

Item 04

Time Commenced: 3.01pm

Time Ended: 4.54pm

AUDIT AND ACCOUNTS COMMITTEE

30 July 2019

Present: Councillor Willoughby (Chair)
Councillors Bettany, McCristal and A Pegg
Philip Sunderland

In attendance: Don McLure – Strategic Director of Corporate Resources
Heather Greenan – Director of Policy, Insight and
Communications
Richard Boneham – Head of Internal Audit
Alex Hough – Acting Head of Democracy
Olu Idowu – Head of Legal Services
Linda Spiby – Head of Procurement and Contracting
Peter Shillcock – Group Accountant – Corporate Finance
Keith Cousins – Communications Officer
Melanie Elliot – Project Manager
Trudy Enticott – Group Auditor
Martin Shipley – Group Auditor
Stephen Clark – Ernst and Young LLP

16/19 Apologies for Absence

Apologies were received from Councillors Care, Dhindsa, Shanker and West, and Stuart Green.

17/19 Late Items

There were no late items.

18/19 Declarations of Interest

There were no declarations of interest.

19/19 Minutes of the meeting held on 19 June 2019

The minutes of the meeting held on 19 June 2019 were agreed as a correct record.

20/19 Audited Financial Statements for the year ended 31 March 2019
and Ernst and Young ISA260 Audit Letter for the year ended 31
March 2019

The Committee received two reports of the Strategic Director of Corporate Resources on Audited Financial Statements for the year ended 31 March 2019 and Ernst and Young's ISA 260 audit letter for the same period.

The Strategic Director of Corporate Resources introduced the Audited Financial Statements in respect of the 2018/19 financial year, which had been circulated following publication of the agenda.

Councillors noted audit differences following the prior publication of the Draft Statement of Accounts. The largest of these related to pension adjustments in respect of additional liabilities as a result of the McCloud judgement; other adjustments of note related to Alfreton Road bridge repairs and a debtor accrued for in error. The Committee sought further clarification in relation to pension adjustments; PFI payments in relation to Academy Trusts; and, how liabilities in relation to the long term waste contract were reflected on the balance sheet.

Stephen Clark – Ernst and Young LLP presented the external auditor's overall findings and audit opinion in respect of the 2018/19 financial year.

The Committee considered the areas of audit focus. Areas of significant risk and fraud risk were highlighted to councillors. It was reported that the external auditors were satisfied that the Section 24 recommendations issued in June 2017 had been fully embedded for the duration of the audit period, and that an unqualified opinion was anticipated.

It was noted that external auditors had issued an adverse value for money qualification across a number of areas in the previous three years. It was reported that for the 2018/19 financial year the value for money opinion would be qualified on an 'except for' basis, reflecting concerns relating specifically to the A52 Transport Improvements Scheme in respect of informed decision making; sustainable resource deployment; and, working with partners and other third parties.

Councillors sought further clarification on a number of areas in relation to the ISA 260 audit letter, with particular consideration of the materiality of audit differences. The Committee heard that significant improvements had been achieved in relation to matters within the focus of the external auditors. Councillors, the Strategic Director of Corporate Resources and external auditors all placed on record their thanks to those who had been involved in preparing the Statement of Accounts within statutory timescales.

Resolved:

- **To approve the audited Financial Statements for the year ending 31 March 2019**
- **To note the contents of Ernst and Young's ISA 260 audit letter**
- **To welcome the findings of the council's external auditors and to place on record the thanks of the Committee to those involved in preparing the Final Statement of Accounts for 2018/19.**

21/19 Annual Governance Statement 2018/19

The Committee received a report of the Strategic Director of Corporate Resources on the Annual Governance Statement for 2018/19. The report was presented by the Head of Internal Audit

It was noted that the production and publication of the council's Governance Statement was statutorily required. Changes included since the consideration of the draft Annual Governance Statement at the meeting of 19 June 2019 were highlighted to the committee; these included details of risk surgeries and areas for independent assurance work during 2019/20. The Head of Audit informed the committee of an additional update suggested by the External Auditor in relation to the word of the section on the A52 issue.

Resolved:

- **To approve the Annual Governance Statement 2018/19, attached at Appendix 1 of the report.**
- **To request that the Leader of the Council and the Chief Executive sign the certification on page 26 of the Annual Governance Statement.**

22/19 Monitoring Officer Update

The Committee received a report of the Monitoring Officer, which outlined work currently being undertaken by or involving the Monitoring Officer. The report was presented by the Head of Legal Services, in their capacity as Deputy Monitoring Officer.

Councillors received an update on the following areas of activity:

- Contract Procedure Rules and Procurement Strategy
- Introduction of a new Standards Regime
- Referrals to the Monitoring Officer relating to taxi licensing issues
- Governance changes relating to the introduction of a Committee System and changes to four yearly elections
- Introduction of a Councillor Training Day

Councillors sought clarification on timescales for consideration of proposals for four yearly elections and queried the number of complaints currently being dealt with under the Standards process. Councillors welcomed the introduction of a Councillor Training

Day and requested that training related to the work of the Audit and Accounts Committee was included in the programme for future years.

Resolved:

- **To note the contents of the Monitoring Officer Update**
- **To request that Audit and Accounts Committee training was included in the programme for future Councillor Training Days.**

23/19 Annual Report and Review of Performance 2018/19

The Committee received a report of the Chief Executive detailing the council's Annual Report and Review of Performance for 2018/19, which presents a summary of progress against agreed priorities for the previous year.

It was noted that it represented good practice to share outcomes and that there were statutory requirements relating to the reporting of financial information. It was noted that the Annual Report represented the conclusion of the Council Plan for 2016 to 2019, with a new Council Plan for 2020 to 2023 having recently been agreed.

Councillors discussed the percentage of measures within the Council Delivery Plan that had met or exceeded their targets, noting a year on year reduction. It was stated that performance against agreed targets was reported to both Council Cabinet and the Executive Scrutiny Board; it was further noted that continuous improvement may not be achievable at a time of reducing resources, and the importance of setting realistic targets was emphasised.

Resolved:

- **To endorse the Annual Report and Annual Review of Performance for 2018/19**
- **To recommend that Council Cabinet note the comments of the Committee in relation to performance against agreed targets.**

24/19 Programme Management Office

The Committee received a report of the Chief Executive, providing a progress update on the establishment of a Programme Management Office (PMO), which is leading corporate actions arising from the A52 scheme investigation. The report was presented by the Director of Policy, Insight and Communications.

It was reported that the Programme Management Office had been established in September 2019, to provide a more consistent and robust approach to project management and ensure the benefits of projects were realised.

It was noted that the PMO provided centralised project support; the facilitation of project

networks; reporting and assurance; a centre of project management expertise; and, enabled business leadership.

Progress to date was outlined to the Committee, as well as the remit and priorities of the PMO Board. Councillors heard that a Project Gateway Process provided a simple and robust means to identify, adopt, approve and review all major projects. The next steps for the PMO included the creation of a Gateway handbook and regular reporting to Cabinet.

Resolved:

- **To note the progress being made to gain greater oversight of programme and project activity across the Council through the Programme Management Office.**
- **To receive a further update at the next meeting of the Audit and Accounts Committee on 6 November 2019.**

25/19 Covert Surveillance Update

The Committee received a report of the Strategic Director of Corporate Resources in relation to covert surveillance. The report was presented by the Head of Legal Services.

It was reported that the Investigatory Powers Commissioners Office (IPCO) requires each regulatory authority undertaking surveillance activity to put in place governance arrangements to provide decision makers with oversight, specifically in relation to the number and type of investigations, and the integrity of the records system. It was noted that between 1 April 2018 and 31 March 2019 there had been one request made in respect of the use of the Regulation of Investigatory Powers Act 2000 (RIPA).

Councillors enquired as to whether additional information in relation to this request could be provided. It was stated that legislative requirements limited the extent of information that could be disclosed, but that the request related to a cross-border trading standards investigation. Councillors questioned whether the procedure complied with relevant codes of practice and it was confirmed that this was the case.

Resolved to note that there had been one application made to the Magistrates Court for the use of covert surveillance between 1 April 2018 and 31 March 2019.

26/19 Contract waivers for period 1 March to 30 June 2019

The Committee received a report of the Strategic Director of Corporate Resources detailing approved waivers that had been made in line with the Contract Procedure Rules.

It was reported that five avoidable and 26 unavoidable waivers had been granted for the period in question. It was noted in the previous reporting period 78 waivers had been

granted, only two of which had been considered unavoidable. Councillors considered details of the five avoidable contract waivers, as detailed in the report.

Resolved:

- **To note the contents of the report**
- **To note the reduction in the total number of waivers granted compared to the last reporting period.**

MINUTES END