

Time Commenced: 10.00am  
Time Ended: 11.53am

**AUDIT AND GOVERNANCE COMMITTEE**  
**27 March 2024**

Present: Councillors Mulhall, Care, Bolton, Wilson 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  
Linda Spiby – Head of Procurement  
Leah Parsons - Mazars  
Paul Clarke - Head of Planning  
Rosie Watson - Team Leader (Implementation)  
Pete Shillcock - Group Accountant

**65/23 Apologies for Absence**

Apologies for absence were received for Councillors Morgan-McGeehan, Repton and Sandhu.

**66/23 Late Items**

There were none.

**67/23 Declarations of Interest**

There were none.

**68/23 Minutes of the meeting held on 24 January 2024**

The minutes of the meeting held on 24 January 2024 were agreed as a correct record.

**69/23 Audit and Governance Committee – Outstanding Resolutions**

The Committee received a report which stated 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.

A member of the Committee asked whether a timeframe could be provided for the Counter Fraud Annual Report 2022/23 action. It was noted that the Head of Internal Audit was still looking into the best solution for this action.

**Resolved to note the report.**

## 70/23 Update from External Audit

The Committee received a report on Update from External Audit. A representative from EY was not available to present this report.

The Director of Finance informed the Committee that the Council were engaging with EY on the three outstanding sets of accounts. It was noted that EY were currently focusing on the value for money judgement on the 22/23 accounts. It was reported that the Council's new external auditors (Mazars) would be kept up to date with any disclaimers made by EY on previous years' accounts.

Members of the Committee discussed their dissatisfaction with EY and the service that they had provided to the Council. It was agreed that the Director of Finance would work with the Chair of the Committee to submit a formal complaint to EY.

**Resolved:**

- 1. to note the update.**
- 2. that the Director of Finance would work with the Chair of the Committee to submit a formal complaint to EY.**

## 71/23 S106 Agreements

The Committee received a report on S106 Agreements. This was presented by the Head of Planning and the Team Leader (Implementation).

It was noted that Section 106 of the Town and Country Planning Act 1990, as amended by Section 12 of the Planning and Compensation Act 1991, allowed the Council to enter into Section 106 Agreements. It was reported that these were legal agreements tied to a planning permission which required a landowner to provide new infrastructure and facilities or pay a financial contribution to mitigate the impact of their development on local infrastructure and facilities. It was noted that mitigation must be in the form of physical works, with maintenance only

being acceptable where the Council was taking on a new facility, for example open space.

It was reported that the Implementation Team in Planning negotiated all S106 Agreements for the Council. It was noted that for any planning application that met the thresholds, Heads of Terms (HoT) were drawn up based on the SPD and in discussion with the relevant benefitting departments. The Committee noted that these HoT included details of the level of contribution/ types of works, timescales for works/payment and spend, and details of how/where payments would be spent. It was reported that members had the opportunity to feed into those HoT through the planning application process, with details of which applications had a S106 included in the Weekly List

The Committee noted that Quarterly reports were sent out to Members to inform them of what money was available to programme, what schemes departments were proposing for contributions and to invite comments on those or alternative schemes. It was reported that if agreement on what to spend contributions on could not be made between Members and Officers, Cabinet would make the final decision.

It was reported that the Community Infrastructure Levy (CIL) was introduced in 2010 and provided an alternative to S106 Agreements. It was noted that the CIL was a mechanism whereby some or all S106 contributions could be replaced by a simple levy set for Derby. This levy would be paid per house/sqm and could be spent on any infrastructure that the Council included within their Reg 123 list. It was reported that in 2013 the Council carried out some in depth viability work to test whether it would be beneficial to implement CIL. The Committee noted that the results of that work showed that if a CIL was introduced in Derby there would be a significant reduction in the amount of money secured from development.

The Head of Planning informed the Committee that this was mainly due to the way that CIL was calculated as it has to be affordable to all development in an area. It was reported that CIL would have to be set low to ensure it didn't stop development coming forward. It was noted that this viability work was carried out again in 2016 and although the viability position had improved slightly, it was still significantly lower than the level that S106 could bring in. The Committee noted that CIL had therefore never been adopted in Derby, as was the case with a large number of Local Authorities, especially those areas with lower land values.

A councillor suggested that Derby could become a test and learn authority under The Levelling-up and Regeneration Act 2023. The Team Leader (Implementation) informed the Committee that it was the Council's view that test and learn authorities would have a tough time and that the Council was not planning to become one.

A councillor asked whether information could be provided on what the Council

was spending S106 money on. It was noted that the Council produced an Infrastructure Funding Statement each December and that Committee members would be provided with the 2023 copy. It was noted that S106 money could only be spent where mitigations could be made and that this resulted in some wards receiving more S106 money than others.

A councillor suggested that the quarterly reports to councillors could be made more user friendly. It was noted that these reports had not been updated for a number of years. It was agreed that councillors would be contacted and asked to put forward suggestions on how these reports could be improved .

A councillor commented that it would be beneficial for S106 agreements to be made more flexible as the Council could not always anticipate what mitigations would become necessary for different developments. It was noted that changes to legislation meant that S106 agreements had to be more specific and that the Council had to justify everything that it asked for. It was noted that the Council could renegotiate with developers at a later stage but that there were risks associated with doing that.

A councillor asked whether all councillors could be provided with training on S106. The Head of Planning offered to provide an online training session for councillors and also agreed to send them a copy of the Council's S106 guide for councillors.

**Resolved to note the update.**

## **72/23      Contract Waivers for the period 1 July 2023 to 31 December 2023**

The Committee received a report on Contract Waivers for the period 1 July 2023 to 31 December 2023. This was presented by Head of Procurement.

It was reported that there was a total of 39 waivers within this report covering the period 1 July 2023 to 31 December 2023. It was reported that of the 39 waivers, 38 were considered to be unavoidable. This compared with 31 waivers that were considered by Audit and Governance Committee on 26 July 2023 for the period 1 January 2023 to 30 June 2023. It was reported that of that 31, 25 were considered to be unavoidable.

The Committee noted that all avoidable waivers over £10,000 were reported at appendix 1 and that each waiver was signed off by the relevant Director stating that they agreed with the recommendation. It was reported that a waiver was required if the relevant process outlined in the Council's Contract Procedure Rules for awarding a contract could not be followed.

A member of the Committee asked whether members of the Committee could be

provided with a copy of the relevant section of the Council's constitution relating to waivers and the number of procurements that had taken place for the period 1 July 2023 to 31 December 2023. The Head of Procurement agreed to provide this information.

A councillor asked how the Council could be sure that for the avoidable waiver the contractor's rates were competitive. It was noted that the relevant service had confirmed that these rates were competitive.

**Resolved to note the contents of the report and the quarterly comparison of the total number of waivers being reported.**

## 73/23 CIPFA Financial Management Code – Update

The Committee received a presentation on the CIPFA Financial Management Code. This was presented by the Group Accountant.

The Committee noted that the FM Code identified risks to financial sustainability and introduced a framework of assurance. This framework was built on existing successful practices and set explicit standards of financial management. It was reported that complying with the standards set out in the FM Code was the collective responsibility of elected members along with the chief finance officer and their professional colleagues in the Council's leadership team.

It was reported that the FM Code established an approach based on the following six principles of good financial management:

- Organisational Leadership Demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture.
- Accountability Based on medium term financial planning, driving the annual budget process, supported by effective risk management, quality supporting data and whole life costs.
- Transparency At the core of financial management, using consistent, meaningful and understandable data, reported frequently, with evidence of periodic officer action and elected member decision making.
- Professional Standards Promoted by the leadership team, with adherence evidenced.
- Assurance Recognised as an effective tool, mainstreamed into financial management, including political scrutiny and the results of both external audit, internal audit and inspection.

- Long-Term Sustainability At the heart of all local services' financial management processes, evidenced by the prudent use of public resources.

The Committee noted that explicit standards of financial management were also set out by the FM Code. It was reported that these were the minimum standards which had to be complied with in order for the Council to demonstrate its compliance with the FM Code. It was noted that the standards articulated the practical application of the principles of financial management based on the requirements of primary legislation, associated CIPFA codes and guidance on professional codes of practice and ethics.

Members of the Committee noted that whilst compliance with the standards was mandatory, the FM Code did not prescribe how they should be achieved.

A councillor asked whether all councillors had been made aware that complying with the standards set out in the FM Code was the collective responsibility of elected members. It was noted that overall engagement with councillors was good and that there had been very positive engagement with Council Cabinet on this. It was noted that engagement with councillors through scrutiny could be improved and that work was being done in this area.

It was reported that a further update on the CIPFA Financial Management Code would be brought to the Committee in Q1 2024/25.

**Resolved to note the update.**

## 74/23      Accounting Policies 2023/24

The Committee considered a report which provided an update to the Committee regarding the Accounting Policies 2023/24. This was presented by the Group Accountant.

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. It was reported that the Code of Practice on Local Authority Accounting in the UK 2023/24 required the Council to determine its accounting policies with direct reference to the requirements stipulated by the Code. It was noted that there was limited opportunity to deviate from these standard policies; however, there were parts of the Code which required a judgement to be made. It was reported that in this circumstance the Council had assessed the local conditions in order to determine the setting and adopting of its accounting policies.

The Committee noted that the 2023/24 Code contained temporary disclosure amendments relating to infrastructure assets but did not contain any new

accounting standards and therefore the Council's accounting policies remained unchanged. It was reported that the implementation date for International Financial Reporting Standards (IFRS) 16 Leasing was reviewed as part of the emergency consultation on the temporary changes to the accounting code for 2021/22 and 2022/23 accounts. The Committee noted that the consultation proposal approved that mandatory implementation has been deferred until 1 April 2024 for the 2024/25 accounts.

A member of the Committee asked whether External Audit reviewed these policies. It was noted that they were reviewed as part of the external audit process and that in the past these policies had been amended following that process.

**Resolved:**

- 1. To approve the accounting policies to be used in completing the 2023/24 Statement of Accounts, as set out in Appendix 1 of the report.**
- 2. to delegate to the Section 151 Officer 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.**

## 75/23 Committee Terms of Reference

The Committee considered a report which provided an update to the Committee regarding the Committee Terms of Reference. This was presented by the Head of Internal Audit.

It was noted that the Terms of Reference for the Committee were last reviewed and updated in March 2023. It was reported that the Terms of Reference were based on the suggested Audit Committee terms of reference contained in the latest version of the Chartered Institute of Public Finance and Accountancy (CIPFA) publication "Audit Committees – Practical Guidance for Local Authorities and Police" (published October 2022).

Members were encouraged to consider the implications of any changes proposed to the Terms of Reference, and to ensure that these resulted in added value, proportionate to the additional resource required to fulfil them.

A member of the committee asked whether a document was produced which stated which areas had been covered over the previous year. It was noted that the Committee's Annual Report to Council did this.

**Resolved to agree the proposed Committee Terms of Reference.**

## 76/23 Audit and Governance Committee – Self-Assessment of Good Practice 2023/24

The Committee considered a report which provided an update to the Committee regarding the Audit and Governance Committee – Self- of Good Practice 2023/24. This was presented by the Head of Internal Audit.

It was reported that, in line with the practice in previous years, each member of the Committee had been asked to complete the CIPFA interactive self-assessment questionnaire to cover the 2023/24 municipal year. The deadline for questionnaires to be returned to the Head of Internal Audit was Monday 26th February 2024. It was reported that a total of eight self-assessment questionnaires had been returned out of a possible 12. It was reported that the results of this self-assessment would be included in the Committee’s annual report to Full Council.

It was agreed that the Head of Internal Audit would produce an action plan based on the responses to the self-assessment. Co-opted members of the Committee offered their support in producing this action plan.

**Resolved that the Head of Internal Audit would produce an action plan based on the responses to the self-assessment.**

## 77/23 Internal Audit Progress Report

The Committee received a report on the Internal Audit Progress Report. The report was presented by the Head of Internal Audit and provided the Committee with an overview of the output from Internal Audit assurance work for the period from 20 November 2023 to 12 March 2024.

It was noted that the Audit and Governance Committee was responsible for providing assurance to the Council on the effectiveness of its governance arrangements, its risk management framework and the internal control environment. It was noted that the work of Internal Audit supported the Committee in providing this assurance.

The committee noted that internal audit plans needed to take account of changes in the Council's risks and that the move to a rolling quarterly based internal audit plan had helped to achieve a more responsive approach to changes in risk.

The Head of Internal Audit informed the Committee that a report on the progress against the 2023/24 internal audit plan was attached at Appendix 1. It was reported that the progress report also contained the latest position on the actions detailed in CMAP’s Quality Assurance and Improvement Plan (QAIP).



A member of the Committee raised concerns that for the school exclusions audit 60% of recommendations had been knocked back. It was noted that the general message that Internal Audit had received was that the frequency that these issues arose didn't warrant redeploying the resources needed to accept these recommendations.

A member of the Committee asked why the action date for the residential care audit recommendations was a year away. It was noted that Business Support were now dealing with these recommendations and that they had asked for more time.

A member of the Committee asked how services were reminded about outstanding audit recommendations. It was noted that directors and heads of service received quarterly updates on outstanding recommendations in their areas. It was noted that CLT also received a quarterly update and that the Committee could 'call-in' services where necessary.

It was noted that assurance mapping was an enormous exercise and that Internal Audit were struggling to get cooperation on this due to competing priorities.

**Resolved:**

- 1. to note the progress being made by Internal Audit on its work in 2023/24 outlined in the report at Appendix 1 of the report.**
- 2. to review the control issues being raised by Internal Audit and management's response to the risks.**
- 3. to review the progress being made by management in respect of the implementation of internal audit recommendations.**

## **78/23 Internal Audit Plan 2024/25 - Quarter 1**

The Committee received a report on the Internal Audit Plan 2024/25 - Quarter 1 which outlined the proposals for internal audit work in Quarter 1 of 2024/25. This was in accordance with the Public Sector Internal Audit Standards (PSIAS) which required that Internal Audit develops a risk-based plan to direct their work in the forthcoming financial year.

The appendix to the report also outlined those areas that the Head of Internal Audit had earmarked for potential audit in the first three quarters of 2024/25. These were subject to change in light of new and emerging risks and issues.

It was noted that in producing the plan for Quarter 1 and potential areas for the other three quarterly internal audit plans in 2024/25, the Head of Internal Audit had:

- Reviewed internal audit's work in 2023/24.
- Revisited the Council's Risk Registers and emerging risk log.
- Reviewed those areas highlighted in the previous Internal Audit Plan report as potential areas for audit work for Quarters 1, 2 and 3 of 2024/25.
- Examined which of those areas scheduled for future audit are key to the overall assurance opinion for 2024/25 in light of the reduction in audit days requested by Derby City from 2023/24 onwards.
- Discussed key departmental issues/risk areas with individual Service Directors
- Identified areas that have not been subjected to audit review for several years.
- Reviewed horizon scanning documents that highlighted some of the challenges and opportunities faced by the public sector.

A councillor asked whether the scope for the AI audit had been agreed yet. It was noted that the scope for that audit had not yet been agreed.

A councillor asked whether blue badges would be looked at during 24/25. It was noted that the Head of Internal Audit was keeping an eye on that area.

**Resolved to approve the Internal Audit Plan for Quarter 1 of 2024/25 at Appendix 1.**

## 79/23 Internal Audit Charter

The Committee considered a report which provided an update to the Committee regarding the Internal Audit Charter. This was presented by the Head of Internal Audit.

It was reported that this Charter was brought to each partner organisation's audit committee.

**Resolved to review and approve the Internal Audit Charter at Appendix 1 of the report.**

## 80/23 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.

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

MINUTES END