

Time Commenced: 9.00am
Time Ended: 11.35am

AUDIT AND ACCOUNTS COMMITTEE

8 August 2018

Present: Councillor Willoughby (Chair)
Councillors Care, Cooper, Hudson, Hussain, Shanker and West

In attendance: Richard Boneham – Head of Audit Partnership
Stephen Clark - Ernst and Young LLP
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
John Massey – Head of Benefits and Exchequer Services
Councillor Roulstone – Cabinet Member for Financial Services and Procurement
Pete Shillcock – Group Accountant - Corporate
Alan Smith – Head of Economic Regeneration

20/18 Apologies for Absence

Apologies were received from Councillor Peatfield and Stuart Green and Philip Sunderland.

21/18 Late Items

There were no late items received.

22/18 Declarations of Interest

There were no declarations of interest.

23/18 Minutes of the meeting held on 19 June 2018

The minutes of the meeting held on 19 June 2018 were agreed as a correct record.

24/18 Audited Financial Statements for the year ended 31 March 2018 and ISA260 Audit Letter for the year ended

31 March 2018

The Committee received two reports of the Strategic Director of Corporate Resources on Audited Financial Statements for the year ended 31 March 2018 and Ernst and Young ISA260 Audit Letter for the year ended 31 March 2018.

Stephen Clark and Helen Henshaw – Ernst & Young LLP presented the external auditor's overall findings and audit opinion in respect of the 2017/18 financial year.

Members considered the areas of audit focus, with significant risks being the main one. These included risk of fraud in revenue and expenditure recognition, such as recognition in the incorrect financial year, which were a particular focus of the work of the external auditors.

Members noted that less significant areas of audit focus included follow up of statutory written recommendations issued in June 2017. The Strategic Director of Corporate Resources reported that a progress report on Section 24 Recommendations would be brought to the September meeting of the Audit and Accounts Committee.

The external auditors confirmed that they would issue an unqualified audit report on the financial statements.

In relation to value for money the external auditors reported an adverse conclusion and that this was due in part to the overspend on the A52 capital project.

Members considered audit differences and the largest of these related to the estimation of Derby City Council's share of the Derbyshire County Council Pension Scheme assets which had been understated at the year end.

The external auditors reported on their assessment of the control environment and that they had identified a number of deficiencies. Members agreed that a progress report on deficiencies identified in internal controls should go to the November meeting of the Audit and Accounts Committee.

The Strategic Director of Corporate Resources introduced the audited Financial Statements for the year ended 31 March 2018.

Members discussed the forecasted overspend on the A52 capital project. Some members of the Committee re-iterated their calls for an external investigation to be undertaken. Members noted that Internal Audit was carrying out an investigation in to this matter. It was agreed that a report should be brought to a future meeting of the Audit and Accounts Committee on the Internal Audit investigation into the overspend on the A52 capital project.

Resolved:

- 1. to approve the audited Financial Statements for the year ended 31 March 2018;**
- 2. to note the content of Ernst Young's Audit Letter;**
- 3. to agree that a progress report on Section 24 Recommendations should go to September meeting of the Audit and Accounts Committee;**
- 4. to agree that a progress report on deficiencies identified in internal controls should go to the November meeting of the Audit and Accounts Committee; and**
- 5. to agree that a report be brought to a future meeting of the Audit and Accounts Committee on the Internal Audit investigation into the overspend on the A52 capital project.**

25/18 Annual Governance Statement 2017/18

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

It was reported that the production and publication of the Council's Annual Governance Statement was a statutory requirement. It was also reported that the Annual Governance Statement 2017/18, attached at Appendix 2 of the report, reflected the ongoing work within the Council to improve its governance framework.

Members put forward a number of minor amendments.

Resolved:

- 1. to approve the Annual Governance Statement 2017/18, attached at Appendix 2 of the report, subject to amendments as outlined at the meeting; and**
- 2. to request that the Leader of the Council and the Chief Executive sign the Certification on page 22 of the Annual Governance Statement.**

26/18 Annual Report and Review of Performance 2017/18

The Committee received a report of the Acting Chief Executive on Annual Report and Review of Performance 2017/18. The report was presented by the Head of Performance and Intelligence.

Members noted that the Council produced a short Annual Report every year to be published alongside the Annual Review of Performance. It was reported that these documents were an important way to build public understanding of the Council's work,

its achievements and the challenges that it was addressing. It was noted that they complemented the Statement of Accounts and Annual Governance Statement, which were necessarily quite technical in nature, and were published separately.

It was reported that the Annual Report and Annual Review of Performance were due to be considered by Council Cabinet on 8 August 2018.

Members put forward a number of minor amendments to the Annual report.

Members wished to thank the team for all of its work.

Members discussed the Annual Performance results 2017/18, as attached at Appendix 3 of the report and agreed that any status showing red should be considered by the Chair and Vice Chair of the relevant Scrutiny Board for possible inclusion in the work programme of that Board.

Resolved:

- 1. to endorse the Annual Report, subject to amendments as outlined at the meeting and the Annual Review of Performance;**
- 2. to agree that the thanks of the Audit and Accounts Committee to the team, for all its work, be noted; and**
- 3. to agree that in relation to the Annual Performance Results 2017/18, any status showing red should be considered by the Chair and Vice Chair of the relevant Scrutiny Board for possible inclusion in the work programme of that board.**

27/18 Monitoring Officer Update

The Committee received a report of the Interim Monitoring Officer on Monitoring Officer Update. The report was presented by the Democratic Services Officer.

Members received an update on the following work being undertaken by, or involving the Council's Interim Monitoring Officer:

- New Standards Regime
- Referrals to the Monitoring Officer relating to Taxi Licensing issues
- Governance Changes

Resolved to note the report.

28/18 Update on Counter Fraud Activities to 30 June 2018

The Committee received a report of the Strategic Director of Corporate Resources on Update on Counter Fraud Activities to 30 June 2018. The report was presented by the Head of Audit Partnership and the Head of Benefits and Exchequer Services

Members were provided with an update on the counter fraud activities, including the National Fraud Initiative, being undertaken within the Council in the period 1 January 2018 to 30 June 2018. Members were also provided with an update on notifications/investigations that had taken place under the following legislation:

- The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (MLR 2017)
- Bribery Act 2010
- Public Interest Disclosure Act 1998
- Regulation of Investigatory Powers Act 2000

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

29/18 Covert Surveillance

The Committee received a report of the Strategic Director of Corporate Resources on Covert Surveillance. The report was presented by the Head of Audit Partnership.

It was reported that the Investigatory Powers Commissioners Office (IPCO) required each regulatory authority that undertakes surveillance activity to put in place governance arrangements that provided decision makers with oversight in respect of the use of surveillance tactics within the authority specifically, in relation to numbers and the integrity of the records system.

Members were provided with an update for the period 1 April 2017 to 31 March 2018.

It was noted that there had been one covert surveillance authorisation application made to the magistrates' court during that period.

Resolved to note that there has been one covert surveillance authorisation application made to the magistrates' court during the period 1 April 2017 to 31 March 2018.

30/18 Internal Audit Charter

The Committee received a report of the Strategic Director of Corporate Resources on Internal Audit Charter. The report was presented by the Head of Audit Partnership.

Members noted that the report set out the latest version of the Internal Audit Charter and that the annual update required review and approval by the Committee.

It was reported that under the Public Sector Internal Audit Standards (PSIAS) the purpose, authority and responsibility of the internal audit activity was formally defined in an Internal Audit Charter.

Members reviewed the Internal Audit Charter.

Resolved to approve the contents of the Internal Audit Charter attached at Appendix 2 of the report.

31/18 Exclusion of 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.

32/18 Derby Enterprise Growth Fund – Loan Funding

The Committee received a report of the Strategic Director of Corporate Resources on the controls and decision making processes within the Derby Enterprise Growth Fund – Loan Funding. The report was presented by the Strategic Director of Corporate Resources and the Head of Economic Regeneration.

Members reviewed the processes and practices for Derby Enterprise Growth Fund loan funding as attached at Appendix 2 of the report.

It was agreed that Internal Audit should conduct a system audit and feedback findings to a future meeting of the Audit and Accounts Committee.

Resolved:

- 1. to note the report; and**
- 2. to agree that Internal Audit should conduct a system audit and bring its findings to a future meeting of the Audit and Accounts Committee.**

MINUTES END