

PUBLIC

MINUTES of a meeting of the **AUDIT COMMITTEE** held on 21 July 2016 at County Hall, Matlock

PRESENT

Councillor S Brittain (in the Chair)

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

20/16 **MINUTES RESOLVED** that the minutes of the meeting held on 10 May 2016 be confirmed as a correct record and signed by the Chair.

21/16 **MATTERS ARISING - Audit Committee Forum (Minute No.14/16)** At the last meeting it was suggested that the first meeting of the Audit Committee Forum would take place in July. This had not happened and it was suggested that the first meeting would now be held in September/October.

22/16 **STRATEGIC RISK REVIEW** Members were advised of the latest update to the Strategic Risk Register.

The Risk Register was designed to capture strategic risk which by its nature had a long time span. Discussions had taken place at departmental management teams as part of the review process and at Corporate Management Team. As a consequence a number of changes had been made to the Register which were summarised in Appendix One to the report. As agreed previously, only those risks that had changed were detailed. The revised Register was attached at Appendix Two to the report.

RESOLVED that the report be noted.

23/16 **REVIEW OF THE EFFECTIVENESS OF THE SYSTEM OF INTERNAL CONTROL** This was the first year that the Accounts and Audit Regulations 2015 were in force. The requirement for a review of the effectiveness of internal audit had been replaced with a wider requirement to review the effectiveness of the system of internal control.

The Audit Committee was the appropriate Committee of the County Council to consider the outcomes of this review. In order to provide Members with the necessary assurances around the effectiveness of the system of internal control it was appropriate to consider and reflect on the work of the Audit Committee, the assurances received from internal and external audit

and evidence from the statement of accounts. In particular it was appropriate to refer Members to the following:

- The Annual Governance Statement approved at the Audit Committee meeting on 10 May 2016;
- The evidence of compliance with International Auditing Standards presented at the same meeting;
- The work of internal auditors culminating in the Annual Audit Report from the Assistant Director of Finance (Audit) presented to this meeting;
- The ISA260 report presented to this meeting by the Council's external auditor KPMG;
- The detail contained within the Strategic Risk Register which had been regularly presented to Members and the latest version of which was on today's agenda;
- The standard and quality of the Statement of Accounts for 2015-16 and in particular the transparency illustrated by the disclosures made;
- The Council's spending against budget, reserves and achievement of budget reductions were monitored on a regular basis and reported to both management, portfolio holders, Cabinet, Audit Committee and Council. In addition the Audit Committee and Cabinet received reports detailing the Council's significant Treasury management operations;

As Members were aware, PwC (PricewaterhouseCoopers) concluded a review of the Audit Services Unit in 2014. Such reviews were required annually by the Public Sector Internal Audit Standards (PSIAS), with an external review being conducted at least once every five years. PwC had provided a positive view of the Unit's effectiveness and compliance with the PSIAS. Additionally, the External Auditor continued to rely on the work of Internal Audit for assurance purposes. Consequently the Director of Finance was satisfied that Audit Services achieved adherence to the standards set out in the PSIAS, and that this provided a sound basis from which the Council relied on the assurances provided by Audit Services in respect of the effectiveness of the internal control system.

RESOLVED that the Committee considered the information in the report as evidence of the effective operation of the internal control system.

24/16 ANNUAL AUDIT REPORT 2015-16 Members were informed of the work undertaken by the Audit Services Unit for the financial year 2015-16 and updated on the overall performance against the Audit Plan. The Annual Audit Report contained:-

- An analysis of planned and actual audit activity for 2015-16
- An analysis of reports issued, assurance levels and recommendations made and agreed
- Productivity statistics

- Areas of good practice identified and areas for improvement in the current year
- Client satisfaction indicators for the Unit
- The Assistant Director of Finance (Audit)'s formal controls assurance statement and opinion which contributes to the Authority's Annual Governance Statement

The Assistant Director of Finance (Audit) reported that he continued to attend Corporate Management Team to provide regular updates on the non-implementation of agreed recommendations. At a future meeting of the Committee, he would provide Members with detailed comparative information on recommendations not implemented following a review and the process undertaken.

Councillor Neill congratulated the Assistant Director of Finance (Audit) and his team for their commitment and the work they had carried out throughout the year. This was borne out in feedback the Unit had received from clients which showed that 96% of responses rated the service as good or very good.

RESOLVED (1) that the detailed Annual Audit Report for 2015-16 be received; and

(2) to note the overall quality of the performance of the Audit Services Unit during that period.

25/16 REGULATION OF INVESTIGATORY POWERS ACT (RIPA) It was reported that one application had been made in the period from 19 September 2015 to 30 June 2016 in respect of access to communications data.

A working group was carrying out the necessary review to update the Authority's RIPA Policy following changes necessitated by the Data Retention and Investigatory Powers Act 2014. The Council now used the National Anti-Fraud Network's Single Point of Contact services to acquire communications data under RIPA, if approved by a magistrate. A further report would be brought to this Committee when the review had been completed.

RESOLVED to note (1) that in the period 19 September 2015 to 30 June 2016 one application was made under the Authority's powers relating to RIPA; and

(2) the changes to arrangements to access communications data and the requirement to amend the Authority's RIPA Policy.

26/16 NATIONAL FRAUD INITIATIVE Following a recent consultation the Cabinet Office proposed that no changes were required to the work

programme for the National Fraud Initiative 2016-17. The Council had now received the Cabinet Office's formal request to participate in NFI 2016-17 and relevant data must be submitted on 10 October 2016; results of this exercise would be available from 26 January 2017.

The Council was required to submit the following datasets to the Cabinet Office:-

- payroll;
- pensions;
- insurance claims;
- private supported care home residents;
- transport passes and blue badge permits;
- trade creditors history;
- trade creditors standing data;
- personal budgets (direct payments)

A detailed data specification of the information required for each of the above datasets had been provided. As in previous years reports would be brought to future meetings of the Audit Committee to provide Members with updates on progress regarding NFI 2016-17.

RESOLVED to note the Council's participation in NFI 2016-17 and the associated arrangements made.

27/16 REPORT TO THOSE CHARGED WITH GOVERNANCE (ISA 260) 2015-16 – EXTERNAL AUDITOR Mr Cornett, KPMG, presented a report which summarised the key issues identified during the audit of the financial statements for the year ended 31 March 2016 for both the Authority and its Pension Fund. The report also summarised the assessment of the Authority's arrangements to secure value for money (VFM).

Mr Cornett anticipated issuing an unqualified audit opinion on the Authority's financial statements following approval of the Accounts by the Audit Committee. It was also reported that the wording of the Annual Governance Statement accorded with their understanding. The audit had identified two audit adjustments to the financial statements presented but neither of them impacted on the Authority's overall financial position. It was once again highlighted that the finance team had put considerable effort into preparing the accounts earlier than in previous years, and into improving the quality of the supporting working papers. This enabled Mr Cornett to issue his unqualified audit opinion by the end of July 2016 before the deadline of 30 September 2016.

It was concluded that the Authority had made proper arrangements to secure economy, efficiency and effectiveness in use of its resources and it

was therefore anticipated that an unqualified VFM conclusion would be issued.

Mr Cornett wished to thank officers for the support and assistance they had provided in enabling them to complete their work early. The Chair thanked Mr Cornett for his presentation.

RESOLVED to note the content and recommendations detailed in the report from KPMG and agree that the Chair and Director of Finance sign off the letter of representation.

28/16 STATEMENT OF ACCOUNTS 2015-16 The Accounts and Audit Regulations 2015 required the Director of Finance to certify the pre-audited Statement of Accounts by 30 June and the Audit Committee to approve the post-audit version before 30 September. The Council's accounts were made available for public inspection from 6 June 2016 to 15 July 2016 and no queries were raised.

There were no significant changes from the presentation of the Statement of Accounts 2014-15, however a Narrative Report had replaced the Explanatory Foreword, as required by the Accounts and Audit Regulations 2015 and the International Financial Reporting Standards (IFRS) 13 Fair Value Measurement and disclosure requirements of the 2015-16 Code of Practice on Local Authority Accounting in the United Kingdom had been applied.

A copy of the audited Statement of Accounts was presented for approval at Appendix One to the report. Details of the changes made to the pre-audited Statement of Accounts were included at Appendix Two. The International Standards on Auditing ISA 580, required the Council to provide a Management Representation Letter to the external auditors. The letter outlined the responsibilities of those charged with governance. The letter was still to be finalised but a draft was shown at Appendix Three.

Members enquired as to the effect that Brexit may have on the financial situation for Derbyshire. The Director of Finance reported that it was too early to realise any implications at this stage. Mr Cornett informed the Committee that KPMG had a web page dedicated to Brexit which may be helpful and hopefully this would highlight any implications resulting from the exit vote. Mr Cornett would circulate the link to Members of the Committee.

The Council submitted the pre-audited Statement of Accounts to the external auditor on 3 June, which was 27 days ahead of the statutory deadline of 30 June, as the Council prepared for the introduction of revised timescales for completion of the accounts. The Council would be required to submit the accounts for 2017-18 and beyond to external audit by 31 May following the

financial year-end. The achievement of completing the accounts early again this year represented a significant step towards the Council ensuring that it would meet its statutory obligations in the future. The Finance Team were congratulated by Members on achieving this.

The Director of Finance presented the accounts and responded to the Committee's questions and queries.

The Chair thanked the Director of Finance for his presentation and on behalf of the Committee, thanked Mr Handford and everyone who assisted with the production of the accounts.

RESOLVED to approve the Statement of Accounts for 2015-16.