

Time Commenced: 10.00am  
Adjourned: 12.30pm  
Reconvened: 12.40pm  
Time Ended: 1.30pm

**AUDIT AND ACCOUNTS COMMITTEE**  
**19 June 2018**

Present: Councillor Willoughby (Chair)  
Councillors Care, Cooper, Hussain, Peatfield, A Pegg and  
West and Stuart Green and Philip Sunderland

In attendance: Richard Boneham – Head of Audit Partnership  
Stephen Clark - Ernst and Young LLP  
Jill Craig – Interim Director of Information Systems  
Jacinta Fru – Audit Manager  
Ranjit Gill – Principal Auditor  
Heather Greenan – Head of Performance and Intelligence  
Helen Henshaw – Ernst and Young LLP  
Don McLure – Strategic Director of Corporate Resources  
Steven Mason – Democratic Services Officer  
Lynn Parkin – Principal Auditor  
Councillor Roulstone – Cabinet Member for Financial  
Services and Procurement  
Peter Shillcock – Group Accountant - Corporate  
Linda Spiby – Head of Procurement and Contracting

**01/18 Apologies for Absence**

Apologies were received from Councillor Shanker.

**02/18 Late Items**

There were no late items received.

**03/18 Declarations of Interest**

There were no declarations of interest.

**04/18 Minutes of the meeting held on 20 March 2018**

The minutes of the meeting held on 20 March 2018 were noted.

## 05/18      Audit & Accounts Committee Work Programme 2018/19

The Committee received a report of the Strategic Director of Corporate Resources on Audit & Accounts Committee Work Programme 2018/19. The report was presented by the Head of Audit Partnership.

The Committee considered the proposed work programme for the 2018/19 municipal year.

It was agreed that Members of the Committee should receive internal audit training sessions, to coincide with future meetings.

### **Resolved:**

- 1. to agree the work programme for the Audit and Accounts Committee 2018/19; and**
- 2. to agree that Members of the Committee receive internal audit training sessions, to coincide with future meetings.**

## 06/18      Internal Audit Annual Report 2017/18 including the Audit Opinion

The Committee received a report of the Strategic Director of Corporate Resources on Internal Audit Annual Report 2017-18. The report was presented by the Audit Manager.

It was reported that the Public Sector Requirement of Standard 2450 of the Public Sector Internal Audit Standards (PSIAS) required that the 'Chief Audit Executive' (in the case of Derby City Council the Audit Manager) must deliver an annual internal audit opinion and report, that could be used by the Council to inform its Annual Governance Statement.

Members noted that the annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. It was reported that the overall Audit Opinion was that Derby City Council's framework of governance, risk management and management control was adequate subject to reservations.

Members considered a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.

Members discussed the implementation of the General Data Protection

Regulations and agreed that a progress report be brought to a future meeting.

Members requested that a review of the report format be undertaken.

Members agreed that, going forward, the report should contain more detail in relation to Limited Assurance.

**Resolved:**

- 1. to note the report; and**
- 2. to agree that a progress report on the implementation of the General Data Protection Regulations be brought to a future meeting of the Audit and Accounts Committee.**

## **07/18 Internal Audit Progress Report on 2018/19 Plan**

The Committee received a report of the Strategic Director of Corporate Resources on Internal Audit – Progress Report. The report was presented by the Audit Manager.

It was reported that Internal Audit was committed to keeping the Committee up to date with Internal Audit progress and activity throughout the year and bringing to its attention any other matters that were relevant to its responsibilities.

Members fully considered the report attached at Appendix 2 and agreed that, going forward, the report should contain more detail in relation to Limited Assurance.

Members discussed the recommendations not implemented, where the original action date was exceeded by over 12 months. It was agreed that these instances should be reported to the Chief Officer Group and the relevant Cabinet Member. It was also agreed that if still not implemented within three months, the relevant Chief Officer, and responsible officer if necessary, should provide an update at a meeting of the Audit and Accounts Committee.

**Resolved:**

- 1. to note the on-going progress on assurance activity undertaken by CMAP, Internal Audit, for the period March 2018 to 31st May 2018; and**
- 2. to agree that, going forward, any recommendations not implemented, where the original action date is exceeded by over 12 months, should be reported to the Chief Officer Group and the relevant Cabinet Member and that if still not implemented within three months, the relevant Chief Officer, and responsible officer if necessary, provide an update at a meeting of the Audit and Accounts**

## **Committee.**

### **08/18 Financial Statements 2017/18 Progress Report**

The Committee received a report of the Strategic Director of Corporate Resources on Financial Statements 2017/18 Progress Report.

It was reported that the Accounts and Audit Regulations 2015 changed the timetable for local authorities publishing both unaudited and audited accounts. Members noted that the new regulations brought forward publishing the unaudited accounts for financial year 2017/18, from 30 June to 31 May and audited accounts from 30 September to 31 July.

Members considered the report that outlined the progress the Council had made towards achieving publication within the new timescales.

Members unanimously agreed that the team should be thanked for all its work.

#### **Resolved:**

- 1. to note the report; and**
- 2. to agree that the thanks of the Committee to the team for all its work, be noted.**

### **09/18 Annual Audit Letter 2016/17**

The Committee received a report of the Strategic Director of Corporate Resources on Annual Audit Letter and 2016-17 Final Accounts Completion Certificate. The report was presented by Stephen Clark and Helen Henshaw - Ernst and Young LLP.

It was reported that the external auditor was required to issue an annual audit letter to the Council following completion of audit procedures for the year ended 31 March 2017.

It was also reported that at the time that the audit report was issued (December 2017) the work in respect of the Whole of Government Accounts required to report to the National Audit Office were incomplete. Members noted, that as a result of this, the external auditor was unable to certify the 2016/17 audit complete and issue its Annual Audit Letter.

Members also noted that the whole of Government Accounts procedures were now complete with no significant issues highlighted.

It was reported that the Committee was, therefore, receiving both the audit completion certificate for the 2016-17 financial year and the Annual Audit Letter.

It was requested that Members of the Committee should receive external audit training.

**Resolved:**

- 1. to approve the Annual Audit Letter; and**
- 2. to agree that Members of the Committee receive external audit training.**

## **10/18      Certification of Claims and Returns Annual Report 2016/17**

The Committee received a report of the Strategic Director of Corporate Resources on Certification of claims and annual report 2016-17. The report was presented by Stephen Clark and Helen Henshaw - Ernst and Young LLP.

Members noted that the report was prepared annually by the Council's external auditors to provide the Committee with a summary of certification and other assurance work conducted throughout the year by Ernst and Young LLP.

It was noted that the report also summarised the results of the external auditors work on Derby City Council's 2016-17 Housing Benefit subsidy claim, Teacher's Pensions, and Pooling of Housing Capital Receipts.

Members considered the report attached at Appendix 2 and requested that, going forward, the report should contain more context.

**Resolved to note the report.**

## **11/18      Corporate Improvement Plan Update**

The Committee received a report of the Acting Chief Executive on Corporate Improvement Plan – June 2018 Update. The report was presented by The Head of Performance and Intelligence.

It was reported that the Corporate Improvement Plan (CIP) was introduced in December 2017 as part of the Council's response to the LGA Corporate Peer Challenge and that it contained 10 key themes underpinned by supporting actions which would address a number of challenges faced by the Council.

Members noted that the Improvement Plan had been further developed since it was first reviewed by the Audit and Accounts Committee in January 2018 and that it now contained 61 actions which were continually reviewed and updated in an attempt to keep the Council's improvement priorities relevant and realistic.

The Committee considered the report, which contained a summary of progress up to 1 June 2018.

It was agreed that, going forward, the relevant Chief Officer should attend Audit and Accounts Committee to explain any slippages.

Members of the Committee requested Risk Management training for all elected members.

Members discussed the Governance Working Group and noted that the Cabinet Member for Governance and Licensing would be invited to future meetings.

Members requested that future reports include original timescales as well as revised timescales.

**Resolved:**

- 1. to note progress made in delivering the Corporate Improvement Plan and refer comments as appropriate.;**
- 2. to endorse the revised timescales proposed for actions at paragraph 4.9 of the report;**
- 3. to agree that, going forward, the relevant Chief Officer should attend meetings of the Audit and Accounts Committee to explain any slippages; and**
- 4. to request that all Elected Members receive Risk Management training.**

## **12/18 Risk Management Update**

The Committee received a report of the Strategic Director of Corporate Resources on Risk management Update. The report was presented by The Head of Performance and Intelligence.

It was reported that risk management had previously been identified as an area for improvement by both External Audit and the Local Government Association and featured in the Council's Corporate Improvement Plan. It was also reported that in November 2017 Zurich were commissioned to support the Council to review its arrangements for risk management, including the provision of training for employees, and to update the risk management policy and registers.

Members considered the report which contained a summary of progress made to date, identified a number of further improvements the Council was making to embed risk management effectively, the latest Strategic Risk Register (up to March 2018) and proposed a programme of quarterly monitoring reports to Audit and Accounts Committee going forward.

Members discussed risk surgeries and requested that guidance on them be brought to the next meeting of the Audit and Accounts Committee.

**Resolved:**

- 1. to note the improvements made to the Council's arrangements for risk management;**
- 2. to receive quarterly update reports on the Strategic Risk Register and where appropriate, to commission 'Risk Surgeries' to examine specific risks in more detail; and**
- 3. to agree that guidance on Risk Surgeries be brought to the next meeting of the Audit and Accounts Committee.**

## **13/18 Draft Annual Governance Statement 2017/18**

The Committee received a report of the Strategic Director of Corporate resources on Draft Annual Governance Statement 2017/18. The report was presented by Head of Audit Partnership.

It was reported that the production and publication of an Annual Governance Statement was a statutory requirement.

Members considered the report which outlined the on-going work within the Council to improve its governance framework.

**Resolved to note the draft Annual Governance Statement 2017/18 attached at Appendix 2.**

## **14/18 Accounting Policies 2017/18**

The Committee received a report of the Strategic Director of Corporate Resources on Accounting Policies 2017/18. The report was presented by the Group Accountant – Corporate.

Members considered the report which proposed an amendment to its Accounting Policies for 2017/18.

**Resolved to approve the Accounting Policies outlined at appendix 2.**

## **15/18 CIPFA Guidance on Audit Committees**

The Committee received a report of the Strategic Director of Corporate Resources on Audit Committees – Practical Guidance for Local Authorities and Police – 2018 Edition. The report was presented by the Head of Audit

Partnership.

Members considered the report which contained a synopsis of the latest Chartered Institute of Public Finance and Accountancy (CIPFA) guidance on Audit Committees.

Members were requested to nominate a small working group consisting of Committee Members, supported by the chief internal auditor, to review the committee's current terms of reference in line with the suggested model terms of reference in the CIPFA guidance. Members agreed that the working group would consist of Councillors Willoughby, West and Care and Philip Sunderland (Co-opted member).

Members considered the Audit Committee Members - Knowledge and Skills Framework, attached at Appendix 3 of the report, and agreed that it should be circulated to elected members before each Annual Meeting of Council, to aid in the selection of Members for the Committee.

**Resolved:**

- 1. to note the CIPFA Position Statement on Audit Committees contained in the document "Audit Committees - Practical Guidance for Local Authorities and Police – 2018 Edition";**
- 2. to agree that Councillors Willoughby, West and Care and Philip Sunderland (Co-opted member) will make up the working group, supported by the chief internal auditor, to review the committee's current terms of reference in line with the suggested model terms of reference in the CIPFA guidance; and**
- 3. resolved to agree that the Audit Committee Members - Knowledge and Skills Framework be circulated to elected members before each Annual Meeting of Council, to aid in the selection of Members for the Committee.**

## 16/18      Waivers

The Committee received a report of the Strategic Director of Corporate resources on Reporting of Contract Waivers. The report was presented by the Head of Procurement and Contracting.

It was reported that there were a total of 14 waivers within the report, covering the period 1 February 2018 to 25 May 2018; broken down by directorate.

Members noted that of the 14 waivers, nine were considered to be unavoidable. Members also noted that this compared with 17 waivers that were considered by Audit and Accounts Committee on 13 February 2018 for the period 31 October 2017 to 31 January 2018.



Following consideration of the report, it was agreed that VEAT notice waivers be removed from future reports. It was also agreed that unavoidable waivers, where only one supplier was available, be removed from future reports.

Members noted the improvements made to the report.

Members requested that future reports contain more information on avoidable waivers.

It was agreed that where an investigation had been carried out into the reasons for a waiver being granted, the results and lessons learnt should be presented to the committee.

**Resolved:**

- 1. to note the report; and**
- 2. to note the improvements made to the report.**

## **17/18 Information Assurance Report**

The Committee received a report of the Strategic Director of Resources on Information Assurance Update. The report was presented by the Interim Director of Information Systems.

Members considered the report which provided an update on information management arrangements across the Council.

Members were provided with an update on the Council's adoption of the Data Protection regulation, requests for information, Subject Access Requests, CCTV disclosure requests and information security.

Members noted the consolidation of various existing policies into a single Information Security and IT Acceptable Use Policy and that the policy has been brought into use. Members requested that the policy be brought to a future meeting of the Audit and Accounts Committee.

Members requested that an IT update be brought to a future meeting of the Audit and Accounts Committee, especially in relation to ICT Asset Management Internal Audit limited assurance opinion.

**Resolved:**

- 1. to note the report;**
- 2. to request a further Information Assurance update in December 2018;**
- 3. to note the consolidation of various existing policies into a single Information Security and IT Acceptable Use Policy and that it has been brought into use;**
- 4. to agree that the Information Security and IT Acceptable Use Policy be brought to a future meeting of the Audit and Accounts Committee; and**
- 5. to agree that an IT update be brought to a future meeting of the Audit and Accounts Committee, especially in relation to ICT Asset Management Internal Audit limited assurance opinion.**

**18/18      Exclude Press and Public**

**Resolved that under Section 100A(4) of the Local Government Act 1972 the public be excluded from the meeting during discussion of the following item of business on the grounds that it involved the likely disclosure of exempt information as defined in Paragraphs 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.**

**19/18      Internal Audit Investigation**

The Strategic Director of Corporate Resources reported on an internal audit investigation.

Members discussed the investigation and agreed that the Chair should receive regular updates. It was also agreed that the Audit and Accounts Committee should receive regular updates.

**Resolved:**

- 1. to note that an investigation is taking place;**
- 2. to agree that the Chair receives regular updates; and**
- 3. to agree that the Audit and Accounts Committee receives regular updates.**

MINUTES END