

Time Commenced: 10.00am  
Time Ended: 11.52am

## **AUDIT AND GOVERNANCE COMMITTEE**

### **24 January 2024**

Present: Councillor Morgan-McGeehan (Chair)  
Councillors Mulhall, 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  
Lynda Innocent – Head of Digital Enablement & Automation  
Sarah Walker – Head of Strategy, Performance and  
Partnerships

### **53/23 Apologies for Absence**

Apologies for absence were received for Hassan Rohimun.

### **54/23 Late Items**

There were none.

### **55/23 Declarations of Interest**

There were none.

### **56/23 Minutes of the meeting held on 6 December 2023**

The minutes of the meeting held on 6 December 2023 were agreed as a correct record.

### **57/23 Audit and Governance Committee – Outstanding Resolutions**

The Committee received a report 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.

It was agreed that Paul Simpson would be listed as the responsible officer for the Allestree Hall and Golf Course resolution.

It was agreed that the S106 resolution would be amended to include a request that information on the impact of the Levelling-up and Regeneration Act 2023 was included.

### **Resolved to note the report.**

## **58/23      New Financial Management System (CIA)**

The Committee received a presentation on the Council's new Financial Management System. This was presented by the Director of Finance and the Head of Digital Enablement & Automation.

It was noted that the previous system had been in operation since 2007 with minimal development since the last major upgrade in 2012. It was reported that implementation of a modern Finance System would reduce the number of systems and workarounds that needed to be maintained in order to provide key financial information for decision making purposes. It was noted that the new system would provide a positive user and stakeholder experience which was intuitive and easy to use, pushing key financial information to users to act upon within the system; allowing proactive Business Partnering conversations; and supporting the delivery of the data strategy and Intelligence Led Council Project.

It was noted that a negotiated tendering exercise had been undertaken, with a contract being signed in February 2022. It was reported that the Project Team had been mobilised April 2022 and that the key components of the New Financial System had gone live in April 2023.

It was reported that an initial budget of £2 million had been allocated to this project and that the forecast budget was £1.7 million. It was noted that the Business Case set out to achieve a reduction in headcount of 10 FTE with an annual revenue saving of £300k.

A councillor asked whether the reduction of 10 FTE had occurred as a result of the project or as a result of separate budget savings. It was noted that this project had coincided with separate budget cuts and that it wasn't possible to determine the exact contribution of this project to the 10 FTE reduction.

A councillor commented that the schools' recourse requirement had increased and asked what the impact of this would be on schools. It was noted that schools

had not been able to adapt to the corporate operating model. It was reported that schools would be returning to their previous model and that while they may have experienced an initial blip, it was not expected to have a significant impact on schools.

A councillor asked what the length of the contract for the new CIA was. It was reported that the contract was for an initial five years with a possible further five years.

Members of the committee questioned whether there had been any issues with the implementation of the new system. It was reported that there were 40-50 outstanding issues, some of which were related to reporting and would affect the year end position. It was reported that Mazars would be informed about this.

**Resolved to note the information provided in the presentation.**

## **59/23 Risk management – assurance update**

The Committee received a report on Risk management – assurance update. This was presented by the Head of Strategy, Performance and Partnerships.

It was noted that risk was an inevitable part of service delivery for all organisations and that a robust and embedded risk management framework aided effective and informed decision-making, by identifying and managing risks. It was reported that it was essential that for significant organisational risks, or strategic risks, that the Council understood the effectiveness of its controls in the desired treatment of the risk.

It was reported that the purpose of this report was to provide the Audit and Governance Committee with an overview of the on-going implementation of the Council's risk management framework, to develop Derby's risk culture, alongside a mid-year review of assurance activities relating to strategic risks. It was noted that no strategic risks had been identified for a Risk Surgery, as adequate assurance was judged to be in place for all risks currently on the register.

The Committee noted that key developments over the last six months had included:

- Risk training sessions hosted with Councillors, Cabinet, Heads of Service and Managers.
- Risk maturity outlined as part of risk training sessions.
- Reviews of the risk level of all strategic risks to seek assurances that they continue to be managed at the correct level.
- Emerging risk log circulation widened to Heads of Service monthly, supporting in risk identification.
- The Assurance Team has led and supported with specific service risk review

requests, as appropriate (e.g. Property and Accommodation Sufficiency).

- We have continued 6-monthly assurance reviews on strategic and directorate risks where the scores remain unchanged, despite mitigations, to ensure risks are appropriately defined, review the context, any barriers to reduced ratings and any anticipated impacts of controls.
- Strengthening programme and project risk assurance activities through embedding our Assurance and Development (A&D) Group, which underpins the Programme Management Office Board (PMO), and the introduction of an assurance report template, which takes a risk-based approach to recommendations.

It was reported that all risks within the register had controls and further mitigations identified, as appropriate. It was noted that as a minimum these were reviewed quarterly, with registers accessible to risk owners and updaters at all times. This made sure that controls and actions could be reviewed and updated as required; ensuring risks remained accurate.

It was noted that overall, progress in mitigations were consistent and positive, with only a few controls across risks within the strategic register reporting slippages. It was reported that some additional actions for a small number of risks had reported 'some slippage' in implementation, and one risk had reported 'major slippage' in implementation (SR8\_CR7 Data and records management). The Committee noted that these were monitored and reviewed through targeted discussions with risk owners, through lead boards and/or working groups alongside the Strategy, Performance and Partnerships service.

Councillors asked whether in relation to Risk 16 the Council was relying too much on AI in order to achieve a balanced budget. It was reported that AI would appear on the risk register in due course and that more detailed summaries of all risks were included in the public risk registers on iDerby. It was agreed that future reports would include links to these risk registers and would also include more detail on anything reporting 'some /major slippage' for actions or where controls were not in place.

A member of the Committee asked whether some training on risk could be provided. It was agreed that training for all Committee members on risk would be provided. It was also agreed that links to the public risk registers would be shared with Committee members after the meeting.

A member of the Committee asked for future reports to include an additional column on risk tolerance against the current score. It was agreed that this would be included in future reports.

It was agreed that the Performance Team would look into how future reports could better reflect how questions were being asked of risk owners in order for assurance to be provided.

## **Resolved:**

- 1. to note the assurance assessments for each stage of Derby's risk management processes, presented in Appendix 1 of the report, alongside the opportunities for improvements that will be progressed during 2024.**
- 2. to note the overview of our strategic risk register, including assurance activities planned or completed, presented in Appendix 2 of the report.**

## **60/23 Programme Management Office (PMO) Update**

The Committee received a report on the Programme Management Office (PMO) Update. This was presented by Head of Strategy, Performance and Partnerships.

It was noted that in order to strengthen the PMO gateway review process, an assurance report template was developed with input from project teams, the Assurance and Development (A&D) Group and the PMO Board, which was subsequently introduced in May 2023. The Committee noted that the report was aligned with the Council's project management methodology, essential documentation and processes.

It was noted that the report provided a summary of assurance activities pre-PMO Board, which included:

- evidence that key project documents are in place, alongside an assessment of their quality
- an evaluation of the current status of the programme or project based on the PMO Board's assurance based key lines of enquiry at each gateway stage
- an executive summary of the project outline, alongside recommendations from the Assurance Team and the A&D Group that, if implemented, will strengthen aspects of a programme or project, ahead of the gateway review
- a summary of areas for development with any responses / progress updates on the assurance recommendations delivered by the lead project team
- areas of good practice, and the next assurance review date and gateway.

The Committee noted that all gateway discussions through both the A&D Group and the PMO Board were appropriately recorded on a recommendations log, documenting the areas identified for further consideration alongside the outcome of these. It was reported that this ensured that the loop was closed on assurance-based recommendations, and captured learning for future programme and project activities.

The Committee noted that a PMO development session had taken place in September 2023, to bring together the Assurance Team, PMO Board and A&D

Group members to review the Council's current PMO processes, background, assurance role and function; and to discuss any future improvements.

It was noted that opportunities for development that were identified in the session included:

- Finalising and implementing the PMP dashboards to allow more interactive real-time challenge and oversight, where we are awaiting IT colleagues to progress.
- Sharing learning on the progress and impact of the PMO with CLT and the Delivery Board, to shape future priorities.
- PMO and project governance training to be available for project managers, Senior Responsible Officers and Cabinet members, from 2024/25 onwards.

The Committee noted that additional areas that had been enhanced over the last year had included:

- the programme and project PMO pipeline is more robust and has integrated the Delivery Board pipeline to ensure strengthened alignment between boards. We are, where possible, working to ensure that gateway discussions are appropriately timed to add the most value through high challenge, high support
- there have been a number of risk-based reviews of complex or high-risk programmes or projects (i.e., mobility programme and OCOR), with assurance oversight maintained on a monthly basis
- the risk management strategy and handbook were refreshed in March 2023, which included updated project risk management guidance, inclusion of the project manager network and A&D Group in roles and responsibilities, and additional risk review tools including a 'project risk review' template, to increase consistency and improve alignment of project risks within our risk management framework.

It was reported that alongside the work of the Assurance Team, the strengthened oversight that had been achieved through the developments made over the last year was increasing the likelihood of successful programme and project delivery, through timely and appropriate support and challenge. The Committee noted that the strategic risk rating for 'Ineffective project management governance' had remained at nine (medium risk), recognising the wider factors that could influence successful programme and/or project delivery.

A councillor commented that for some projects it was difficult to follow their progression as information online was not being kept up to date. It was noted that visibility of project progression was important and that links with consultation, external websites and performance would be included in future reports. It was also agreed that the definition of outcomes and what was being measured against would be looked into. This would assure that the Council was getting them right at the earliest point.

Councillors discussed how member scrutiny of project scope could take place at the right points and whether training could be provided for all councillors and Co-opted members. The Head of Strategy, Performance and Partnerships agreed to look into this.

**Resolved:**

- 1. to note the significant developments that have been made in the PMO function over the last 12-months; as set out in paragraphs 4.4 to 4.12 of the report.**
- 2. to note the future priorities for improvement, set out in paragraph 4.13 of the report.**

## **61/23      Audit and Governance Committee – Self-Assessment of Effectiveness 2023/24**

The Committee received a report on Audit and Governance Committee – Self-Assessment of Effectiveness 2023/24. This was presented by the Head of Internal Audit.

It was noted that a well-functioning Audit Committee was regarded as key to helping its organisation to achieve good corporate governance. It was reported that the Audit and Governance 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.

It was suggested that members should leave questions blank if they wished to answer ‘don’t know’. Members were asked to complete the assessment and return it to the Head of Internal Audit by 26 February 2024. A councillor asked for officers who regularly attended Audit and Governance Committee meetings to complete the assessment too.

**Resolved that Members would each complete the self-assessment questionnaire.**

## **62/23      Update from External Audit**

A representative from EY was not available to present this report and it was agreed that the report would be postponed until the next meeting.

**Resolved to postpone this item.**

## **63/23      Audit and Governance Committee – Updated**

## Committee Work Programme 2023-24

The Committee considered a report which provided an update to the Committee regarding the Audit and Governance Committee – Updated Committee Work Programme 2023-24. This was presented by the Head of Internal Audit.

A member of the Committee asked whether this report could be brought to every meeting. It was agreed that the Committee Work Programme would be brought to all future Committee meetings.

A councillor asked whether a review of AI implications could be included in the work programme. It was agreed that this would be added to the future items list.

**Resolved to agree the updated work programme for the Committee.**

### 64/23 Treasury Management Mid-Year Report 2023/24

The Committee considered a report which provided an update to the Committee regarding the Treasury Management Mid-Year Report 2023/24 which had been considered by Council Cabinet. This was presented by the Director of Finance.

The Committee noted that the Council was required, for good practice under the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the "CIPFA TM Code"), to approve treasury management mid-year and outturn reports.

It was noted that the report included the new requirement in the 2021 code, of quarterly reporting of the treasury management prudential and capital indicators. It was reported that these indicators would be incorporated into future quarterly outturn reports presented to Council Cabinet.

It was reported that this mid-year report outlined the Treasury Management activity and capital indicators for the period 1 April 2023 to 30 September 2023 for Council to note, comprising:

- Forecast Outturn 2023/24 including Quarter 2 update
- Summary of the Financial Markets to date in 2023/24
- Borrowing Activity
- Investment Activity
- Non Treasury Investments
- Treasury Performance
- Compliance Report
- Treasury Management Indicators
- Capital Expenditure Indicators.



A councillor raised concerns that Table 11 showed that the Council may be borrowing over decades which would result in future generations having to pay for decisions made now. It was reported that the Council only borrowed over the lifetime of a product and that this was scrutinised by External Audit. A councillor commented that it was important for the Council to limit long-term borrowing and to challenge this where possible.

A member of the Committee asked for the second column in Table 11 to show a cumulative figure in future reports. The Director of Finance agreed to look into this.

A member of the Committee asked what oversight was in place above the borrowing strategy. It was reported that the Finance Team met regularly with Treasury Advisors who provided oversight.

Members of the Committee noted that the key headline from this report was that the Council was now moving into a borrowing position. A councillor asked whether the Council was having to borrow more as a result of low reserves. It was agreed that this was a contributing factor.

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

MINUTES END