

PUBLIC

MINUTES of a meeting of the **AUDIT COMMITTEE** held on 28 March 2018 at County Hall, Matlock

PRESENT

Councillor A Griffiths (in the Chair)

Councillors N Barker, S Brittain and L M Chilton

Officers in attendance – P Handford, C Hardman, J Morgan and K Riley (representing Derbyshire County Council) and R Walton (representing KPMG)

Apologies for absence were submitted on behalf of Councillors K S Athwal and P Murray

On behalf of the Committee, the Vice-Chairman wished them both well and a speedy recovery.

14/18 **MINUTES RESOLVED** that the minutes of the meeting held on 14 February 2018 be confirmed as a correct record and signed by the Chairman.

15/18 **MATTERS ARISING** Mr Handford updated Members on the latest position regarding the valuation of Property, Plant and Equipment for the 2017-18 accounts. Immediately prior to the last meeting of the committee, Mr Handford had been informed that there were new issues with some of the asset valuation work. Following the last meeting, a great deal of additional activity had been undertaken since then and Mr Handford was confident that the information received so far was of a good quality and provided a reasonable level of assurance that the deadline for submission to Auditors by 31 May 2018 would be met so long as the rest of the data required was received soon and to the same standard.

16/18 **STRATEGIC RISK REVIEW** Members were presented with the latest update to the Strategic Risk Register. As agreed previously, the report to Committee had been changed so that only those risks that had changed were detailed in Appendix One to the report. New risks were detailed in Appendix Two and the full Strategic Risk Register was included in Appendix Three.

The Committee was introduced to Jane Morgan, the Risk and Insurance Manager who attended the meeting to give a presentation on managing strategic risks. This included identifying risks, who managed the risks and an explanation of what strategic risks were was provided. The failure to identify risks and the consequences was also highlighted.

The 2012 Risk Management Strategy for the Council had been reviewed and drafted to reflect an enterprising approach to risk. It had been agreed that Jane Morgan met with CMT and a number of key Members over the next months in order to ensure that the strategy proposed reflected the Council Plan and the Council's appetite for risk. It was the aim to embed this process across the Authority.

Once the Strategy was in place, it was proposed that the Strategic Risk Register was reviewed by the Cabinet and CMT to ensure that the risks that were represented were in line with the Corporate Plan and to identify any new and emerging risks that may face the Council in the future.

A round table discussion would be facilitated to enable Cabinet and CMT to identify the key strategic risks if this was deemed to be appropriate.

The two day training course had been completed by the Risk Champions and senior Health and Safety officers in October 2017 to provide them with the basics on Enterprise Risk Management. Further training courses were planned for the remainder of 2018-19 to provide key employees and Members if required on the basics of Risk Management. Members of the Committee welcomed this and training would be arranged in due course.

The Chairman thanked Jane Morgan for her most informative presentation.

RESOLVED that the report be noted.

17/18 BUDGET MONITORING 2017-18 (AS AT 31 DECEMBER 2017)

A report was presented which summarised the controllable budget position by Cabinet Member portfolio as at 31 December 2017. In addition to this report, further reports would also be considered at Cabinet Member meetings and Council in accordance with the Budget Monitoring Policy and Financial Regulations. The projected outturn compared to controllable budget was presented and this included the use of one-off funding for the Highways, Transport and Infrastructure and Young People portfolios. The Director of Finance and ICT provided a summary of the individual portfolio positions.

RESOLVED to note the 2017-18 budget monitoring position as at 31 December 2017.

18/18 INTERNAL AUDIT PLAN 2018-19 The proposed Audit Plan for 2018-19 was presented. The Audit Plan had been formulated from the risk assessment drawn from a wide range of sources including the Council Plan, the Council's strategic risk register, Departmental risk registers, service plans and meetings with Strategic Directors and the Director of Finance & ICT. As part of

this process Audit projects had been identified which would be developed specifically to address key Corporate and Departmental risks and build on those areas where frauds/control weaknesses had previously been identified. The Audit Plan would, as in previous years, be continually reviewed to ensure that it remained aligned with significant risks whilst remaining responsive to changes in risk, operations, systems and controls. Progress against the approved Audit Plan would be monitored and regularly reported to the Audit Committee.

The Audit Plan for 2018-19 was based on a staffing structure which provided for the deployment of approximately 13.5 full time equivalents. At the meeting of the Audit Committee on 14 February 2018 Members were informed that there would be a significant reduction in resources available to undertake Audit work based on known factors, and that if no action was taken the Unit would have approximately 450 days less to deliver Audit work which equated to approximately two full time staff. This reduced resource was inadequate and would have an adverse impact on the provision of the annual audit opinion if left unaddressed.

Consequently this situation has been brought to the attention of Senior Management and action was being taken to address this shortfall in resources. However, particularly in the short term, increased pressures would be placed on the Unit's existing resources. The Unit was committed to providing a full range of Audit services using only in-house staff, including the specialist areas of investigative and IT Audit work.

Mazars LLP would act as the Council's External Auditors from 2018-19 and the Unit would work with them and seek to develop an agreed External and Internal Audit Protocol. The Audit Services' Plan was attached at Appendix 1 to the report and detailed the Audit Services' coverage for all Departments and the Corporate Authority, and identified the perceived level of risk, the resource to be employed and the expected outcomes of Audit work.

RESOLVED to approve the Audit Services' Plan for 2018-19.

19/18 **EXTERNAL AUDIT PLAN 2017-18** Richard Walton from KPMG attended the meeting to update Members on progress in relation to the External Audit Plan for 2017-18. A summary of the work performed since the last meeting of the Audit Committee was provided.

Mr Walton also reported on the upcoming work to be carried out which included:

- completing the value for money work in response to the selected significant risks and other emerging areas; and
- undertaking early substantive work during an additional on-site visit in March 2018. This was to help reduce the pressure of the final accounts visit in this first year of the earlier timetable.

The Chairman thanked Mr Walton for his update.

RESOLVED to note the report.