

Time Commenced: 10.00am
Time Ended: 1.24pm

**AUDIT AND ACCOUNTS COMMITTEE
4 November 2020**

Present: Councillor Willoughby (Chair)
Councillors Bettany, Care, Dhindsa, S Khan, McCristal, A
Pegg and Stuart Green and Philip Sunderland

In attendance: Sinead Booth - Information Governance Manager & Data
Protection Officer
Richard Boneham – Head of Internal Audit
Stephen Clark – Ernst and Young LLP
Sophie Gallagher – Principal Accountant
Nicola Goodacre – Group Accountant
Gemma Hadfield – Principal Accountant
Steven Mason – Democratic Services Officer
Alison Parkin – Director of Financial Services
Simon Riley – Strategic Director of Corporate Resources
and S151 Officer
Pete Shillcock – Group Accountant – Corporate Finance
Sharon Vernon – Shared Lives Co-ordinator
Sarah Walker – Policy and Improvement Manager

31/20 Apologies for Absence

Apologies were received from Councillors Pattison and West.

32/20 Late Items

There were no late items.

33/20 Declarations of Interest

There were no declarations of interest.

**34/20 Minutes of the meeting held on 30 September
2020**

The minutes of the meeting held on 30 September 2020 were agreed as a correct record.

35/20 Audit and Accounts Committee – Outstanding Resolutions

The Committee received a report of the Director of Legal, Procurement and Democratic Services and Monitoring Officer on Audit and Accounts Committee – Outstanding Resolutions.

It was reported 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.

Members considered and reviewed the outstanding resolutions attached at Appendix 1 of the report and Appendix 2.

It was agreed that going forward, completed actions be removed from the appendices.

The Shared Lives Co-ordinator provided an update on the Shared Lives audit.

Members discussed the actions arising from the 2019/20 self assessment and in particular the following stated issue:

Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?

In relation to this, the Committee requested that the S151 Officer considered the value of wider engagement.

Resolved:

- 1. to note the report; and**
- 2. to agree to the removal of those resolutions that have been actioned to the satisfaction of the Committee.**

36/20 Ernst and Young ISA260 Audit Letter for the Year Ended 31 March 2020

The Committee received a report of the Strategic Director for Corporate Resources on Ernst and Young LLP ISA260 Audit Letter for the Year Ended 31 March 2020.

The report provided the external auditor's overall findings and audit opinion in respect of the 2019/20 financial year.

Ernst and Young LLP presented the report and their findings.

It was reported that subject to the satisfactory completion of outstanding items, such as the pension fund audit, Ernst and Young LLP expected to issue an unqualified opinion on the authority's financial statements.

Members considered a number of matters, such as valuation of land and buildings, PFI financing and going concerns in relation to Covid-19.

Resolved to note the content of the letter.

37/20 Audited Financial Statements for the Year Ended 31 March 2020

The Committee received a report of the Strategic Director of Corporate Resources on Audited Financial Statements for the Year Ended 31 March 2020.

The report provided the Audit and Accounts Committee with the audited Financial Statements of the Council in respect of the year ended 31 March 2020.

Members noted that the Financial Statements should be read in conjunction with the findings of Ernst Young (External Auditor) as stated in their ISA 260 letter also included on the agenda.

It was reiterated that the outstanding pension item would have no material impact, rather that technical adjustments would be required.

The Committee wished its thanks to the Strategic Director of Corporate Resources and his team to be noted.

Resolved:

- 1. to approve the audited Financial Statements for the year ended 31 March 2020 – subject to outcome of Derbyshire County Council pension audit and completion of Ernst and Young's (EY) quality review;**
- 2. to delegate authority for the final approval of the Financial Statements to the Strategic Director of Corporate Resources and Chair of the Audit and Accounts Committee, subject to satisfactory pension audit and any narrative amendments arising from EY's quality review; and**
- 3. to agree that the thanks of the Committee to the Strategic Director of Corporate Resources and his team be noted.**

38/20 Committee Terms of Reference

The Committee received a report of the Strategic Director of Corporate Resources on Committee Terms of Reference.

It was reported that the Audit and Accounts Committee was an important source of assurance about the Council's arrangements for managing risk, maintaining an effective control environment and reporting on the adequacy of the overall governance framework.

Members noted that regular review of the Committee's terms of reference against current best practice guidance would help the Committee to determine and fulfil its responsibilities, as well as supporting the ongoing need to consider its independence and accountability.

It was noted that the Committee last reviewed the Terms of Reference at its meeting on 7 November 2018.

Members were asked to consider the current Audit and Accounts Committee Terms of Reference attached at Appendix 1 and the suggested amendments in paragraph 4.8.

It was agreed to recommend to Council that the Committee be re-named the Governance and Audit Committee.

It was agreed that a form of wording to reflect the following be added as the final point under the Governance, Risk and Controls section:

- To be made aware of concerns from the public in the area of governance and audit and bring these to the Committee if appropriate.

Resolved:

- 1. to agree the Committee Terms of Reference, subject to amendments as outlined at the meeting, and refer them to Council for approval; and**
- 2. to recommend to Council that the Committee be re-named the Governance and Audit Committee.**

39/20 Treasury Management Mid-Year Report 2020/21

The Committee received a report of the Strategic Director of Corporate Resources and S151 Officer on Treasury Management Mid-Year Report 2020/21.

It was reported that 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 also reported that the reports would be put before Council Cabinet on 11 November 2020 and Council on 25 November 2020.

Members noted that the mid-year report outlined the Treasury Management activity for the period 1 April 2020 to 30 September 2020 and comprised:

- Summary of the Financial Markets to date in 2020/21
- Forecast Outturn 2020/21
- Borrowing Activity
- Deposits
- Prudential Indicators

It was reported that the Treasury Management forecast outturn for 2020/21 was a net pressure of £0.550m as at 30 September 2020 and that this would be funded from the treasury management earmarked reserve.

It was noted that at the end of September 2020, total debt was £447.185m and total investments were £80.747m compared to £447.967m and £76.873m as at 31 March 2020 and that no new borrowings had been made or were anticipated to be made in the year.

It was reported that all Treasury Management activities of the Council up to 30 September 2020 had complied with Prudential Indicators.

Members noted that Treasury Management advice to the Council up to 30 September 2020 had been provided by Arlingclose and that their services included economic and interest rate forecasting, advice on strategy, portfolio structure, debt restructuring, investment policy and credit ratings and technical assistance on treasury matters as and when required.

Members agreed unanimously that the following extra recommendation be referred to Council Cabinet for consideration at its meeting on 11 November 2020:

- that in the light of on-going low interest rates, growing social need within the city and urgency of climate action, the Audit and Accounts Committee supports the council exploring the potential for commercial investment in areas like housing, energy efficiency and renewable energy, potentially with additional resource so that work on this can be taken forward soonest but with the necessary safeguards.

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; and**
- 3. to agree that in the light of on-going low interest rates, growing social need within the city and urgency of climate action, the Audit and Accounts Committee supports the council exploring the potential for commercial investment in areas like housing, energy efficiency and renewable energy, potentially with additional resource so that work on this can be taken forward soonest but with the necessary safeguards.**

40/20 Contract Waivers for the Period 1 March 2020 to 30 June 2020

The Committee received a report of the Director of Legal, Procurement and Democratic Services on Contract Waivers for the Period 1 March 2020 to 30 June 2020.

The report brought to the attention of the Audit and Accounts Committee approved waivers in line with Contract Procedure Rules.

It was requested that further information be circulated in relation to the last two waivers.

Resolved to note the contents of the report and the reduction in the total number of waivers being reported since the last report.

41/20 Risk Management Strategy and Handbook

The Committee received a report of the Director of Policy, Insight and Communications on Risk Management Strategy and Handbook.

The report sought approval of the revised Risk Management Strategy and Risk

Management Handbook; alongside presenting a response to risk management resolutions from the July 2020 Committee meeting.

It was reported that the revised Strategy and Handbook were key documents for the Council's risk management framework and assurance processes and that both documents had been subject to a review, coordinated through the Corporate Risk Management Group, at the end of 2019/20, which had informed the revisions made.

The Committee wished its appreciation for all the work carried out by the Director of Policy, Insight and Communications and the Policy and Improvement Manager in relation to risk management, be noted.

Resolved:

- 1. to approve the updated Risk Management Strategy (Appendix 1);**
- 2. to approve the updated Risk Management Handbook (Appendix 2);**
- 3. to note the response to resolutions from the July 2020 Audit and Accounts Committee meeting that are set out in paragraph 4.9;**
- 4. to note that a report on risk assurance will be submitted to the Committee in January 2021, in line with the revised roles and responsibilities in the Risk Management Strategy and Handbook; and**
- 5. to agree that the appreciation of the Committee for all the work carried out by the Director of Policy, Insight and Communications and the Policy and Improvement Manager in relation to risk management, be noted.**

42/20 Counter Fraud Update

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

The report provided an update on the counter fraud activities, including the National Fraud Initiative, being undertaken within the Council.

Members noted that the work of the Council's Counter Fraud Team over the period 1 April 2020 to 30 September 2020 was outlined together with a savings breakdown (see Appendix 1).

The report also provided an update for the period 1 April 2020 to 30 September 2020 on any 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.

The Committee expressed its appreciation to the Head of Benefits & Exchequer Services for all the work he had undertaken in relation to counter fraud.

Resolved:

- 1. to note the actions taken and the progress being made on counter fraud activities across the Council; and**
- 2. to agree that the appreciation of the Committee to the Head of Benefits & Exchequer Services for all the work he has undertaken in relation to counter fraud, be noted.**

43/20 Internal Audit Progress Report

The Committee received a report of the Strategic Director of Corporate Resources on Internal Audit Progress Report.

The progress report attached at Appendix 1 provides the Committee with an overview of the output from Internal Audit assurance work for the period 1 July 2020 to 30 September 2020.

Members reviewed the control issues raised by Internal Audit and management's response to the risks.

Members reviewed the progress being made by management in respect of the implementation of internal audit recommendations.

Members discussed the following three completed audit assignments that had received a limited assurance rating:

- Bus Station – Processes and Procedures
- Special Educational Needs – Tribunals
- Parking Permit System

Resolved to note the progress being made by Internal Audit on its work in 2020/21, including brought forward work from 2019/20 in the report at Appendix 1.

44/20 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 paragraph 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.

45/20 Information Governance Update

The Committee received an exempt report of the Director of Digital and Customer Management on Information Governance Update.

Resolved:

- 1. to note the report; and**
- 2. to request an update is given at the next meeting of the Audit & Accounts Committee.**

46/20 Internal Audit Progress Report

The Committee received an exempt report of the Strategic Director of Corporate Resources on Internal Audit Progress Report.

Resolved to note the report.

MINUTES END