

# ITEM 4

Time Commenced: 10.00am

Time Ended: 12.20pm

## **AUDIT AND ACCOUNTS COMMITTEE**

**19 September 2018**

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

In attendance: Richard Boneham – Head of Internal Audit  
Jacinta Fru – Audit Manager  
Nicola Goodacre – Group Accountant - Capital  
Heather Greenan – Head of Performance and Intelligence  
Olu Idowu – Head of Legal Service  
Don McLure – Strategic Director of Corporate Resources  
Steven Mason – Democratic Services Officer  
Toni Nash – Head of Finance, Organisation and Governance  
Gary Radford – Principal Auditor  
Councillor Roulstone – Cabinet Member for Financial Services and Procurement  
Peter Shillcock – Group Accountant - Corporate  
Martin Shipley – Group Auditor  
Linda Spiby – Head of Procurement and Contracting

### **33/18 Apologies for Absence**

Apologies were received from Philip Sunderland.

### **34/18 Late Items**

There were no late items received.

### **35/18 Declarations of Interest**

There were no declarations of interest.

### **36/18 Minutes of the meeting held on 8 August 2018**

The minutes of the meeting held on 8 August 2018 were agreed as a correct record, subject to the following amendment.

That at 27/18, the first paragraph should read:

The Committee received a report on Monitoring Officer Update. The report was

presented by the Democratic Services Officer.

## **37/18      Audit and Accounts Committee Work Programme 2018/19**

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

The report provided the Committee with the opportunity to consider the updated work programme for the 2018/19 municipal year and potential areas for training.

Members agreed that training should be provided on the basic skills required for Members of the Committee and how Internal Audit carries out an audit.

### **Resolved:**

- 1. to agree the revised work programme 2018/19 for the Audit and Accounts Committee as set out in Appendix 2 of the report; and**
- 2. to agree areas for training, as outlined at the meeting.**

## **38/18      Internal Audit Plan – Update on Progress**

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

Members were provided with an update on the progress against the Internal Audit plan as at 31 August 2018.

Members considered and discussed the following completed audit assignments with limited assurance ratings:

- IKEN System Security
- Compliance – HR

It was noted that in these two cases Internal Audit were only able to offer limited assurance in relation to the areas reviewed and the effectiveness of controls found to be in place.

Members noted unplanned work in relation to Internal Audit being asked in May 2018 to carry out an investigation into the letting of the contract for the A52 Wyvern Transport Improvements Scheme and the subsequent performance issues. It was reported that following consultation with Senior Management, in light of this investigation, and time to be reallocated to this significant work, the following changes to the Audit Plan were proposed, to remove:

- Highway Maintenance – New Delivery framework
- IT Local Support Services

Members sought assurances that the A52 investigation was not impacting negatively upon the audit plan. It was reported that additional resources had been brought in and that if more resources were required or the investigation was impacting upon the audit plan, the Head of Internal Audit would raise this with the Strategic Director of Corporate Resources.

Some Members were concerned that it was proposed that IT Local Support Services be removed from the audit plan. It was reported that this would be kept under review.

Members received an update on recommendation tracking. In relation to the tracking of recommendations not implemented, it was reported that the Head of Internal Audit believed that the timescales were too long and suggested that the following timescales be introduced:

- Critical Risk and Significant Risk recommendations – where the original action date is exceeded by over 12 months
- Moderate Risk and Low Risk recommendations – where the original action date is exceeded by over 6 months

Members put forward a number of amendments to be made to future reports on Internal Audit Plan – Update on Progress.

Members were concerned that Internal Audit did not have direct access to the Derbyshire Building Control Partnership. It was reported that this was due to the absence of a clause in the associated Service Level Agreement (SLA) that gave Internal Audit access to the Partnership. Members agreed that Internal Audit access must be written in as part of procurement. Members noted that an approach should be made to Derbyshire Building Control Partnership to secure Internal Audit Access. Members agreed that other SLA's should be reviewed to see if Internal Audit had access. Members agreed that a review of SLA's should be undertaken, in relation to Internal Audit access, and be reported back to a future meeting of the Committee.

#### **Resolved:**

- 1. to note the progress being made by Internal Audit on the 2018/19 plan;**
- 2. to agree a number of amendments to be made to future Internal Audit Plan – Update on Progress reports, as outlined at the meeting; and**
- 3. to agree that a review of Service Level Agreements be undertaken, in relation to Internal Audit access, and reported back to a future meeting of the Audit and Accounts Committee.**

The Committee received a report of the Strategic Director of Corporate Resources on Risk Management Monitoring – Quarter 1. The report was presented by the Head of Performance and Intelligence.

Members were given the opportunity to review the Quarter 1 monitoring report on the Strategic Risk Register for the period to 30 June 2018, with particular focus on the mitigating actions being taken.

It was reported that over the last six months there had been a significant amount of work undertaken to strengthen the Council's risk management arrangements.

Members noted that the report included proposals for the new Risk Surgeries, which could be commissioned by the Audit and Accounts Committee to undertake a review of any specific risks on the strategic risk register. Members also noted that surgeries would promote a better understanding of risks and improve challenge of strategic risk assessment and mitigation.

It was reported that in 2017, the Council's Local Government Association Corporate Peer Challenge Assessment identified that the governance that was in place around organisational risk management required investment and strengthening. It was also reported that the lack of an embedded risk framework also featured in the 2016/17 and 2017/18 External Auditor's reports on their VFM Opinion. Members noted that as a result, Zurich (the Council's main insurers at that time) was commissioned, in November 2017, to update the Council's Risk Management Strategy and Policy and to undertake an initial review of its strategic and directorate risk registers. It was also noted that responsibility for risk management subsequently passed to the Council's Performance and Intelligence Team in April 2018.

Members considered the following recommendations made by Zurich at the end of March 2018 and a summary of the progress that had been made in addressing these:

- Creation of a Risk Management team
- Establishment of Corporate Risk Management Group
- Identification of Risk Champions within each Directorate
- Agreement on risk management platform to house risk information and move away from Excel spreadsheets
- Risk Management Training Programme – identify resource for continuing delivery of training to organisation departments

**Resolved:**

- 1. to note the improvements made to the Council's arrangements for risk management; and**
- 2. to approve the guidance for Risk Surgeries as shown in Appendix 3.**

## 40/18 Contract Waivers

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

It was reported that there were a total of 6 waivers within the report, covering the period 28 May 2018 to 31 August 2018; broken down by Directorate.

Members noted that of the 6 waivers, four were considered to be unavoidable. Members also noted that this compared to 14 waivers that were considered by the Committee on 19 June for the period 1 February 2018 to 25 May 2018.

**Resolved to note the report.**

## 41/18 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.**

## 42/18 Ernst Young 'Section 24' Recommendations – Internal Audit Report

The Committee received a report of the Strategic Director of Corporate Resources on Ernst Young 'Section 24' Recommendations – Internal Audit Report. The report was presented by the Head of Internal Audit.

Members considered the report and put forward a number of amendments to be made to future reports on this matter.

**Resolved:**

- 1. to note the Financial Controls and Capital Asset Valuations Internal Audit reports; and**
- 2. to agree to a number of amendments to be made to future Financial Controls and Capital Asset Valuations Internal Audit reports, as outlined at the meeting.**

## 43/18 Internal Audit Investigation

Martin Shipley – Group Auditor reported on an internal audit investigation.

Members discussed the investigation.

Members noted the apologies of Stephen Clark and Helen Henshaw – Ernst and Young LLP and that Helen was due to leave Ernst and Young LLP. Members wished their appreciation for all of her work to be noted.

**Resolved:**

- 1. to note the update on the Internal Audit investigation; and**
- 2. to agree that the Audit and Accounts Committee's appreciation for all of Helen Henshaw's (Ernst and Young LLP) work be noted.**

MINUTES END