

PUBLIC

MINUTES of a meeting of the **AUDIT COMMITTEE** held on 10 May 2016 at County Hall, Matlock

PRESENT

Councillor S Brittain (in the Chair)

Councillors G Birkin, S J Bradford, L M Chilton and D Williams

Apologies for absence were submitted on behalf of Councillor C E Neill

13/16 **MINUTES RESOLVED** that the minutes of the meeting held on 29 March 2016 be confirmed as a correct record and signed by the Chair.

14/16 **AUDIT COMMITTEE FORUM** Approval was sought to support a proposal to establish an Audit Committee Forum for public bodies in Derbyshire.

The role of member of an Audit Committee was important to the successful delivery of Corporate Governance within local authorities. Similarly, other public bodies had Audit Committees which had different methods of operation but performed the same basic function. It was recognised that there was a lot of good practice in both other public bodies and within external audit forums that could usefully inform and complement the role of Audit Committee member.

An area of good practice had been noted in the way public bodies in Lincolnshire had come together to develop a forum at which shared learning and shared experiences could be combined to good effect. This model was supported by KPMG in Lincolnshire and they had expressed a desire to work with Derbyshire to establish a forum. The proposals were:

- Membership: all local authorities, Office of Police & Crime Commissioner, Fire & Rescue service, Peak District National Park Authority, all CCG & Health trusts, University of Derby - 28 bodies in total.

- Invitees: all Audit Committee representatives from the organisations mentioned above.

- Frequency of meetings: If the first meeting was found to be successful then probably two meetings a year, suggest one in Matlock, one in Derby.

- Duration of meetings: Suggested all day events with lunch provided.

If Members agreed it was suggested that the first meeting would take place in July and that the agenda suggested in the Appendix to the report would be worked up with colleagues from KPMG.

The next step would be to write to the Directors of Finance in each of the bodies identified to gauge interest and numbers. As a first step the Directors of Finance at district and borough councils were invited to consider the proposal at a meeting held with them last week, they all indicated their support for the concept.

RESOLVED (1) to support the principle of a Derbyshire Audit Committee; and

(2) that the Chair of Audit Committee and Director of Finance write to each of the public bodies indicated in the report to invite their Audit Committee members to attend.

15/16 KPMG INTERIM AUDIT REPORT 2015-16 Members were informed of the outcome of the interim audit performed on the Council's accounts for 2015-16 by KPMG.

As part of the audit of the accounts and judgement on other aspects of the Council's activities required of the external auditor, KPMG undertook the work in two stages. The first element, covering work that could be completed before the accounts were complete, was usually undertaken around March each year and results in an Interim Audit Report.

Attached to the report was KPMG's Interim Audit Report for 2015-16, which was presented to the committee by Richard Walton from KPMG. Members considered its findings and asked questions of both KPMG and the Director of Finance on its contents.

RESOLVED (1) to consider the Interim Audit Report 2015-16; and

(2) to note the actions proposed to address the findings of the Interim Report.

16/16 STRATEGIC RISK REVIEW Members were advised of the latest update to the Strategic Risk Register.

The Council undertook regular reviews of risks and the latest detailed assessment of the highest ranking risks forms the Council's Strategic Risk Register which had been made available to Members separately. Whilst the Risk Register was designed to capture strategic risk, which by its nature had a long time span, there were a number of changes to the register which had been summarised in Appendix One to the report. Discussions had taken place

at departmental management teams as part of the update process and at Corporate Management Team. There were a number of potential actions identified as part of the annual Risk Champions Meeting which would further mitigate some of the risks on the register.

Discussions had taken place on new and emerging risks identified by both external analysts and as a result of discussions locally. External analysis by insurers and brokers, for instance, still placed financial risk as the top concern with increased concern around flooding risk and terrorism – both of which were felt to be less important in Derbyshire than nationally. There had been discussion about adding the possibility of the UK voting to leave the European Union as a key risk, at present it hadn't been added as the consequences remained both unclear and seemingly far into the future based on the time it would take to disentangle the UK. This risk would be reviewed again after the referendum result was known.

The risk register was a means by which the Council identified, monitored and managed risks, and it was also used to inform the budget process. Risk mitigation measures did not always involve a financial requirement, but many did, and budgetary provision, financial reserves and provisions are made accordingly, taking account of Council priorities and available funding.

Risk management policies and procedures remained a key part of the Council's delivery of service, and it was important that management of risk continued to be a high priority. Service Plans reflected risks facing services and the management of those risks, as did the Five Year Plan.

RESOLVED to note the report.

17/16 PUBLIC SECTOR INTERNAL AUDIT STANDARDS Members were advised of revisions to the Public Sector Internal Audit Standards (PSIAS) which were effective from 1 April 2016.

At the meeting of the committee on 19 March 2013, Members were informed of the implementation of the PSIAS from 1 April 2013.

The PSIAS were attached at Appendix 1 and Members were requested to note the particular revisions effective from 1 April 2016 which included a Mission of Internal Audit at page 9 and Core Principles for the Professional Practice of Internal Auditing at page 11. The Audit Charter, which confirmed the regulatory requirements and working methodologies of Audit Services, was currently subject to review and any necessary changes would be brought to a future meeting of the Committee for consideration.

RESOLVED to note the revisions to the PSIAS.

18/16 ANNUAL GOVERNANCE STATEMENT & SYSTEM OF INTERNAL CONTROL

Members were informed of progress on the review of the County Council's compliance with Best Practice requirements in respect of the annual review of the system of internal control and the production of the Draft Annual Governance Statement (AGS). In accordance with previously stated aims the AGS now also included details of the Council's compliance with International Auditing Standards.

Members were also asked to consider the Draft Annual Governance statement and recommend its inclusion in the Authority's Statement of Accounts for 2015-16.

The Draft Annual Governance Statement for 2015-16 was attached at Appendix 1 to the Chief Executive's report.

Members would recall that a Governance Group was established to conduct an ongoing review of key systems and processes operated within the County Council to ensure that they deliver effective Corporate Governance. This was undertaken utilising an objective assessment process prescribed by the Cipfa/Solace Framework, which provided a checklist of best practice standards against which compliance can be assessed.

The Annual Governance Statement once approved would be included in the Council's Statement of Accounts for 2015-16.

The External Auditors had specific duties placed on them under International Auditing Standards relating to fraud in the audit of financial statements, laws and regulation and litigation and claims. The Council's assurance was detailed in Appendix 2 to the report.

RESOLVED to note the information provided in the report as evidence of the Authority's effective compliance with the statutory requirement to produce an Annual Governance Statement and recommend it for inclusion in the Authority's Statement of Accounts.

19/16 APPOINTMENT OF EXTERNAL AUDITOR

(The representative from KPMG left the meeting during the Committee's consideration of this item) **RESOLVED** (1) to note changes to the arrangements for appointing external auditors following the closure of the Audit Commission, the end of the transitional arrangements at the conclusion of the 2017/18 audits and the need to consider options available and put in place new arrangements in time to make a first appointment by 31 December 2017; and

(2) to agree that the authority should opt in to a sector led approach to appointing an external auditor