the Committee, it was agreed that the Chair and Vice Chair should meet with the Head of Internal Audit to discuss the training and development programme.

The Committee agreed that a report on the adequacy of internal audit staffing and other resources to be brought to a future meeting of the Audit and Accounts

Committee.

Members agreed that a report on how an external audit plan was put together be brought to a future meeting of the Audit and Accounts Committee.

Members wished it to be minuted that they thought it important that external audit and the S151 officer be present for the entirety of meetings of the Audit and Accounts Committee.

Resolved:

- 1. to request a report to the March meeting of the Committee which outlines the outcome of the 2019/20 self-assessment and any actions that are required to address areas identified which require improvement;**
- 2. to agree that a workshop be organised to consider the Audit and Accounts Committee – Self Assessment 2019/20;**
- 3. to agree that the Chair and Vice Chair meet with the Head of Internal Audit to discuss the training and development programme for the Audit and Accounts Committee;**
- 4. to agree that a report on the adequacy of internal audit staffing and other resources be brought to a future meeting of the Audit and Accounts Committee; and**
- 5. to agree that a report on how an external audit plan is put together be brought to a future meeting of the Audit and Accounts Committee.**

47/19 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.

48/19 Risk Based Verification Policy from 1 April 2020

The Committee received an exempt report of the Director of Finance on Risk Based Verification Policy from 1 April 2020.

Resolved to approve the Council's Risk Based verification Policy from 1 April 2020.

MINUTES END